



Ref: CEL/AR/19072019

19th July, 2019

To,

| | |
|--|---|
| Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 | Department of Corporate Services - Listing BSE Limited P. J. Towers, Dalal Street, Mumbai – 400 001 |
|--|---|

Re: Scrip Symbol: CENTUM/ Scrip Code: 517544

Dear Sir/ Madam,

Sub: Annual Report 2018-19

We are enclosing herewith the Twenty Sixth Annual Report of the Company for the financial year ended 31st March, 2019.

This is pursuant to Regulation 34 and other applicable Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

Kindly take the above information on your records.

Yours faithfully,
For **Centum Electronics Limited**

Nagaraj K V
Company Secretary & Compliance Officer

Encl: as above

Centum Electronics Limited

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CIN - L85110KA1993PLC013869

Reliable Performance,
Because it Matters the Most.



Centum Electronics Limited
Annual Report 2018-19

What's Where!

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Safe Harbour

Certain statements in this Report, including statements relating to Centum's expectations regarding the future business, development and economic performance, that are subject to risks, uncertainties and other factors. Without limitation, among the factors that could cause actual results to differ materially from those indicated by such forward-looking statements such as but not limited to (1) competitive pressure; (2) legislative and regulatory developments; (3) global, macro economic and political trends; (4) fluctuations in currency exchange rates and general market conditions; (5) technical developments; (6) litigations; (7) adverse publicity and news coverage etc. All forward-looking statements reflect Centum's expectations only as of the date of this Report and should not be relied upon as reflecting Centum's views, expectations or beliefs at any date subsequent to the date of this release. Centum disclaims any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.



What Sets us Apart

Our Value Proposition

International ESDM company, Indian roots

- Design and manufacturing presence across North America, Europe and Asia for critical electronics solutions
- Highly skilled international talent pool
- Illustrious trail of international JVs and global recognitions
- Supply high-reliability complex products and solutions to customers in 14 countries

Enviably clientele, flexible offerings

- Operating in super critical domains of space, aerospace, defence, industrial, transportation and medical electronics
- Marquee customers include global behemoths like Thales, Rafael, Airbus, ISRO, DRDO, ALSTOM, GE & ABB
- International revenue contributes > 80% of consolidated revenues
- Company with competencies across product design, realization and series manufacturing



World-class infrastructure

- State-of-the-art manufacturing assets spread across 350,000 SFT, including an advanced Product Lab of 27,000 SFT
- Globally competitive talent pool of 2,100 employees including design engineers
- Best-in-class systems and certification
- Closer to customer manufacturing and design network in Asia, Europe and North America
- High-quality products, developed with strong research focus, enabled with international quality certifications like ISO



Reliable Performance, Because it Matters the Most.

Amid accelerated technological advancements, human expectations from the all-pervasive technology continue to rise. In the sphere of technological breakthroughs, the more we (mankind) accomplish, the more we aspire.

In hi-tech domains of space, aerospace, medical, transportation, etc., criticality of technological advancements is even higher. Having kept expansion of information as the key achievable until now, objectives of space missions are now expanding to achieve newer benefits such as energy, satellite internet and tourism. Innovators in aerospace are attempting to make air travel more energy efficient, sustainable and yet affordable on one hand, even as they are ready to deploy flying cars and electric aircrafts for commercial applications. The technology wish list for Medical Science is nothing less than current science fiction, as it includes artificialization of critical organs, usage of nano-technology and risk averse surgical processes. When it comes to transportation, technology is expected to help achieve decongestion, superfast travel, energy efficiency with improved safety.

Moreover, we seek these advancements in a cost optimized and environmentally sensitive manner. With so much at stake, technology needs to deliver on high reliability with precision, every single time.



Electronics, the core constituent of hi-tech devices and equipment, continues to raise its precision and reliability further. As one of the largest hi-tech electronics company from India, Centum is raising the benchmarks to drive itself towards a larger responsibility. Exiting the component business, we are increasingly developing more advanced subsystems, systems and modules for a range of hi-tech applications. We continue to script one success after another, with critical deliveries made to marquee global customers. Rising confidence of customers, is accelerating our climb on the value chain, along with fueling our infrastructure and talent scale up.



This year marks 25th year of our business operations. Incidentally, 2019 also celebrates 50th year of the first Apollo moon landing. Setting eye on our own 50th year, we are revving up our innovation engine with a resolve to consistently deliver reliable performances. Because it matters the most.

FY19 at a Glance



Accomplishments

In a distinguished accomplishment by a private player for the very first time in India, we designed, developed and manufactured the complex payload for EMISAT, a first of its kind Satellite launched by India.

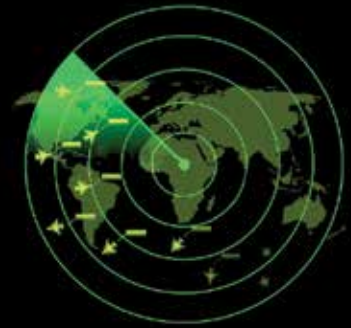
Moving up the value chain, we manufactured and supplied the complete RADAR Electronics for Air Traffic Management systems for a customer in Europe.

Crossed consolidated revenue of ₹ 1,000 Crores (including discontinued operations) & ₹ 500 Crores on Standalone basis





Received 'High Growth in Electronic Hardware Exports' award by STPI



Strengthened Design Services Business

by adding new infrastructure for India Design Centre and inducting senior leadership talent

Obtained ISO 27001 Certification

on Information Security Management System



Strategic Moves

- ◆ Significant investment plans in Strategic Electronics Business Unit
- ◆ In line with strategic objective of moving up the value chain to systems & subsystems, we exited the component business in our JV with Rakon
- ◆ Keeping our strategic priorities in mind, it is decided to hive off the Energy Division of Centum Adetel
- ◆ With the strategic intent of moving towards Industry 4.0 and digitization of internal processes, we have upgraded our ERP & implemented HRIS

We are Centum Electronics



Celebrating 25 glorious years of our business journey, we are one of the largest ESDM companies from India with a truly international imprint. Having started as an electronic component company, we have fast evolved to offer the entire spectrum of design services and manufacturing of systems, subsystems and modules for mission critical applications in Space, Defence, Aerospace, Industrial, Transportation and Medical segments.

Serving marquee global customers, including many Fortune 500 companies, our design and manufacturing network spans North America, Europe and India. Nearly 80% of our revenues come from global markets. We employ a multinational multi-cultural talent pool of 2,100 employees. Nearly one-third of them form part of our design teams.

Listed on both prominent stock exchanges of India, BSE and NSE, we closed fiscal year 2018-19 with annual consolidated revenues of ₹ 937 crores and market capitalization of ₹ 567 crores as on March 31, 2019.

Our Vision

“To create value by contributing to the success of our customers, by being their innovation partner offering design & manufacturing solutions in high technology areas.”

Our Values



Teamwork



Openness and Trust



Integrity



Customer Relationship



Excellence



Social Responsibility

Marquee Customers

THALES

RAFAEL 

 AIRBUS

 UTC Aerospace Systems

 SAFRAN



ABB

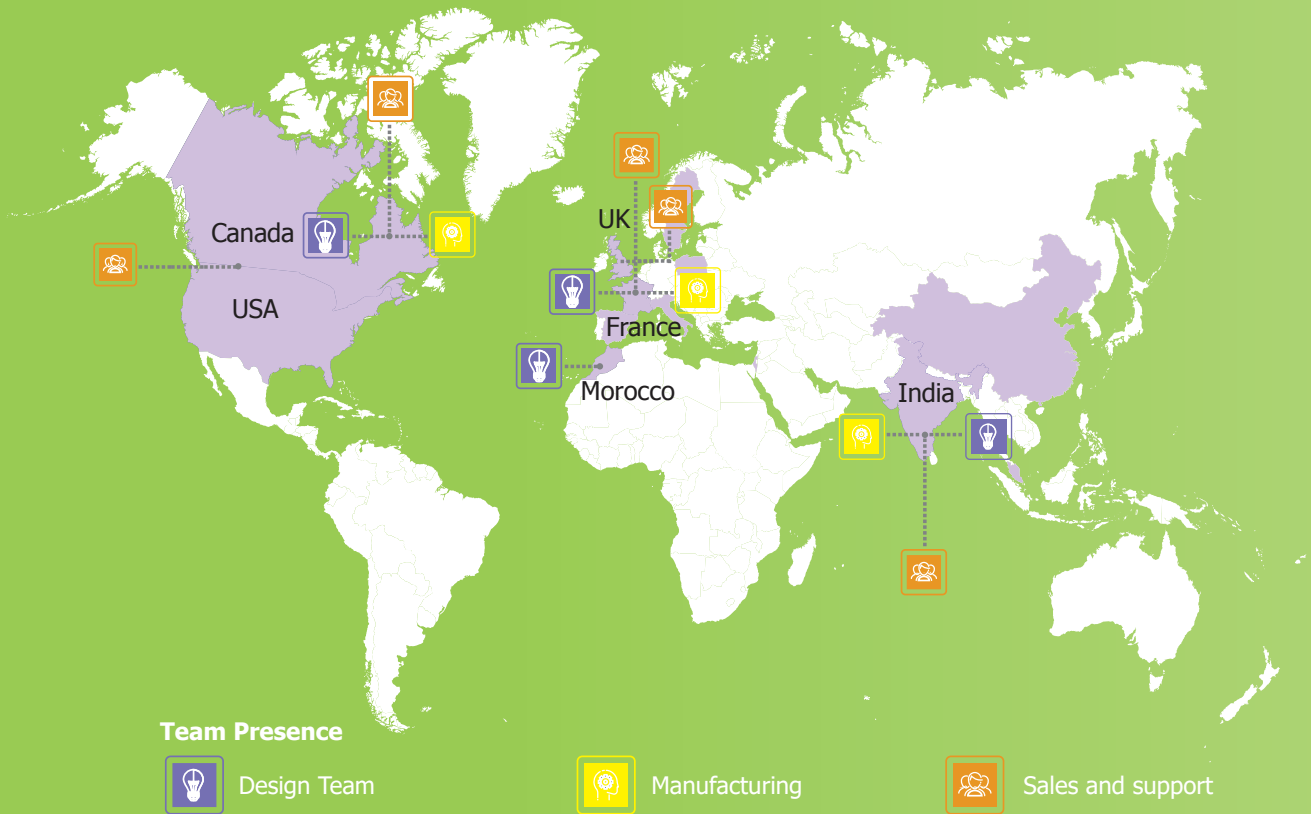
 BDL

ALSTOM

SIEMENS



Our Global Footprints



Team Presence



Design Team



Manufacturing



Sales and support



Customers' Presence

India | Israel | USA | Canada | Sweden | Germany | Switzerland | France | Italy | UK | Netherlands | Spain | Singapore | China

Performance through the Years

Financial Highlights – Consolidated

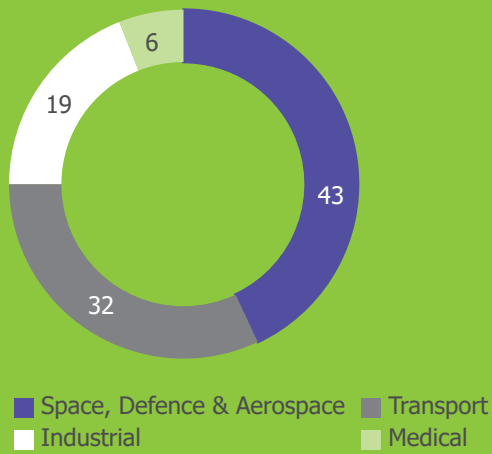
(₹ in million)

| Statement of Profit & Loss Account | 2018-19 | 2017-18 | 2016-17 | 2015-16 |
|---|----------------|----------------|----------------|----------------|
| Total Income | 9,375 | 7,941 | 7,337 | 4,228 |
| Earnings Before Interest Tax Depreciation and Amortization (EBITDA) | 971 | 472 | 767 | 773 |
| Earnings Before Interest and Tax (EBIT)* | 692 | 190 | 535 | 606 |
| Earnings Before Tax (EBT)* | 481 | 29 | 446 | 359 |
| Earnings After Tax (EAT)* | 484 | 20 | 360 | 258 |
| Earnings per Share - Basic | 30.8 | -7.3 | 27.0 | 20.8 |
| Dividend per Share - Interim & Proposed | 5 | 1 | 5 | 3 |
| Book Value per Share | 189 | 168 | 182 | 175 |
| Balance Sheet | 2018-19 | 2017-18 | 2016-17 | 2015-16 |
| Property, Plant and Equipment and Intangible Assets | 2,186 | 2,652 | 2,617 | 928 |
| Investments | 120 | 144 | 449 | 13 |
| Net Assets (Current and Non-Current) | 3,263 | 3,060 | 2,195 | 2,033 |
| Net assets (held for disposal) | 603 | 296 | 0 | 0 |
| | 6,173 | 6,153 | 5,262 | 2,975 |
| Share Capital | 129 | 129 | 128 | 127 |
| Reserves & Surplus ** | 2,309 | 2,032 | 2,188 | 2,088 |
| Debts | 3,565 | 3,896 | 2,786 | 814 |
| Tax Balances | 171 | 96 | 160 | -53 |
| | 6,173 | 6,153 | 5,262 | 2,975 |
| Key Ratios | 2018-19 | 2017-18 | 2016-17 | 2015-16 |
| EBITDA Margin (% to Total Income) * | 10% | 6% | 12% | 19% |
| Fixed Assets Turnover (No of times) | 4.3 | 3.0 | 2.8 | 4.5 |
| EAT * / Total Income | 5% | 0% | 5% | 6% |
| Return on Capital Employed (%) * | 11% | 3% | 10% | 20% |
| Return on Networth (%) * | 20% | 1% | 16% | 12% |

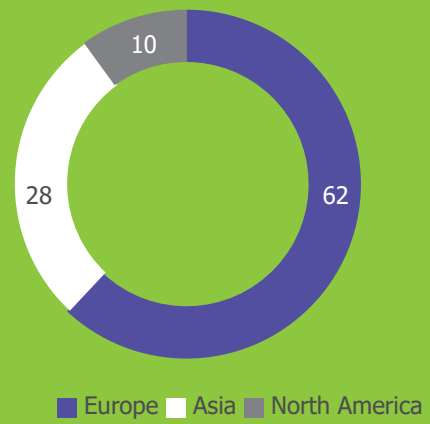
* Excludes exceptional item & share of profit / loss from associate / discontinuing operations

** Including non-controlling interest

Revenue Mix by Industry (%, FY19)

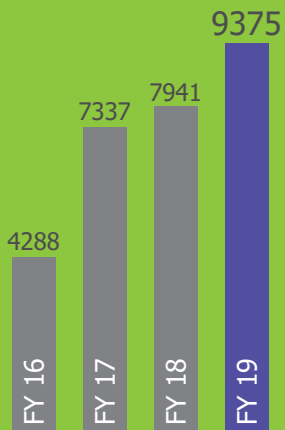


Revenue Mix by Geography (%, FY19)



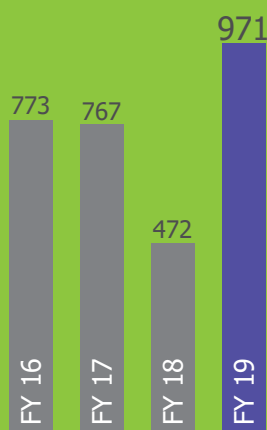
Revenue (₹ in million)

CAGR 22.03%



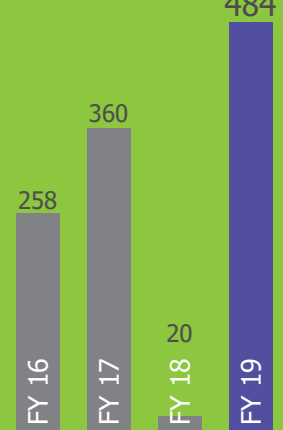
EBIDTA (₹ in million)

CAGR 5.87%



Earnings After Tax (₹ in million)

CAGR 17.03%



Centum Turns 25

From humble beginnings of manufacturing electronic components to designing and developing today's complex electronic systems and subsystems such as complex payloads for satellites, control systems for missiles, cockpit electronics for civil and military aircraft and passenger information systems for the transport, Centum has evolved as the leader in the ESDM sector in India.

Long term vision, well-defined strategies and impeccable execution have been the pillars driving the Centum's glorious story of 25 years.

Formative Years

1993-1997

Company was incorporated (1993)

Ground breaking of first manufacturing facility at Yelahanka, Bengaluru (1993)

Entered communication segment with raising of first customer invoice for HMC (1994)

Company went public with successful listing of shares at Bombay Stock Exchange and Bangalore Stock Exchange (1995)

Formed its first joint venture with C-Mac Industries, Canada (1997)

Strengthening of Core

1998-2002

Forayed into Frequency Control Products (FCP) segment (1999)

Commenced the Kaizen Journey (2000)

Exported first consignment (2000)

Made maiden sales to ISRO, entered the Space segment (2001)

Formed JV with Solectron Corporation, USA (2002)

Exploration and Expansion

2003-2007

Forayed into Electronic Manufacturing Services with formation of dedicated EMS division (2004)

Entered the Industrial segment (2004)

Frost & Sullivan conferred 'Platinum Award' for manufacturing excellence in Emerging Enterprises category (2004)

Demerged EMS division into Solectron EMS (2007)



25
Years



Investing for Accelerating Growth 2013-2018

Became key partner in ISRO's Mars Orbiter Mission, Mangalyaan (2013)

World Economic Forum 'Global Growth Company' award (2014)

Forayed into Medical segment (2014)

Made it to the coveted Forbes 'Asia' 200 Best Under A Billion 2015' list (2015)

ICAI, ELCINA, Champion Innovation

Acquisition of majority stake in Adetel, France (2016)

Added a new state-of-the-art manufacturing facility at Aerospace Park, Bengaluru (2017)

Enhanced capabilities in space with EMISAT launch (2018)

Inauguration of India Design Centre (2018)

Partnering and Diversifying 2008-2012

Formed joint venture with Rakon, New Zealand (2008)

Became a key partner of ISRO in India's first lunar mission, Chandrayaan 1 (2008)

Forayed into Defence segment (2009)

Acquired Solectron EMS and merged it into the Company (2010)



Letter to Shareholders

Dear fellow Shareholders

It gives me great joy to write this very special letter to you. It was 25 years ago, in September 1994, that we raised our first invoice. It feels like it is only very recently, that I started the Company in the garage of my house that I still live-in and I cannot believe, that we are at the historical milestone of 25 years. This year, we also reached another land mark and crossed consolidated revenue of ₹ 1,000 Crores (including discontinued operations) & ₹ 500 Crores on Standalone basis.

I feel fortunate and blessed to be working with the amazing shareholders, employees, customers and partners, which is the reason we are here today and celebrating our 25th anniversary. From humble beginnings of manufacturing electronic components to designing and developing today's complex electronic systems and subsystems, such as complex payloads for satellites, control systems for missiles, cockpit electronics for civil and military aircraft and passenger information systems for transport, Centum has evolved as the leader in the ESDM sector in India. You would be happy to note that our Company from India has succeeded in leaving a deep imprint on the global electronics map, a feat unthinkable a few years ago. The fact that we have achieved it in critical hi-tech sectors like space, aerospace, transportation, industrial and medical, makes our accomplishment more commendable.

Long term vision, well-defined strategies and impeccable execution have been the pillars driving the Centum's glorious story of 25 years.

Our strategic intent is to consolidate what has been achieved and drive profitable growth. To achieve this objective, we decided to move up the value chain and focus on design, develop and manufacture systems & subsystems and also move away from the component business. Towards this, we have taken the following steps:

- To strengthen our design, development and technological capabilities and also to increase the global footprint, we acquired Adetel Group in France and Canada.
- Created a world-class infrastructure at the Aerospace park in Bengaluru to be able to handle the systems and subsystems of the future.
- To bring more management focus to the above strategy, we exited the component business of Frequency Control Products.

We are already seeing the benefit of this strategy and are working on many opportunities in the systems and subsystems area. This year started on an auspicious note, with the launch of EMISAT on April 1, 2019 for which Centum designed, engineered and manufactured one of the most complex systems (payload) ever flown by ISRO. The other drivers for growth are clearly;

- the proactive actions being taken by Government of India, in the "Make in India" initiative,
- the on-going trade war between US and China wherein customers are looking to mitigate the risks of buying only from China and
- our proactive actions to further increase the portfolio of global customers, by increasing investments in Sales & Marketing in Europe and North America.

Considering the Orders on Hand and our confidence on the opportunities we are seeing, we are planning an investment of ₹ 50 crores in the next twelve months. I urge you to read the Management Discussion & Analysis (Pages 18 to 24 of this report) for a more detailed view of the markets and opportunities.

With the strategic intent of moving towards Industry 4.0 and digitization of internal processes, we have upgraded our ERP & implemented HRIS.

As you may be aware, we had acquired a stressed asset in France, which was making losses and I am happy to report that we have been able to turn it around and the subsidiary is now breaking even. To improve the profitability further,

- we are investing in creating an India Design Center to specifically support our subsidiaries in France and Canada.
- One of the division has good potential in the future, but needs infusion of capital and will take some time to see profitability. Hence, we have initiated the divestiture process of this division, which will reflect in better profitability of Centum Adetel Group.

One of our core values is being "Socially Responsible" and much before CSR was made mandatory, we were actively engaged with the local communities such as schools and hospitals focused on children. We continue to engage not just through donation of money, but more importantly lot of our team members are actively involved in these institutions.

A journey of 25 years wouldn't have been as exciting and accomplishing without the support and participation of all members of our leadership team and colleagues, JV partners, customers, vendors and friends from financial community. I feel humbled to place on record our sincere appreciation and express my heartfelt thanks for their positive imprint on our journey.

Warm regards,

Apparao V Mallavarapu

Board of Directors



Apparao V Mallavarapu (Rao)

Chairman and Managing Director

Apparao Mallavarapu (Rao) is the founder and Chairman and Managing Director of the Company. He holds a Bachelor's degree in Mechanical Engineering from Bangalore University and a Master's Degree from Dal-Tech University, Canada. A Ford Foundation scholar and a first generation entrepreneur, Rao has steered Centum to its current stature of a global ESDM company with truly international operations and marquee customers from multiple hi-tech segments and geographies. He can be credited with creation of several value accretive joint ventures with large, reputed MNCs.

Highly active in volunteering and advisory roles, he is currently serving on/as the Board of Advisors of 'New Zealand Trade and Enterprise', the 'Council of Industry and Higher Education', a member to the court of 'Indian Institute of Science' and Honorary Consul of Brazil in Bangalore. He is the recipient of 'Electronics Man of the Year' award by ELCINA (2015) and 'Champion of Innovation Award' at the 'New Zealand Innovation Showcase' (2016) by the Prime Minister of New Zealand.



S. Krishnan

Independent Director

S. Krishnan holds a B. Tech degree from IIT, Madras and an M.E. degree from IISC, Bangalore. He brings in a diverse experience of 33 years across Design, Manufacturing Process Technology and Quality Assurance. In an earlier engagement with Centum, he served as its Head of Design and Engineering since the Company's inception till his retirement in 2004. Prior to joining Centum, he also served in the microelectronics group of Bharat Electronics Limited.



Pranav Kumar N Patel

Independent Director

Pranav holds a bachelor's degree in electrical engineering from the University of Illinois, a twin master's degrees in 'Electrical and Computer Engineering', and 'Industrial Engineering' from the Georgia Institute of Technology and an MBA from the Georgia State University. He is founder and CEO of MediTechSafe. An accomplished business leader and an early innovator, he has co-authored six patents. He has held various executive leadership roles across multiple industries with Fortune 500 companies like GE and Siemens.



P. Thiruvengadam

Independent Director

A fellow of the Institute of Cost Accountants of India, P. Thiruvengadam holds a B.Tech degree from IIT Madras and a PG Diploma in Industrial Engineering from T.I.P.I.E. NPC. In an illustrious career of over four decades as a management consultant, he gathered rich experience in India, Middle East and Far East Asia before retiring as Senior Director of the Deloitte Touche Tohmatsu India Pvt. Ltd in 2015. His social interest includes working with Voluntary Organizations.



Rajiv C Mody

Independent Director

Rajiv holds a Bachelor's degree in Electrical Engineering from M.S. University, Baroda and Master's Degree in Computer Science from Polytechnic School of Engineering, New York University. He has also attended the Advanced Management Program (AMP 161) at Harvard Business School. He is the Founder, Chairman, Managing Director & CEO, of Sasken Technologies Ltd. A seasoned technocrat and an industry veteran, he has worked with Corporations like AMD, Seattle Tech Inc. and VLSI Technology Inc., prior to founding Sasken. He served as an Executive Council Member of NASSCOM (2001-2008) and is currently part of the Harvard Business School South Asia Advisory Board.



Manoj Nagrath

Independent Director

Manoj is the Managing Partner of the firm S.P. Nagrath & Co. LLP, Chartered Accountants, having its offices in New Delhi and Bangalore. He was enrolled as a member of the Institute of Chartered Accountants of India in 1983.



Dr. Swarnalatha Mallavarapu

Non-Executive Director

Dr. Swarnalatha Mallavarapu (Latha), an alumna of the Indian Institute of Science and a PhD in Physics, has worked at some of the premier research institutes in India and the US, including The US Air Force Weapons Labs at Albuquerque, the Indian Institute of Science at Bangalore and the R&D division of Bharat Electronics Limited. Her well recognized research in thin films and devices for critical applications have been published in reputed international and national scientific journals and conferences. Prior to founding Centum Industries in the year 2004, she had consulted leading Corporations like Coretek, X-Media Corporation and Wyrnet. As a Government nominated member to the Syndicate of Bangalore University from 2001 to 2004, she made vital contributions in reforms, policy making and evolution of proper systems and processes. She had also served on the Board of the Bangalore Stock Exchange. Having held various positions in the FICCI Ladies Organization in the past, she had served as Chairperson for the Bangalore Chapter in the year 2016-17.

Leadership Team



APPARAO V MALLAVARAPU
Chairman & Managing Director, Centum Group



FRANCOIS SEBES
CEO, Centum Adetel Group



K S DESIKAN
Group CFO, Head of Strategy & IT



NIKHIL MALLAVARAPU
President, Electronics Manufacturing Service (EMS)



VINOD CHIPPALKATTI
President, Strategic Electronics Business Unit



RAVINDRA NUGURI
Executive Vice President, Centum Adeneo &
CEO, Centum Adeneo India



NANDA KISHORE VEMPATI
Head HR



SANDHYA THYAGARAJAN
Vice President, Strategic Electronics Business Unit

Corporate Information

BOARD OF DIRECTORS

Mr. Apparao V Mallavarapu
Chairman & Managing Director

Mr. S. Krishnan
Independent Director

Mr. Pranav Kumar N. Patel
Independent Director

Mr. P. Thiruvengadam
Independent Director

Mr. Rajiv C Mody
Independent Director

Mr. Manoj Nagrath
Independent Director

Dr. Swarnalatha Mallavarapu
Non-Executive Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Nagaraj K V

INTERNAL AUDITORS

KPMG

AUDIT COMMITTEE

Mr. Manoj Nagrath, Chairman
Mr. Apparao V Mallavarapu, Member
Mr. S. Krishnan, Member
Mr. Pranav Kumar N Patel, Member
Mr. P. Thiruvengadam, Member

NOMINATION & REMUNERATION COMMITTEE

Mr. Manoj Nagrath, Chairman
Mr. S. Krishnan, Member
Mr. Rajiv C Mody, Member
Mr. Apparao V Mallavarapu, Member

STAKEHOLDERS' RELATIONSHIP COMMITTEE

Mr. Manoj Nagrath, Chairman
Mr. Apparao V Mallavarapu, Member
Mr. S. Krishnan, Member

CSR COMMITTEE

Mr. Manoj Nagrath, Chairman
Mr. Apparao V Mallavarapu, Member
Mr. S. Krishnan, Member
Dr. Swarnalatha Mallavarapu, Member

STATUTORY AUDITORS

Messrs. S.R. Batliboi & Associates LLP
Chartered Accountants
UB City, Canberra Block, 12th Floor
No.24, Vittal Mallya Road
Bangalore – 560001

REGISTERED & CORPORATE OFFICE

No.44 KHB Industrial Area,
Yelahanka New Town,
Bangalore – 560106.

EQUITY SHARES LISTED AT

National Stock Exchange of India Limited (NSE)
BSE Limited (BSE)

REGISTRAR & SHARE TRANSFER AGENTS

Karvy Fintech Private Limited
Karvy Selenium Tower B, Plot 31-32,
Gachibowli, Financial District,
Nanakramguda, Hyderabad – 500032
Telephone No: 040-67161500
Fax No. : 040-23420814
Email Id.: einward.ris@karvy.com

BANKERS

State Bank of India
Citi Bank N.A.
Kotak Mahindra Bank
YES Bank
HDFC Bank



Management Discussion & Analysis

1. Economic Overview

According to World Economic Outlook, April 2019, the global economic growth is expected to pick up in the second half of 2019, led by significant policy accommodations by major economies. Beyond 2020, the global economic growth is expected to stabilize at around 3.6% for the mid-term, led mainly by robust growth in India and China, and their increasing share in the world income.

Meanwhile, India is expected to continue its lead as the world's fastest growing major economy and an attractive investment destination. The economic growth in the country is projected to pick up to 7.3% in 2019 and 7.5% in 2020, supported by recovery in investments and robust consumption demand, amidst the softening stance of monetary policy and expected impetus from the fiscal policy. In 2018, the Indian economy grew at 7.1%, backed by investments and reforms by the Government such as the implementation of Goods and Services Tax (GST), new Insolvency and Bankruptcy Code (IBC) and opening up of sectors for foreign direct investments (FDIs).

On the other hand, the growth rates for many economies such as US, UK and Germany have been revised downwards. Led by a slew of factors including the ongoing trade tensions, tighter financial conditions across economies, uncertainty over fiscal policy and introduction of new emission norms.

Overview of the World Economic Outlook Projections (Percent change, unless noted otherwise)

| | 2018 | 2019 (P) | 2020 (P) |
|--------------|------|----------|----------|
| World Output | 3.6 | 3.3 | 3.6 |
| US | 2.9 | 2.3 | 1.9 |
| Euro area | 1.8 | 1.3 | 1.5 |
| India | 7.1 | 7.3 | 7.5 |
| China | 6.6 | 6.3 | 6.1 |
| Mexico | 2.0 | 1.6 | 1.9 |
| Brazil | 1.1 | 2.1 | 2.5 |
| Germany | 1.5 | 0.8 | 1.4 |
| Canada | 1.8 | 1.5 | 1.9 |
| UK | 1.4 | 1.2 | 1.4 |

Source: WEO, April 2019

2. Company Overview

Centum Electronics Limited (Centum), this year, celebrates 25 successful years of operations. Starting as an electronic component company for the Telecom Industry in India, Centum has evolved to be one of the largest ESDM companies in India with 80% of its revenues coming from global markets. Centum's products include systems, subsystems and modules. Centum also provides design services to its customers.

Centum serves customers engaged in mission critical solutions with advanced tailor-made technologies. It serves the Strategic Electronics (Space, Defence and Aerospace), Industrial, Transportation and Medical markets. Centum's goal is to expand its offerings and become the sophisticated one-stop shop, the OEMs are seeking. Centum has been steadily increasing its product and service range in these chosen industry segments and in the geographies, it serves, which are North America, Europe, India and rest of Asia

With extensive design & development expertise and leading-edge technologies, Centum is now a strategic supplier to many Fortune 500 companies.

The strategy over the years has been consistent and is based on high customer focus with competent people, state-of-the-art technology and high-quality products.

Centum's vision is "To create value by contributing to the success of its customers, by being their innovation partner offering design & manufacturing solutions in high technology areas."

3. Industry Overview

Broadly, the electronics industry is categorized under Consumer, IT, Medical, Strategic Electronics, Communications, Automotive and Industrial segments. However, your Company is focused on Strategic Electronics, Industrial, Transport and Medical industry segments.

With the renewed focus by the Government of India in the area of manufacturing, with "Make in India" and also creating an environment of "Ease of Doing Business" in India, your Company foresees the Indian manufacturing sector (including design, wherever applicable) to see high growth rates in the coming years, with significant investments from both domestic and foreign companies.

With the trade disputes between US and China not being resolved or even if resolved, large Corporations, as a measure of risk mitigation, will look for new geographies to manufacture their products, India will certainly be a potential destination in this scenario.

However, the gestation period for the manufacturing sector to show results, is longer compared to other sectors and so, it may take a few years to see the real benefits.

The early adopters of Outsourcing manufacturing were the OEMs in the Communication, IT and Consumer Electronics markets. However, in the recent past, OEM in the high technology sectors also are tending to outsource their manufacturing and design requirements which has significant potential for growth.

(a) Strategic Electronics

i) Defence & Aerospace

The Indian Defence Budget is increasing year on year, both in terms of the total value and also as a percentage of the budget allocation itself. Of the total defence budget, the percentage of expenditure towards Capital head is increasing every year creating an even bigger opportunity for the defence market. Also, studies show that Indian defence market is one of the most attractive defence markets in the world.

The Defence Procurement Policy (DPP) of Government of India has created a huge opportunity for Indian industries. DPP has been modified from time to time, considering the feedback from various stakeholders. The present DPP gives a higher focus on "Make in India" and "Self-Reliance". For example, procurements which may have been classified under "Buy" or "Buy & Make" categories earlier, would under the latest DPP, be classified as "Make" category, which would bring lot more opportunity for Indian companies. This would also prompt the Indian / Foreign companies to create Joint Ventures in India to address the Indian market.

Presently, the requirements of Armed Forces are not fully met and of course these can be met by direct imports or procured from Public Sector Units which are monopolies in platforms such as fighter planes, missiles etc. To ensure that Armed Forces are fully prepared and also keeping in mind the "Make in India" focus, the Government has removed the monopoly of the public sector in these areas and is also encouraging large Indian private conglomerates to make fighter planes, missiles in India with International Joint Venture partners. This initiative will create a strong supply chain in India giving a further opportunity to Indian companies.

However, for all these initiatives, to produce results, may take a few years, but these are the essential steps to be taken to convert opportunity into reality.

The Armed forces, till recently, procured their requirements either from direct imports, or products developed by DRDO labs and productionized by defence PSUs or the Ordnance factories. Due to Government of India's focus on self-reliance, new opportunities are emerging in this sector. To accelerate the process of self-reliance, DRDO labs are partnering with private industries in designing new products and also willing to transfer technologies of complex products which hitherto were partnering only with PSUs or Ordnance Factories.

Till recently, the indigenous defence manufacturing was restricted to Defence Public Sector Units and Ordnance Factories only. Due

to increasing requirements, the Defence PSUs and the Ordnance Factories have a huge order book and should more actively work with the private industry to fulfill the requirements. However due to legacy issues of being vertically integrated, the PSUs still do not involve the private industry as much as they should, to be mutually successful.

ii) Space

India has a space program which is very vibrant and successful. The Government of India has given the Indian Space Programme a special status.

The number of satellites launches by the Indian Space Agency has been increasing steadily in the last few years and ISRO plans to launch ten to twelve satellites per year in the near future. Until recently, ISRO manufactured the systems and subsystems in-house or imported them. However, due to the increased requirements coupled with Government's focus on self-reliance ISRO, is actively involved in developing the private industry in meeting their increasing requirements. Towards this, ISRO has set up a private company with the objective of acting as a mediator or link between ISRO and the industry, and facilitate the transfer of ISRO technologies to private companies This clearly sets the tone and directions ISRO wants to move, which will be great opportunity for the private sector.

(b) Industrial

This sector comprises of segments like Power, Process Automation, Instrumentation, Energy, etc. Industrial sector is one of the late entrants to the concept of outsourcing their electronic hardware compared to Telecom and IT sectors. This



was due to the stringent quality requirements and long product lifecycles. The large multinationals in this industry segment are focusing on low cost countries like India for their outsourcing requirements due to the design, engineering and testing skills required to manufacture these products. This is growing market for our products and services.

Your Company also sees a trend of multinational companies starting green field projects or acquiring companies in India. To make their products competitive, these Indian units are creating a supply chain ecosystem in the country.

(c) Transport

Locomotives, Trams, Metros come under this sector. The lifespan of the products in this sector is very long and hence the quality and reliability requirements are very critical. This is a sector which is growing especially in the emerging markets such as China, India, Brazil, South Africa etc. In the developed nations, transportation systems with newer technologies are being introduced. Also, these nations have extensive public transportation systems, but they are ageing and need refurbishment or upgrade.

4 Company Strategy

Your Company was set up 25 years ago, to manufacture Hybrid microcircuits, an electronic component which was used in the telecommunication products. Over the years, your Company has continuously evolved, with the market requirements, emerging technologies and industry roadmaps. In this process, your Company transformed into one of the largest ESDM companies in India which designs and develops systems & subsystems.

Your Company has taken steps to strengthen the operations and improve the competitiveness of Centum Adetel, (CA) our subsidiary in France & Canada.

- Last year, your Company started a dedicated design centre in Bengaluru to increase capacity and competitiveness of CA. This has proven to be very useful and we have further increased the infrastructure of the facility to accommodate more people. We have also increased the competency levels in the areas of design in the India Design Center.
- Several years ago, our subsidiary in France, embarked on developing a solution for the Energy Storage markets. This solution is now ready and has also been well received by the customers. However, the volumes are yet to pick up and because of this reason, this division is incurring losses. Although the technology is very innovative, we estimate that it may take some more time and investment to scale this business. Hence, it is decided to hive off this division and accordingly, the results of this division are shown as "Discontinuing operations" We have initiated the process to exit and we hope to close the transaction during this financial year.
- One of the divisions of the subsidiary is in the business of Passenger Information Systems for Metros, High



speed trains and Trams. This division designs, develops, manufactures and integrate the system and it is unique to every customer. With the combined strength of design competencies at Canada and India and the strength of in-house manufacturing at Bengaluru, we are able to present a competitive solution to the customers and we are seeing a significant potential for this business.

Your Company has a strong presence in the Indian Space, Defence & Aerospace markets. It has indigenized various products, which up until now, were imported. With the focus of Government of India on "Make in India" especially Indigenously Designed, Developed and Manufactured (IDDM) products, the potential opportunities for Indian companies, increases significantly. CA has some unique technologies, which can be leveraged to design, develop and manufacture products in India, which hitherto we would not have been able to address. We expect this synergy to bring additional opportunities for your Company.

The Company's strategy focuses on industry segments, technology and geographies.

Industry Segment: To ensure that the Company is not dependent on any one industry segment, it operates in Strategic Electronics, (Space, Defence, Aerospace), Industrial, Transport and Medical Electronics.

Technology: The strategy of the Company is to operate in high technology areas in the above-mentioned industry segments.

Geography: The strategy of the Company is to address the global markets. We have segmented our markets as North America, Europe, India, and rest of Asia. This is to ensure that any economic downturn in any one region, has limited impact on the Company.

The Company implemented the above strategy very well and is seeing the benefits. The focus, going forward, will be increasing the market share in these industry segments & geographies by increasing the products & services of the Company

The products & services that your Company offers can be classified broadly into "Built to Specification" (BTS), Design Services, and "Built to Print" (BTP) opportunities.

BTS: In this business model, the customer gives only the specifications and the Company designs, develops and manufactures the product. As design is the critical factor in functioning of the product, the Value Add is generally higher. However, as the design and development phase involve multiple iterations and certifications, the lead time to take this to mass production is generally long.

Company has created significant competencies in Digital, Analog, Power and RF areas. These competencies are in the areas of design, process, manufacturing, quality & reliability. Significant investment is being made in human resources and hard assets.

To be successful in this segment, the Company has a strong design and technology team of engineers in seven locations worldwide, working alongside engineers with relevant domain experience. All these engineers are from highly reputed universities with Bachelors, Masters and Doctoral degrees and with long years of work experience in R&D labs / companies of International repute.

Design Services: As mentioned in the section on "Industry Structure & Development", OEMs in high technology areas are also increasingly outsourcing their design requirements for reasons of cost, flexibility, time to market, lifecycle management etc. With the combined strength of high competency levels at France and cost levels at India Center, we are able to offer the customers, a very good and competitive solution. We are investing in top talent in India to scale the India Center to achieve high growth objective in this business.

BTP: In this business model, the customer supplies the design and the Company builds the product to the design provided by the customer. The critical success factor of the BTP model is operational excellence through efficient supply chain management and lean manufacturing practices. As the design is ready, generally the ramp to the production phase is quicker.

As BTP business is working capital intensive, the Company is selective and works only with highly reputed domestic and international customers. The strategy of the Company for the BTP business is to address only the defence and aerospace, industrial and medical markets. These markets require, a very high focus on quality and reliability, long product life cycle (in some cases, as high as 15-20 years), medium to low volume capability etc. The Company has created a world-class eco system in terms of capabilities and infrastructure to address these unique requirements. The Company has embarked on the Industry 4.0

initiative to make the manufacturing even more competitive and deliver high quality products.

Most companies offer design services only, or standard manufacturing services for PCBA or Box build. But the uniqueness of your Company, is that we offer both. Along with very sophisticated design capabilities, our state-of-the-art manufacturing capabilities extend beyond standard manufacturing services. They include technologies such as thick film, thin film, chip and wire, laser welding, complete test & reliability lab and many more sophisticated processes to realize products which need a combination of these technologies. This is the biggest differentiator for your Company over competitors.

- **International Sales & Marketing**

Your Company strategy is to address the international markets and to ensure that we have the global reach and in line with our strategy, we have invested significantly in worldwide Sales & Marketing. Currently, we have offices in Europe and North America, with senior and experienced team. We have seen the results of this initiative with your Company exporting to over seventeen countries serving global leaders such as ABB, GE, Rafael, Thales, L3 Communications, Emerson, Airbus, Safran, Alstom etc. We will continue to invest in International Sales & Marketing to increase our market presence in these geographies.

5 Business outlook

The financial year 2018-19 has been a good year after a blip in 2017-18. We have made continuous profits for many years except for the year 2017-18. In the year 2018-19 we delivered a very prestigious project to the Indian Defence, apart from other projects for Indian Space. The severity of global supply chain issues that we had in 2017-18 has reduced significantly, although not back to the normal times. However, we have factored the longer lead times in our planning process. The French subsidiary was a stressed asset when we acquired and now the turnaround is complete.

(a) Strategic Electronics

Your Company has established itself as a major player in the Strategic Electronics arena. The strategy will be, to continue to consolidate and grow this business through innovation, design, technology, quality and overall competitiveness. Over the years, your Company has designed & manufactured systems & modules for the Strategic Electronic industry by delivering advanced and complex products. For example, in 2018-19 we delivered one of the most complex payloads ever designed, developed and manufactured in India and it has been extremely well received by all the Government agencies for the quality and accuracy of functioning of the payload. This places your Company in an exclusive position of expertise which no other Company in the country can claim

- The Indian Space Program has been growing and due to the focus by Government of India for both Civil and Defence

requirements, this is poised for a much higher growth in the future. The number of satellites being launched has been steadily increasing. As one of the major partners for ISRO, we expect this business to grow significantly in the coming years.

- Having indigenized very complex products for the Indian missile programs, your Company is strongly placed in the supply chain and the business outlook for the coming years is strong.
- The other opportunity in the Strategic Electronics is that of 'off-set' and we see significant potential in this. We have already received orders for off-set and due to our competitive prices, quality and service, we are now seeing orders from 'off-set' customers for their international requirements also and we expect to see continuous growth in Offset business in the coming years.
- The Government of India's focus on "Make in India" has opened new opportunities for Indian companies. Due to this, the multinational companies are looking for opportunities to provide technology to Indian companies or form joint ventures with Indian companies as the Government of India is encouraging such partnerships in the defence sector also. We are exploring the possibilities of bringing advanced technologies to address the requirements of the Armed Forces directly. However, this is a long-term initiative and may take some years before we see any results.

(b) Industrial Electronics

Your Company's strategy for this market is to focus on high mix medium volume opportunities, which need very high-quality products and also have long product life cycles. This segment has very unique and demanding requirements. The Company, over the past many years has developed special processes, created



specialized infrastructure and human resources and has strong domain knowledge to meet these requirements and make it as a very attractive supplier to the global OEMs. Your Company is already well entrenched into this sector and seeing good growth rates from existing customers and also adding new customers both from within India and outside.

(c) Transportation

This is a high potential and high focus area for your Company. We focus on design services and Passenger Information Systems in this sector. We are working with customers offering unique and innovative products & solutions and are designed into some high growth platforms. We are seeing significant growth in this sector and as your Company has some very unique products, we see the transportation business as a high growth area for your Company.

6 Risk Factors

The products and services offered by the Company are hi-tech and complex, the approval and certification cycles can get much longer than originally planned. This can result in delays in deliveries affecting the revenues.

Also, some of the products are very complex, with only a handful of companies in the world that are capable of developing them and so the risk of product development is high.

The Government of India procurement policy necessitates that the L1 bidder be awarded the business. Although, there are processes and procedures for Technical Evaluation to qualify the bidder, sometimes bidders who don't have the required capabilities are allowed to bid due to the complexities and risks of elimination. Such bidders may bid low without knowing the difficulties and complexities of the project.

Some of the projects that are awarded as BTP, which assumes that the designs are complete in all respects, are actually not so and the burden of design also falls on your Company. Due to this, margins are lower than expected and also results in time delays.

In some cases of BTS projects awarded in the D&A segment, the customer expects to receive the ownership of design which has not been paid for and to use our design in floating a BTP tender as a public tender. This causes the problem of not being able to capture the value over the life of the product.

In the BTP business, where the material content is normally high and the business is done on the basis of forecast, and if the forecast conversion rates are not good, we can get into excess and obsolete material issues. Although, we have agreements and checks & balances with the customers on these issues, sometimes there is a possibility of these issues becoming contentious.

7 Human Resources

Your Company has some of the best talent coming from various domains of experience. Great emphasis is given in ensuring that the employees have a rewarding experience working for your

Company. Special attention is given for training and upgrading of people's skills, providing excellent working conditions, benchmark with other large companies while rewarding the employees. As on March 31, 2019, the employee strength of the Company was 2,100.

The Kaizen, 5S and Lean Six Sigma initiatives have been in place and have been institutionalized with all the employees and the Company taking active part in the same. This has helped in improving the operational excellence continuously and the Company has seen the benefits of this in the form of better customer satisfaction.

8 Internal control systems and their adequacy

Your Company has placed strong emphasis and effort on the internal control systems. The internal checks and balances are augmented by a formal system of Internal Audit by KPMG

9 Financial condition

(a) Consolidated

i. Share capital

The share capital of the Company stands at ₹ 129 million.

ii. Loans

The Loans have reduced by ₹ 330 million from ₹ 3,896 million as on March 31, 2018 to ₹ 3,566 million on March 31, 2019.

iii. Fixed Assets

The Capital expenditure in relation to Property, Plant & Equipment for 2018-19 is ₹ 139 million.

iv. Working Capital

Inventories have reduced by ₹ 328 million from ₹ 2,697 million as on March 31, 2018 to ₹ 2,369 million as on March 31, 2019.

Receivables have increased by ₹ 447 million from ₹ 2,400 million as on March 31, 2018 to ₹ 2,847 million as on March 31, 2019.

Current liabilities have decreased by ₹ 588 million from ₹ 7,045 million as on March 31, 2018 to ₹ 6,458 million as on March 31, 2019.

v. Cash flows

| | (₹ in million) |
|---------------------------------------|----------------|
| Cash flows from Operating activities | 505.50 |
| Cash inflows in Financing activities | (325.75) |
| Cash outflows in Investing activities | (217.76) |

vi. Results of Operations

The business operations for 2018-19 resulted in the Company, achieving sales of ₹ 9,375 million as against ₹ 7,941 million for 2017-18.

The Profit/(Loss) before tax for the year 2018-19 is ₹ 337 million as against ₹ (135 million) for the year 2017-18.

vii **Key financial parameters**

| Particulars | FY 19 | FY 18 |
|--|-------|-------|
| Debt /Equity ¹ | 1.34 | 1.64 |
| Debtors Turnover Ratio(Days) ² | 103 | 100 |
| Inventory Turnover Ratio(Days) ³ | 225 | 295 |
| Current Ratio ⁴ | 1.07 | 1.06 |
| Interest Coverage Ratio without exceptional items ⁵ | 3.28 | 1.39 |
| Operating profit Margin ⁶ | 7.4% | 3% |
| Net profit Margin ⁷ | 3% | -2% |

¹ (Long term borrowing + short term borrowing + current maturities less current investment, cash and bank balance)/ Total Equity.

² Average receivables/ income from operations x 365 days

³ Average inventory/ cost of goods sold x 365 days

⁴ Current assets/ current liabilities

⁵ Interest cost/ EBIT

⁶ EBIT/revenue from operations

⁷ Total Comprehensive Income/revenue from operations

Reason for variation (>25%): Key financial parameters improved in FY 19 over FY 18 due to improved operational performance and better business mix

B. Standalone

i. **Share capital**

The share capital of the Company stands at ₹ 129 million.

ii. **Loans**

The Loans have decreased by ₹ 25 million from ₹ 2,079 million as on March 31, 2018 to ₹ 2,054 million as on March 31, 2019.

iii. **Fixed Assets**

The Capital expenditure in relation to Property, Plant & Equipment for 2018-19 is ₹ 41 million.

iv. **Working Capital**

Inventories has reduced by ₹ 222 million from ₹ 2,473 million as on March 31, 2018 to ₹ 2,251 million as on March 31, 2019.

Receivables has increased by ₹ 915 millions from ₹ 948 million as on March 31, 2018 to ₹ 1,863 million as on March 31, 2019.

Current liabilities has increased by ₹ 363 million from ₹ 3,762 million as on March 31, 2018 to ₹ 4,130 million as on March 31, 2019.

v. **Cash flows**

| | (₹ in million) |
|---------------------------------------|----------------|
| Cash flows from Operating activities | 301.62 |
| Cash inflows in Financing activities | (295.60) |
| Cash outflows in Investing activities | (40.23) |

vi. **Results of Operations**

The business operations for 2018-19 resulted in the Company, achieving sales of ₹ 5,024 million as against ₹ 3,664 million for 2017-18.

The Profit/(Loss) before tax for the year 2018-19 is ₹ 675 million as against ₹ (192 million) for the year 2017-18.

vii. **Key financial parameters**

| Particulars | FY 19 | FY 18 |
|--|-------|--------|
| Debt /Equity ¹ | 0.87 | 1.16 |
| Debtors Turnover Ratio(Days) ² | 103 | 93 |
| Inventory Turnover Ratio(Days) ³ | 262 | 361 |
| Current Ratio ⁴ | 1.10 | 1.02 |
| Interest Coverage Ratio without exceptional items ⁵ | 3.36 | (1.07) |
| Operating profit Margin ⁶ | 16% | -3% |
| Net profit Margin ⁷ | 12% | -6% |

¹ (Long term borrowing + short term borrowing + current maturities less current investment, current cash and bank balance)/ Total Equity.

² Average receivables/ income from operations x 365 days

³ Average inventory/ cost of material consumed x 365 days

⁴ Current assets/ current liabilities

⁵ Interest cost/ EBIT

⁶ EBIT/revenue from operations

⁷ Total Comprehensive Income/revenue from operations

Reason for variation (>25%): Key financial parameters improved in FY 19 over FY 18 due to improved operational performance and better business mix.

Board's Report

Dear Members,

We have pleasure in presenting the Twenty Sixth Annual Report on the business and operations of the Company together with the audited Statement of Accounts for the financial year ended March 31, 2019.

1. Financial Highlights:

(₹ in millions)

| Particulars | Consolidated | | Standalone | |
|--|--------------|---------|------------|---------|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Total Income | 9,375 | 7,941 | 5,025 | 3,664 |
| Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)* | 971 | 472 | 614 | 21 |
| Depreciation | 279 | 282 | 121 | 120 |
| Interest | 211 | 161 | 147 | 93 |
| Earnings Before Tax* | 481 | 29 | 346 | (192) |
| Earnings After Tax* | 484 | 20 | 251 | (218) |

* Excludes exceptional item & share of profit/loss from associate/discontinuing operations

2. Performance:

During the current year of operations, your Company has registered a consolidated total income of ₹ 9,375 million compared to previous financial year total income of ₹ 7,941 million, an increase of about 18%. Your Company has earned a net profit after tax of ₹ 484 million for the financial year.

At standalone level, a total income of ₹ 5,025 million compared to previous financial year total income of ₹ 3,664 million, an increase of about 37%. Further, your Company has earned a net profit of ₹ 251 million for the year.

3. Subsidiaries:

a. Centum Adetel Group S.A.

During the year, Centum Adetel Group S.A. the subsidiary company (excluding discontinuing operations), has registered total income of ₹ 4,375 million and posted a net profit of ₹ 213 million.

b. Centum Electronics UK Limited

During the year, Centum Electronics UK Limited, a wholly owned subsidiary company, has not registered any revenue and incurred a net loss of ₹ 1.3 million.

c. Centum Adeneo India Private Limited

During the year, Centum Adeneo India Private Limited, a wholly owned subsidiary company, has registered revenue of ₹ 37 million and incurred a loss of ₹ 9.2 million.

A statement containing the salient features of the financial statements of subsidiaries as required in Form AOC-1 is enclosed as **Annexure-1** to this Report.

4. Consolidated Financial Statements:

The Consolidated Financial statements have been prepared by the Company in accordance with the applicable Indian Accounting Standards ('IndAS') and the same together with the Auditor's Report thereon is provided in the Annual Report.

The Financial Statements of the subsidiary and related detailed information will be kept at the Registered Office of the Company and will be available to investors seeking information at any time.

The Company has adopted a Policy for determining Material Subsidiaries in terms of Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy, as approved by the Board, is available on the Investor page at Company's website www.centumelectronics.com.

5. Dividend:

During the year, your Company has paid an interim dividend of ₹ 1/- (i.e. 10%) per equity share based on the approval provided by the Board of Directors at their Meeting held on February 6, 2019 and recommended a final dividend of ₹ 4/- (i.e. 40%) per equity share Totaling to ₹ 5/- (i.e. 50%) per equity share face value of ₹ 10/- each for the financial year 2018-19. The final dividend recommended is subject to approval of the Shareholders in the ensuing Annual General Meeting of the Company.

The total dividend payout was ₹ 15.53 million (including Dividend Distribution Tax) for the year.

6. Share Capital:

The authorised share capital of the Company is ₹ 15,50,00,000/- divided into 1,55,00,000 equity shares of

₹ 10/- each. During the year, your Company has issued and allotted 11,434 equity shares of the Company to the eligible employees on exercise of options granted under the Centum Employee Stock Option Plans. Consequently, the issued, subscribed and paid up equity share capital of the Company has increased from 1,28,69,624 equity shares of ₹ 10/- each to 1,28,81,058 equity shares of ₹ 10/- each.

7. Debentures:

During the year under review, the Company has not issued any Debentures. As on date, the Company does not have any outstanding Debentures.

8. Depository System:

Your Company's equity shares are tradable only in electronic form. As on March 31, 2019, 99.07% of the Company's total paid up equity share capital representing 1,27,61,484 shares are in dematerialised form.

9. Transfer to Investor Protection Fund:

During the year, the Company transferred ₹ 1,27,670/- to the Investor Education and Protection Fund, the amount in unpaid Dividend Account opened in 2010-11 which was due & payable and remained unclaimed & unpaid for a period of seven years as provided under Section 124(5) of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Auditing, Transfer and Refund) Rules, 2016. The Company pursuant to the circulars issued by Ministry of Corporate Affairs under the aforesaid rules mandated the transfer of shares on which dividend has not been paid or claimed by the shareholders for seven consecutive years or more to the demat account of the Investor Education and Protection Fund Authority. The Company has accordingly transferred 5,954 shares to the demat account of the Investor Education and Protection Fund Authority.

10. Risk Management:

Your Company has a robust Risk Management policy. Your Company regularly assesses the risks and ensures that the risk mitigation plans are in place.

11. Internal Control Systems and their adequacy:

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The Company has appointed KPMG, Chartered Accountants, as its Internal Auditor. The Audit Committee defines the scope and areas of internal audit. The Internal Auditor audits the areas recommended by the committee every year.

The Audit observations and corrective actions thereon are being presented to the Audit Committee of the Board. Based on the report of Internal Auditor, process owners undertake corrective action in their respective areas and

thereby strengthen the controls. During the year, the Internal Audit was done on the areas recommended and no material weakness observed.

12. Directors and Key Managerial Personnel:

The Board of Directors of the Company as on March 31, 2019 comprises of 7 Directors out of which 1 Executive Director, 1 Non-Executive Director and 5 Non-Executive Independent Directors. The composition of the Board of Directors is in due compliance of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to applicable provisions of the Companies Act, 2013, the Nomination and Remuneration Committee and the Board of Directors at their respective Meetings held on May 29, 2019, have recommended and approved the re-appointment of Mr. Pranav Kumar N Patel (DIN: 06784801) and Mr. S. Krishnan (DIN: 01807344), as Independent Directors of the Company for a second consecutive term period of 5 (five) years w.e.f. April 1, 2019 upto March 31, 2024 which is subject to approval of Shareholders at the ensuing Annual General Meeting of the Company. Due notices under Section 160 of the Companies Act, 2013 have been received from a Shareholder of the Company proposing the re-appointment of Mr. Pranav Kumar N Patel and Mr. S. Krishnan as Independent Directors of the Company at this Annual General Meeting.

Further, Mr. Ramu Akkili has resigned from the position of Company Secretary of the Company with effect from November 30, 2018 and Mr. Nagaraj K V has been appointed as Company Secretary & Compliance Officer of the Company with effect from February 6, 2019. Mr. Nagaraj K V has been designated as Key Managerial Personnel of the Company.

Pursuant to the provisions of Section 152 of the Companies Act, 2013 and the Articles of Association of the Company, Dr. Swarnalatha Mallavarapu, Director (DIN: 00288771) will retire by rotation at the Twenty Sixth Annual General Meeting and being eligible, has offered herself for re-appointment.

The Notice convening the Annual General Meeting includes the proposals for the appointment of the Directors. Brief resume of the Directors proposed to be reappointed, nature of their expertise in specific functional areas and names of the Companies in which they hold directorship/ membership/ chairmanship of the Board or Committees, as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have been provided as an annexure to the Notice convening the Twenty Sixth Annual General Meeting.

None of the Directors of the Company are disqualified under Section 164(2) of the Companies Act, 2013.

a. Board Meetings:

A calendar of Meetings is prepared and circulated in advance to the Directors.

During the year, the Company has convened 4 (four) Meetings of the Board of directors and 4 (four) Meetings of the Audit Committee. The details of which are given in the Corporate Governance Report. The Intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

b. Declaration by Independent Directors:

The Company has received necessary declaration from each of the Independent Directors under Section 149(7) of the Companies Act, 2013, that he meets the criteria of independence as laid down under Section 149 (6) of the Act and Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

c. Remuneration Policy:

The Board has, upon recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration as required under Section 178(3) of the Companies Act, 2013. The policy is available on the Company's website www.centumelectronics.com. There has been no change in the policy since the last fiscal year.

d. Annual evaluation of Board, its Committees and Individual Directors:

The Board of Directors has carried out an annual evaluation of its own performance, its Committees and individual Directors pursuant to the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Further, Independent Directors have reviewed the performance of the Board, its Chairman and Non-Executive Directors and other items as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

13. Directors' Responsibility Statement:

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors confirm:

- i. that in the preparation of annual accounts for the year ended March 31, 2019, the applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- ii. that such accounting policies as mentioned in Note 1 of the Notes to the Financial Statements have been adopted and applied 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 as at March 31, 2019 and of the profit of the Company for year ended on that date;
- iii. that proper and sufficient care has been taken for the 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 fraud and other irregularities;
- iv. that the annual financial statements have been prepared on a going concern basis.
- v. that proper internal financial controls were in place and that the financial controls were adequate and operating effectively.
- vi. that systems to ensure compliance with the provisions of all applicable laws were in place, were adequate and operating effectively.

Further the Board of Directors confirms that the Company has complied with the Secretarial Standards on the Board Meetings issued by the Institute of Company Secretaries of India, as applicable to the Company, during the financial year ended March 31, 2019.

14. Contracts and Arrangements with Related Parties:

All related party transactions that were entered into during the financial year were in the ordinary course of business and were at arm's length basis. There were no materially significant related party transactions made by the Company during the year with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All the related party transactions were placed before the Audit Committee and also the Board for approval. Prior omnibus approval of the Audit Committee is being obtained for the transactions which are of a foreseen and repetitive nature in terms of Regulation 23(3)(a) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company has framed a policy on dealing with the related party transactions and the same is available on the company's website www.centumelectronics.com.

Your Directors draw attention of the members to Note 43 to financial statement which sets out the related party disclosures.

15. Auditors:

a. Statutory Auditors

The Members at the Twenty Fourth Annual General Meeting of the Company held on July 11, 2017, approved the appointment of M/s. S. R Batliboi & Associates LLP, Chartered Accountants (Firm registration number: 101049W/E300004) as Statutory Auditors of the Company to hold office for a period of five years from the conclusion of 24th Annual General Meeting till the conclusion of the 29th Annual General Meeting.

The Report of the Statutory Auditors for the financial year 2018-19 does not contain any qualification on the financial statements of the Company.

b. Secretarial Audit

The Board has appointed Ms. Aarthi G Krishna, Practising Company Secretary (CP No.5645), to conduct Secretarial Audit for the financial year 2018-19. The Secretarial Audit Report for the financial year ended March 31, 2019 is enclosed as **Annexure-2** to this Report.

The said Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer made by the Secretarial Auditor.

c. Cost Auditors

The Board of Directors of the Company have appointed M/s. K. S. Kamalakara & Co., Cost Accountants (Registration No. 10625) as Cost Auditors of the Company for the financial year 2018-19 at a fee of ₹ 1,00,000/- plus applicable taxes and out of pocket expenses. The remuneration payable to Cost Auditors has been ratified by the Shareholders at the Twenty Fifth Annual General Meeting of the Company pursuant to provisions of Section 148 of the Companies Act, 2013.

16. Corporate Governance:

Your Company believes in adopting best practices of Corporate Governance. A report on Corporate Governance along with a Certificate from a Practising Company

Secretary confirming the compliance for the year ended March 31, 2019 as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is forming part of this Annual Report.

17. Conservation of Energy, Technology absorption, Research & Development and Foreign Exchange Earnings and Outgo:

The particulars prescribed under subsection (3) (m) of Section 134 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, are enclosed as **Annexure-3** to this Report.

18. Corporate Social Responsibility:

As part of the Company's initiatives under "Corporate Social Responsibility (CSR), the Company has funded several projects that aid and improve education, literacy and healthcare for children. It has also funded and participated in projects that support and aid children with disabilities.

The disclosures as required under Section 135 of the Companies Act, 2013 read with Rule 8(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is enclosed as **Annexure-4** to this Report.

19. Details of establishment of Vigil Mechanism:

In accordance with Section 177(9) and (10) of the Companies Act, 2013 and Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has established a Vigil Mechanism and has a Whistle Blower Policy. The Policy is available at the Company's website www.centumelectronics.com.

During the year under review, there are no such instances to report.

20. Particulars of Employees:

The information relating to remuneration and other details as required pursuant to Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, is enclosed as **Annexure-5** to this report.

Further, the details of employees who are in receipt of remuneration exceeding the limits prescribed under Section 134 of the Companies Act, 2013 read with Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 will be provided upon request.

In terms of Section 136(1) of the Companies Act, 2013 and the Rules made thereunder, the Annual Report is being sent to the shareholders and others entitled

thereto excluding the information on employees' particulars. The same is available for inspection by the shareholders at the Registered Office of the Company during business hours on working days of the Company up to the date of ensuing Annual General meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

21. Prevention, Prohibition and Redressal of sexual harassment at work place:

The Company has zero tolerance for sexual harassment at workplace and has formulated a Policy on Prevention, Prohibition and Redressal of Sexual Harassment at the Workplace, in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules there under. The Policy aims to provide protection to employees at the workplace and prevent and redress complaints of sexual harassment and for matters connected or incidental thereto, with the objective of providing a safe working environment, where employees feel secure.

The Company has also constituted an Internal Complaints Committee, to inquire into complaints of sexual harassment and recommend appropriate action.

The Company has not received any complaint of sexual harassment during the financial year 2018-19.

22. Extract of Annual Return:

In terms of Section 92 (3) of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return of the Company for the financial year 2018-19 in Form No. MGT-9 is appended as **Annexure-6** to this Report.

The extract of the Annual Return of the Company can also be accessed on the Company's website <https://www.centumelectronics.com/investor-relations>.

23. Management Discussion and Analysis Report:

The Management's Discussion and Analysis Report for the year under review, as stipulated under SEBI (LODR) Regulations, 2015 is forming part of the Annual Report.

24. Employee Stock Option Plan:

As a measure of rewarding the employees, your Company had introduced an Employee Stock Option Plan (ESOP) during the year 2007 and 2013.

The particulars prescribed under Guideline 12.1 of the SEBI (Employee Stock Option scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is enclosed as **Annexure-7** to this report.

25. Awards and Recognitions:

During the year under review, your Company and its Top Management has received the following awards and recognitions:

- i. The Company has received STPI IT Export award under the category 'High Growth in Electronic Hardware Exports: Bengaluru (Exports greater than US \$ 15M and less than US \$ 300M.)' This award was presented in 'STPI IT Export award function' held during the event BENGALURU TECH SUMMIT 2018 on November 29, 2018.
- ii. The Embassy of Federative Republic of Brazil has appointed Mr. Apparao V Mallavarapu – Chairman and Managing Director of the Company as Honorary Consul of Brazil in Bangalore. This is a rare and prestigious honour that is given by foreign Governments to very few distinguished people in the Country and the appointment has to be approved by the President of India.
- iii. Throughout India, September 15 is celebrated in memory of the birth anniversary of Bharat Ratna Dr. M Visveswaraya as Engineer's day. On this occasion, REVA University, Bangalore has awarded Mr. Vinod S Chippalkatti, President - Strategic Business Unit of the Company for his contributions to the field of Engineering.

26. General:

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

- a. Details relating to deposits covered under Chapter V of the Companies Act, 2013.
- b. Issue of equity shares with differential rights as to dividend, voting or otherwise.
- c. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOP referred to in this report.
- d. There is no remuneration received by the Managing Director from the subsidiary company.

e. No significant or material orders were passed by the regulators or courts or tribunals which impact the going concern status and the Company's operations in future.

27. Acknowledgements:

Your Directors thank the customers for their continued patronage and the investors, bankers and vendors for their continued support.

Your Directors acknowledge and thank the invaluable contributions of all the employees, who have demonstrated

their skill, teamwork and commitment through their competence, hard work, cooperation and support.

Your Directors would also like to place on record the support received from, the Electronic Hardware Technology Park, the Customs and Excise Departments, the Reserve Bank of India, the Department of Industries and Commerce, Karnataka, the Karnataka Udyog Mitra and all the other Central and State Governmental agencies.

**By order of the Board
For Centum Electronics Limited**

Place: Bengaluru
Date: May 29, 2019

Apparao V Mallavarapu
Chairman & Managing Director

S. Krishnan
Director

Form AOC - 1

Statement containing salient features of the financial statement of subsidiaries, associate companies and joint ventures
[Pursuant to first proviso to sub-section (3) of section 129 of the Companies Act, 2013, read with rule 5 of the Companies (Accounts) Rules, 2014]

| Part "A" : Subsidiaries | | | | | | | | | | | | | |
|-------------------------|--|--------------------|---------------|----------|--------------|--|---|----------|--------------------------------|------------------------|-------------------------------|-------------------|----------------------------------|
| Sl. No. | Name of the subsidiary | Reporting currency | Share capital | Reserves | Total Assets | Total Liabilities (excl. capital & reserves) | Total Investments (excluding in subsidiaries) | Turnover | Profit/ (Loss) before taxation | Provision for taxation | Profit/ (Loss) after taxation | Proposed dividend | % of Shareholding by the Company |
| 1 | Centum Adeneo India Private Limited ^d | INR | 1 | (17) | 40 | 57 | - | 60 | (9) | - | (9) | - | 100% |
| 2 | Centum Electronics UK Limited | GBP | 472 | 12 | 485 | 1 | - | - | (1) | - | (1) | - | 100% |
| 3 | Centum Adetel Group SA | EUR | 407 | 1,228 | 2,871 | 1,359 | 123 | 333 | 217 | - | 217 | - | 54.0% |
| 4 | Centum Adetel Synergies SARL | EUR | 1 | (38) | 28 | 65 | - | 111 | (17) | - | (17) | - | held by CAG 100% |
| 5 | Centum Adeneo SAS | EUR | 47 | 667 | 2,909 | 2,195 | - | 3,463 | 275 | (0) | 274 | - | held by CAG 100% |
| 6 | Centum Adeneo CRD SAS | EUR | 0 | (23) | 237 | 260 | - | 531 | 11 | - | 11 | - | held by CAG 100% |
| 7 | Adetel Maroc SA ^d | MAD | - | - | - | - | - | 6 | (4) | - | (4) | - | held by CAG 0% |
| 8 | Adetel Equipment Maroc SA ^d | MAD | - | - | - | - | - | - | (1) | - | (1) | - | held by Adetel Maroc 0% |
| 9 | Centum Adetel Transportation System ("CATS") | EUR | 753 | 10 | 1,596 | 834 | - | - | (12) | - | (12) | - | held by CAG 100% |
| 10 | Centum Adetel Transportation Solution SAS ^e | EUR | 772 | (564) | 862 | 654 | - | 1,839 | (200) | - | (200) | - | held by CATS 100% |
| 11 | 9308-4929 Québec Inc (Centum Adetel Solution Canada) | CAD | 5 | 34 | 531 | 492 | - | 616 | 19 | - | 19 | - | held by CATS 100% |
| 12 | 9301-3936 Québec Inc (Centum Adetel Equipment Canada) | CAD | 3 | 6 | 377 | 369 | - | 326 | (19) | 5 | (14) | - | held by CATS 100% |

Part "B" : Associates and Joint Ventures

| Sl. No | Name of Associates/Joint Ventures | Currency | Shares of Associate/Joint Ventures held by the Company on the year end | | | Extend of Holding % | Amount of Investment in Associates/Joint Venture (₹ in million) | Network attributable to Shareholding as per latest audited Balance Sheet | Profit / (Loss) for the year (₹ in million) | OCI for the year (₹ in million) |
|--------|--|----------|--|---|---------------------|---------------------|---|--|---|---------------------------------|
| | | | Number in million | Amount of Investment in Associates/Joint Venture (₹ in million) | Extend of Holding % | | | | | |
| 1 | Centum Rakon India Private Limited, India ^a | INR | NA | NA | NA | NA | NA | 3 | - | |
| 2 | Ausar Energy SAS | EUR | 1 | 38 | 30.45% | 37 | (13) | - | - | |
| 3 | Sandhi SAS ^b | EUR | NA | NA | NA | NA | NA | NA | NA | |

^a Sold during April, 2018

^b Stake sale in July, 2018

^c Subsidiary of Centum Electronics Ltd from October 01, 2018

^d Liquidated during the year

^e During the year ended March 31, 2019, the Company has decided to sale this entity and accordingly result of operation of this entity has been disclosed under discontinuing operation.

Form No. MR-3¹

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
Centum Electronics Limited
Bengaluru

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Centum Electronics Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the **Centum Electronics Limited** 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, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Centum Electronics Limited ("the Company") for the financial year ended on March 31, 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;¹
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;²
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;³
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;²
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;² and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.⁴
- (vi) Other Laws as applicable to Electronic System Design and Manufacturing (ESDM) Company viz:-
1. EXIM Policy of India relating to Export Oriented Unit (EOU)
 2. Semiconductor Integrated Circuits Layout Design Act, 2000
 3. Environment (Protection) Act, 1986, Water (Prevention and Control of Pollution) Act, 1974; Air (Prevention and Control of Pollution) Act, 1981;

e-waste & hazardous waste (Management and Handling Rules).

4. Micro Small and Medium Enterprises Development Act, 2006

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

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India;
- (ii) The listing Agreement entered into by the Company with the National Stock Exchange of India Limited and BSE Limited;⁵

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc, mentioned above subject to the following disclaimer:

My opinion is based on audit evidence, explanations and information given to me during the audit and the Management Representation Letter in support of compliances in respect of the Act, Rules, Regulations, Guidelines, Standards, etc, mentioned above.

I 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. The changes in the composition of the

Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is 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.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I 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.

I further report that during the audit period the Company has:

Allotted 11,434 equity shares of ₹ 10/- each to employees who exercised their option under the Employee Stock Option Plans.

Signature:

AARTHI G KRISHNA

Name of Company Secretary in practice

Place : Bengaluru

Date : May 29, 2019

FCS No.: 5706

C P No.: 5645

* To be read with the letter annexed hereto which forms an integral part of this report

¹ Replaced with SEBI(Prohibition of Insider Trading) Regulations, 2015

² There were no actions necessitating compliance under these Regulations.

³ Replaced with SEBI (Share Based Employee Benefits) Regulations, 2014

⁴ Including SEBI (Buy-back of Securities) (Amendment) Regulations, 2015.

⁵ and SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015.

ANNEXURE

To,
The Members,
Centum Electronics Limited
Bengaluru

My 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. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I 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. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, I 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. My 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.

Signature:

AARTHI G KRISHNA

Name of Company Secretary in practice

Place : Bengaluru
Date : May 29, 2019

FCS No.: 5706
C P No.: 5645

INFORMATION PURSUANT TO THE SECTION 134(3)(m) OF THE COMPANIES ACT, 2013

1. CONSERVATION OF ENERGY:

The Company continues to accord priority to energy conservation. Company's 'energy saving' team is committed to minimize the energy consumption and is implementing several energy saving projects. Consistent efforts are being made for identifying potential areas for energy saving.

Some of the measures the Company had undertaken during the period under report in the high priority area of Energy Conservation are:

- ♦ Power factor improvement is achieved by replacing inefficient capacitors with new capacitors.
- ♦ Monitored LT voltage & if found to be less, discussed with BESCO and improved the Voltage.
- ♦ Regularly monitored the top 5 power guzzlers like HVAC system, Process Chillers, air compressors etc. on daily basis and fixed the limits to control the consumption & cost.
- ♦ Consumption monitoring is done for Nitrogen gas on daily basis resulting in better control on usage.
- ♦ Cooling tower fills are replaced for improving efficiency of chillers.
- ♦ Regular maintenance of HVAC systems is done to run it at maximum efficiency.
- ♦ Switching off power & gases to machines which is not in production plan on daily basis to reduce idle power consumption.
- ♦ Air pressure optimization is done based on production machine requirement to reduce power consumption in compressor.
- ♦ Regular leakage checking in gas and air pipelines, arresting leakages if any immediately is done to conserve resources.
- ♦ Use of Solar power from third party under open access policy is done on monthly basis, which reduces our carbon footage.
- ♦ Thermography study is done for all electrical panels and corrective action is done.
- ♦ Office area AHU's are operated with schedule on working days to control power consumption.
- ♦ Installation of timers for Air handling units and exhausts is done.
- ♦ HVAC system is controlled through BMS automation to run efficiently and optimum as per production process requirement.

2. TECHNOLOGY AND RESEARCH & DEVELOPMENT:

Technology Development:

- ♦ The Company has the established capability to design embedded systems Products for defense and Space applications with the following areas of technical expertise:
 - o Custom high-speed DDR IP core development for space application
 - o High speed data interface using RF ADC and DAC
 - o Fault tolerant and error tolerant feature incorporated in space systems.
- ♦ The Company has developed and qualified new manufacturing and assembly processes for Defense and Space applications. They are;
 - o Qualification of assembly processes on RT Duroid (RT6002 and RT6010) Substrates for RF Products.
 - o Qualification of assembly process on Low Temperature Cofired Ceramic (LTCC, Ferro A6) for RF applications.
 - o Qualification of LTCC and Alumina substrate attachment on Copper Molybdenum Carrier plates.
 - o Qualification of innovative packaging techniques for better thermal management in Hybrid based High Power DC-DC Converters.
 - o Development of Digital CSA product with new packaging techniques/Processes to reduce the size of Electronic assembly.

- o Qualification of REACH compliant thick film pastes towards realization of thick film substrates.
- o Qualification and introduction of new manufacturing equipment (Furnace, Wire Bonders) in Microelectronics assembly facility towards enhancing capability and capacity.
- o Development of Test systems (both Manual and ATE) for testing the RF assemblies and Power Supply Modules
- o Introduction of Online/Remote inspection system which enables customers to carry out remote inspection of hardware. This initiative saves lot of time for both customer and Centum and is well appreciated by customers.
- o Qualification of Toroid core stacking process.
- o Development of SR (Semi Rigid) Cable assembly process for use in RF module.
- ◆ Further, the Company has introduced new process or systems to avoid human errors.
 - o New Processes developed for Vacuum Vapor phase Soldering
 - o New Process Capability – Reflow Soldering of the boards in the vapor phase soldering machine through Thermal heat transfer from Galden HS240 chemical, resulting in minimum voids as against conventional reflow.
 - o Automatic dispenser of the RTV glue for Industrial customers.
 - o New cleaning chemical qualification – KYZEN Aquanox A4241
 - o Qualification of the new paste Inventec Ecorel 387 for leadfree NC process, thus eliminating the cleaning process after the soldering.
 - o New conformal coating process qualified for the transportation projects which is AVR80 from ABChime.
 - o New Potting process with the mixing ratio 1:1 and with individual tank degassing.

Research & Development (R&D) and benefits derived thereon:

(i) Specific areas in which R&D carried out by the Company

- ◆ High Efficiency Active clamp synchronous rectifier with wide input range.
- ◆ FPGA based digitally controlled DC-DC Converter.
- ◆ High efficiency buck converter with efficiency greater than 98%.
- ◆ Small scale Liquid Cold Plate (LCP) design and development
- ◆ Pre amplifier development
- ◆ 36 mm fuse development
- ◆ 120 mm fuse development

(ii) Benefits derived as a result of the above R&D

- ◆ Published 14 papers

(iii) Future Plan of Action

- ◆ GaNFET switch and Driver based DC-DC Converters.
- ◆ Fully Hybridized DC-DC converter
- ◆ Cascaded DC-DC Converter in half brick size
- ◆ Medium scale Liquid Cold Plate design and development
- ◆ Space grade Pre amplifier development

(iv) Expenditure on R & D

| | ₹ in millions | |
|--|---------------|-------------|
| For the year ended March 31 | 2019 | 2018 |
| A. Capital | 4.59 | 4.30 |
| B. Recurring | 91.07 | 83.06 |
| C. Total | 95.66 | 87.37 |
| Total R&D expenditure as a % of total turnover | 1.9% | 2.4% |

3. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange Earnings was ₹ 2,790 million and Outgo was ₹ 2,424 million for the year ended March 31, 2019

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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:

As a part of Corporate Governance Report, the Company has in place Corporate Social Responsibility Policy in accordance with Section 135 of the Companies Act, 2013 and Corporate Social Responsibility (CSR) Rules, 2014 together with Schedule VII of the Companies Act, 2013.

The Company has formulated CSR Policy and is available at Investor page on the Company website www.centumelectronics.com.

Activities of CSR Committee includes the following:

- i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
- iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga
- v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries: promotion and development of traditional arts and handicrafts;
- vi) Measures for the benefit of armed forces veterans, war widows and their dependents;
- vii) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
- viii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- x) Rural development projects.
- xi) Slum area development.

2. Composition of the CSR Committee:

The Composition of the CSR Committee is as follows:

| Name | Designation | Position |
|-----------------------------|--------------------------------|----------|
| Mr. Manoj Nagrath | Independent Director | Chairman |
| Mr. Apparao V Mallavarapu | Chairman and Managing Director | Member |
| Mr. S. Krishnan | Independent Director | Member |
| Dr. Swarnalatha Mallavarapu | Non – Independent Director | Member |

3. Average net profits of the Company for the last three financial years:

| Financial Year | Net Profit Before Tax (in ₹) |
|----------------------------------|---------------------------------|
| 2017-18 | - |
| 2016-17 | 35,83,19,374 |
| 2015-16 | 43,23,44,776 |
| Average Profit of 3 years | 26,35,54,717 |

4. Prescribed CSR Expenditure (two percent of the amount as in item No.3 above):

2% of the average Net Profit is ₹ 52,71,094/-.

5. Details of CSR spend for the financial year:

- Total amount spent for the financial year: ₹ 82,31,500/-
- Manner in which the amount spent during the financial year is as detailed below:

| Sl. No. | Projects/Activities | Sector | Locations | Amount Spent | Cumulative expenditure upto reporting period | Amount spent – Direct or through implementing agency* |
|--------------|-----------------------------|---------------------------|-----------|------------------|--|---|
| 1 | Mathru Blind School | Education | Bangalore | 7,80,000 | 7,80,000 | Direct |
| 2 | Provision Asia | Health care | Bangalore | 2,85,000 | 2,85,000 | Direct |
| 3 | Sparsh Foundation | Health care | Bangalore | 2,50,000 | 2,50,000 | Direct |
| 4 | Akshaya Patra Foundation | Education | Bangalore | 38,16,500 | 38,16,500 | Direct |
| 5 | Sri Shirdi Sai Mandir Trust | Education & Old age homes | Bangalore | 30,00,000 | 30,00,000 | Direct |
| 6 | Inspired India Foundation | Education | Bangalore | 1,00,000 | 1,00,000 | Direct |
| Total | | | | 82,31,500 | 82,31,500 | |

*Details of implementing agencies: N.A.

- Amount unspent: Nil

6. In case the Company fails to spend the 2% of the Average Net Profit (₹) of the last 3 financial years, the reasons for not spending the amount shall be stated in the Board report.

Not Applicable. During the year under review, the Company has spent ₹ 82,31,500 which is well in excess of 2% of the Average Net Profit of the Company.

7. Responsibility statement, of the CSR Committee, that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company duly signed by Director and Chairperson of the CSR Committee.

The CSR Committee ensures that the implementation and monitoring of CSR policy is in compliance with the CSR objectives and Policy of the Company.

Chairman of CSR Committee

Place: Bengaluru
Date: May 29, 2019

Annexure - 5

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014.

- (i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2018-19, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2018-19 are as under:

| Sl. No. | Name of the Director/KMP and Designation | % increase in Remuneration in the Financial Year 2018-19 | Ratio of remuneration of each Director/to median remuneration of employees |
|---------|--|--|--|
| 1 | Apparao V Mallavarapu* Chairman and Managing Director | 81% | 44.13 |
| 2 | S. Krishnan** Non-Executive Director | 111% | 1.01 |
| 3 | Manoj Nagrath** Non-Executive Director | 111% | 1.01 |
| 4 | Rajiv C Mody** Non-Executive Director | 550% | 0.69 |
| 5 | Pranav Kumar N Patel** Non-Executive Director | 111% | 1.01 |
| 6 | Dr. Swarnalatha Mallavarapu*** Non-Executive Director | - | - |
| 7 | Thiruvengadam P** Non-Executive Director | 143% | 0.90 |
| 8 | K. S. Desikan Chief Financial Officer | 9% | Not applicable |
| 9 | Ramu Akkili ¹ Company Secretary | -32% | Not applicable |
| 10 | Nagaraj K V ² Company Secretary | - | Not applicable |

- (i) * The increase in remuneration of CMD is due to payment of remuneration by way of Commission as a % of Net Profits of the Company
- ** The increase in Remuneration to Independent Directors is due to the following:
- No. of Board meetings held during the year are 4 as against 5 in the previous year. The Sitting fee is paid for attending the Board and Audit committee Meetings accordingly.
 - The Company has paid remuneration by way of Commission to Independent Directors for the financial year 2018-19.
- *** Dr. Swarnalatha Mallavarapu is a Non executive and Non Independent director
- For part of the year and includes payment of Gratuity and Leave encashment
 - For part of the year
- (ii) During the financial year, there was a decrease of 0.26% in the median remuneration of employees
- (iii) There were 1518 permanent employees on the rolls of Company as on March 31, 2019
- (iv) Average percentage increase in the salaries of employees other than the managerial personnel in the last financial year i.e., 2018-19 was 16.95% and increase in the managerial personnel for the same financial year was 43.33%
- (v) Affirmation that the remuneration is as per the Remuneration Policy of the Company

It is affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other employees, adopted by the Company

EXTRACT OF ANNUAL RETURN

financial year ended as on 31.03.2019

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

Form No. MGT-9

I. Registration and other details

| | |
|--|--|
| CIN | L85110KA1993PLC013869 |
| Registration Date | January 8, 1993 |
| Name of the company | Centum Electronics Limited |
| Category/Sub-Category of the company | Company Limited by Shares Indian Non Government Company |
| Address of the Registered Office and contact details | No. 44, KHB Industrial Area, Yelahanka New Town, Bangalore – 560 106 |
| Whether listed company | Yes |
| Name, address and contact details of Registrar and Transfer Agent, if any | Karvy Fintech Private Limited Karvy Selenium Tower B, Plot No.31 & 32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500 032, Ph No.: +91 40 6716 2222, Fax No.: Fax No: 040-2300 1153 Toll Free No. 1800 3454 001 Email: 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 | Modules | 26109 | 35% |
| 2 | Printed Circuit Boards Assembly | 26104 | 64% |

III. Particulars of holding, subsidiary and associate companies:

All the Business activities contributing 10% or more of the total turnover of the Company shall be stated:

| Sl. No. | Name and Address of the company | CIN/GLN | Holding/Subsidiary/ Associate | % of shares held | Applicable section |
|---------|---------------------------------|---------|-------------------------------|------------------|--------------------|
| 1 | Centum Adetel Group S.A. | N.A. | Subsidiary | 54.15 | 2(46) |

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Shareholding

| CATEGORY CODE | CATEGORY OF SHAREHOLDER | NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR | | | | NO. OF SHARES HELD AT THE END OF THE YEAR | | | | % CHANGE DURING THE YEAR |
|---------------|--|---|-----------|------------------|-------------------|---|-----------|------------------|-------------------|--------------------------|
| | | DEMAT | PHYSICAL | TOTAL | % OF TOTAL SHARES | DEMAT | PHYSICAL | TOTAL | % OF TOTAL SHARES | |
| (I) | (II) | (III) | (IV) | (V) | (VI) | (VII) | (VIII) | (IX) | (X) | (XI) |
| (A) | PROMOTER AND PROMOTER GROUP | | | | | | | | | |
| (1) | INDIAN | | | | | | | | | |
| (a) | Individual /HUF | 75,76,478 | - | 75,76,478 | 58.87 | 75,76,478 | - | 75,76,478 | 58.82 | -0.05 |
| (b) | Central Government/ State Government(s) | - | - | - | - | - | - | - | - | - |
| (c) | Bodies Corporate | - | - | - | - | - | - | - | - | - |
| (d) | Financial Institutions / Banks | - | - | - | - | - | - | - | - | - |
| (e) | Others | - | - | - | - | - | - | - | - | - |
| | Sub-Total A(1) : | 75,76,478 | - | 75,76,478 | 58.87 | 75,76,478 | - | 75,76,478 | 58.82 | -0.05 |
| (2) | FOREIGN | | | | | | | | | |
| (a) | Individuals (NRIs/ Foreign Individuals) | - | - | - | - | - | - | - | - | - |
| (b) | Bodies Corporate | - | - | - | - | - | - | - | - | - |
| (c) | Institutions | - | - | - | - | - | - | - | - | - |
| (d) | Qualified Foreign Investor | - | - | - | - | - | - | - | - | - |
| (e) | Others | - | - | - | - | - | - | - | - | - |
| | Sub-Total A(2): | - | - | - | - | - | - | - | - | - |
| | Total A=A(1)+A(2) | 75,76,478 | - | 75,76,478 | 58.87 | 75,76,478 | - | 75,76,478 | 58.82 | -0.05 |
| (B) | PUBLIC SHAREHOLDING | | | | | | | | | |
| (1) | INSTITUTIONS | | | | | | | | | |
| (a) | Mutual Funds /UTI | 17,87,371 | - | 17,87,371 | 13.89 | 12,32,795 | - | 12,32,795 | 9.57 | -4.32 |
| (b) | Financial Institutions / Banks | 9,348 | 83 | 9,431 | 0.07 | 203 | 83 | 286 | 0.00 | -0.07 |
| (c) | Central Government / State Government(s) | - | - | - | - | - | - | - | - | - |
| (d) | Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| (e) | Insurance Companies | - | - | - | - | - | - | - | - | - |
| (f) | Foreign Institutional Investors | 87,968 | - | 87,968 | 0.68 | - | - | - | 0.00 | -0.68 |
| (g) | Foreign Venture Capital Investors | - | - | - | - | - | - | - | - | - |
| (h) | Qualified Foreign Investor | - | - | - | - | - | - | - | - | - |
| (i) | Others | - | - | - | - | - | - | - | - | - |
| | Sub-Total B(1): | 18,84,687 | 83 | 18,84,770 | 14.65 | 12,32,998 | 83 | 12,33,081 | 9.57 | -5.07 |
| (2) | NON-INSTITUTIONS | | | | | | | | | |
| (a) | Bodies Corporate | 5,24,328 | 5,295 | 5,29,623 | 4.12 | 4,06,514 | 4,512 | 4,11,026 | 3.19 | -0.92 |
| (b) | Individuals | | | | | | | | | |
| | (i) Individuals holding nominal share capital upto ₹ 1 lakh | 13,66,306 | 1,26,523 | 14,92,829 | 11.60 | 14,26,622 | 1,14,979 | 15,41,601 | 11.97 | 0.37 |
| | (ii) Individuals holding nominal share capital in excess of ₹ 1 lakh | 10,98,253 | - | 10,98,253 | 8.53 | 19,78,874 | - | 19,78,874 | 15.36 | 6.83 |
| (c) | Others | - | - | - | - | - | - | - | - | - |

| CATEGORY CODE | CATEGORY OF SHAREHOLDER | NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR | | | | NO. OF SHARES HELD AT THE END OF THE YEAR | | | | % CHANGE DURING THE YEAR |
|---------------|--|---|-----------------|--------------------|-------------------|---|-----------------|--------------------|-------------------|--------------------------|
| | | DEMAT | PHYSICAL | TOTAL | % OF TOTAL SHARES | DEMAT | PHYSICAL | TOTAL | % OF TOTAL SHARES | |
| (I) | (II) | (III) | (IV) | (V) | (VI) | (VII) | (VIII) | (IX) | (X) | (XI) |
| | CLEARING MEMBERS | 90,218 | - | 90,218 | 0.70 | 6,149 | - | 6,149 | 0.05 | -0.65 |
| | I E P F | 67,784 | - | 67,784 | 0.53 | 73,738 | - | 73,738 | 0.57 | 0.05 |
| | NON RESIDENT INDIANS | 1,09,103 | - | 1,09,103 | 0.85 | 38386 | - | 38,386 | 0.30 | -0.55 |
| | NRI NON-REPATRIATION | 20,566 | - | 20,566 | 0.16 | 21,725 | - | 21,725 | 0.17 | 0.01 |
| (d) | Qualified Foreign Investor | - | - | - | - | - | - | - | - | - |
| | Sub-Total B(2): | 32,76,558 | 1,31,818 | 34,08,376 | 26.48 | 39,52,008 | 1,19,491 | 40,71,499 | 31.61 | 5.12 |
| | Total B=B(1)+B(2) : | 51,61,245 | 1,31,901 | 52,93,146 | 41.13 | 51,85,006 | 1,19,574 | 53,04,580 | 41.18 | 0.05 |
| | Total (A+B) : | 1,27,37,723 | 1,31,901 | 1,28,69,624 | 100.00 | 1,27,61,484 | 1,19,574 | 1,28,81,058 | 100.00 | 0.00 |
| (C) | Shares held by custodians, against which | - | - | - | - | - | - | - | - | - |
| | Depository Receipts have been issued | - | - | - | - | - | - | - | - | - |
| (1) | Promoter and Promoter Group | - | - | - | - | - | - | - | - | - |
| (2) | Public | - | - | - | - | - | - | - | - | - |
| | GRAND TOTAL (A+B+C) : | 1,27,37,723 | 1,31,901 | 1,28,69,624 | 100.00 | 1,27,61,484 | 1,19,574 | 1,28,81,058 | 100.00 | - |

* **Note:** the change in % of Promoters Shareholding is due to increase in the paid up share capital during the year on account of ESOP allotment.

ii) Shareholding of Promoters

| Shareholders Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in the 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 | |
| Apparao V Mallavarapu | 66,04,715 | 51.32 | 0.00 | 66,04,715 | 51.27 | 0.00 | 0.00 |
| Nikhil Mallavarapu | 5,89,929 | 4.58 | 0.00 | 5,89,929 | 4.58 | 0.00 | 0.00 |
| Dr. Swarnalatha Mallavarapu | 3,69,150 | 2.87 | 0.00 | 3,69,150 | 2.87 | 0.00 | 0.00 |
| M.S. Swarnakumari | 12,684 | 0.10 | 0.00 | 12,684 | 0.10 | 0.00 | 0.00 |

Note: the change in % of Promoters Shareholding is due to increase in the paid up share capital during the year on account of ESOP allotment.

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

| 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 |
| At the beginning of the year | 75,76,478 | 58.87 | 75,76,478 | 58.82 |
| Datewise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.,) | - | - | - | - |
| At the end of the year | 75,76,478 | 58.87 | 75,76,478 | 58.82 |

Note: the change in % of Promoters Shareholding is due to increase in the paid up share capital during the year on account of ESOP allotment.

iv) Shareholding Pattern of Top Ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs)

| Sl. No. | Folio/Dpid-Client id | Type | Shareholding at the beginning of the Year | | Cumulative Shareholding during the Year | |
|---------|----------------------|--|---|-------------------|---|-------------------|
| | | | No. of Shares | % of total shares | No. of Shares | % of total shares |
| 1 | AAATH1809A | HDFC TRUSTEE COMPANY LIMITED - HDFC EQUITY SAVING FUND | | | | |
| | 31/03/2018 | Opening Balance | 1131634 | 8.79 | | |
| | 29/03/2019 | Purchase | 225000 | | 1356634 | 10.53 |
| | 29/03/2019 | Sale | -225304 | | 1131330 | 8.78 |
| | 30/03/2019 | Closing Balance | | | 1131330 | 8.78 |
| 2 | AAATC4460E | L AND T MUTUAL FUND TRUSTEE LTD-L AND T MID CAP FUND | | | | |
| | 31/03/2018 | Opening Balance | 623426 | 4.84 | | |
| | 06/04/2018 | Purchase | 3801 | | 627227 | 4.87 |
| | 22/06/2018 | Purchase | 101465 | | 728692 | 5.66 |
| | 22/06/2018 | Sale | -100838 | | 627854 | 4.88 |
| | 07/09/2018 | Sale | -333762 | | 294092 | 2.28 |
| | 21/09/2018 | Sale | -5000 | | 289092 | 2.25 |
| | 28/09/2018 | Sale | -41884 | | 247208 | 1.92 |
| | 04/01/2019 | Sale | -135743 | | 111465 | 0.87 |
| | 11/01/2019 | Sale | -1085 | | 110380 | 0.86 |
| | 01/02/2019 | Sale | -8915 | | 101465 | 0.79 |
| | 30/03/2019 | Closing Balance | | | 101465 | 0.79 |
| 3 | AACB7028F | FINQUEST SECURITIES PVT LTD | | | | |
| | 31/03/2018 | Opening Balance | 194706 | 1.51 | | |
| | 06/04/2018 | Purchase | 14856 | | 209562 | 1.63 |
| | 06/04/2018 | Sale | -76856 | | 132706 | 1.03 |
| | 27/04/2018 | Purchase | 5637 | | 138343 | 1.07 |
| | 04/05/2018 | Sale | -5637 | | 132706 | 1.03 |
| | 18/05/2018 | Sale | -80906 | | 51800 | 0.40 |
| | 01/06/2018 | Purchase | 576 | | 52376 | 0.41 |
| | 08/06/2018 | Sale | -576 | | 51800 | 0.40 |
| | 29/06/2018 | Sale | -50000 | | 1800 | 0.01 |
| | 13/07/2018 | Purchase | 188 | | 1988 | 0.02 |
| | 20/07/2018 | Sale | -188 | | 1800 | 0.01 |
| | 07/09/2018 | Purchase | 1800 | | 3600 | 0.03 |
| | 07/09/2018 | Sale | -1800 | | 1800 | 0.01 |
| | 14/09/2018 | Sale | -1800 | | 0 | 0.00 |
| | 21/09/2018 | Purchase | 696 | | 696 | 0.01 |
| | 28/09/2018 | Purchase | 12304 | | 13000 | 0.10 |

| Sl. No. | Folio/Dpid-Client id | Type | Shareholding at the beginning of the Year | | Cumulative Shareholding during the Year | |
|---------|----------------------|----------------------------|---|-------------------|---|-------------------|
| | | | No. of Shares | % of total shares | No. of Shares | % of total shares |
| | 05/10/2018 | Sale | -11855 | | 1145 | 0.01 |
| | 12/10/2018 | Sale | -1145 | | 0 | 0.00 |
| | 19/10/2018 | Purchase | 492 | | 492 | 0.00 |
| | 26/10/2018 | Sale | -492 | | 0 | 0.00 |
| | 14/12/2018 | Purchase | 46908 | | 46908 | 0.36 |
| | 21/12/2018 | Sale | -46908 | | 0 | 0.00 |
| | 30/03/2019 | Closing Balance | | | 0 | 0.00 |
| 4 | AAAPP6652R | BHARAT JAYANTILAL PATEL | | | | |
| | 31/03/2018 | Opening Balance | 192924 | 1.50 | | |
| | 20/04/2018 | Purchase | 192924 | | 385848 | 3.00 |
| | 20/04/2018 | Sale | -192924 | | 192924 | 1.50 |
| | 28/09/2018 | Sale | -150000 | | 42924 | 0.33 |
| | 22/02/2019 | Purchase | 40000 | | 82924 | 0.64 |
| | 01/03/2019 | Purchase | 85000 | | 167924 | 1.30 |
| | 30/03/2019 | Closing Balance | | | 167924 | 1.30 |
| 5 | ABZPT7007J | MINAXI BHALCHANDRA TRIVEDI | | | | |
| | 31/03/2018 | Opening Balance | 176278 | 1.37 | | |
| | 21/12/2018 | Purchase | 46908 | | 223186 | 1.73 |
| | 08/02/2019 | Purchase | 21324 | | 244510 | 1.90 |
| | 15/02/2019 | Purchase | 1859 | | 246369 | 1.91 |
| | 30/03/2019 | Closing Balance | | | 246369 | 1.91 |
| 6 | ADEPT8006E | SHIVANI TEJAS TRIVEDI | | | | |
| | 31/03/2018 | Opening Balance | 0 | 0.00 | | |
| | 11/01/2019 | Purchase | 117300 | | 117300 | 0.91 |
| | 25/01/2019 | Purchase | 25243 | | 142543 | 1.11 |
| | 01/02/2019 | Purchase | 19303 | | 161846 | 1.26 |
| | 08/02/2019 | Purchase | 6241 | | 168087 | 1.30 |
| | 30/03/2019 | Closing Balance | | | 168087 | 1.30 |
| 7 | ANDPP9202F | RUCHIT BHARAT PATEL | | | | |
| | 31/03/2018 | Opening Balance | 0 | 0.00 | | |
| | 24/08/2018 | Purchase | 18891 | | 18891 | 0.15 |
| | 31/08/2018 | Purchase | 46 | | 18937 | 0.15 |
| | 07/09/2018 | Purchase | 120033 | | 138970 | 1.08 |
| | 14/09/2018 | Purchase | 21927 | | 160897 | 1.25 |
| | 21/09/2018 | Sale | -896 | | 160001 | 1.24 |
| | 30/03/2019 | Closing Balance | | | 160001 | 1.24 |
| 8 | AACPP5126G | MINAL BHARAT PATEL | | | | |
| | 31/03/2018 | Opening Balance | 0 | 0.00 | | |
| | 18/05/2018 | Purchase | 116006 | | 116006 | 0.90 |
| | 24/08/2018 | Purchase | 10384 | | 126390 | 0.98 |
| | 30/03/2019 | Closing Balance | | | 126390 | 0.98 |
| 9 | AAFHG1700A | GIRISH GULATI (HUF) . | | | | |
| | 31/03/2018 | Opening Balance | 104642 | 0.81 | | |
| | 20/07/2018 | Purchase | 500 | | 105142 | 0.82 |
| | 27/07/2018 | Purchase | 3294 | | 108436 | 0.84 |
| | 07/09/2018 | Purchase | 4011 | | 112447 | 0.87 |
| | 07/09/2018 | Sale | -30406 | | 82041 | 0.64 |
| | 14/09/2018 | Purchase | 30109 | | 112150 | 0.87 |
| | 21/09/2018 | Purchase | 47273 | | 159423 | 1.24 |

| Sl. No. | Folio/Dpid-Client id | Type | Shareholding at the beginning of the Year | | Cumulative Shareholding during the Year | |
|---------|----------------------|-------------------|---|-------------------|---|-------------------|
| | | | No. of Shares | % of total shares | No. of Shares | % of total shares |
| | 28/09/2018 | Purchase | 69909 | | 229332 | 1.78 |
| | 05/10/2018 | Purchase | 24704 | | 254036 | 1.97 |
| | 12/10/2018 | Purchase | 3597 | | 257633 | 2.00 |
| | 19/10/2018 | Purchase | 25507 | | 283140 | 2.20 |
| | 26/10/2018 | Purchase | 2584 | | 285724 | 2.22 |
| | 02/11/2018 | Purchase | 2268 | | 287992 | 2.24 |
| | 09/11/2018 | Purchase | 3042 | | 291034 | 2.26 |
| | 16/11/2018 | Purchase | 274 | | 291308 | 2.26 |
| | 14/12/2018 | Purchase | 2222 | | 293530 | 2.28 |
| | 21/12/2018 | Purchase | 1600 | | 295130 | 2.29 |
| | 25/01/2019 | Purchase | 30720 | | 325850 | 2.53 |
| | 25/01/2019 | Sale | -20000 | | 305850 | 2.37 |
| | 01/02/2019 | Purchase | 45144 | | 350994 | 2.72 |
| | 08/02/2019 | Purchase | 1526 | | 352520 | 2.74 |
| | 30/03/2019 | Closing Balance | | | 352520 | 2.74 |
| 10 | AACCE5562C | EM RESURGENT FUND | | | | |
| | 31/03/2018 | Opening Balance | 87842 | 0.68 | | |
| | 04/05/2018 | Sale | -18000 | | 69842 | 0.54 |
| | 18/05/2018 | Sale | -69842 | | 0 | 0.00 |
| | 30/03/2019 | Closing Balance | | | 0 | 0.00 |

v) **Shareholding of Directors and Key Managerial Personnel**

| For each of the Directors and KMP | 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 |
| Mr. Apparao V Mallavarapu | | | | |
| At the beginning of the year | 66,04,715 | 51.32 | 66,04,715 | 51.27 |
| Datewise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.,) | - | - | - | - |
| At the end of the year | | | 66,04,715 | 51.27 |
| Mr. S. Krishnan | | | | |
| At the beginning of the year | 83 | 0.00 | 83 | 0.00 |
| Datewise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.,) | - | - | - | - |
| At the end of the year | | | 83 | 0.00 |
| Dr. Swarnalatha Mallavarapu | | | | |
| At the beginning of the year | 3,69,150 | 2.87 | 3,69,150 | 2.87 |
| Datewise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.,) | - | - | - | - |
| At the end of the year | - | - | 3,69,150 | 2.87 |
| Mr. K.S. Desikan, Chief Financial Officer | | | | |
| At the beginning of the year | 49,397 | 0.40 | 49,397 | 0.38 |
| Datewise Increase*/Decrease in KMPs Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.,) | - | - | - | - |
| At the end of the year | | | 49,397 | 0.38 |

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment (₹ in million)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|--|-----------------|----------|-----------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 2,079.74 | 0.00 | - | 2,079.74 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 3.85 | 0.00 | - | 3.85 |
| Total (i+ii+iii) | 2,083.59 | 0.00 | - | 2,083.59 |
| Change in Indebtedness during the financial year | | | | |
| Addition | 3,410.50 | 200.00 | - | 3,610.50 |
| Reduction | 3,642.58 | - | - | 3,642.58 |
| Net Change | -232.08 | 200.00 | - | -32.08 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 1,847.66 | 200.00 | - | 2,047.66 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 6.43 | 3.06 | - | 9.49 |
| Total (i+ii+iii) | 1,854.09 | 203.06 | - | 2,057.15 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager (Amount in ₹ million)

| Sl. No. | | Apparao V Mallavarapu | - | Total |
|---------|--|-----------------------|----------|--------------|
| 1 | Gross Salary | | | |
| | a Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 9.09 | - | 9.09 |
| | b Value of perquisites as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | - | - | - |
| | c Profits in lieu of salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | - | - | - |
| 2 | Stock Options | - | - | - |
| 3 | Sweat Equity | - | - | - |
| 4 | Commission | | | |
| | - As % of profit | 7.56 | - | 7.56 |
| | - Others | - | - | - |
| 5 | Others | | | |
| | i Deferred bonus (pertaining to the current financial year payable in 2017) | - | - | - |
| | ii Retirals | - | - | - |
| | Total (A) | 16.65 | - | 16.65 |

B. Remuneration to other Directors:**1) Independent Directors**

| Particulars of remuneration | Mr. S. Krishnan | Mr. Manoj Nagrath | Mr. Rajiv C Mody | Mr. Pranav Kumar N Patel | Mr. Thiruvengadam P | Total |
|-----------------------------------|-----------------|-------------------|------------------|--------------------------|---------------------|-------------|
| Fee for attending Board/Committee | 0.18 | 0.18 | 0.06 | 0.18 | 0.14 | 0.74 |
| Commission | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 1.00 |
| Others | | | | | | |
| Total (B)(1) | 0.38 | 0.38 | 0.26 | 0.38 | 0.34 | 1.74 |

2) Other Non-Executive Directors

| Particulars of remuneration | Dr. Swarnalatha Mallavarapu | | | | | Total | |
|-----------------------------------|-----------------------------|----------|-------------|-------------|-------------|-------------|-------------|
| Fee for attending Board/Committee | - | - | - | - | - | - | |
| Commission | - | - | - | - | - | - | |
| Others | - | - | - | - | - | - | |
| Total (B)(2) | - | - | - | - | - | - | |
| Total (B)=(B)(1)+(B)(2) | 0.38 | | 0.38 | 0.26 | 0.38 | 0.34 | 1.74 |

3) Remuneration to Key Managerial Personnel other than MD/Manager/WTD: (Amount in ₹ million)

| Sl. No. | Particulars of remuneration | Mr. K.S. Desikan, Chief Financial Officer | Mr. Ramu Akkili, Company Secretary * | Mr. Nagaraj K V Company Secretary ** | Total |
|---------|--|--|---|---|-------------|
| 1 | Gross Salary | | | | |
| a | Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 6.90 | 1.46 | 0.30 | 8.66 |
| b | Value of perquisites as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | - | - | - | - |
| c | Profits in lieu of salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | - | - | - | - |
| 2 | Stock Options | - | - | - | - |
| 3 | Sweat Equity | - | - | - | - |
| 4 | Commission | | | | |
| | - As % of profit | - | - | - | - |
| | - Others | - | - | - | - |
| 5 | Others | - | - | - | - |
| | Total (C) | 6.90 | 1.46 | 0.30 | 8.66 |

* Resigned w.e.f. November 30, 2018

** Appointed w.e.f. February 6, 2019

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NIL

Employee Stock Option Plan

Particulars prescribed under Guideline 12.1 of the SEBI (Employee Stock Option scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and forming part of the Directors Report:

| | Centum ESOP-2007 | Centum ESOP-2013 |
|--|---|--|
| 1 Total Size of ESOP | 4,16,666 shares (each option represents one share) | 2,50,000 shares (each option represents one share) |
| 2 Options granted | 4,16,519 | 2,50,000 |
| 3 Pricing Formula | Closing price, prior to the date of the meeting of the Compensation Committee in which Options are granted. | |
| 4 Options vested | 337,694 | 227,530 |
| 5 Options exercised | 337,694 | 210,031 |
| 6 Number of shares arising as a result of exercise of option | 337,694 | 210,031 |
| 7 Options lapsed/surrendered/forfeited | 78,825 | 17,218 |
| 8 Variation of terms of options | NA | NA |
| 9 Money realized by exercise of options | ₹ 18,349,342 | ₹ 14,964,709 |
| 10 Total number of options in force | Nil | 22,749 |
| 11 Grant to senior management personnel | Gopinath Vedaprakash 15,400 Vinod S Chippalkatti 29,526 P M Unnikrishnan 21,234 Desikan KS 28,426 Sandhya Thyagarajan 18,600 Perry Duffill 26,950 - | Gopinath Vedaprakash 9,259 Vinod S Chippalkatti 14,609 P M Unnikrishnan 14,609 Desikan KS 14,609 Sandhya Thyagarajan 14,198 Perry Duffill 12,346 Sanjay Puri 7,000 |
| 12 Employees receiving more than 5% of the options in a year | NIL | |
| 13 Employees receiving grants equal or more than 1% of the issued capital | NA | |
| 14 Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with IndAS 20 | ₹ 45.00 | |
| 15 Impact on Net Profit and EPS | Profit after tax decreased by ₹ 0.80 million | EPS decreased by ₹ 0.06 |
| 16 Method used to estimate the fair value of options | Black Scholes model | |
| 17 Significant Assumptions used: | | |
| a. Dividend Yield | 10% | |
| b. Risk free interest rate | 1-4 years | |
| c. Expected Life of Option | 5.7-8.6% | |
| d. Expected Volatility | 48.31% | |

For and on behalf of the Board

Place: Bengaluru
Date: May 29, 2019

Apparao V Mallavarapu
Chairman & Managing Director

S Krishnan
Director

Corporate Governance Report

1) Company's Philosophy on Code of Governance

Centum Electronics Limited firmly believes that implementation of good Corporate Governance will help the Company to achieve Corporate goals and enhance stakeholders value. Your Company's philosophy on Corporate Governance envisages attainment of the highest level of transparency, accountability and integrity in all facets of its operation. The fundamental objective is enhancement of long-term shareholder value, while at the same time protecting the interests of other stakeholders.

2) Board of Directors

a) Composition:

The Company has an active, experienced and a well-informed Board. The Board along with its Committees

undertakes its fiduciary duties keeping in mind the interests of all its stakeholders and the Company's Corporate Governance philosophy. The Nomination and Remuneration Committee of the Board ensures the right composition of the Board. The Board is primarily responsible for the overall management of the Company's business. The Directors on the Board are from varied fields with wide range of skills and expertise.

As on March 31, 2019, the Board of Directors of the Company comprises of 7 Directors out of which 5 being Independent Non Executive Directors. The composition of Board is in due compliance of Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The composition of the Board of Directors as at March 31, 2019 is as follows:

| Name of the Director | Category | Designation | Number of other Directorships** | Number of Board Committees Membership/ Chairmanship*** | Name of other Listed entities & category of Directorships* |
|-----------------------------|-----------------------------------|------------------------------|---------------------------------|--|--|
| Mr. Apparao V Mallavarapu | Executive and Non Independent | Chairman & Managing Director | 2 | 4 | - |
| Mr. S. Krishnan | Non-Executive and Independent | Director | - | 4 | - |
| Mr. Manoj Nagrath | Non-Executive and Independent | Director | 1 | 4 | - |
| Mr. Rajiv C Mody | Non-Executive and Independent | Director | 3 | 4 | 1. Sasken Technologies Ltd – CMD 2. J.B. Chemicals & Pharmaceuticals Ltd - ID |
| Mr. Pranav Kumar N Patel | Non-Executive and Independent | Director | - | 1 | - |
| Dr. Swarnalatha Mallavarapu | Non-Executive and Non Independent | Director | 1 | 1 | - |
| Mr. Thiruvengadam P | Non-Executive and Independent | Director | 4 | 8 | 1. Fine Organic Industries Ltd – ID |

* CMD – Chairman and Managing Director; ID – Independent Director

** Only the Directorships of the Indian Companies have been taken into consideration.

*** List includes Centum Electronics Limited.

The number of directorships, committee membership(s), Chairmanship(s) of all the Directors are within the limits prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dr. Swarnalatha Mallavarapu is the spouse of Mr. Apparao V Mallavarapu. None of the other Directors are related to any other Director on the Board.

None of the Independent Non-Executive Directors of the Company have any pecuniary relationships or transactions with the Company.

The Board is satisfied that the current composition reflects an appropriate mix of knowledge, skills, experience, expertise, diversity and independence. The Board provides leadership, strategic guidance, an objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure. The Board periodically evaluates the need for change in its composition and size.

b) Board Meetings:

The details of the Board Meetings held during the financial year 2018-19 are as follows:

| Sl. No. | Day & Date |
|---------|------------------------------|
| 1 | Wednesday, May 30, 2018 |
| 2 | Wednesday, August 8, 2018 |
| 3 | Wednesday, November 14, 2018 |
| 4 | Wednesday, February 6, 2019 |

The necessary quorum was present in all the Board Meetings. The maximum gap between any two meetings did not exceed 120 days. The attendance of Directors in Board Meetings and previous Annual General Meeting (AGM) are as follows:

| Name of the Director | Number of meetings attended | Attendance at the last AGM |
|-----------------------------|-----------------------------|----------------------------|
| Mr. Apparao V Mallavarapu | 4 | Yes |
| Mr. S. Krishnan | 4 | Yes |
| Mr. Manoj Nagrath | 4 | Yes |
| Mr. Rajiv C Mody | 3 | Yes |
| Mr. Pranav Kumar N Patel | 4 | No |
| Dr. Swarnalatha Mallavarapu | 4 | Yes |
| Mr. Thiruvengadam P | 3 | Yes |

c) Code of Conduct for Directors and Senior Management:

The Company has adopted the Code of Conduct for Directors and Senior Management and the Company received the annual affirmations with regard to the adherence to the Code of Conduct for the financial year 2018-19. The Code of Conduct is available on the Company's website (www.centumelectronics.com).

All the Independent Directors of the Company at the time of their first appointment to the Board and thereafter in the first Meeting of the Board in each financial year gives a declaration that they meet the criteria of independence as provided under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013.

d) Familiarisation Programmes for Board Members:

At the time of appointing a Director, a formal letter of appointment is given to the Board Members, which inter alia explains the role, function, duties and responsibilities expected from them as a Director of the Company. The Director is also explained in detail the compliances required from him under the Companies Act, SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and other relevant regulations. The Board members are provided with necessary documents, reports and internal policies to enable them to familiarize with the Company's procedures and practices.

Quarterly updates on important changes in the regulatory environment is presented to the Board by the functional heads. Apart from this, the statutory auditors present to the Audit Committee/ Board on regular intervals on important regulatory changes. The Company's policy on Familiarisation of Board of Directors is disclosed on its website centumelectronics.com/investor-relations/.

e) Separate Meeting of the Independent Directors:

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of the Independent Directors is being held every financial year. None of the non-independent directors, Members of the management or Key Managerial Personnel are present for this Meeting. During the financial year 2018-19 the Meeting of the Independent Directors was held on March 30, 2019 to review the performance of the Non-Independent directors (including the Chairman & Managing Director) and the Board as a whole. Based on the guidance note issued by SEBI on January 05, 2017 on the Board Evaluation, Independent Directors also reviewed the quality, content and timelines of the flow of information between the management and the Board and its Committees which is necessary to perform and discharge their duties effectively and reasonably.

3) Board Committees

The Board of Directors has constituted the Committees, which are mandatory with appropriate delegation of powers. These Committees are functioning as required.

a) Audit Committee:

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in overseeing the Boards responsibilities, an Audit Committee was formed as a sub-committee of the Board. The Committee is in line with the requirements of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The functions of the Audit Committee include:

Financial Reporting and Related Processes

- ♦ Oversight of the Company's financial reporting process and financial information submitted to the Stock Exchanges, regulatory authorities or the public.
- ♦ Reviewing with the Management the quarterly unaudited financial statements and the Auditors' Limited Review Report thereon/audited annual financial statements and Auditors' Report thereon before submission to the Board for approval. This would, inter alia, include reviewing changes in the accounting policies and reasons for the same, major accounting estimates based on exercise of judgment by the Management, significant adjustments made in the financial statements and / or recommendation, if any, made by the Statutory Auditors in this regard.
- ♦ Review the Management Discussion & Analysis of financial and operational performance.
- ♦ Discuss with the Statutory Auditors its judgment about the quality and appropriateness of the Company's accounting principles with reference to the Generally Accepted Accounting Principles in India (IndAS).
- ♦ Review the investments made by the Company.

Internal Controls and Governance Processes

- ♦ Review the adequacy and effectiveness of the Company's system and internal controls.
- ♦ Review and discuss with the Management the Company's major financial risk exposures and steps taken by the Management to monitor and control such exposure.
- ♦ To oversee and review the functioning of a vigil mechanism and to review the findings of investigation into cases of material nature and the actions taken in respect thereof.

Audit

- ♦ Review the scope of the Statutory Auditors, the annual audit plan and the Internal Audit Plan with a view to ensure adequate coverage.
- ♦ Review the significant audit findings from the statutory and internal audits carried out, the recommendations and Management's response thereto.
- ♦ Review and recommend to the Board the appointment/ re-appointment of the Statutory Auditors considering their independence and effectiveness and their replacement and removal.
- ♦ Approve such additional services to be rendered by the Statutory Auditors except those enumerated in Section 144 of the Companies Act, 2013 and payment for such services.
- ♦ Recommend to the Board the remuneration of the Statutory Auditors.
- ♦ Discuss with the Statutory Auditors/ Internal Auditors any significant difficulties encountered during the course of the Audit.

Other Duties

- ♦ To approve the appointment, removal and terms of remuneration of the Internal Auditor.
- ♦ To grant omnibus approval for related party transactions which are in the ordinary course of business and on an arm's length pricing basis and to review and approve such transactions subject to the approval of the Board.
- ♦ The composition and attendance of the members for the Committee Meetings held during the year are as follows:

| Sl. No. | Name | Position | Number of Meetings | |
|---------|---------------------------|----------|--------------------|----------|
| | | | Held | Attended |
| 1. | Mr. Manoj Nagrath | Chairman | 4 | 4 |
| 2. | Mr. Apparao V Mallavarapu | Member | 4 | 4 |
| 3. | Mr. S. Krishnan | Member | 4 | 4 |
| 4. | Mr. Pranav Kumar N Patel | Member | 4 | 4 |
| 5. | Mr. Thiruvengadam P | Member | 4 | 3 |

The Chairman of the Audit Committee is an Independent Director. The Company Secretary acts as the Secretary to the Committee.

During the year under review, Four Audit Committee Meetings were held and gap between two meetings did

not exceed one hundred and twenty days. Audit Committee Meetings were held on May 29, 2018, August 7, 2018, November 13, 2018 and February 6, 2019.

During the year, the Company has paid a sitting fee of ₹ 20,000/- per Meeting (Board and Audit Committee) attended in person/through Video conference.

Self-Assessment by the Audit Committee

The Audit Committee has set in place a process to measure and benchmark its performance each year. The assessment broadly covers composition, structure and committee meetings, overview of the financial reporting process, internal control systems and overview of internal and external audits.

b) Nomination and Remuneration Committee:

In compliance with Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Section 178 of the Companies Act, 2013, the Board has constituted the "Nomination and Remuneration Committee".

The composition of the Nomination & Remuneration Committee & attendance in the meetings for the financial year 2018-19 were as follows:

| Sl. No. | Name | Position | Number of Meetings | |
|---------|---------------------------|----------|--------------------|----------|
| | | | Held | Attended |
| 1. | Mr. Manoj Nagrath | Chairman | 1 | 1 |
| 2. | Mr. S. Krishnan | Member | 1 | 1 |
| 3. | Mr. Rajiv C Mody | Member | 1 | 1 |
| 4. | Mr. Apparao V Mallavarapu | Member | 1 | 1 |

During the year there was one Meeting of the Nomination & Remuneration Committee held on May 30, 2018.

The Company Secretary acts as the Secretary to the Committee.

The terms of reference of the Nomination & Remuneration Committee inter-alia includes the following:

1. To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
2. To formulate criteria for evaluation of performance of independent directors and the Board;

3. To devise a policy on Board diversity;
4. To identify persons who are qualified to become directors and who may be appointed in the senior management in accordance with the criteria laid down and recommend to the board of directors their appointment and removal;
5. To recommend the Board whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
6. To carry out such other function as may be mandated by the Board from time to time;

The Nomination & Remuneration Committee has laid down the Performance Evaluation criteria of Independent Directors in terms of Regulation 19 read with Part D of the Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration.

c) Stakeholders' Relationship Committee:

In compliance with the provisions of Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Board has constituted the "Stakeholders' Relationship Committee".

The Stakeholders' Relationship Committee has been formed for the effective redressal of the investors' complaints, reviewing the activities of the share transfer committee and reporting of the same to the Board periodically.

The composition of the Stakeholders' Relationship committee is as follows:

| Name | Particulars |
|---------------------------|-------------|
| Mr. Manoj Nagrath | Chairman |
| Mr. Apparao V Mallavarapu | Member |
| Mr. S. Krishnan | Member |

Mr. Nagaraj K V, Company Secretary & Compliance Officer acts as the Secretary to the Committee.

The Company has received complaints/requests during the year from the Shareholders. All the complaints have been redressed to the satisfaction of the Shareholders. An analysis of the complaints /requests is as follows:

Status of complaints from the stakeholders from 01.04.2018 to 31.03.2019

| Sl. No. | Nature of Complaints | Opening Balance | Received | Redressed | Pending |
|---------|----------------------------------|-----------------|------------|------------|------------|
| 1. | Non-receipt of securities | NIL | 16 | 16 | NIL |
| 2. | Non receipt of Dividend Warrants | NIL | 30 | 30 | NIL |
| 3 | Non receipt of Annual reports | NIL | 8 | 8 | NIL |
| 4. | Others | NIL | 349 | 349 | NIL |
| | Total | NIL | 403 | 403 | NIL |

d) Corporate Social Responsibility (CSR) Committee:

In compliance with the provisions of Section 135 of the Companies Act, 2013, the Board has constituted Corporate Social Responsibility (CSR) Committee. The terms of the committee broadly comprise the following:

- ♦ To review the CSR Policy and to make it more comprehensive so as to indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- ♦ To provide guidance on various CSR activities to be undertaken by the Company and to monitor its progress.

The composition of the CSR committee is as follows:

| Name | Particulars |
|-----------------------------|-------------|
| Mr. Manoj Nagrath | Chairman |
| Mr. Apparao V Mallavarapu | Member |
| Mr. S. Krishnan | Member |
| Dr. Swarnalatha Mallavarapu | Member |

Policy for selection and Appointment of Directors and their Remuneration:

The Nomination and Remuneration Committee (NRC) has formulated a policy which, inter alia, deals with the manner of selection of the Board of Directors and the Senior Management. Link for the policy is www.centumelectronics.com

Annual evaluation of Board, its Committees and Individual Directors:

The Board of Directors has carried out an annual evaluation of its own performance, its Committees and individual Directors pursuant to the requirements of the Act and the listing regulations.

Subsidiary Companies:

The Company has the following subsidiary companies:

1. Centum Adeneo India Private Limited, a wholly owned Indian Subsidiary company.
2. Centum Electronics UK Limited, UK based company.
3. Centum Adetel Group S.A., French based company.

The Audited Annual Financial Statements of Subsidiary Companies are tabled at the Audit Committee and Board Meetings of the Company.

Copies of the Minutes of the Audit Committee / Board Meetings of Subsidiary Companies are individually given to all the Directors and are tabled at the subsequent Board Meetings.

The Company has a policy on material subsidiaries and the weblink for the same is www.centumelectronics.com. The Company has material subsidiary which meets the criteria mentioned in the policy.

Whistle Blower Policy:

The Company promotes ethical behavior in all its business activities and has put in place a mechanism for reporting illegal or unethical behavior. The Company has a Vigil mechanism/Whistle blower policy under which the employees are free to report violations of applicable laws, regulations and the Code of Conduct. During the year under review, there are no such events to report.

Related Party Transactions:

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, during the financial year were in the ordinary course of business and at an arm's length pricing basis. There are no materially significant related party transactions during the financial year i.e. transactions of the Company of material nature with its promoters, the Directors, the Management, their subsidiaries or the relatives etc., that may have potential conflict with the interests of the Company at large. However, the Company has taken approval of the Audit Committee and

Board of Directors for all the related party transactions during the year.

Details of the significant related party transactions with the group companies are given in the appended financial statements under Note No. 43 of the notes to the accounts of the financial statements.

Pursuant to the said regulations, the Company has framed a policy for dealing with the related party transactions, which has been uploaded on the Company's website.

4) Disclosures

a) Compliance with Statutory/legal requirements:

There are no non-compliances by the Company and except one instance where there was a one day delay in submission of year end financial results for the financial year 2017-18, no other penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any other statutory authority, on any matter related to capital matters, during the last three years.

b) Compliance with Accounting Standards:

Your Company confirms that it has complied with all the applicable Accounting Standards issued by the Ministry of Corporate Affairs.

5) General Body Meetings

a. Date and venue of the last three AGMs are given below:

| Year | Date | Venue | Time | Number of special resolutions |
|---------|--------------------|---|-----------|-------------------------------|
| 2015-16 | August 5, 2016 | No 44, KHB Industrial Area Yelahanka New Township, Bangalore- 560 106 | 11.30 A.M | - |
| 2016-17 | July 11, 2017 | 'Avansa', Plot -58P, Survey No.8, KIADB, Bangalore Aerospace Park Industrial Area, Jala Hobli, Budigere Post, Bangalore – 562 129 | 11.30 A.M | - |
| 2017-18 | September 14, 2018 | No 44, KHB Industrial Area Yelahanka New Township, Bangalore – 560 106 | 11.30 A.M | - |

1. A special resolution was passed through Postal Ballot dated 10th February 2015.
2. A special resolution was passed through Postal Ballot dated 26th February 2018.

b) Means of Communication:

The Company has its own website viz. www.centumelectronics.com. The quarterly, half- yearly and annual results are posted on the Company's website for the information of the Shareholders.

The results are also published in Business Standard – All editions, Economic Times – Bangalore & Mumbai editions and Vijayavani – Bangalore edition.

c) Internal Controls:

The Company has a formal system of internal control testing which examines both the design effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory / regulatory compliances. The Company's business processes are on BAAN-ERP and has a strong monitoring and reporting process resulting in financial discipline and accountability.

d) CMD/CFO Certification:

The CMD and the CFO have issued certificate pursuant to the provisions of Regulation 17 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, certifying that the financial statements do not contain any untrue statement and these statements represent a true and fair view of the Company's affairs. The said certificate is annexed and forms part of the Annual Report.

e) Compliance of mandatory requirements:

The Company is pleased to inform that your Company has complied with all the mandatory requirements of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 as amended from time to time.

All the material information is promptly sent to the Stock Exchanges where the Shares of the Company are listed. The Management Discussion and Analysis Report forms part of the Annual Report. Annual reports are sent to each Shareholder, brokers and Stock Exchanges.

6) General Shareholding Information

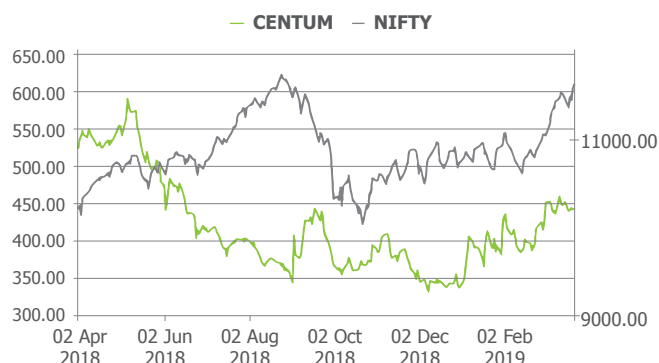
| | | |
|----|--|---|
| 1 | Registration Details | Company is registered in the State of Karnataka and The Corporate Identity Number allotted by Ministry of Corporate Affairs (MCA) is L85110KA1993PLC013869 |
| 2 | Registered Office | No.44, KHB Industrial Area, Yelahanka New Town, Bangalore – 560 106 |
| 3 | Compliance Officer | Nagaraj K V |
| 4 | Date, time & venue of the 26 th AGM | Tuesday, August 13, 2019 at 11.00 a.m. at Chambers Hall, Hotel 'Radisson Blu Atria Bengaluru', No.1, Palace Road, Bengaluru 560 001 |
| 5 | Financial Year | 2018-2019 |
| 6 | Record Date for Dividend | Friday, August 2, 2019 |
| 7 | Dividend | The Board of Directors of the Company have recommended a final dividend of ₹ 4.00/- (40%) per equity share. Dividend, if approved in the ensuing Annual General Meeting will be paid to those Shareholders, whose name appear in the Register of Members as on Friday, August 2, 2019 |
| 8 | Listing in Stock Exchanges | The Equity Shares of the Company are listed in the following Stock Exchanges: <ul style="list-style-type: none"> • The National Stock Exchange of India Limited • BSE Limited |
| 9 | Stock Code | <ul style="list-style-type: none"> • National Stock Exchange of India Limited – CENTUM • BSE Limited – 517544 |
| 10 | Listing Fees | Listing Fees as prescribed has been paid fully to all the Stock Exchanges where the shares of the Company are listed |

7) Stock Performance

| Month | National Stock Exchange of India Limited (NSE) | | | BSE Limited (BSE) | | |
|-----------|--|--------|---------------------------|-------------------|--------|---------------------------|
| | High | Low | Total Turnover (in Lakhs) | High | Low | Total Turnover (in Lakhs) |
| April | 556.00 | 505.40 | 237.19 | 559.90 | 505.00 | 106.07 |
| May | 617.00 | 482.00 | 768.23 | 620.00 | 476.45 | 226.29 |
| June | 510.00 | 385.30 | 411.01 | 517.60 | 390.55 | 257.85 |
| July | 431.00 | 373.50 | 135.54 | 425.80 | 370.20 | 14.25 |
| August | 416.00 | 350.50 | 367.22 | 411.90 | 355.00 | 83.89 |
| September | 452.75 | 333.05 | 1,727.65 | 450.00 | 333.00 | 1,057.87 |
| October | 409.95 | 340.00 | 202.20 | 425.00 | 340.10 | 23.33 |
| November | 427.70 | 356.35 | 164.29 | 419.00 | 360.55 | 21.11 |
| December | 372.25 | 326.45 | 315.24 | 365.00 | 320.55 | 183.25 |
| January | 455.00 | 335.00 | 1,237.80 | 454.00 | 336.00 | 344.20 |
| February | 462.80 | 376.80 | 551.05 | 460.65 | 375.10 | 92.40 |
| March | 478.75 | 394.75 | 544.29 | 477.00 | 393.00 | 82.10 |

The performance of the stock in National Stock Exchange of India Limited and BSE Limited for the period from April 1, 2018 to March 31, 2019 was as follows:

Exchange: NSE Date: 01-04-2018 End date: 31-03-2019



Exchange: BSE Date: 01-04-2018 End date: 31-03-2019



8) Dematerialisation of shares

The ISIN for the Equity Shares of the Company is INE320B01020. A total of 1,27,61,484 Equity Shares aggregating to 99.07% of the total shares of the Company are in dematerialised form as on March 31, 2019.

9) Registrars and Share Transfer Agents

For Share related matters, Members are requested to correspond with the Companies registrar and Transfer Agents - Karvy Fintech Private Limited quoting their Folio No./ DP ID & Client ID at the following Address.

Karvy Fintech Private Limited
 (Formerly Karvy Computershare Private Limited)
 Karvy Selenium Tower B, Plot No. 31 & 32, Financial District
 Nanakramguda, Serilingampally Mandal,
 Hyderabad – 500032
 Ph No.: +91 40 6716 1559, Fax No.: 040 23001153
 Email: einward.ris@karvy.com

10) Share Transfer System

The composition of the Share Transfer Committee is as follows:

| Sl. No. | Name | Designation |
|---------|---------------------------|------------------------------|
| 1. | Mr. Apparao V Mallavarapu | Chairman & Managing Director |
| 2. | Mr. K S Desikan | Chief Financial Officer |
| 3. | Mr. Nagaraj K V | Company Secretary |

The Share Transfer Committee meets as and when required. The Committee reports periodically to the Stakeholders' Relationship Committee on receipt of the Investors' complaints, if any.

The Company has delegated the power of share transfers to Karvy Fintech Private Limited, the Company's Registrar and Share Transfer Agent ('RTA'). They process the share transfers and the same are approved by the Share Transfer Committee periodically. The share transfers are effected within 15 days from the date of receipt. The Shareholders can send their share transfer/demat/remat requests either to the RTA directly or to the Company.

11) Distribution of Shareholding:

The distribution of the Shareholding as on March 31, 2019 is as follows:

| Category (Amount) | No. of Shareholders | % | Amount | % |
|-------------------|---------------------|---------------|---------------------|---------------|
| 1-5000 | 7,422 | 92.38 | 64,86,840 | 5.03 |
| 5001-10000 | 257 | 3.20 | 20,24,510 | 1.57 |
| 10001-20000 | 147 | 1.83 | 21,47,760 | 1.67 |
| 20001-30000 | 51 | 0.63 | 12,54,220 | 0.97 |
| 30001-40000 | 23 | 0.29 | 8,07,990 | 0.63 |
| 40001-50000 | 33 | 0.41 | 15,31,890 | 1.19 |
| 50001-100000 | 48 | 0.60 | 33,72,670 | 2.62 |
| 100001 & Above | 53 | 0.66 | 11,11,84,700 | 86.32 |
| Total | 8,034 | 100.00 | 12,88,10,580 | 100.00 |

12) Shareholding Pattern

Categories of Shareholders as on March 31, 2019 is as follows:

| Category | No. of Shares | % to Total Shares |
|--|--------------------|-------------------|
| Promoters & Promoter Group | 75,76,478 | 58.82 |
| Employees | 2,12,889 | 1.65 |
| Mutual Funds | 12,32,795 | 9.57 |
| Financial Institutions/ Banks | 286 | 0.00 |
| Non Resident Indians | 38,386 | 0.30 |
| Non Resident Indian Non Repatriable | 21,725 | 0.17 |
| Indian Public | 28,51,160 | 22.14 |
| Clearing Members | 6,149 | 0.05 |
| Body Corporates | 4,11,026 | 3.19 |
| IEPF | 73,738 | 0.57 |
| HUF | 4,56,426 | 3.54 |
| Total | 1,28,81,058 | 100.00 |

Promoters / Promoter group haven't pledged any equity shares of the Company held by them in the Company during the financial year 2018-19.

13) Transfer of Unclaimed/Unpaid Dividend

Pursuant to applicable provisions of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (Rules), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF established by the Central Government, after completion of 7 (seven) years. Further, according to the Rules, shares in respect of which dividend has not been paid or claimed by the shareholders for 7 (seven) consecutive years or more shall also be transferred to the Demat account created by the IEPF Authority.

The Shares Transferred to the IEPF can be claimed by the concerned members from the IEPF Authority after complying with the procedure prescribed under the IEPF Rules. The Details of the unclaimed dividends are available on the Company's Website at www.centumelectronics.com.

During the year under review, the Company has transferred ₹ 1,27,670/- to Investor Education and Protection Fund Account which was pertaining to Unpaid Dividend Account Centum Electronics Limited 2010-11 and remained as unclaimed for a period of 7 years from the date of transfer to refund account.

The Company will be transferring the unclaimed/unpaid dividends as mentioned hereunder to the Investors Education and Protection Fund established by the Central

Government, in terms of the provisions of Section 124 and 125 of the Companies Act, 2013:

| Sl. No. | Dividend Year | AGM/ Board Meeting Date at which the Dividend declared | Dividend per Share (in ₹) | Due date for transfer of unclaimed Dividend to IEPF |
|---------|-----------------------------------|--|---------------------------|---|
| 1 | 2011-12 - Final | 03-08-2012 | 1.00 | 28-08-2019 |
| 2 | 2013-14 - Interim | 28-01-2014 | 1.00 | 23-02-2021 |
| 3 | 2013-14 - Final | 01-08-2014 | 1.50 | 19-08-2021 |
| 4 | 2014-15 - Interim | 30-01-2015 | 1.00 | 24-02-2022 |
| 5 | 2014-15 - Final | 07-08-2015 | 2.00 | 31-08-2022 |
| 6 | 2015-16 - Interim | 08-02-2016 | 1.00 | 02-03-2023 |
| 7 | 2015-16 - 2 nd Interim | 25-03-2016 | 2.00 | 12-04-2023 |
| 8 | 2016-17 - Interim | 14-02-2017 | 2.00 | 26-02-2024 |
| 9 | 2016-17 - Final | 11-07-2017 | 3.00 | 19-07-2024 |
| 10 | 2017-18 - Interim | 13-02-2018 | 1.00 | 25-02-2025 |

14) Financials Release Dates for 2019-20

| Quarter | Release Date (tentative & subject to change) |
|---|--|
| 1 st Quarter ending June 30, 2019 | Second week of August 2019 |
| 2 nd Quarter ending September 30, 2019 | Second week of November 2019 |
| 3 rd Quarter ending December 31, 2019 | Second week of February 2020 |
| 4 th Quarter ending March 31, 2020 | Last week of May 2020 |

Internet access: www.centumelectronics.com

The website of the Company contains all relevant information about the Company. The Annual Reports, Shareholding pattern, un-audited quarterly results and all other material information are hosted in this site.

Email Id for Investor Grievances

Company has a dedicated e-mail id (investors@centumelectronics.com) for redressal of grievances of investors. Investors can also write to the Company on the below address:

Company Secretary
Centum Electronics Limited
No. 44, KHB Industrial Area,
Yelahanka New Town,
Bangalore – 560 106
Telephone: +91 80 41436000
Fax : +91 80 41436005

15) Registered Office & Plant Address /Phone and Fax Numbers

| Location I | Location II |
|--|--|
| Centum Electronics Limited No. 44, KHB Industrial Area, Yelahanka New Town, Bangalore – 560 106. Telephone: +91 80 41436000 Fax : +91 80 41436005 | Centum Electronics Limited Avansa Plot -58P, Survey No.8, KIADB, Bangalore Aerospace Park Industrial Area, Jala Hobli, Budigere Post, Bangalore – 562 129. Telephone: +91 80 71214000 Fax : +91 80 71214005 |

16) Non-mandatory information

1. The quarterly financial results are published in the leading English and Kannada newspapers and not

sent to individual Shareholders. Significant events are published as news items/advertisements in newspapers. Further, the financial results are available on the Company's website and also communicated to the Stock Exchanges where the shares of the Company are listed i.e., BSE Ltd and National Stock Exchange of India Limited.

2. The Auditors' Opinion on the Financial Statements is unmodified.
3. Internal Auditors' reports directly to the Audit Committee.

**By order of the Board
For Centum Electronics Limited**

Place: Bengaluru
Date: May 29, 2019

Apparao V Mallavarapu
Chairman & Managing Director

S. Krishnan
Director

Corporate Governance Compliance Certificate

To

The Members of

Centum Electronic Limited

I have examined all the relevant records of Centum Electronics Limited ('the Company') for the purpose of certifying compliance of conditions of Corporate Governance as stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Obligations) for the period from April 1, 2018 to March 31, 2019. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification.

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

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in;

- Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E Schedule V of the Listing Regulations.
- Paragraphs C and E of Discretionary requirements specified Part E of Schedule II of the Listing Regulations.

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

Place: Bengaluru
Date : May 29, 2019

AARTHI G KRISHNA
Practicing Company Secretary
FCS 5706, CP No.5645

COMPLIANCE CERTIFICATE PURSUANT TO REGULATION 17(8) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

The Board of Directors,
Centum Electronics Limited
No.44, KHB Industrial Area,
Yelahanka New Town, Bangalore – 560 106

This is to certify that:

- a. We have reviewed financial statements and the cash flow statement for the financial year ended March 31, 2019 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2019, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. We have not come across any reportable deficiencies in the design or operation of such internal controls.
- d. We have indicated to the Auditors and the Audit Committee:
 - (i) that there are no significant changes in internal control over financial reporting during the year;
 - (ii) that there are no significant changes in accounting policies during the year; and
 - (iii) that there are no instances of significant fraud of which we have become aware.
- e. We further declare that all Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for the financial year 2018-2019.

For **CENTUM ELECTRONICS LIMITED**

Place: Bengaluru
Date: May 29, 2019

Apparao V Mallavarapu
Chairman & Managing Director

K S Desikan
Chief Financial Officer

Independent Auditor's Report

To the Members of Centum Electronics Limited

Report on the Audit of the Standalone IndAS Financial Statements

Opinion

We have audited the accompanying standalone IndAS financial statements of Centum Electronics Limited ("the Company"), which comprise the Balance sheet as at March 31, 2019, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Standalone IndAS Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit of the standalone IndAS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone IndAS Financial Statements' section of our report. We are independent of the Company in accordance with

the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone IndAS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone IndAS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the standalone IndAS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone IndAS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone IndAS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone IndAS financial statements.

| Key audit matters | How our audit addressed the key audit matter |
|--|--|
| <p>Allowance for inventory obsolescence</p> <p>The Company held an inventory balance of ₹ 2,251.23 million as at March 31, 2019, as disclosed in Note 11 and is a material balance for the Company. Inventory obsolescence allowance is determined using policies/methodologies that the Company deems appropriate to the business. Significant judgement is exercised by the management in identifying the slow-moving and obsolete inventories and in assessing whether provision for obsolescence for slow moving, excess or obsolete inventory items should be recognized considering the production plan, forecast inventory usage, committed and expected orders, alternative usage, etc. Considering that the aforesaid assessment process is complex and involves significant estimates and judgements and the balance of inventory is material, we have identified this as a key audit matter.</p> | <p>Our procedures in relation to evaluate the allowance of inventories included:</p> <ul style="list-style-type: none"> • We obtained an understanding of how the management identifies the slow-moving and obsolete inventories and assesses the amount of allowance for inventories; • We observed the inventory count performed by management and assessed the physical condition of the inventories at balance sheet date; • We also assessed the allowance policy based on historical sales performance of the products in their life cycle; • We further tested the ageing of the inventories and the computation of the obsolescence level on a sample basis; • We have tested a sample of inventory items at significant components to assess the cost basis and net realisable value of inventory, on a sample basis; • We also assessed the Company's disclosures concerning this in Note 42 on significant accounting estimates and judgements and Note 11 on Inventories to the standalone IndAS financial statements. |

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| Impairment testing of investments in a subsidiary | |
| <p>As at March 31, 2019, the carrying amount of investment in Centum Electronics UK Limited, a subsidiary of the Company is ₹ 474.44 million which has underlying investment in Adetel Group SA ('Adetel'). Adetel has incurred losses in the earlier years whereby the carrying value of the investment in Adetel as at March 31, 2019 is higher than Adetel's net worth. The determination of recoverable amounts of the Company's investments in Centum Electronics UK Limited relies on management's estimates of future cash flows and their judgment with respect to the Adetel's performance. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, price, terminal value and discount rates. Due to the uncertainty of forecasting and discounting future cash flows, being inherently subjective, the level of management's judgement involved and the significance of the Company's investment as at March 31, 2019, we have considered this as a key audit matter.</p> <p>The basis of impairment of investment in subsidiary is presented in the accounting policies in Note 2.2(I) to the standalone IndAS financial statements.</p> | <p>Our procedures in relation to evaluate the impairment of investment included:</p> <ul style="list-style-type: none"> • We have carried out assessment of forecasts of future cash flows prepared by the management, evaluating the assumptions and comparing the estimates to externally available industry, economic and financial data; • We have also assessed the valuation methodology and the key assumptions adopted in the cash flow forecasts with the support of our in-house valuation experts; • We have carried out discussions with management on Adetel's performance as compared to previous year in order to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable; • We tested the arithmetical accuracy of the financial projection model; • We also assessed the Company's disclosures concerning this in Note 42 on significant accounting estimates and judgements and Note 5 pertaining to the disclosures of investment in subsidiary to the standalone IndAS financial statements. |

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

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the standalone IndAS financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the standalone IndAS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether such other information is materially inconsistent with the standalone IndAS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management for the Standalone IndAS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone IndAS financial statements that give a true and

fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (IndAS) as specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 standalone IndAS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the standalone IndAS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone IndAS financial statements.

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

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

- Evaluate the overall presentation, structure and content of the standalone IndAS financial statements, including the disclosures, and whether the standalone IndAS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone IndAS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone IndAS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

- (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone IndAS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone IndAS financial statements – Refer Note 46 to the standalone IndAS financial statements;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **Sandeep Karnani**

Partner

Membership Number: 061207

Place of Signature: Bengaluru

Date: May 29, 2019

Annexure 1 referred to in clause 1 of paragraph on the 'Report on Other Legal and Regulatory Requirements' of our report of even date

Re: Centum Electronics Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) All property, plant and equipment have not been physically verified by the management of the Company during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us by the management of the Company, the title deeds of immovable properties included in property, plant and equipment's are pledged with the banks in connection with the borrowings and not available with the Company. The same has not been independently confirmed by the bank and hence we are unable to comment on the same.
- (ii) The inventory, except goods in transit, has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us by the management of the Company, 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 ('the Act'). Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, provisions of section 185 of the Act in respect of loans and advances to directors including entities in which they are interested is not applicable. In our opinion and according to the information and explanations given to us, provisions of section 186 of the Act in respect of investments made and guarantees and securities given have been complied with by the Company.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, goods and service tax, cess and other material statutory dues as applicable to the Company, have generally been regularly deposited with the appropriate authorities though there has been slight delays in a few cases.
- (b) According to the information and explanations given to us by the management of the Company, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of customs, duty of excise, value added tax, goods and service tax, cess and other material statutory dues as applicable to the Company, were outstanding at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, goods and service tax and cess on account of any dispute, are as follows:

| Name of the statute | Nature of the dues | Amount (in ₹ million) | Period to which the amount relates | Forum where the dispute is pending |
|---------------------------------|---------------------------------------|-----------------------|--|--|
| Income Tax Act, 1961 | Disallowance of exemptions | 1.89 | Financial year 2007-2008 | Commissioner of Income Tax (Appeals) - Bangalore |
| Central Excise Act, 1944 | Non-payment of service tax | 52.52 (3.54)* | Financial year 2009-2010 to 2014-2015 | Customs, Excise and Service Tax Appellate Tribunal ('CESTAT'), Bangalore |
| Customs Act, 1962 | Non-payment of customs duty | 1.00 | Financial year 2006-2007 and 2007-2008 | CESTAT Bangalore |
| Central Excise Act, 1944 | Disallowance of CENVAT Credit availed | 9.99 | Financial year 2004-2005 to 2005-2006 | Commissioner of Central Excise, Bangalore |
| Central Excise Act, 1944 | Disallowance of CENVAT Credit availed | 22.26 | Financial year 2010-2011 to 2012-2013 | CESTAT, Bangalore |
| The Karnataka Stamp Act, 1957 | Stamp duty | 16.28 | Financial year 2007-08 | The District Registrar, Gandhinagar Registration District |
| Karnataka Value Added Tax, 2003 | Commercial Tax | 0.55 (0.16)* | Financial year 2009-2010 | Deputy Commissioner of Commercial Taxes, Bangalore |
| Karnataka Value Added Tax, 2003 | Commercial Tax | 6.49 (1.95)* | Financial year 2013-2014 | Deputy Commissioner of Commercial Taxes, Bangalore |

* Amount in parenthesis represents the payment made under protest.

(viii) According to the information and explanations given by the management, the Company has delayed in repayment of loans or borrowings to financial institutions and banks during the year to the extent of ₹ 2.59 million (the delay in such repayments being for less than 90 days in each individual case) and ₹ 2.59 million of such dues were in arrears as on the balance sheet date. The lender wise details are tabulated as under:

| Particulars | Amount (in ₹ million) of the default as at March 31, 2019 | Period of default | Remarks |
|---|---|-------------------|-------------------------------------|
| SREI Equipment Finance Limited | 1.30 | 0-90 days | Subsequently paid on April 24, 2019 |
| Citi Bank NA (Post Shipment Credit in Foreign Currency) | 1.29 | 0-90 days | Subsequently paid on April 5, 2019 |

The Company did not have any outstanding loans or borrowing dues in respect to government or dues to debenture holders during the year.

(ix) According to the information and explanations given to us by the management of the Company, the Company has not raised any money way of initial public offer / further public offer / debt instruments. In our opinion and according to the information and explanations given to us by the management of the Company, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Standalone IndAS financial statements and according to the information and explanations given to us by the management of the Company, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given to us by the management of the Company, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

- (xiii) According to the information and explanations given to us by the management of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and the details have been disclosed in the notes to the standalone IndAS financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) of the Order are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given to us by the management of the Company, the Company has not

entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.

- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **Sandeep Karnani**

Partner

Membership Number: 061207

Place of Signature: Bengaluru

Date: May 29, 2019

Annexure 2 to the Independent Auditor's Report of even date on the Standalone IndAS Financial Statements of Centum Electronics Limited

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

We have audited the internal financial controls over financial reporting of Centum Electronics Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone IndAS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone IndAS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the ICAI. 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 with reference to these standalone IndAS financial statements was established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone IndAS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting

with reference to these standalone IndAS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone IndAS 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 over financial reporting with reference to these standalone IndAS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Standalone IndAS Financial Statements

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone IndAS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone IndAS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these

standalone IndAS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone IndAS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting with reference to these standalone IndAS financial statements and such internal financial controls over financial reporting with reference to these standalone IndAS financial statements were operating effectively as at March 31, 2019, 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 issued by the ICAI.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **Sandeep Karnani**

Partner

Membership Number: 061207

Place of Signature: Bengaluru

Date: May 29, 2019

Standalone Balance Sheet

as at March 31, 2019

Corporate Identity Number (CIN): L85110KA1993PLC013869

(₹ in million)

| | Notes | March 31, 2019 | March 31, 2018 |
|--|-------|-----------------|-----------------|
| ASSETS | | | |
| (1) Non-current assets | | | |
| (a) Property, Plant and Equipment | 3 | 972.45 | 1,042.57 |
| (b) Capital work-in-progress | 3a | 70.65 | 0.39 |
| (c) Goodwill | 4 | 36.35 | 36.35 |
| (d) Other intangible assets | 4 | 16.71 | 15.19 |
| (e) Intangible assets under development | 4a | 29.53 | 5.89 |
| (f) Financial assets | | | |
| (i) Investments | 5 | 488.70 | 487.70 |
| (ii) Loans | 6 | 19.58 | 15.19 |
| (iii) Other financial assets | 7 | 261.18 | 19.88 |
| (g) Deferred tax assets (net) | 8 | 50.76 | 3.83 |
| (h) Non-current tax assets (net) | 9 | 33.54 | 31.10 |
| (i) Other non-current assets | 10 | 59.29 | 64.54 |
| | | 2,038.74 | 1,722.63 |
| (2) Current assets | | | |
| (a) Inventories | 11 | 2,251.23 | 2,473.12 |
| (b) Financial assets | | | |
| (i) Trade receivables | 12 | 1,862.67 | 947.57 |
| (ii) Cash and cash equivalents | 13 | 45.06 | 79.88 |
| (iii) Bank balances other than cash and cash equivalents | 13 | 118.55 | 138.80 |
| (iv) Other current financial assets | 14 | 124.84 | 4.62 |
| (v) Loans | 15 | 0.48 | 1.25 |
| (c) Other current assets | 16 | 153.51 | 210.21 |
| (3) Assets classified as held for disposal | 5 | - | 28.92 |
| | | 4,556.34 | 3,884.37 |
| | | 6,595.08 | 5,607.00 |
| Total assets (1+2+3) | | | |
| EQUITY AND LIABILITIES | | | |
| (1) Equity | | | |
| (a) Equity share capital | 17 | 128.81 | 128.70 |
| (b) Other equity | 18 | 2,043.56 | 1,474.54 |
| | | 2,172.37 | 1,603.24 |
| Liabilities | | | |
| (2) Non-current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 20 | 237.63 | 208.73 |
| (ii) Other non-current financial liabilities | 21 | 0.16 | 0.08 |
| (b) Government grants | 22 | 18.39 | - |
| (c) Net non-current employee defined benefit liabilities | 23 | 36.49 | 32.95 |
| | | 292.67 | 241.76 |
| (3) Current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 24 | 1,626.04 | 1,778.23 |
| (ii) Trade payables | 25 | | |
| Total outstanding dues of micro enterprises and small enterprises | | 27.68 | 16.80 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 1,035.67 | 1,122.49 |
| (iii) Other current financial liabilities | 26 | 312.51 | 174.89 |
| (b) Government grants | 22 | 5.43 | - |
| (c) Other current liabilities | 27 | 958.84 | 653.90 |
| (d) Net current employee defined benefit liabilities | 28 | 5.95 | 3.93 |
| (e) Provisions | 29 | 16.35 | 11.76 |
| (f) Liabilities for current tax (net) | 30 | 141.57 | - |
| | | 4,130.04 | 3,762.00 |
| | | 6,595.08 | 5,607.00 |
| Total equity and liabilities (1+2+3) | | | |
| Summary of significant accounting policies | 2.2 | | |

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date.

For **S.R. Batliboi & Associates LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Sandeep Karnani**

Partner

Membership number: 061207

For and on behalf of Board of Directors of
Centum Electronics Limited

Apparao V Mallavarapu

Chairman and Managing Director

DIN: 00286308

Nagaraj K V

Company Secretary

Place : Bengaluru

Date : May 29, 2019

S. Krishnan

Director

DIN: 01807344

K.S. Desikan

Chief Financial Officer

Standalone Statement of Profit and Loss

for the year ended March 31, 2019

| | Notes | March 31, 2019 | March 31, 2018 |
|---|-------|-----------------|-----------------|
| (₹ in million) | | | |
| I Income | | | |
| Revenue from operations | 31 | 4,958.29 | 3,587.08 |
| Other income | 32a | 51.77 | 60.29 |
| Finance income | 32b | 14.88 | 16.38 |
| Total income | | 5,024.94 | 3,663.75 |
| II Expenses | | | |
| Cost of materials consumed | 33 | 3,136.68 | 2,557.30 |
| (Increase)/ decrease in inventories of work-in-progress and finished goods | 34 | (1.49) | (54.79) |
| Excise duty on sale of products | | - | 33.57 |
| Employee benefits expense | 35 | 673.41 | 605.19 |
| Finance costs | 36 | 267.65 | 150.09 |
| Depreciation and amortization expenses | 37 | 120.88 | 120.22 |
| Other expenses | 38 | 481.63 | 444.26 |
| Total expenses | | 4,678.76 | 3,855.84 |
| III Profit/(loss) before exceptional items and tax (I - II) | | 346.18 | (192.09) |
| IV Exceptional items (net) | 39 | 328.84 | - |
| V Profit/ (loss) before tax (III + IV) | | 675.02 | (192.09) |
| VI Tax expenses | 40 | | |
| (a) Current tax | | 143.62 | - |
| (b) Adjustment of tax relating to earlier period | | - | 0.41 |
| (c) Deferred tax expense / (credit) | | (22.71) | 24.68 |
| (d) Minimum alternative tax (MAT) credit entitlement | | (25.91) | 0.93 |
| Total tax expenses | | 95.00 | 26.02 |
| VII Profit/ (loss) for the year (V - VI) | | 580.02 | (218.11) |
| VIII Other comprehensive income (net) | | | |
| (A) (i) Other comprehensive income not to be reclassified to profit or loss in subsequent periods | | | |
| - Re-measurement gains / (losses) on defined benefit plans | | 4.82 | 2.85 |
| (ii) Income tax effect | | (1.69) | - |
| (B) (i) Other comprehensive income to be reclassified to profit or loss in subsequent periods | | - | - |
| (ii) Income tax effect | | - | - |
| Total other comprehensive income for the year | | 3.13 | 2.85 |
| IX Total comprehensive income for the year (VII + VIII) | | 583.15 | (215.26) |
| X Earnings per equity share (nominal value of ₹ 10 each) | 41 | | |
| Basic (₹) | | 45.04 | (17.02) |
| Diluted (₹) | | 45.00 | (17.02) |
| Summary of significant accounting policies | 2.2 | | |

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date.

For **S.R. Batliboi & Associates LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants
per Sandeep Karnani
Partner
Membership number: 061207

Place : Bengaluru
Date : May 29, 2019

For and on behalf of Board of Directors of
Centum Electronics Limited

Apparao V Mallavarapu
Chairman and Managing Director
DIN: 00286308

Nagaraj K V
Company Secretary

Place : Bengaluru
Date : May 29, 2019

S. Krishnan
Director
DIN: 01807344

K.S. Desikan
Chief Financial Officer

Standalone Statement of Cash Flow

for the year ended March 31, 2019

| | (₹ in million) | |
|--|-----------------|-----------------|
| | March 31, 2019 | March 31, 2018 |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit/(loss) before tax | 675.02 | (192.09) |
| Non-cash adjustments to reconcile profit/(loss) before tax to net cash flows: | | |
| Depreciation and amortization expenses | 120.88 | 120.22 |
| Provisions no longer required, written back | (3.59) | (29.72) |
| Fair value loss on financial instruments at fair value through profit or loss | 0.08 | 0.08 |
| Net foreign exchange differences (unrealised) | (4.38) | 16.83 |
| Provision for Expected credit loss | 61.58 | - |
| Government Grants | (9.12) | - |
| Finance income | (14.88) | (16.38) |
| Finance costs | 267.65 | 150.09 |
| Profit on sale of investments | (328.84) | - |
| Operating profit before working capital changes | 764.40 | 49.03 |
| Working capital adjustments: | | |
| (Increase) / decrease in inventories | 221.89 | (839.27) |
| (Increase) / decrease in trade receivables | (993.74) | (35.23) |
| Decrease / (increase) in other assets | 21.80 | 22.09 |
| Increase / (decrease) in trade payables, provisions and other liabilities | 301.13 | 574.36 |
| Cash generated from / (used in) operations | 315.48 | (229.02) |
| Direct taxes paid (net of refunds) | (13.86) | (6.47) |
| Net cash (used in) / from operating activities | 301.62 | (235.49) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment, including intangible assets and capital advances | (131.34) | (143.10) |
| Purchase of non-current investments | (1.00) | - |
| Proceed from sale of non-current investments | 272.46 | - |
| Investment in bank deposits (having original maturity of more than three months) and other bank balances | (221.05) | (5.37) |
| Interest received | 7.76 | 16.48 |
| Government grant received | 32.94 | - |
| Net cash (used in) / from investing activities | (40.23) | (131.99) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from long term borrowings | 200.00 | - |
| Repayment of long term borrowings | (100.48) | (69.41) |
| Proceeds/ repayment of short term borrowings (net) | (127.80) | 632.41 |
| Proceeds from issue of share capital | 0.77 | 8.32 |
| Finance costs paid | (252.64) | (147.57) |
| Dividend paid (including dividend distribution tax and amount transferred to Investor Education & Protection Fund) | (15.45) | (60.97) |
| Net cash (used in) / from financing activities | (295.60) | 362.78 |
| Net (decrease)/increase in cash and cash equivalents (A+B+C) | (34.21) | (4.70) |
| Cash and cash equivalents at the beginning of the year | 79.88 | 82.83 |
| Effect of exchange differences on cash and cash equivalents held in foreign currency | (0.61) | 1.75 |
| Cash and cash equivalents at the end of the year | 45.06 | 79.88 |
| Total cash and cash equivalents (Note 13) | 45.06 | 79.88 |

Standalone Statement of Cash Flow

for the year ended March 31, 2019

Explanatory notes to statement of cash flows

Changes in liabilities arising from financing activities:-

(₹ in million)

| Particulars | Liabilities arising from financing activities | | | |
|--|--|--|---------------------------------------|---|
| | Unpaid dividend on equity shares including dividend distribution tax | Long term borrowings (including current maturities of long term borrowings) (refer note 20 and 26) | Short term borrowings (refer note 24) | Derivatives not designated as hedges - Interest rate swap |
| As at April 1, 2018 | 2.45 | 301.50 | 1,778.23 | 0.08 |
| Cash flows | (15.45) | 99.52 | (127.80) | - |
| Non-cash changes | | | | |
| Foreign exchange fluctuations (gain) / loss | - | 19.10 | (24.39) | - |
| Changes in fair values | - | - | - | 0.08 |
| Acquisition of property, plant and equipment by means of a finance lease | - | 8.21 | - | - |
| Dividend declared during the year | 15.53 | - | - | - |
| As at March 31, 2019 | 2.53 | 428.33 | 1,626.04 | 0.16 |
| As at April 1, 2017 | 1.77 | 370.20 | 1,130.87 | 6.26 |
| Cash flows | (60.97) | (69.41) | 632.41 | - |
| Non-cash changes | | | | |
| Foreign exchange fluctuations (gain) / loss | - | 0.71 | 14.95 | - |
| Changes in fair values | - | - | - | (6.18) |
| Dividend declared during the year | 61.65 | - | - | - |
| As at March 31, 2018 | 2.45 | 301.50 | 1,778.23 | 0.08 |
| Summary of significant accounting policies | | 2.2 | | |

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date.

For **S.R. Batliboi & Associates LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per Sandeep Karnani
Partner
Membership number: 061207

For and on behalf of Board of Directors of
Centum Electronics Limited

Apparao V Mallavarapu
Chairman and Managing Director
DIN: 00286308

Nagaraj K V
Company Secretary

S. Krishnan
Director
DIN: 01807344

K.S. Desikan
Chief Financial Officer

Place : Bengaluru
Date : May 29, 2019

Place : Bengaluru
Date : May 29, 2019

Standalone statement of changes in equity

for the year ended March 31, 2019

(a) Equity share capital

Equity shares of ₹ 10 each issued, subscribed and fully paid

| Particulars | Number | (₹ in million) |
|--|-------------------|----------------|
| At April 1, 2017 | 12,752,696 | 127.53 |
| Issue of equity shares (refer note 17) | 116,988 | 1.17 |
| At March 31, 2018 | 12,869,684 | 128.70 |
| Issue of share capital (refer note 17) | 11,434 | 0.11 |
| At March 31, 2019 | 12,881,118 | 128.81 |

(b) Other equity

(₹ in million)

| Particulars | Attributable to equity shareholders | | | | | Total equity |
|--|-------------------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------|
| | Reserves and surplus | | | | | |
| | Securities premium (refer note 18) | General reserve (refer note 18) | Retained earnings (refer note 18) | Share based payments reserve (refer note 18) | Capital reserve (refer note 18) | |
| For the year ended March 31, 2019 | | | | | | |
| As at April 1, 2018 | 27.18 | 440.26 | 1,005.29 | 0.93 | 0.88 | 1,474.54 |
| Profit / (loss) for the year | - | - | 580.02 | - | - | 580.02 |
| Issue of share capital (refer note 17) | 0.66 | - | - | - | - | 0.66 |
| Cash dividends (refer note 19) | - | - | (12.88) | - | - | (12.88) |
| Dividend distribution tax (refer note 19) | - | - | (2.65) | - | - | (2.65) |
| Share based payment (refer note 47) | - | - | - | 0.80 | - | 0.80 |
| Exercise of share options (refer note 47) | - | - | - | (0.49) | 0.49 | - |
| Remeasurement of post-employee benefit obligations | - | - | 3.13 | - | - | 3.13 |
| Others | - | - | (0.06) | - | - | (0.06) |
| As at March 31, 2019 | 27.84 | 440.26 | 1,572.85 | 1.24 | 1.37 | 2,043.56 |
| For the year ended March 31, 2018 | | | | | | |
| As at April 1, 2017 | 20.03 | 440.26 | 1,282.20 | 1.73 | - | 1,744.22 |
| (Loss)/ profit for the year | - | - | (218.11) | - | - | (218.11) |
| Issue of share capital (refer note 17) | 7.15 | - | - | - | - | 7.15 |
| Cash dividends (refer note 19) | - | - | (51.24) | - | - | (51.24) |
| Dividend distribution tax (refer note 19) | - | - | (10.41) | - | - | (10.41) |
| Share based payment (refer note 47) | - | - | - | 0.08 | - | 0.08 |
| Exercise of share options (refer note 47) | - | - | - | (0.88) | 0.88 | - |
| Remeasurement of post-employee benefit obligations | - | - | 2.85 | - | - | 2.85 |
| As at March 31, 2018 | 27.18 | 440.26 | 1,005.29 | 0.93 | 0.88 | 1,474.54 |

Summary of significant accounting policies 2.2

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date.

For **S.R. Batliboi & Associates LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per Sandeep Karnani
Partner
Membership number: 061207

For and on behalf of Board of Directors of
Centum Electronics Limited

Apparao V Mallavarapu
Chairman and Managing Director
DIN: 00286308

Nagaraj K V
Company Secretary

S. Krishnan
Director
DIN: 01807344

K.S. Desikan
Chief Financial Officer

Place : Bengaluru
Date : May 29, 2019

Place : Bengaluru
Date : May 29, 2019

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

1. Corporate information

Centum Electronics Limited ("Centum" or "the Company") is a public limited company domiciled in India. The registered office of the Company is located at Bangalore, India. Its equity shares are listed on National Stock Exchange and Bombay Stock Exchange in India.

Centum designs, manufactures and also exports electronic products. It also provides design services to its customers. These include systems, subsystems and modules.

Information on related party relationships of the Company is provided in Note 43.

The standalone financial statements were approved by the Board of Directors and authorised for issue in accordance with a resolution of the directors on May 29, 2019.

2. Significant accounting policies

The significant accounting policies applied by the Company in the preparation of its standalone financial statements are listed below. Such accounting policies have been applied consistently to all the periods presented in these financial statements, unless otherwise indicated.

2.1. Basis of Preparation

The standalone financial statements of the Company, have been prepared and presented in accordance with Indian Accounting Standards (IndAS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (IndAS compliant Schedule III), as applicable.

The standalone financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (refer accounting policy regarding financial instruments) which have been measured at fair value.

The functional and presentation currency of the Company is Indian Rupee ("₹") which is the currency of the primary economic environment in which the Company operates and all values are rounded to the nearest million (₹ 000,000), except when otherwise indicated.

Impact of implementation of new standards/ amendments:

- a) The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Second Amendment Rules, 2018 applicable from the financial year 2018-19 in respect of Indian Accounting

Standard – 20 on 'Accounting for Government Grants and Disclosure of Government Assistance'. The Company has exercised the option of treating the grants as deferred income as against deducting the same from related assets (also refer Note 22).

- b) IndAS 115 Revenue from Contracts with Customers, mandatory for reporting periods beginning on or after April 1, 2018, replaces existing revenue recognition requirements. Under the modified retrospective approach there were no significant adjustments required to the retained earnings at April 1, 2018. Also, the application of IndAS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial statements.
- c) Effective April 1, 2018 the Company has applied Appendix B to IndAS – 21 'Foreign Currency Transactions and Advance Consideration'. This Appendix clarifies the date of transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The effect on application of this amendment was not material.

2.2. Summary of significant accounting policies

a. Current versus non-current classification

The Company presents assets and liabilities in the standalone balance sheet based on current/ non-current classification. An asset is treated as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- i. It is expected to be settled in normal operating cycle,
- ii. It is held primarily for the purpose of trading,
- iii. It is due to be settled within twelve months after the reporting period, or

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

- iv. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Advance tax paid is classified as non-current assets.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

b. Fair value measurement of financial instruments

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date using valuation techniques.

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the standalone financial statements are

categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the standalone financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

c. Revenue from contracts with customer

Effective April 1, 2018, the Company has applied IndAS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. IndAS 115 replaces IndAS 18 Revenue. The Company has adopted IndAS 115 using modified retrospective approach. The effect of initially applying this standard is recognised at the date of initial application (i.e. April 1, 2018).

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of products and services

Revenue from sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. Revenue from sale of services is recognized as the service is performed and there are no unfulfilled obligations.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

allocated if any. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Revenue towards satisfaction of a performance obligation is measured at the amount of transaction price (net of variable consideration) allocated to that performance obligation. The transaction price of goods sold and services rendered is net of variable consideration on account of various discounts and schemes offered by the Company as part of the contract. This variable consideration is estimated based on the expected value of outflow. Revenue (net of variable consideration) is recognized only to the extent that it is highly probable that the amount will not be subject to significant reversal when uncertainty relating to its recognition is resolved.

Management fees income

Income from management fees is recognised as per the terms of the agreement on the basis of services rendered.

Interest income

For all financial instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

Rental income

Rental income from lease of premises under operating lease is recognized in the income statement on a straight line basis over the term of the lease.

Commission income

Commission income is recognised at the time when services are rendered in accordance with the rates as per the agreements entered into with the parties.

d. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

e. Taxes on income

Current income tax

Tax expense for the year comprises current and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The Company's liability for current tax is calculated using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit and is accounted for using the balance sheet liability model. Deferred tax liabilities are generally recognised for all the taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilised.

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for the year ended March 31, 2019

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets include Minimum Alternative Tax ('MAT') paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realized.

In the year in which the company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

f. Non-current assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the

decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.

The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. The Company treats sale of the asset to be highly probable when:

- a) The appropriate level of management is committed to a plan to sell the asset,
- b) An active programme to locate a buyer and complete the plan has been initiated,
- c) The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- d) The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, and
- e) Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the standalone balance sheet.

g. Property, Plant and Equipment ('PPE')

On transition to IndAS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at March 31, 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment as on April 1, 2016.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate assets are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

The Company identifies and determines cost of each component/ part of the asset separately, if the component/

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| Category of asset* | Estimated useful life |
|---|-----------------------|
| Plant and equipment (including the related intellectual property) | 8 years* |
| Office equipment | 5 years |
| Furniture and fixtures | 10 years |
| Electrical installations | 10 years |
| Computers | 3 years |
| Buildings | 30 years |
| Vehicles | 4 years |

* The Company, based on technical assessment made by the technical expert and management estimate, depreciates items of plant and equipment (including the related intellectual property) over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013.

Land is carried at historical cost and is not depreciated. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.

Further, the management has estimated the useful lives of asset individually costing ₹ 5,000 or less to be less than one year, whichever is lower than those indicated in Schedule II. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its

use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Machinery spares are depreciated on a systematic basis over the period of the remaining useful life of the fixed assets for which they are utilised.

h. Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period with the affect of any change in the estimate being accounted for on a prospective basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

A summary of the policies applied to the Company's intangible assets is, as follows:

| Intangible assets | Useful lives | Amortisation method used | Internally generated or acquired |
|------------------------------|---------------------|---------------------------------|---|
| Goodwill | Indefinite | No amortisation | Acquired |
| Computer software | Definite (3 years) | Straight-line basis | Acquired |
| Intellectual property rights | Definite (8 years) | Straight-line basis | Acquired |

i. Borrowing cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are expensed in the period in which they occur.

j. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease.

Company as a lessee

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased asset or, at the present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments

are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless either:

- another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

k. Inventories

Inventories are valued at lower of cost and net realisable 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 cost.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- a) Raw materials and stores and spares: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- b) Finished goods and Work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Cost of raw materials, stores and spares and work-in-progress is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

l. Impairment of non-financial assets and investments in subsidiaries and joint ventures

As at the end of each accounting year, the Company reviews the carrying amounts of its PPE, intangible assets, including goodwill and investments in subsidiary and joint venture companies to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the said assets are tested for impairment so as to determine the impairment loss, if any. Goodwill and the intangible assets with indefinite life are tested for impairment each year.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

- (i) in the case of an individual asset, at the higher of the fair value less costs of disposal and the value in use; and
- (ii) in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net fair value less costs of disposal and the value in use.

(The amount of value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life. For this purpose, the discount rate (pre-tax) is determined based on the weighted average cost of capital of the company suitably adjusted for risks specified to the estimated cash flows of the asset).

For this purpose, a cash generating unit is ascertained as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, such deficit is recognised immediately in the statement of profit and loss as impairment loss and the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit and loss.

m. Provisions and contingent liabilities

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

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 outflow 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 standalone financial statements.

Provisions and contingent liability are reviewed at each balance sheet.

Decommissioning liability

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

n. Retirement and other employee benefits

Retirement benefit in the form of provident fund and pension fund are defined contribution scheme. The Company has no obligation, other than the contribution payable. The Company recognizes contribution payable to provident fund and pension fund as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet reporting date exceeds the contribution already paid, the deficit payable to the scheme is recognized as

a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end.

The Company presents the leave as a current liability in the standalone balance sheet, to the extent it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method using actuarial valuation to be carried out at each balance sheet date.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the standalone balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- a) The date of the plan amendment or curtailment, and
- b) The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

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for the year ended March 31, 2019

- a) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- b) Net interest expense or income.

o. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the statement of profit and loss.

Investment in equity instruments issued by subsidiaries, associates and joint ventures are measured at cost less impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

(i) Financial assets

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value

Financial assets are measured at fair value through other comprehensive income if these financial assets

are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset not measured at amortised cost or at fair value through other comprehensive income is carried at fair value through the statement of profit and loss.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Impairment of financial assets excluding investments in subsidiaries and joint ventures

Loss allowance for expected credit losses is recognised for financial assets measured at amortised cost and fair value through the statement of profit and loss.

The Company recognises impairment loss on trade receivables using expected credit loss model, which involves use of provision matrix constructed on the basis of historical credit loss experience as permitted under IndAS 109 – Impairment loss on investments.

For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit losses is recognised. Loss allowance equal to the lifetime expected credit losses is recognised if the credit risk on the financial instruments has significantly increased since initial recognition.

De-recognition of financial assets

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under IndAS 109.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset,

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the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount measured at the date of de-recognition and the consideration received is recognised in statement of profit or loss.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of profit and loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

a) Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of

a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

b) De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the standalone balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

p. Derivative financial instruments

The Company uses derivative financial instruments, such as interest rate swaps to hedge its interest fluctuation risks, etc. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value through statement of profit and loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Refer to note 49 for more details.

q. Cash and cash equivalents

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

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

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

r. Share-based payments

Certain employees of the Company and its subsidiaries are entitled to share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

s. Cash dividend

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

t. Foreign currencies

In preparing the financial statements, transactions in the currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the date of transaction. At the end of each reporting period, monetary items denominated in the foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the retranslation or settlement of other monetary items are included in the statement of profit and loss for the period.

u. Research and development expenditure

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate all the following:

- i. The technical feasibility of completing the intangible asset so that it will be available for use or sale
- ii. Its intention to complete the asset
- iii. Its ability to use or sell the asset
- iv. How the asset will generate future economic benefits
- v. The availability of adequate resources to complete the development and to use or sell the asset
- vi. The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset. The cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of expected future benefit from the related project. Amortization is recognized in

Notes to the Standalone IndAS Financial Statements

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the standalone statement of profit and loss. During the period of development, the asset is tested for impairment annually.

v. Corporate social responsibility ('CSR') expenditure

The Company charges its CSR expenditure during the year to the statement of profit and loss.

w. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the Company by the weighted average number of

equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders of the parent company and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

3. Property, Plant and Equipment

(₹ in million)

| | Freehold land | Leasehold improvements | Building | Plant and equipments | Electrical installations | Computers | Office equipments | Furniture and fixtures | Vehicles | Leased computer | Leasehold land | Total |
|---------------------------------|---------------|------------------------|----------|----------------------|--------------------------|-----------|-------------------|------------------------|----------|-----------------|----------------|----------|
| At cost / deemed cost | | | | | | | | | | | | |
| As at April 1, 2017 | 4.41 | 4.00 | 424.22 | 434.27 | 76.46 | 13.76 | 34.31 | 25.92 | 5.56 | - | 114.61 | 1,137.52 |
| Additions | - | - | 15.35 | 44.33 | 2.16 | 3.38 | 2.52 | 8.00 | - | - | - | 75.74 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| As at March 31, 2018 | 4.41 | 4.00 | 439.57 | 478.60 | 78.62 | 17.14 | 36.83 | 33.92 | 5.56 | - | 114.61 | 1,213.26 |
| Additions | - | - | - | 31.70 | 0.60 | 0.31 | 0.61 | 1.08 | - | 6.95 | - | 41.25 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| As at March 31, 2019 | 4.41 | 4.00 | 439.57 | 510.30 | 79.22 | 17.45 | 37.44 | 35.00 | 5.56 | 6.95 | 114.61 | 1,254.51 |
| Accumulated Depreciation | | | | | | | | | | | | |
| As at April 1, 2017 | - | 3.68 | 4.13 | 36.82 | 5.08 | 4.21 | 3.57 | 2.78 | 1.41 | - | - | 61.68 |
| Charge for the year | - | 0.08 | 15.23 | 67.59 | 8.53 | 5.04 | 7.82 | 3.31 | 1.41 | - | - | 109.01 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| As at March 31, 2018 | - | 3.76 | 19.36 | 104.41 | 13.61 | 9.25 | 11.39 | 6.09 | 2.82 | - | - | 170.69 |
| Charge for the year | - | 0.08 | 15.51 | 70.38 | 7.69 | 5.09 | 6.83 | 3.41 | 1.41 | 0.97 | - | 111.37 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| As at March 31, 2019 | - | 3.84 | 34.87 | 174.79 | 21.30 | 14.34 | 18.22 | 9.50 | 4.23 | 0.97 | - | 282.06 |
| Net block | | | | | | | | | | | | |
| As at March 31, 2019 | 4.41 | 0.16 | 404.70 | 335.51 | 57.92 | 3.11 | 19.22 | 25.50 | 1.33 | 5.98 | 114.61 | 972.45 |
| As at March 31, 2018 | 4.41 | 0.24 | 420.21 | 374.19 | 65.01 | 7.89 | 25.44 | 27.83 | 2.74 | - | 114.61 | 1,042.57 |

Notes:

- Karnataka Industrial Area Development (KIADB) has allotted land to the Company on a lease cum sale basis i.e. 24,280.60 sq. mts at Plot No. 58-P Bengaluru Aerospace Park, Industrial Area for a period of 10 years w.e.f., December 18, 2013. The aggregate capitalized cost of the land at the end of the year is ₹ 114.61 million. The agreement gives a right to the Company to acquire land at the end of the lease term at an additional consideration, if any fixed by KIADB, after reducing the amount already paid.
- Property, Plant and Equipments and other intangible assets of the Company have been pledged / mortgaged as securities against borrowings. Refer note 20 and 24 for details of borrowings.
- Gross block of buildings and plant and equipments amounting to ₹ 584.00 million (March 31, 2018: ₹ 565.83 million) are on leasehold land.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

3a. Capital work-in-progress

(₹ in million)

| | Capital work in progress |
|-----------------------------|--------------------------|
| As at April 1, 2017 | 1.55 |
| Additions | 60.68 |
| Capitalised during the year | (61.84) |
| As at March 31, 2018 | 0.39 |
| Additions | 102.56 |
| Capitalised during the year | (32.30) |
| As at March 31, 2019 | 70.65 |

Notes:

The Company during the year ended March 31, 2018 had adopted IndAS under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) rules, 2015 and relevant amendment rules issued thereafter. The Company had availed the exemption available under IndAS 101, wherein the carrying value of Capital work-in-progress has been carried forward at the amount as determined under the previous GAAP as at April 1, 2016.

4. Other intangible assets and goodwill

(₹ in million)

| | Other intangible assets | | | Total |
|------------------------------|----------------------------|----------------------|---------------------------------|--------------|
| | Goodwill (refer note b) | Computer software | Intellectual property rights | |
| At cost / deemed cost | | | | |
| As at April 1, 2017 | 36.35 | 22.28 | 9.51 | 68.14 |
| Additions | - | 4.05 | - | 4.05 |
| Disposals | - | - | - | - |
| As at March 31, 2018 | 36.35 | 26.33 | 9.51 | 72.19 |
| Additions | - | 11.03 | - | 11.03 |
| Disposals | - | - | - | - |
| As at March 31, 2019 | 36.35 | 37.36 | 9.51 | 83.22 |
| Amortization | | | | |
| As at April 1, 2017 | - | 7.91 | 1.53 | 9.44 |
| Charge for the year | - | 9.68 | 1.53 | 11.21 |
| Disposals | - | - | - | - |
| As at March 31, 2018 | - | 17.59 | 3.06 | 20.65 |
| Charge for the year | - | 7.98 | 1.53 | 9.51 |
| Disposals | - | - | - | - |
| As at March 31, 2019 | - | 25.57 | 4.59 | 30.16 |
| Net block | | | | |
| As at March 31, 2019 | 36.35 | 11.79 | 4.92 | 53.06 |
| As at March 31, 2018 | 36.35 | 8.74 | 6.45 | 51.54 |

(a) Also refer note 3(b) for details

(b) The Company had entered into a business transfer agreement with Centum Industries Private Limited, an enterprises where key managerial personnel or their relatives exercise significant influence, on December 1, 2015 for the purchase of business on slump sale. As per the terms of agreement, the Company had purchased the net assets pertaining to plastic and defence and space of Centum Industries Private Limited for an aggregate consideration ₹ 57.00 million, which was arrived at based on the business valuation done by an independent professional firm. The valuation ascribed to assets taken over by an independent professional valuer resulted in the aforesaid goodwill.

The aforementioned goodwill is tested for impairment annually. As at March 31, 2019 and March 31, 2018, the goodwill is not impaired.

(c) The Company during the year ended March 31, 2018 had adopted IndAS under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) rules, 2015 and relevant amendment rules issued thereafter. The Company had availed the exemption available under IndAS 101, wherein the carrying value of other intangible assets has been carried forward at the amount as determined under the previous GAAP as at April 1, 2016.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

4a. Intangible assets under development (₹ in million)

| | Intangible assets under development |
|-----------------------------|-------------------------------------|
| As at April 1, 2017 | - |
| Additions | 9.94 |
| Capitalised during the year | (4.05) |
| As at March 31, 2018 | 5.89 |
| Additions | 34.67 |
| Capitalised during the year | (11.03) |
| As at March 31, 2019 | 29.53 |

Notes:

The Company during the year ended March 31, 2018 had adopted IndAS under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) rules, 2015 and relevant amendment rules issued thereafter. The Company had availed the exemption available under IndAS 101, wherein the carrying value of intangible assets under development has been carried forward at the amount as determined under the previous GAAP as at April 1, 2016.

5. Financial assets: Investments (₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Investment carried at cost - Unquoted equity shares | | |
| i. Subsidiary Company | 474.44 | 474.44 |
| Centum Electronics UK Limited ¹ 5,233,900 equity shares (March 31, 2018: 5,233,900) equity shares of GBP 1 each, fully paid up. | | |
| Centum Adeneo India Private Limited ² 100,000 (March 31, 2018: Nil) equity shares of ₹ 10 each, fully paid up. | 1.00 | - |
| ii. Joint venture | - | 28.92 |
| Centum Rakon India Private Limited (refer note 55 and 47 (E)) Nil (March 31, 2018: 2,856,000) equity shares of ₹ 10 each, fully paid up. | | |
| Investment carried at fair value - Unquoted equity shares | | |
| iii. Others | 13.26 | 13.26 |
| Qulsar Inc. ³ 74,184 equity share (March 31, 2018: 74,184) equity shares of USD 0.01 each, fully paid up. | | |
| | 488.70 | 516.62 |
| Less: Investments classified as held for sale (refer note 55) | - | (28.92) |
| | 488.70 | 487.70 |
| Aggregate value of unquoted investments | 488.70 | 516.62 |

- The Company has investments in Centum Electronics UK Limited, which in turn has made investment in Centum Adetel Group SA. Based on internal assessment performed with regard to future operations, the management of the Company is of the view that the carrying value of the Company's investment in Centum Electronics UK Limited is appropriate.
- The Company vide its letter dated March 21, 2017 sought clarification from the Reserve Bank of India ('the RBI') regarding the permissibility of the investment by overseas subsidiary of the Company as subscribers to the Memorandum of Association of Centum Adeneo India Private Limited ("CAIPL") under the Foreign Exchange Management (Transfer or issue of any foreign security) Regulations, 2004 (Notification 120/2004 RB, dated July 7, 2004). RBI vide its letter dated July 18, 2018 expressed its inability to accede to the request of the Company with regard to infusion of capital by its overseas subsidiaries. Further the Company based on the legal opinion obtained, is of the view that the above rejection by RBI do not have any impact on the incorporation of CAIPL under the applicable laws of India and CAIPL can change the initial subscribers to the Memorandum of Association.

Accordingly, the Company, acquired 100% interest in CAIPL during the year ending March 31, 2019 from Centum Adetel Group i.e. its foreign subsidiary. As at March 31, 2018, the Company indirectly held 54.15% interest in CAIPL through its investment made in Centum Electronics UK Limited.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

3. The Company has investments in Qulsar Inc. Based on internal assessment performed with regard to future operations, the management of the Company is of the view that the carrying value of the Company's investment in Qulsar Inc. approximates the fair value as on the reporting dates.

| 6. Loans | | (₹ in million) | |
|---|--|-----------------------|-----------------------|
| | | March 31, 2019 | March 31, 2018 |
| Unsecured, considered good | | | |
| Carried at amortised cost | | | |
| Security deposits (refer note 43) | | 19.58 | 15.19 |
| | | 19.58 | 15.19 |
| 7. Other non-current financial assets | | (₹ in million) | |
| | | March 31, 2019 | March 31, 2018 |
| Non-current bank balance (refer note 13) | | 261.18 | 19.88 |
| | | 261.18 | 19.88 |
| 8. Deferred tax assets (net) | | (₹ in million) | |
| | | March 31, 2019 | March 31, 2018 |
| Deferred tax liability | | | |
| Property, Plant and Equipments: Impact of difference between tax depreciation and depreciation / amortization charged for the financial reporting | | (35.13) | (27.25) |
| (A) | | (35.13) | (27.25) |
| Deferred tax assets | | | |
| Impact of expenditure charged to the statement of profit and loss but allowed for tax purposes on payment basis | | 32.30 | 21.87 |
| Impact of provision for expected credit losses | | 25.03 | 6.56 |
| MAT credit entitlement | | 28.56 | 2.65 |
| (B) | | 85.89 | 31.08 |
| Deferred tax assets (net) | | (A+B) | 3.83 |
| 9. Non-current tax assets (net) | | (₹ in million) | |
| | | March 31, 2019 | March 31, 2018 |
| Advance income tax (net of provision for current tax and including tax paid under protest) | | 33.54 | 31.10 |
| | | 33.54 | 31.10 |
| 10. Other non current assets | | (₹ in million) | |
| | | March 31, 2019 | March 31, 2018 |
| Capital advances | | | |
| Unsecured, considered good | | 46.12 | 56.11 |
| (A) | | 46.12 | 56.11 |
| Prepaid expenses | | 7.52 | 3.22 |
| (B) | | 7.52 | 3.22 |
| Balance with statutory / government authorities | | | |
| Unsecured, considered good | | 5.65 | 5.21 |
| (C) | | 5.65 | 5.21 |
| Total other non-current assets | | (A+B+C) | 64.54 |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

11. Inventories (valued at the lower of cost and net realisable value)

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|-----------------|-----------------|
| Raw materials | 1,652.10 | 1,872.63 |
| [Includes raw material in transit ₹ 88.92 million (March 31, 2018: ₹ 89.10 million)] | | |
| Work-in-progress | 520.31 | 572.67 |
| Finished goods | 78.74 | 24.89 |
| Stores and spares | 0.08 | 2.93 |
| | 2,251.23 | 2,473.12 |

12. Trade receivables

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|-----------------|----------------|
| Carried at amortised cost | | |
| Receivables from related parties (refer note 43) | 237.54 | 33.74 |
| Other trade receivables | 1,625.13 | 913.83 |
| Total trade receivables | 1,862.67 | 947.57 |

Break-up for security details:

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|-----------------|----------------|
| Trade receivables: | | |
| Unsecured, considered good | 1,935.66 | 960.65 |
| Trade Receivables which have significant increase in credit Risk | - | - |
| Trade Receivables - credit impaired | - | 6.28 |
| | 1,935.66 | 966.93 |
| Impairment Allowance (allowance for bad and doubtful debts) | | |
| Unsecured, considered good | (72.99) | (13.08) |
| Trade Receivables which have significant increase in credit Risk | - | - |
| Trade Receivables - credit impaired | - | (6.28) |
| Total trade receivables | 1,862.67 | 947.57 |

- No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. For details of trade or other receivable due from firms or private companies respectively in which any director is a partner, a director or a member, refer note 43.
- Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.
- Refer note 49(c) for details pertaining to ECL.

13. Cash and cash equivalents

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|------------------|----------------|
| Balances with banks: | | |
| - On current accounts | 14.98 | 29.10 |
| - On exchange earners foreign currency (EEFC) accounts | 29.64 | 20.83 |
| Deposits with original maturity of less than three months | - | 29.27 |
| Cash on hand | 0.44 | 0.68 |
| | (A) 45.06 | 79.88 |
| Other bank balances | | |
| Balance with banks | | |
| - On current account ¹ | 2.53 | 2.45 |
| - On margin money accounts ² | 377.20 | 156.23 |
| | 379.73 | 158.68 |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

| | March 31, 2019 | March 31, 2018 |
|--|-----------------|----------------|
| Amount disclosed under other non-current financial assets (refer note 7) | (261.18) | (19.88) |
| | (261.18) | (19.88) |
| | (B) | 118.55 |
| Total cash and cash equivalents | (A+B) | 163.61 |
| | | 218.68 |

1. Includes balance in unclaimed dividend account ₹ 2.53 million (March 31, 2018: ₹ 2.45 million).
2. Margin money is against bank guarantees issued in favour of customers and statutory authorities.
3. Balances with banks on current accounts does not earn interest. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash-requirement of the Company, and earn interest at the respective short-term deposit rates.

14. Other current financial assets

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Carried at amortised cost | | |
| Loan to related party (refer note 43) | 15.50 | - |
| Staff advances (refer note 43) | 1.90 | 1.79 |
| Interest accrued on fixed deposits and others | 4.88 | 2.83 |
| Deferred consideration receivable (refer note 55) | 90.37 | - |
| Other financial assets | 12.19 | - |
| | 124.84 | 4.62 |

15. Loans

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|-----------------------------------|----------------|----------------|
| Unsecured, considered good | | |
| Carried at amortised cost | | |
| Security deposits (refer note 43) | 0.48 | 1.25 |
| | 0.48 | 1.25 |

16. Other current assets

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Unsecured considered good | | |
| Prepaid expenses | 26.04 | 18.72 |
| Balance with statutory / government authorities | 55.68 | 122.84 |
| Advance to suppliers and other advances (refer note 43) | 71.79 | 68.65 |
| | 153.51 | 210.21 |

17. Equity share capital

| | Equity shares of ₹ 10 /-each | |
|---------------------------------------|------------------------------|----------------|
| | In Numbers | (₹ in million) |
| Authorised share capital: | | |
| At April 1, 2017 | 15,500,000 | 155.00 |
| Increase / (decrease) during the year | - | - |
| At March 31, 2018 | 15,500,000 | 155.00 |
| Increase / (decrease) during the year | - | - |
| At March 31, 2019 | 15,500,000 | 155.00 |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

(a) Issued equity share capital:

Equity shares of ₹ 10/- each issued, subscribed and fully paid

| | In Numbers | (₹ in million) |
|--|-------------------|----------------|
| At April 1, 2017 | 12,752,696 | 127.53 |
| Issue of equity shares (refer note 47) | 116,988 | 1.17 |
| At March 31, 2018 | 12,869,684 | 128.70 |
| Issue of equity shares (refer note 47) | 11,434 | 0.11 |
| At March 31, 2019 | 12,881,118 | 128.81 |

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend 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.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

| Name of Shareholder | March 31, 2019 | | March 31, 2018 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | No. of shares held | % holding in class | No. of shares held | % holding in class |
| Equity shares of ₹ 10 each fully paid | | | | |
| Apparao V Mallavarapu* | 6,604,715 | 51.27% | 6,604,715 | 51.32% |
| Nikhil Mallavarapu* | 589,929 | 4.58% | 589,929 | 4.58% |
| Dr. Swarnalatha Mallavarapu* | 369,150 | 2.87% | 369,150 | 2.87% |
| M S Swarnakumari* | 12,684 | 0.10% | 12,684 | 0.10% |
| HDFC Trustee Company Limited | 1,131,330 | 8.78% | 1,131,634 | 8.79% |

* Represents shareholders in promoter's group

(d) Shares reserved for issue under options

For details of shares reserved for issue under the Share based payment plan of the Company, refer note 47.

18. Other equity

| | (₹ in million) |
|--|-------------------|
| Securities premium | |
| Balance as at April 1, 2017 | 20.03 |
| Add: received during the year on account of issue of equity shares | 7.15 |
| Balance as at March 31, 2018 | 27.18 |
| Add: received during the year on account of issue of equity shares | 0.66 |
| Balance as at March 31, 2019 | (A) 27.84 |
| General reserve | |
| Balance as at April 1, 2017 | 440.26 |
| Balance as at March 31, 2018 | 440.26 |
| Balance as at March 31, 2019 | (B) 440.26 |
| Retained earnings | |
| Balance as at April 1, 2017 | 1,282.20 |
| Profit/ (loss) for the year | (218.11) |
| Less: Cash dividends | (51.24) |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

| | (₹ in million) |
|---|---------------------|
| Less: Dividend distribution tax | (10.41) |
| Less: Remeasurement of post-employee benefit obligations | 2.85 |
| Balance as at March 31, 2018 | 1,005.29 |
| (Loss) / profit for the year | 580.02 |
| Less: Cash dividends | (12.88) |
| Less: Dividend distribution tax | (2.65) |
| Add: Remeasurement of post-employee benefit obligations | 3.13 |
| Others | (0.06) |
| Balance as at March 31, 2019 | (C) 1,572.85 |
| Share based payments reserve | |
| Balance as at April 1, 2017 | 1.73 |
| Add: Options granted during the year | 0.08 |
| Less: Transferred to capital reserve on exercise of stock options | (0.88) |
| Balance as at March 31, 2018 | 0.93 |
| Add: Options granted during the year | 0.80 |
| Less: Transferred to capital reserve on exercise of stock options | (0.49) |
| Balance as at March 31, 2019 | (D) 1.24 |
| Capital reserve | |
| Balance as at April 1, 2017 | - |
| Add: Amount transferred on exercise of share options | 0.88 |
| Balance as at March 31, 2018 | 0.88 |
| Add: Amount transferred on exercise of share options | 0.49 |
| Balance as at March 31, 2019 | (E) 1.37 |
| Total other equity | (A+B+C+D+E) |
| Balance as at March 31, 2018 | 1,474.54 |
| Balance as at March 31, 2019 | 2,043.56 |

Nature and purpose of reserves

Securities Premium

Securities Premium Reserve is used to record the premium on issue of shares and is utilised in accordance with the provisions of the Companies Act, 2013.

General Reserve

The Company created a General reserve in earlier years pursuant to the provisions of the Companies Act, 1956 where in certain percentage of profits was required to be transferred to General reserve before declaring dividends. As per Companies Act 2013, the requirements to transfer profits to General reserve is not mandatory. General reserve is a free reserve available to the company.

Retained earnings

Retained Earnings are the profits of the Company earned till date net of appropriations.

Share based payments reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based options provided to employees, including key management personnel, as part of their remuneration. Refer to Note 47 for further details of these plans.

Capital reserve

The Company recognizes the exercise or cancellation of vested options of the Company's equity-settled share-based payments to capital reserve.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

19. Distribution made and proposed

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Cash dividends on equity shares declared and paid: | | |
| Final dividend for the year ended on March 31, 2018: Nil (March 31, 2017: ₹ 3/- per share) | - | 38.38 |
| Dividend distribution tax on final dividend | - | 7.81 |
| Interim dividend for the year ended on March 31, 2019: ₹ 1/- per share (March 31, 2018: ₹ 1/- per share) | 12.88 | 12.86 |
| Dividend distribution tax on interim dividend | 2.65 | 2.60 |
| | 15.53 | 61.65 |
| Proposed dividends on equity shares ¹ | | |
| Final cash dividend for the year ended on March 31, 2019: ₹ 4/- per share (March 31, 2018: Nil) | 51.52 | - |
| Dividend distribution tax on proposed dividend | 10.59 | - |
| | 62.11 | - |

- Proposed dividends on equity shares are subject to approval at the annual general meeting and are not recognised as a liability (including dividend distribution tax thereon) as at March 31.
- The Board of Directors of the Company at its meeting held on May 29, 2019 have recommended a final dividend of 40% (i.e. ₹ 4/- per equity share) for the year ended March 31, 2019 (March 31, 2018: Nil).

20. Non-current financial liabilities: Borrowings

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Term loan | | |
| From bank | | |
| Foreign currency term loan (secured) (refer note 26 for details of Current maturities of long term borrowings) ¹ | 123.12 | 208.73 |
| From Financial Institution | | |
| Indian rupee term loan (unsecured) (refer note 26 for details of Current maturities of long term borrowings) ² | 109.62 | - |
| Obligation under financial leases (secured) (refer note 46) (refer note 26 for details of Current maturities of long term borrowings) ³ | 4.89 | - |
| | 237.63 | 208.73 |
| The above amount includes | | |
| Secured borrowings | 128.01 | 208.73 |
| Unsecured borrowings | 109.62 | - |
| | 237.63 | 208.73 |

- Foreign currency term loan represents term loan taken from a bank and secured by way of :-
 - First pari-passu charge on current assets including stock and receivables of the Company;
 - First pari-passu charge on present and future fixed assets of the Company; and
 - First pari-passu charge by way of equitable mortgage on Land and building situated at i) No. 44, KHB Industrial Area, Yelahanka, Bangalore - 560 106 and ii) Plot No. 58-P, Bengaluru Aerospace Park Industrial Area, Sy. No. 8 - Part of Unachur Village & Sy. No. 8 - Part of Dummanahalli Village, Jala Hobli, Bengaluru North, Yelahanka Taluk, Bengaluru Urban District.

The term loan carries an interest rate of 4.25 % per annum (p.a.) (March 31, 2018: 4.25% p.a.) on the outstanding amount of the loan payable at quarterly rests. The term loan is repayable in sixteen equal quarterly instalments from September 2017.
- The Indian rupee term loan from Financial Institution carries an interest rate of 12% per annum (p.a.) (March 31, 2018: Nil) on the outstanding amount of loan payable. The term loan is repayable in Sixty One unequal monthly instalments from April 2019. Further the term loan needs to be repaid to the tune of ₹ 60.00 million once the funds from the sale of stake in Centum Rakon India Private Limited is received. The loan is secured by :
 - Mortgage on Residential Property of Dr. Swarnalatha Mallavarapu situated at site no. A-11 and A-12, Manyatha Residency, Rachenahalli Village, K. R. Puram, Hobli, Bengaluru.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

- (b) Personal Guarantee of Mr. Apparao Venkata Mallavarapu and Dr. Swarnalatha Mallavarapu to be restricted to the collateral mortgaged and the value of unpaid loan.
- (c) 4 undated cheques ('UDC') for ₹ 50.00 million each
- (d) 3 post dated cheques ('PDC') for ₹ 4.45 million each
3. Finance lease obligation of ₹ 8.20 million (March 31, 2018 : Nil) are secured by underlying assets taken on finance lease arrangements. The lease term is for 3 years carrying an interest rate of 17.80% p.a. The period and amount of default as on the balance sheet date with respect to aforementioned borrowings are as follows:

| (₹ in million) | | | | |
|-----------------------------------|-----------------------|----------------|----------------|-------------------|
| Particulars | Nature | March 31, 2019 | March 31, 2018 | Period of default |
| Obligation under financial leases | Quarterly installment | 1.30 | - | 0-90 days |

21. Other non-current financial liabilities

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Financial liabilities through profit or loss | | |
| Derivatives not designated as hedges | | |
| Interest rate swap (refer note 51) | 0.16 | 0.08 |
| | 0.16 | 0.08 |

The Company had entered into an interest rate swap agreement whereby the Company pays a fixed rate of interest of 4.25% p.a. as against the availed floating rate loan (i.e. USD overnight LIBOR + 190bps). The swap is being used to hedge the exposure to changes in the floating interest rates on secured loan (refer note 20). The mark to market fluctuation has been recognised as an expense for the year ended March 31, 2019 and March 31, 2018.

22. Government Grants

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| At April 1 | - | - |
| Received during the year | 32.94 | - |
| Released to the statement of profit and loss | (9.12) | - |
| At March 31 | 23.82 | - |
| Current | 5.43 | - |
| Non - current | 18.39 | - |
| | 23.82 | - |

Government grants have been received towards the purchase and construction of certain items of property, plant and equipment under Modified Special Incentive Package Scheme (M-SIPS) as notified by Ministry of Communications and Information Technology, Department of Information Technology. As per the scheme, the Company is required to abide by all terms and conditions of M-SIPS policy, guidelines and amendments issued from time to time. The Company vide its letter of undertaking dated May 02, 2018 has agreed to comply with all terms and conditions of M-SIPS policy, guidelines and amendments issued from time to time.

23. Net non-current employee defined benefit liabilities

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Provision for employee benefits | | |
| Provision for gratuity (refer note 44) | 36.49 | 32.95 |
| | 36.49 | 32.95 |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

24. Current financial liabilities: Borrowings

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|-----------------|-----------------|
| From banks | | |
| Indian rupee term loan (secured) ¹ | 200.00 | 200.00 |
| Others | | |
| Cash credit and overdraft from banks (secured) ² | 558.82 | 453.48 |
| Packing credit loan from banks (secured) ² | 794.77 | 697.37 |
| Foreign currency non-repatriable (FCNR) loan (secured) ² | 72.45 | 427.38 |
| | 1,626.04 | 1,778.23 |
| The above amount includes | | |
| Secured borrowings | 1,626.04 | 1,778.23 |
| Unsecured borrowings | - | - |
| | 1,626.04 | 1,778.23 |

- Secured Indian rupee term loan from a bank of ₹ 200.00 million (March 31, 2018: ₹ 200 million) carries interest at 12.50% p.a. (March 31, 2018: 10.25%). The loan is secured by way of:
 - Charge on current assets including stock and receivables of the Company;
 - Charge on present and future fixed assets of the Company; and
 - Charge by way of equitable mortgage on Land and building situated at i) No. 44, KHB Industrial Area, Yelahanka, Bangalore - 560 106 and ii) Plot No. 58-P, Bengaluru Aerospace Park Industrial Area, Sy. No. 8 - Part of Unachur Village & Sy.No. 8 - Part of Dummanahalli Village, Jala Hobli, Bengaluru North, Yelahanka Taluk, Bengaluru Urban District.
- Cash credit and overdraft from banks, packing credit and FCNR loan from banks are payable on demand and are secured by way of :
 - Hypothecation of entire stock of raw materials/work-in-progress/finished goods, receivables / book debts and other current assets / moveable fixed assets on pari passu first charge with other banks;
 - Hypothecation of plant and machinery pari passu first charge with other banks;
 - Equitable mortgage of factory land and building at No. 44, KHB Industrial Area, Yelahanka, Bangalore - 560 106 belonging to the Company, on pari passu first charge with other banks; and
 - Equitable mortgage on leasehold rights of factory land and equitable mortgage of building at Plot No. 58-P, Bengaluru Aerospace Park Industrial Area, Sy. No. 8 - Part of Unachur Village & Sy.No. 8 - Part of Dummanahalli Village, Jala Hobli, Bengaluru North, Yelahanka Taluk, Bengaluru Urban District, belonging to the Company on pari passu first charge with other banks.

The rate of interest of Cash credit and overdraft from banks ranges from 10.50% to 11.45% p.a. (March 31, 2018: 10.40% to 11.10% p.a;). The rate of interest of Packing credit from banks ranges from 3.76% to 7.28% (March 31, 2018: 3.34% to 5.74% p.a.) and that of FCNR ranges from 5.38% to 6.65% p.a. (March 31, 2018: 5.38% to 5.69%p.a.) payable on monthly basis.
- The period and amount of default as on the balance sheet date with respect to aforementioned borrowings are as follows:

(₹ in million)

| Particulars | Nature | March 31, 2019 | March 31, 2018 | Period of default |
|---|----------------------|----------------|----------------|-------------------|
| Packing credit loan from banks (secured) ² | Payment of Principal | 1.29 | - | 0-90 days |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

25. Financial liabilities: Trade payables

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|-----------------|-----------------|
| Carried at amortised cost | | |
| Trade payables | 1,013.05 | 1,122.77 |
| Trade payables to related parties (refer note 43) | 50.30 | 16.52 |
| | 1,063.35 | 1,139.29 |
| The above amount includes | | |
| Total Outstanding dues of micro enterprises and small enterprises | 27.68 | 16.80 |
| Total Outstanding dues of creditors other than micro enterprises and small enterprises | 1,035.67 | 1,122.49 |
| | 1,063.35 | 1,139.29 |

- a) Trade payables include due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2016). Amount due to suppliers under the MSMED Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the MSMED Act 2006 is not expected to be material. The Company has not received any claim for interest from any supplier as at balance sheet date. The disclosure pursuant to the said Act is as under:

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Principal amount remaining unpaid to any supplier as at the end of the accounting year. | 27.68 | 16.80 |
| Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | - | 0.53 |
| The amount of interest paid by the buyer (March 31, 2019: Nil, March 31, 2018: Nil) in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year. | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006. | - | - |
| The amount of interest accrued and remaining unpaid at the end of the accounting year. | 0.53 | 0.53 |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006. | - | - |

- b) Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing
 - For explanations on the Company's credit risk management processes, refer to note 49(c).
 - The dues to related parties are unsecured

26. Other current financial liabilities

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Other financial liabilities at amortised cost | | |
| Unpaid dividends | 2.53 | 2.45 |
| Accrued salaries and benefits (refer note 43) | 86.78 | 50.72 |
| Payable for capital goods | 23.00 | 25.10 |
| Current maturities of long term borrowings ¹ (refer note 20) | 190.71 | 92.77 |
| Interest accrued but not due on borrowings | 9.49 | 3.85 |
| | 312.51 | 174.89 |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

Note

| 1. The details of current maturities of long term borrowings are as follows: | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Term loan | | |
| From bank | | |
| Foreign currency term loan (secured) | 98.49 | 92.77 |
| From Financial Insitution | | |
| Indian rupee term loan (unsecured) | 88.91 | - |
| Obligation under financial leases (secured) | 3.31 | - |
| | 190.71 | 92.77 |

27. Other current liabilities (₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Advance from customers | 943.21 | 643.73 |
| Withholding and other taxes / duties payable | 15.23 | 9.77 |
| Other liabilities | 0.40 | 0.40 |
| | 958.84 | 653.90 |

28. Net current employee defined benefit liabilities (₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Provision for employee benefits | | |
| Provision for gratuity (refer note 44) | 5.95 | 3.93 |
| | 5.95 | 3.93 |

29. Provisions (₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Provision for employee benefits | | |
| Provision for compensated absencesww | 16.35 | 11.76 |
| | 16.35 | 11.76 |

30. Liabilities for current tax (net) (₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Provision for taxation, net of advance tax | 141.57 | - |
| | 141.57 | - |

31. Revenue from contracts with customers (₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|-----------------|-----------------|
| Sale of products (including excise duty) (refer note 43) | 4,845.31 | 3,501.99 |
| Sale of services (refer note 43) | 48.21 | 30.87 |
| Other operating revenues | | |
| Management fees (refer note 43) | 64.77 | 54.22 |
| | 4,958.29 | 3,587.08 |

Sale of products includes excise duty collected from customers of ₹ Nil (March 31, 2018: ₹ 33.57 million). Revenue from operations for periods up to June 30, 2017 includes excise duty. From July 1, 2017 onwards the excise duty and most indirect taxes in India have been replaced with Goods and Service Tax (GST). The Company collects GST on behalf of the Government. Hence, GST is not included in Revenue from operations. In view of the aforesaid change in indirect taxes, Revenue from operations for the year ended March 31, 2019 is not comparable to March 31, 2018.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

32a. Other income

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Government Grants (refer note 22) | 9.12 | - |
| Rental income (refer note 43) | 3.03 | 3.03 |
| Provisions / liabilities no longer required, written back | 3.59 | 29.72 |
| Sale of scrips | 28.53 | 22.47 |
| Other non-operating income | 7.50 | 5.07 |
| | 51.77 | 60.29 |

32b. Finance income

| | March 31, 2019 | March 31, 2018 |
|----------------------------------|----------------|----------------|
| Interest income on bank deposits | 9.81 | 16.38 |
| Interest income - others | 5.07 | - |
| | 14.88 | 16.38 |

Notes to revenue from contracts with customers:

a) Timing of rendering of services

(₹ in million)

| | Performance obligation satisfied at point in time | Performance obligation satisfied over time | Total |
|----------------------------------|---|--|-----------------|
| Sale of product | 4,845.31 | - | 4,845.31 |
| Sale of services | - | 48.21 | 48.21 |
| Management fees | - | 64.77 | 64.77 |
| Interest income on bank deposits | - | 9.81 | 9.81 |
| Interest income - others | - | 5.07 | 5.07 |
| | 4,845.31 | 127.86 | 4,973.17 |

b) Contract Balances:

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Receivables | | |
| - Current (Gross) | 1,935.66 | 966.93 |
| - Provision for impairment loss (current) | (72.99) | (19.36) |
| Contract Liabilities* | | |
| Advance received from customers | | |
| - Current | 943.21 | 643.73 |

* A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract

c) Revenue recognised during the year from the performance obligation satisfied upto previous year (arising out of contract modifications) amounts to ₹ Nil

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

| 33. Cost of materials consumed | | (₹ in million) | |
|--|-----------------------|-----------------------|--|
| | March 31, 2019 | March 31, 2018 | |
| Inventory at the beginning of the year | 1,875.56 | 1,091.08 | |
| Add: Purchases (refer note 43) | 2,913.30 | 3,341.78 | |
| | 4,788.86 | 4,432.86 | |
| Less: Inventory at the end of the year | (1,652.18) | (1,875.56) | |
| Cost of materials consumed | 3,136.68 | 2,557.30 | |

| 34. (Increase) / decrease in inventories of work-in-progress and finished goods | | (₹ in million) | |
|--|-----------------------|-----------------------|--|
| | March 31, 2019 | March 31, 2018 | |
| Inventories at the end of the year | 599.05 | 597.56 | |
| - Work-in-progress / finished goods | | | |
| Inventories at the beginning of the year | 597.56 | 542.77 | |
| - Work-in-progress / finished goods | | | |
| (Increase) / decrease in inventories | (1.49) | (54.79) | |

| 35. Employee benefits expenses | | (₹ in million) | |
|---|-----------------------|-----------------------|--|
| | March 31, 2019 | March 31, 2018 | |
| Salaries, wages and bonus | 575.19 | 504.58 | |
| Contribution to provident and other funds (refer note 44) | 34.45 | 32.46 | |
| Employee share based payments (refer note 47) | 0.80 | 0.06 | |
| Gratuity expenses (refer note 44) | 14.27 | 18.24 | |
| Staff welfare expenses | 48.70 | 49.85 | |
| | 673.41 | 605.19 | |

| 36. Finance costs | | (₹ in million) | |
|---------------------------------|-----------------------|-----------------------|--|
| | March 31, 2019 | March 31, 2018 | |
| Interest on debt and borrowings | 146.75 | 92.66 | |
| Bank charges | 28.65 | 22.82 | |
| Exchange differences | 69.93 | 26.02 | |
| Other borrowing costs | 12.95 | 8.59 | |
| Interest on income tax | 9.37 | - | |
| | 267.65 | 150.09 | |

| 37. Depreciation and amortization expenses | | (₹ in million) | |
|---|-----------------------|-----------------------|--|
| | March 31, 2019 | March 31, 2018 | |
| Depreciation of tangible assets (refer note 3) | 111.37 | 109.01 | |
| Amortization of intangible assets (refer note 4) | 9.51 | 11.21 | |
| | 120.88 | 120.22 | |

| 38. Other expenses | | (₹ in million) | |
|---|-----------------------|-----------------------|--|
| | March 31, 2019 | March 31, 2018 | |
| Rent | 24.63 | 25.36 | |
| Rates and taxes | 6.64 | 9.15 | |
| Power and fuel | 56.22 | 72.15 | |
| Repairs and maintenance | 38.68 | 43.91 | |
| Insurance | 12.70 | 12.20 | |
| Legal and professional fees (includes payment to auditor (refer details below)) | 59.31 | 58.20 | |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Travelling and conveyance | 42.26 | 54.51 |
| Purchase of services | 70.16 | 83.12 |
| Corporate social responsibility expenditure (refer note 53) | 7.99 | 3.72 |
| Freight outwards | 13.54 | 9.86 |
| Loss on account of foreign exchange fluctuations (net) | 34.04 | 14.29 |
| Provision for expected credit loss | 61.58 | - |
| Fair value loss on financial instruments at fair value through profit or loss | 0.08 | 0.08 |
| Directors' sitting fees | 1.74 | 0.72 |
| Miscellaneous expenses | 52.06 | 56.99 |
| | 481.63 | 444.26 |

| Payment to auditor (exclusive of taxes) | (₹ in million) | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| As auditor: | | |
| Audit fee (including fees for internal controls over financial reporting, consolidated financial statements of the company and quarterly limited reviews) | 5.20 | 5.20 |
| In other capacity | | |
| Reimbursement of expenses | 0.57 | 0.45 |
| | 5.77 | 5.65 |

| 39. Exceptional items (net) | (₹ in million) | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Profit on sale of investment in a joint venture (refer note 55) | 328.84 | - |
| Total exceptional item | 328.84 | - |

40. Income tax

The Company is subject to income tax in India on the basis of standalone financial statements. As per the Income Tax Act, the Company is liable to pay income tax which is the higher of regular income tax payable or the amount payable based on the provisions applicable for Minimum Alternate Tax (MAT). MAT paid in excess of regular income tax during a year can be carried forward for a period of 15 years and can be offset against future tax liabilities. Business loss can be carried forward for a maximum period of eight assessment years immediately succeeding the assessment year to which the loss pertains. Unabsorbed depreciation can be carried forward for an indefinite period.

Income tax expenses in the statement of profit and loss consist of the following:

| | (₹ in million) | |
|--|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| (a) Current tax | 143.62 | - |
| (b) Adjustment of tax relating to earlier period | - | 0.41 |
| (c) Deferred tax expense / (credit) | (22.71) | 24.68 |
| (d) MAT credit entitlement | (25.91) | 0.93 |
| (e) Deferred tax expense / (credit) related to items recognized in OCI during the year | 1.69 | - |
| Total taxes | 96.69 | 26.02 |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

Reconciliation of taxes to the amount computed by applying the statutory income tax rate to the income before taxes is summarised below:

| | (₹ in million) | |
|--|----------------|-----------------|
| | March 31, 2019 | March 31, 2018 |
| Profit before taxes | 675.02 | (192.09) |
| Less: Profit on sale of investment in a joint venture | 328.84 | - |
| Profit before taxes (Net of exceptional income) | 346.18 | (192.09) |
| Applicable tax rates in India | 34.944% | 34.608% |
| Computed tax charge | 120.97 | (66.48) |
| Tax effect on permanent non-deductible expenses | 8.51 | 2.44 |
| Allowances of expenditure in accordance with section 35(2AB) of the Income Tax Act | (10.15) | (11.07) |
| Tax effect of items on which deferred taxes has not been accounted: | | |
| Taxable losses | - | 88.27 |
| Utilisation of previously unrecognized tax losses | (96.14) | - |
| Others | - | 5.24 |
| Adjustments in respect of current income tax of previous years | - | 0.41 |
| Others | 2.19 | 7.21 |
| Tax expense | 25.38 | 26.02 |
| Tax expense on aforesaid exceptional income (refer note 39 and note 55) | 71.31 | - |
| Total tax expenses | 96.69 | 26.02 |
| Income tax reported in the statement of profit and loss | 96.69 | 26.02 |
| | - | - |

41. Earnings per share ('EPS')

Basic EPS amounts are calculated by dividing the profit / loss for the year attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

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

The following reflects the income and share data used in the basic and diluted EPS computations:

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Face value of equity shares (₹ per share) | 10 | 10 |
| Profit / (Loss) attributable to equity shareholders (A) (₹ in million) | 580.02 | (218.11) |
| Weighted average number of equity shares used for computing EPS (basic) (B) | 12,878,062 | 12,814,148 |
| EPS - basic (A/B) (₹) | 45.04 | (17.02) |
| Weighted average number of equity shares used for computing EPS (basic) (B) | 12,878,062 | 12,814,148 |
| Add: Effect of dilutive issues of stock options* | 12,919 | 25,866 |
| Weighted average number of equity shares used for computing EPS (diluted) (C) | 12,890,981 | 12,840,014 |
| EPS - diluted (A/C) (₹) | 45.00 | (17.02) |

* Considering that the Company had incurred losses during the year ended March 31, 2018 the allotment of stock options would decrease the loss per share for the year ended March 31, 2018 and accordingly had not been considered for the purpose of calculation of diluted earnings per share.

42. Significant accounting judgements, estimates and assumptions

The preparation of the Company's standalone financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, and

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

the disclosure of contingent liabilities. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

Significant judgements and estimates relating to the carrying values of assets and liabilities include impairment of investments in subsidiaries and joint ventures, impairment of goodwill, provision for employee benefits and other provisions, recoverability of deferred tax assets, commitments and contingencies and provision for inventory obsolesces.

(i) Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non current asset including goodwill and investments

Determining whether investment and goodwill are impaired requires an estimation of the value in use of the respective asset or the relevant cash generating units. The value in use calculation is based on DCF model. Further, the cash flow projections are based on estimates and assumptions which are considered as reasonable by the management.

Taxes

Deferred tax assets are recognised for MAT credit entitlement and unused tax losses to the extent that it is probable that taxable profit will be available against which the same can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer note 8 and 40 for further disclosures.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 49 for further disclosures.

Contingencies

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Company, including legal and contractual claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds.

The mortality rate is based on publicly available mortality tables for India. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

Further details about gratuity obligations are given in note 44.

Provision for inventory obsolescence

Inventory obsolescence provision are determined using policies framed by the Company and in accordance with the methodologies that the Company deems appropriate to the business. There is a significant level of judgment involved in assessing whether provision for obsolescence for slow moving, excess or obsolete inventory items should be recognized considering orders in hand, expected orders, alternative usage, etc.

43. Related party transactions

a) Names of related parties and description of relationship

| Description of relationship | Name of related parties |
|--|---|
| Parties where control exists | Apparao V Mallavarapu (directly and indirectly exercises over 50% voting power in the Company) |
| Subsidiary Companies | Centum Electronics UK Limited Centum Adetel Group SA Centum Adeneo SAS Centum Adeneo CRD SAS Centum Adetel Transportation System SAS Centum Adetel Transportation SAS** Centum Adetel Synergies SARL Centum Adetel Solution Centum Adetel Equipment Adetel Maroc SA# Adetel Equipment Maroc SA# Centum Adeneo India Private Limited |
| Associates/ Joint Venture Companies | Centum Rakon India Private Limited* Sandhi SAS* Ausar Energy SAS |
| Enterprises where key managerial personnel or their relatives exercise significant influence (where transactions have taken place) | Centum Industries Private Limited |
| Key managerial personnel and their relatives | Mr. Apparao V Mallavarapu - Chairman and Managing Director Dr. Swarnalatha Mallavarapu - Director Mr. Nikhil Mallavarapu - Relative Mr. S Krishnan - Independent Director Mr. Pranav Kumar Patel - Independent Director Mr. Rajiv C Mody - Independent Director Mr. Manoj Nagrath - Independent Director Mr. Thiruvengadam P - Independent Director Mr. K S Desikan - Chief Financial Officer Mr. Nagaraj K V- Company Secretary (appointed w.e.f January 21, 2019) Mr. Ramu Akkili- Company Secretary (resigned w.e.f November 30, 2018) |

* Ceased to be a joint venture during the year ended March 31, 2019 (also refer note 55)

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

** The Group is planning to divest its stake and has accordingly classified it as held for sale in the consolidated financial statements for the year ended March 31, 2019

Liquidated during the year ended March 31, 2019.

b) Summary of transactions and outstanding balances with above related parties are as follows:

| Particulars | ₹ in million | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| i) Sale of products | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | 0.86 | 18.41 |
| Subsidiary companies | | |
| - Centum Adeneo India Private Limited | 0.15 | - |
| - Centum Adeneo SAS | - | 0.42 |
| - Centum Adetel Equipment | - | 0.18 |
| - Centum Adetel Transportation SAS | 464.34 | 7.16 |
| ii) Sale of services | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | 1.54 | 10.02 |
| Subsidiary companies | | |
| - Centum Adeneo India Private Limited | - | 0.95 |
| iii) Other operating income - Management fees | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | 3.85 | 54.22 |
| iv) Other income | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | 0.25 | 3.03 |
| Subsidiary companies | | |
| - Centum Adeneo India Private Limited | 0.21 | - |
| v) Purchase of goods and services | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | - | 14.54 |
| Subsidiary companies | | |
| - Centum Adetel Transportation SAS | 9.56 | 2.77 |
| - Centum Adeneo SAS | 40.62 | - |
| - Centum Adeneo India Private Limited | 4.56 | - |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited (₹ 1040) | - | 0.01 |
| vi) Other expenses - Rent | | |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | 9.28 | 7.79 |
| vii) Expense incurred by the Company on behalf of: | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | 0.45 | 12.70 |
| viii) Corporate guarantees given on behalf of: | | |
| Subsidiary companies | | |
| - Centum Adetel Group SA | - | 36.28 |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

| Particulars | (₹ in million) | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| ix) Security deposits refunded/ adjusted | | |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | - | 0.16 |
| x) Remuneration to key managerial personnel and their relatives | | |
| a) Employee benefit expenses (including employee share based payments) | | |
| - Mr. Apparao V Mallavarapu | 16.65 | 9.18 |
| - Mr. Nikhil Mallavarapu | 11.20 | 10.05 |
| - Mr. K S Desikan | 6.90 | 6.33 |
| - Mr. Nagaraj K V | 0.30 | - |
| - Mr. Ramu Akkili | 1.46 | 2.15 |
| b) Directors' sitting fees (including commission paid to non-executive directors) | | |
| - Mr. S Krishnan | 0.38 | 0.18 |
| - Mr. Rajiv C Modi | 0.26 | 0.04 |
| - Mr. Pranav Kumar Patel | 0.38 | 0.18 |
| - Mr. Manoj Nagrath | 0.38 | 0.18 |
| - Mr. Thiruvengadam P | 0.34 | 0.14 |
| xi) Outstanding balances as at the year ended: | | |
| a) Trade receivables - Current | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | - | 19.89 |
| Subsidiary companies | | |
| - Centum Adetel Group SA | - | - |
| - Centum Adeneo India Pvt Ltd | 0.89 | 1.12 |
| - Centum Adeneo SAS | 0.42 | 0.42 |
| - Centum Adetel Equipment | 0.49 | 4.19 |
| - Centum Adetel Transportation System SAS | 235.20 | 7.16 |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | 0.53 | 0.95 |
| b) Trade payables - Current | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | - | 12.33 |
| Subsidiary companies | | |
| - Centum Adetel Transportation System SAS | 9.80 | 2.73 |
| - Centum Adeneo SAS | 34.18 | - |
| - Centum Adeneo India Private Limited | 4.56 | - |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | 0.68 | 1.47 |
| Payable to Key managerial personnel | | |
| - Mr. S Krishnan | 0.22 | - |
| - Mr. Rajiv C Modi | 0.20 | - |
| - Mr. Pranav Kumar Patel | 0.22 | - |
| - Mr. Manoj Nagrath | 0.22 | - |
| - Mr. Thiruvengadam P | 0.22 | - |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

| Particulars | ₹ in million | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| c) Other current financial assets - Staff advances | | |
| - Mr. Apparao V Mallavarapu | - | 0.39 |
| - Mr. K S Desikan | - | 0.26 |
| d) Other current financial assets - Loan to related party | | |
| Subsidiary companies | | |
| - Centum Adeneo India Private Limited | 15.50 | - |
| e) Other current assets - Advance to suppliers and other advances | | |
| Subsidiary companies | | |
| - Centum Adeneo India Private Limited | - | 1.28 |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | - | 0.92 |
| f) Other current financial asset - Security deposit | | |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | 0.45 | 0.45 |
| g) Corporate guarantees sanctioned on behalf of | | |
| Subsidiary companies | | |
| - Centum Adetel Group SA | - | 36.28 |
| h) Other current financial liabilities - Accrued salaries and benefits-payable | | |
| - Mr. Apparao V Mallavarapu | 8.02 | 0.46 |
| - Mr. Nikhil Mallavarapu | 1.07 | 0.24 |
| - Mr. K S Desikan | 0.68 | 0.41 |
| - Mr. Nagaraj K V | 0.12 | - |
| - Mr Ramu Akkili | - | 0.10 |
| i) Other current liabilities - Advance from customers | | |
| Subsidiary companies | | |
| - Centum Adetel Transportation System SAS | 87.07 | - |
| j) Personal Guarantee and security issued by directors jointly towards the loan availed by the company (refer note 20) | | |
| - Mr. Apparao Mallavarapu | 200.00 | - |
| - Dr. Swarnalatha Mallavarapu | | |

c) Key Managerial Personnel's interests in the share based payments plan:

Share options held by key managerial personnel under the share based payments plan to purchase equity shares are as follows:

| Share based payments plan | Exercise price | March 31, 2019 | March 31, 2018 |
|---------------------------|----------------|--------------------|--------------------|
| | | Number outstanding | Number outstanding |
| Centum ESOP - 2013 plan | ₹ 71.25 | 3,653 | 3,654 |

No share options have been granted to the non-executive members of the Board of Directors under the share based payments plans of the Company. Refer to Note 47 for further details on the scheme.

Notes:

- As the liability for gratuity and leave encashment is provided on actuarial basis for the Company, as a whole the amount pertaining to the key managerial personnel's are not disclosed above.
- For investments in related parties, refer note 5.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

44. Gratuity and other post-employment benefits plans

a) Defined contribution plan

The Company's contribution to provident fund, Employees' State Insurance and other funds are considered as defined contribution plans. The contributions are charged to the standalone statement of profit and loss as they accrue. Contributions to provident and other funds included in employee benefits expense (refer note 35) are as under:

| Particulars | (₹ in million) | |
|--|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Contribution to provident fund | 25.83 | 25.23 |
| Contribution to employees' state insurance | 8.62 | 7.23 |
| | 34.45 | 32.46 |

b) Defined benefit plans

The Company has a defined benefit gratuity plan. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, every employee who has completed five years or more of service gets gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The level of benefits provided depends on the member's length of service and salary at retirement age. The Gratuity plan is unfunded.

The following tables summarise the components of net benefit expense recognised in the standalone statement of profit or loss and amounts recognised in the standalone balance sheet for gratuity benefit:

i. Net benefit expenses (recognised in the Standalone Statement of Profit And Loss) (₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Current service cost | 11.16 | 8.27 |
| Net interest cost on defined benefit obligation | 3.11 | 2.31 |
| Past service cost | - | 7.66 |
| Net benefit expenses | 14.27 | 18.24 |

ii. Remeasurement (gains)/ loss recognised in other comprehensive income: (₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Actuarial (gain)/ loss on obligations arising from changes in experience adjustments | (5.81) | (1.32) |
| Actuarial (gain)/ loss on obligations arising from changes in financial assumptions | 0.99 | (1.53) |
| Actuarial (gain)/ loss recognised in OCI | (4.82) | (2.85) |

iii. Net defined benefit asset/ (liability) (₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Defined benefit obligation | (42.44) | (36.88) |
| Fair value of plan assets | - | - |
| Asset / (liability) recognised in the balance sheet | (42.44) | (36.88) |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

iv. Changes in the present value of the defined benefit obligation are as follows: (₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Opening defined benefit obligation | 36.88 | 29.53 |
| Current service cost | 11.16 | 8.27 |
| Past service cost | - | 7.66 |
| Benefits paid | (3.89) | (8.04) |
| Interest cost on the defined benefit obligation | 3.11 | 2.31 |
| Actuarial (gain)/ loss on obligations arising from changes in experience adjustments | (5.81) | (1.32) |
| Actuarial (gain)/ loss on obligations arising from changes in financial assumptions | 0.99 | (1.53) |
| Closing defined benefit obligation | 42.44 | 36.88 |

v. The following pay-outs are expected in future years: (₹ in million)

| Particulars | March 31, 2019 |
|----------------------------------|----------------|
| March 31, 2020 | 5.95 |
| March 31, 2021 | 2.12 |
| March 31, 2022 | 2.15 |
| March 31, 2023 | 2.88 |
| March 31, 2024 | 3.10 |
| March 31, 2025 to March 31, 2029 | 19.70 |

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (March 31, 2018: 10 years)

vi. The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

| Particulars | March 31, 2019 | March 31, 2018 |
|------------------------------------|---|--|
| Discount rate (in %) | 7.43% | 7.69% |
| Salary escalation rate (in %) | 7.00% | 7.00% |
| Employee Turnover/ Withdrawal Rate | Age 21 - 30 Yrs : 15% | |
| | Age 30 - 34 Yrs : 10% | |
| | Age 35 - 44 Yrs : 5% | |
| | Age 45 - 50 Yrs : 3% | |
| | Age 51 - 54 Yrs : 2% | |
| | Age 55 - 57 Yrs : 1% | |
| Retirement age | 58 years | 58 years |
| Mortality Rate | Indian Assured Lives Mortality (2012-14) Ultimate | Indian Assured Lives Mortality (2006-08) (Modified) Ultimate |

Notes:

- The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.
- Plan Characteristics and Associated Risks:

The Gratuity scheme is a Defined Benefit Plan that provides for a lump sum payment made on exit either by way of retirement, death or disability. The benefits are defined on the basis of final salary and the period of service and paid as lump sum at exit. The Plan design means the risks commonly affecting the liabilities and the financial results are expected to be:

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

- a. Discount rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase
- b. Salary Inflation risk : Higher than expected increases in salary will increase the defined benefit obligation
- c. Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

vii. A quantitative sensitivity analysis for significant assumption as at March 31, 2019 is as shown below:
(₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Discount rate | | |
| Impact on defined benefit obligation due to 1% increase in discount rate | (3.57) | (3.10) |
| Impact on defined benefit obligation due to 1% decrease in discount rate | 3.79 | 3.29 |
| Salary escalation rate | | |
| Impact on defined benefit obligation due to 1% increase in salary escalation rate | 2.18 | 1.89 |
| Impact on defined benefit obligation due to 1% decrease in salary escalation rate | (2.04) | (1.77) |
| Attrition rate | | |
| Impact on defined benefit obligation due to 1% increase in attrition rate | 0.20 | 0.25 |
| Impact on defined benefit obligation due to 1% decrease in attrition rate | (0.28) | (0.32) |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

45 Segment information - Disclosure pursuant to IndAS 108 'Operating Segments'

(a) Information about reportable segments

Basis of identifying operating segments / reportable segments:

(i) Basis of identifying operating segments:

Operating segments are identified as those components of the Company (a) that engage in business activities to earn revenues and incur expenses (including transactions with any of the Company's other components); (b) whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) to make decisions about resource allocation and performance assessment and (c) for which discrete financial information is available. The accounting policies consistently used in the preparation of financial statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segment on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company therefore believes that it is not practical to provide segment disclosures relating to such items and accordingly such items are separately disclosed as 'unallocated'

(ii) Reportable segments:

An operating segment is classified as reportable segment if reported revenue (including inter-segment revenue) or absolute amount of result or assets exceed 10% or more of the combined total of all the operating segments.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

CODM evaluates the performance of the Company based on the single operative segment as ESDM. Therefore, there is only one reportable segment called ESDM in accordance with the requirement of IndAS 108 "Operating Segments".

(b) Geographical information (₹ in million)

| Geography | Segment revenue* | | Non-current assets** | |
|-------------------|------------------|-----------------|----------------------|-----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| India | 2,168.38 | 1,058.96 | 1,184.98 | 1,164.93 |
| Europe | 1,861.63 | 1,079.28 | - | - |
| North America | 500.58 | 673.51 | - | - |
| Rest of the world | 427.70 | 775.33 | - | - |
| Total | 4,958.29 | 3,587.08 | 1,184.98 | 1,164.93 |

*Revenue by geographical area are based on the geographical location of the customer.

**Non-current assets excludes financial instruments and tax assets.

- (c) Revenue from two external customers are more than 10% of the company's total revenue amounting ₹ 1,536.23 million (March 31, 2018: ₹ 224.44 million).

46. Commitments and contingencies

(a) Operating leases: Company as lessee

The Company has entered into operating leases for office facilities and equipments (like car and computers) under cancellable operating leases. There are no restrictions imposed by lease arrangements and there are no sub leases. The total rental expense towards the aforementioned leases charged to the statement of profit and loss is ₹ 24.63 million (March 31, 2018: ₹ 25.36 million).

Company as lessor

The Company has entered into operating lease for giving office facilities under cancellable operating lease arrangement. The total rental income recognised by the Company in the statement of profit and loss amounted to ₹ 3.03 million (March 31, 2018: ₹ 3.03 million).

(b) Finance leases: Company as lessee

The company has finance lease contracts for server forming part of leased computer. The company's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are, as follows:

| | March 31, 2019 | | March 31, 2018 | |
|--|------------------------|----------------------|------------------------|----------------------|
| | Minimum lease payments | Present value of MLP | Minimum lease payments | Present value of MLP |
| Within one year | 4.72 | 3.32 | - | - |
| After one year but not more than five years | 5.81 | 4.88 | - | - |
| More than five years | - | - | - | - |
| Total minimum lease payments | 10.53 | 8.20 | - | - |
| Less amounts representing finance charges | (2.33) | - | - | - |
| Present value of minimum lease payments | 8.20 | 8.20 | - | - |

The Company has capitalised the leased asset at ₹ 6.95 million (refer note 3) and balance amounting to ₹ 1.25 million represents goods and service tax paid on leased assets and the credit of the same would be availed by the Company on payment of installments of finance lease obligations as and when due.

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for the year ended March 31, 2019

(c) Commitments

| Capital commitments | (₹ in million) | |
|--|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 134.61 | 44.95 |

(d) Contingent liabilities

In the ordinary course of business, the Company faces claims and assertions by various parties. The Company assesses such claims and assertions and monitors the legal environment on an ongoing basis with the assistance of external legal counsel, wherever necessary. The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

The following is a description of claims and assertions where a potential loss is possible, but not probable. The Company believes that none of the contingencies described below would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

| Particulars of guarantees | (₹ in million) | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Corporate guarantee given on behalf of subsidiary company | 34.84 | 36.28 |
| Bank guarantees | - | 5.58 |
| Claims against the group not acknowledged as debts | 5.78 | - |

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. As a matter of caution, the Company has made a provision on a prospective basis from the date of the SC order. The Company will update its provision, on receiving further clarity on the subject.

The Company is involved in legal proceedings, both as plaintiff and as defendant. The Company believes the following claims to be material.

| Disputes * | (₹ in million) | |
|--|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Matters relating to direct taxes under dispute | | |
| - Income tax | 1.89 | 1.89 |
| Matters relating to indirect taxes under dispute | | |
| - Sales tax | 7.04 | 7.04 |
| - Excise, cenvat credit availment and customs duty | 85.77 | 85.77 |
| Stamp duty levy | 16.28 | 16.28 |

* The aforementioned amounts under disputes are as per the demands from various authorities for the respective periods and has not been adjusted to include further interest and penalty leviable, if any, at the time of final outcome of the appeals.

47. Share-based payments

A Description of the share based payment arrangements

The Company has following share based payment arrangements:

(i) Share option plans (equity settled)

The Company sponsors two share option plans - the Centum Employee Stock Option Plan ('ESOP') - 2007 plan and the Centum ESOP - 2013 plan. The details of the aforementioned plans are as follows:

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

- (a) The Centum ESOP - 2007 plan was approved by the directors of the Company in October 2007 and by the shareholders in December 2007. Centum ESOP - 2007 plan provides for the issue of 416,666 shares to the employees of the Company and its subsidiaries / joint venture (whether in India or outside India), who are in whole time employment with the Company and/or its subsidiaries / joint venture.
- (b) The Centum ESOP - 2013 plan was approved by the directors of the Company in May 2013 and by the shareholders in August 2013. Centum ESOP - 2013 plan provides for the issue of 250,000 shares to the employees of the Company and its subsidiaries / joint venture (whether in India or outside India), who are in whole time employment with the Company and/or its subsidiaries / joint venture.

The plan is administered by a Compensation committee. Options will be issued to employees of the Company and/or its subsidiaries / joint venture at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

B Measurement of fair values

The fair value of employee share options has been measured using Black Scholes model. The fair value of the options and the input used in the measurement of the grant- date fair values of both the plans are as follows:

| | Year ended March 31, 2019 | | Year ended March 31, 2018 | |
|--|---------------------------|--------------------|---------------------------|--------------------|
| | Centum ESOP - 2007 | Centum ESOP - 2013 | Centum ESOP - 2007 | Centum ESOP - 2013 |
| Fair value at grant date | ₹ 6.54 - ₹ 47.20 | ₹ 11.65 - ₹ 277.30 | ₹ 6.54 - ₹ 47.20 | ₹ 11.65 - ₹ 277.30 |
| Share price at grant date | ₹ 31.60 - ₹ 118.50 | ₹ 71.25 & ₹ 637.05 | ₹ 31.60 - ₹ 118.50 | ₹ 71.25 & ₹ 637.05 |
| Weighted average exercise price | Nil | ₹ 245.35 | ₹ 53.45 | ₹ 283.03 |
| Dividend yield (%) | 10% | 10% | 10% | 10% |
| Expected life of share options (years) | 1- 4 years | 1- 4 years | 1- 4 years | 1- 4 years |
| Risk free interest rate (%) | 5.70 - 8.60% | 5.70 - 8.60% | 5.70 - 8.60% | 5.70 - 8.60% |
| Expected volatility (%) | 48.31% | 48.31% | 48.31% | 48.31% |

C Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, Centum ESOP - 2007 plan during the year:

| Particulars | For the year ended March 31, 2019 | | For the year ended March 31, 2018 | |
|--|-----------------------------------|----------|-----------------------------------|--------------|
| | Number of options | WAEP | Number of options | WAEP |
| Options outstanding at April 1, 2018 | 2,981 | 53.45 | 28,814 | 69.14 |
| Granted during the period | - | - | - | - |
| Forfeited / lapsed during the period | - | - | - | - |
| Exercised during the period | 2,981 | 53.45 | 25,833 | 70.95 |
| Expired during the period | - | - | - | - |
| Options outstanding at March 31, 2019 | - | - | 2,981 | 53.45 |
| Exercisable at March 31, 2019 | - | - | 2,981 | 53.45 |

There are no options outstanding as at March 31, 2019 and options outstanding as at March 31, 2018 had an exercise price of ₹ 53.45 and the weighted average remaining contractual life of 7.64 years.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

The following table illustrates the number and WAEP of, and movements in, Centum ESOP - 2013 plan during the year:

| Particulars | March 31, 2019 | | March 31, 2018 | |
|--|-------------------|---------------|-------------------|---------------|
| | Number of options | WAEP | Number of options | WAEP |
| Options outstanding at April 1, 2018 | 48,090 | 283.03 | 135,532 | 71.25 |
| Granted during the period | - | - | 18,000 | 637.05 |
| Forfeited / lapsed during the period | 16,888 | - | 14,287 | - |
| Exercised during the period | 8,453 | 71.25 | 91,155 | 71.25 |
| Expired during the period | - | - | - | - |
| Options outstanding at March 31, 2019 | 22,749 | 245.35 | 48,090 | 283.03 |
| Exercisable at March 31, 2019 | 17,499 | 127.83 | 30,090 | 71.25 |

The options outstanding as at March 31, 2019 had an exercise price of ₹ 245.35 (March 31, 2018: ₹ 283.03) and the weighted average remaining contractual life of 9.07 years (March 31, 2018: 10.61 years).

D Expense recognised in statement of profit and loss

The expense recognised for employee services received during the year is shown in the following table :

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Expense arising from equity settled share based payment transaction (refer note 35) | 0.80 | 0.06 |

- E** The Company had granted stock options to employees of Centum Rakon India Private Limited under ESOP plans as detailed in note 47(A) above. The Company had an obligation to settle the transaction with the aforementioned entity's employees by providing its own equity shares. Therefore, in accordance with IndAS 102, the Company had measured its obligation in accordance with the requirements applicable to equity settled share-based payment transaction.

48. Capital Management

The Company's capital management is intended to create value for the shareholders by facilitating the meeting of long term and short term goals of the Company.

The Company determines the amount of capital required on the basis of annual business plan coupled with long term and short term strategic investment and expansion plans. The funding needs are met through equity, cash generated from operations and long term and short term bank borrowings.

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity shareholders of the Company.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. The Company's policy is to keep the gearing ratio at an optimum level to ensure that the debt related covenants are complied with.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

| Particulars | (₹ in million) | |
|---|-----------------|-----------------|
| | March 31, 2019 | March 31, 2018 |
| Borrowings (refer note 20, 24 and 26) | 2,054.38 | 2,079.73 |
| Less: Cash and cash equivalents (refer note 13) | 45.06 | 79.88 |
| Total debts (i) | 2,009.32 | 1,999.85 |
| Capital components | | |
| Equity share capital (refer note 17) | 128.81 | 128.70 |
| Other equity (refer note 18) | 2,043.56 | 1,474.54 |
| Total Capital (ii) | 2,172.37 | 1,603.24 |
| Capital and borrowings (iii = i + ii) | 4,181.69 | 3,603.09 |
| Gearing ratio (i / iii) | 48% | 56% |

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2019 and March 31, 2018.

49. Disclosures on Financial instruments

This section gives an overview of the significance of financial instruments of the Company and provides additional information on balance sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.2(b) and 2.2(o), to the financial statements.

(a) Financial assets and liabilities

The following tables presents the carrying value and fair value of each category of financial assets and liabilities as at March 31, 2019 and March 31, 2018.

| As at March 31, 2019 | | | | | | (₹ in million) |
|---|--|--|-----------------|------------------|----------------------|----------------|
| Particulars | Fair value through statement of profit or loss | Derivative instruments not in hedging relationship | Amortised cost | Total fair value | Total carrying value | |
| Financial assets | | | | | | |
| (i) Investments (other than investments in subsidiaries and joint ventures) | 13.26 | - | - | 13.26 | 13.26 | |
| (ii) Trade receivables | - | - | 1,862.67 | 1,862.67 | 1,862.67 | |
| (iii) Cash and cash equivalents | - | - | 45.06 | 45.06 | 45.06 | |
| (iv) Bank balances other than cash and cash equivalents | - | - | 379.73 | 379.73 | 379.73 | |
| (v) Other financial assets | - | - | 144.90 | 144.90 | 144.90 | |
| Total | 13.26 | - | 2,432.36 | 2,445.62 | 2,445.62 | |
| Financial liabilities | | | | | | |
| (i) Borrowings | - | - | 2,054.38 | 2,054.38 | 2,054.38 | |
| (ii) Trade payables | - | - | 1,063.35 | 1,063.35 | 1,063.35 | |
| (iii) Derivative instrument - Interest rate swap | - | 0.16 | - | 0.16 | 0.16 | |
| (iv) Other financial liabilities | - | - | 121.80 | 121.80 | 121.80 | |
| Total | - | 0.16 | 3,239.53 | 3,239.69 | 3,239.69 | |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

| As at March 31, 2018 | | | | | (₹ in million) | |
|---|--|--|-----------------|------------------|----------------------|--|
| Particulars | Fair value through statement of profit or loss | Derivative instruments not in hedging relationship | Amortised cost | Total fair value | Total carrying value | |
| Financial assets | | | | | | |
| (i) Investments (other than investments in subsidiaries and joint ventures) | 13.26 | - | - | 13.26 | 13.26 | |
| (ii) Trade receivables | - | - | 947.57 | 947.57 | 947.57 | |
| (iii) Cash and cash equivalents | - | - | 79.88 | 79.88 | 79.88 | |
| (iv) Bank balances other than cash and cash equivalents | - | - | 158.68 | 158.68 | 158.68 | |
| (v) Other financial assets | - | - | 21.06 | 21.06 | 21.06 | |
| Total | 13.26 | - | 1,207.19 | 1,220.45 | 1,220.45 | |
| Financial liabilities | | | | | | |
| (i) Borrowings | - | - | 2,079.73 | 2,079.73 | 2,079.73 | |
| (ii) Trade payables | - | - | 1,139.29 | 1,139.29 | 1,139.29 | |
| (iv) Derivative instrument - Interest rate swap | - | 0.08 | - | 0.08 | 0.08 | |
| (v) Other financial liabilities | - | - | 82.12 | 82.12 | 82.12 | |
| Total | - | 0.08 | 3,301.14 | 3,301.22 | 3,301.22 | |

(b) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3, as described below:

Quoted prices in an active market (Level 1): This level of hierarchy includes financial assets that are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities. This category consists of investment in quoted equity shares, and mutual fund investments.

Valuation techniques with observable inputs (Level 2): This level of hierarchy includes financial assets and liabilities, measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Valuation techniques with significant unobservable inputs (Level 3): This level of hierarchy includes financial assets and liabilities measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

| Particulars | (₹ in million) | | | |
|---|---|---------|---------|---------|
| | Fair value measurements at reporting date using | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| March 31, 2019 | | | | |
| Financial assets | | | | |
| Investments (other than investments in subsidiaries and joint ventures) | 13.26 | - | - | 13.26 |
| Financial liabilities | | | | |
| Derivative instrument - Interest rate swap | 0.16 | - | 0.16 | - |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

| Particulars | Fair value measurements at reporting date using | | | |
|---|---|---------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| March 31, 2018 | | | | |
| Financial assets | | | | |
| Investments (other than investments in subsidiaries and joint ventures) | 13.26 | - | - | 13.26 |
| Financial liabilities | | | | |
| Derivative instrument - Interest rate swap | 0.08 | - | 0.08 | - |

- (i) Short-term financial assets and liabilities are stated at carrying value which is approximately equal to their fair value.
- (ii) Interest rate swaps are fair valued using market observable rates and published prices together with forecasted cash flow information where applicable.
- (iii) Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of the amounts that the Company could have realised or paid in sale transactions as of respective dates. As such, fair value of financial instruments subsequent to the reporting dates may be different from the amounts reported at each reporting date.
- (iv) There have been no transfers between Level 1, Level 2 and Level 3 for the years ended March 31, 2019 and March 31, 2018.

(c) Financial risk management objectives and policies

In the course of its business, the Company is exposed primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as interest rate risks and credit risks. The risk management policy is approved by the Board of Directors. The risk management framework aims to:

- (i) create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the Company's business plan.
- (ii) achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

Market risk

Market risk is the risk of any loss in future earnings, in realisable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity price fluctuations, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

(a) Market risk- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

| (₹ in million) | | |
|----------------|-------------------------------------|-----------------------------|
| Particulars | Increase / decrease in basis points | Effect on profit before tax |
| March 31, 2019 | | |
| | +50 | (7.94) |
| | -50 | 7.94 |
| March 31, 2018 | | |
| | +50 | (8.89) |
| | -50 | 8.89 |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

(b) Market risk- Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

| (₹ in million) | | | |
|-----------------------|--------------------|-------------------------------------|-----------|
| Particulars | Change in currency | Effect on profit or loss before tax | |
| | | Strengthening | Weakening |
| | | March 31, 2019 | |
| USD | 5% | (30.67) | 30.67 |
| EURO | 5% | (8.05) | 8.05 |
| March 31, 2018 | | | |
| USD | 5% | (69.06) | 69.06 |
| EURO | 5% | (5.31) | 5.31 |

The sensitivity analysis has been based on the composition of the Company's financial assets and liabilities at March 31, 2019 and March 31, 2018. The period end balances are not necessarily representative of the average debt outstanding during the period.

(c) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial instruments that are subject to credit risk and concentration thereof principally consist of trade receivables, investments, cash and cash equivalents.

The carrying value of financial assets represents the maximum credit risk. The maximum exposure to credit risk was ₹ 2,445.62 million and ₹ 1,219.20 million as at March 31, 2019 and March 31, 2018 respectively, being the total carrying value of trade receivables, balances with bank, bank deposits, investments (other than investments in subsidiaries and joint ventures) and other financial assets (excluding assets held for disposal).

Customer credit risk is managed by each business unit based on the Company's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date on an individual basis for major customers. The Company does not hold collateral as security. Further, the top 5 customers of the Company contribute to more than 66% of the trade receivables for the year ended March 31, 2019 and more than 38% of the trade receivables during the year ended March 31, 2018.

With respect to Trade receivables, the Company has constituted the terms to review the receivables on periodic basis and to take necessary mitigations, wherever required. The Company creates allowance for all unsecured receivables based on lifetime expected credit loss based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and rates used in the provision matrix.

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

The following table summarises the changes in the loss allowance measured using ECL:

| Particulars | (₹ in million) | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Opening balance | 13.08 | 29.92 |
| Amount provided/ (reversed) during the year | 61.58 | (16.84) |
| Amount utilised during the year | (1.67) | - |
| Closing provision | 72.99 | 13.08 |

Credit risk from balances with bank and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

(d) Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company has obtained fund and non-fund based working capital limits from various banks. The Company invests its surplus funds in bank fixed deposit, which carry no or low market risk.

The Company monitors its risk of shortage of funds on a regular basis. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, etc. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be medium.

The following table shows a maturity analysis of the anticipated cash flows excluding interest obligations for the Company's financial liabilities on an undiscounted basis, which may differ from both carrying value and fair value.

| Particulars | (₹ in million) | | | |
|-----------------------------|-----------------|---------------|-----------|-----------------|
| | 0-1 years | 1 to 5 years | > 5 years | Total |
| March 31, 2019 | | | | |
| Borrowings | 1,816.75 | 237.63 | - | 2,054.38 |
| Trade payables | 1,063.35 | - | - | 1,063.35 |
| Other financial liabilities | 121.80 | 0.16 | - | 121.96 |
| | 3,001.90 | 237.79 | - | 3,239.69 |
| March 31, 2018 | | | | |
| Borrowings | 1,871.00 | 208.73 | - | 2,079.73 |
| Trade payables | 1,139.29 | - | - | 1,139.29 |
| Other financial liabilities | 82.12 | 0.08 | - | 82.20 |
| | 3,092.41 | 208.81 | - | 3,301.22 |

50. Interest in significant investment in subsidiaries, joint ventures and associates as per IndAS - 27

| Name of the entity | Relationship as at | | Percentage of effective ownership interest held (directly and indirectly) as at | | Percentage of voting rights held as at | | Date of incorporation | Country of incorporation/ place of business |
|--|--------------------|----------------|---|----------------|--|----------------|-----------------------|---|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 | | |
| Centum Adeneo India Private Limited ⁴ | Subsidiary | Subsidiary | 100.00% | 54.15% | 100.00% | 100.00% | Dec 06, 2016 | India |
| Centum Electronics UK Limited | Subsidiary | Subsidiary | 100.00% | 100.00% | 100.00% | 100.00% | May 18, 2016 | United Kingdom |
| Centum Rakon India Private Limited | - | Joint venture | - | 51.00% | - | 51.00% | December 7, 2007 | India |

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

Note:

1. Disclosure of financial data as per IndAS – 112 'Disclosure of Interests in Other Entities' has been done based on the financial statements for the respective years provided to us by the management.
2. The above disclosure made do not include step down subsidiaries, joint ventures and associates and are with respect to subsidiaries, joint ventures and associates existing as at March 31, 2019.
3. Refer note 55 for sale details of Centum Rakon India Private Limited.
4. Refer note 5 for investments made in Centum Adeneo India Private Limited.

51. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Company uses foreign exchange forward contracts and interest rate swaps to manage some of its transaction exposures. These derivative instruments are not designated as cash flow / fair value hedges and are entered into for periods consistent with foreign currency exposure of underlying transactions. All transactions in derivative financial instruments are undertaken to manage risks arising from underlying business activities.

(₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Derivative instrument - Interest rate swap (refer note 21) | 0.16 | 0.08 |

52. The Company is in the process of conducting a transfer pricing study as required by the transfer pricing regulations under the IT Act ('regulations') to determine whether the transactions entered during the year ended March 31, 2019, with the associated enterprises were undertaken at "arm's length price". The management confirms that all the transactions with associate enterprises are undertaken at negotiated prices on usual commercial terms and is confident that the aforesaid regulations will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

53. Corporate social responsibility expenses

(₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| a) Gross amount required to be spent by the Company during the year | 5.27 | 8.06 |
| b) Amount spent during the year | | |
| i) Construction/acquisition of any assets | - | - |
| ii) On purposes other than (i) above | 7.99 | 3.72 |
| c. Amount remaining unspent during the year / (excess) amount spent during the year | (2.72) | 4.34 |

54. Standards issued but not yet effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

i) IndAS 116 – Leases :

IndAS 116 Leases was notified in March 2019 and it replaces IndAS 17 Leases. IndAS 116 is effective for annual periods beginning on or after April 1, 2019. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IndAS 17. Lessor accounting under IndAS 116 is substantially unchanged from current accounting under IndAS 17. IndAS 116 requires lessees and lessors to make more extensive disclosures than under IndAS 17. The Company intends to adopt these standards from April 1, 2019. As the Company does not have any material leases, therefore the adoption of this standard is not likely to have a material impact in its financial statements.

ii) IndAS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

recognised those past transactions or events. The company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with IndAS 12.

The amendment to Appendix C of IndAS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IndAS 12. It outlines the following:

- (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty
- (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount
- (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability.

The Company does not expect any significant impact of the amendment on its financial statements.

iii) IndAS 109 – Prepayment Features with Negative Compensation

The amendments relate to the existing requirements in IndAS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect this amendment to have any impact on its financial statements.

iv) IndAS 19 – Plan Amendment, Curtailment or Settlement

The amendments relate to the existing requirements in IndAS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect this amendment to have any impact on its financial statements.

v) IndAS 23 – Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Company does not expect any impact from this amendment.

55. During the previous year ended March 31, 2018, the Board of Directors of the Company in its meeting held on February 26, 2018 had approved the proposal to sell 51% stake held in Centum Rakon India Private Limited (a joint venture company), subject to approval of the shareholders.

During the current year ended March 31, 2019, the Company has divested its entire 51% stake in Centum Rakon India Private Limited, a joint venture entity and realized a profit of ₹ 328.84 million (before tax) (₹ 257.53 million, net of tax) on such sale of shares, which has been disclosed as an 'exceptional item' (refer note 39).

Notes to the Standalone IndAS Financial Statements

for the year ended March 31, 2019

56. Unhedged foreign currency exposure:

Particulars of unhedged foreign currency exposure as at balance sheet date:

| Particulars | Currency | March 31, 2019 | | March 31, 2018 | |
|---|----------|----------------------------|---------------------|----------------------------|---------------------|
| | | Amount in foreign currency | Amount in ₹ million | Amount in foreign currency | Amount in ₹ million |
| Borrowings (including short term borrowing and long term borrowing) | USD | 15.22 | 1,050.77 | 21.94 | 1,426.25 |
| Trade payables | CHF | 0.00 | 0.03 | 0.00 | 0.03 |
| | EUR | 2.21 | 171.15 | 1.36 | 109.26 |
| | GBP | 0.19 | 16.79 | 0.17 | 15.83 |
| | JPY | 0.27 | 0.17 | 0.09 | 0.06 |
| | SEK | 0.06 | 0.46 | 0.57 | 4.58 |
| | SGD | 0.00 | 0.25 | 0.00 | 0.25 |
| | USD | 8.94 | 617.28 | 8.70 | 565.78 |
| Trade receivables | EUR | 0.10 | 7.94 | 0.04 | 3.12 |
| | USD | 13.47 | 922.56 | 9.42 | 610.82 |
| Deferred sale consideration | USD | 1.32 | 90.37 | - | - |
| Other current financial asset | USD | 0.18 | 12.19 | - | - |
| Cash and cash equivalents | EUR | 0.03 | 2.12 | 0.01 | 0.51 |
| | GBP | 0.00 | 0.25 | 0.01 | 0.55 |
| | USD | 0.43 | 29.60 | 0.34 | 21.94 |

57. The Company has set up a research and development unit to develop new products and processes, to improve the product designs and quality and others. The Company has received approval from the Department of Scientific and Industrial Research for recognition of in-house research and development unit for the purpose of availing customs duty exemption in terms of Government Notification No. 51/96-Customs dated July 23, 1996, Notification No. 24/2007-Customs dated March 1, 2007 and Notification No. 43/2007-Customs dated June 30, 2017, as amended from time to time.

The Company has identified the following as expenditure on research and development eligible u/s 35(2AB) of the Income Tax Act, 1961:

| | ₹ in million) | |
|------------------|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Capital expenses | 4.59 | 4.30 |
| Revenue expenses | 74.10 | 63.20 |
| | 78.69 | 67.50 |

58. Certain amounts (currency value or percentages) shown in the various tables and paragraphs included in these standalone financial statements have been rounded off or truncated as deemed appropriate by the management of the Company.

As per our report of even date.

For **S.R. Batliboi & Associates LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

For and on behalf of Board of Directors of
Centum Electronics Limited

per Sandeep Karnani
Partner
Membership number: 061207

Apparao V Mallavarapu
Chairman and Managing Director
DIN: 00286308

S. Krishnan
Director
DIN: 01807344

Nagaraj K V
Company Secretary

K.S. Desikan
Chief Financial Officer

Place : Bengaluru
Date : May 29, 2019

Place : Bengaluru
Date : May 29, 2019

Place : Bengaluru
Date : May 29, 2019

Independent Auditor's Report

To the Members of Centum Electronics Limited

Report on the Audit of the Consolidated IndAS Financial Statements

Opinion

We have audited the accompanying consolidated IndAS financial statements of Centum Electronics Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") its associates and joint ventures comprising of the consolidated Balance sheet as at March 31, 2019, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated IndAS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated IndAS financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, associates and joint ventures, the aforesaid consolidated IndAS financial statements give the information required by the Companies Act, 2013, as amended ("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, its associates and joint ventures as at March 31, 2019, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated IndAS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's

Responsibilities for the Audit of the Consolidated IndAS Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated IndAS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated IndAS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated IndAS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated IndAS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated IndAS financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated IndAS financial statements.

| Key audit matters | How our audit addressed the key audit matter |
|--|--|
| Allowance for inventory obsolescence | |
| <p>The Group held an inventory balance of ₹ 2,369.03 million as at March 31, 2019, as disclosed in Note 11 and is a material balance for the Group. Inventory obsolescence allowance is determined using policies/ methodologies that the Group deems appropriate to the businesses. Significant judgement is exercised by the management in identifying the slow-moving and obsolete inventories and in assessing whether provision for obsolescence for slow moving, excess or obsolete inventory items should be recognized considering the production plan, forecast inventory usage, committed and expected orders, alternative usage, etc. Considering that the aforesaid assessment process is complex and involves significant estimates and judgements and the balance of inventory is material, we have identified this as a key audit matter</p> | <p>Our procedures in relation to evaluate the allowance of inventories included:</p> <ul style="list-style-type: none"> • We obtained an understanding of how the management identifies the slow-moving and obsolete inventories and assesses the amount of allowance for inventories; • We observed the inventory count performed by management and assessed the physical condition of the inventories at balance sheet date; • We also assessed allowance policy based on historical sales performance of the products in their life cycle; • We further tested the ageing of the inventories and the computation of the obsolescence level on a sample basis; • We have tested a sample of inventory items at significant components to assess the cost basis and net realisable value of inventory, on a sample basis; • We also assessed the Group's disclosures concerning this in Note 42 on significant accounting estimates and judgements and Note 11 on Inventories to the consolidated IndAS financial statements. |
| Impairment of Goodwill and Intangible assets | |
| <p>The Group's balance sheet includes ₹ 376.23 million of goodwill and ₹ 485.46 million of intangible assets, representing 7.86% of total Group assets. In accordance with IndAS, these balances are allocated to Cash Generating Units (CGUs) which are tested annually for impairment using discounted cash-flow models of each CGU's recoverable value compared to the carrying value of the assets. A deficit between the recoverable value and the CGU's net assets would result in impairment.</p> <p>The determination of recoverable amounts, being the higher of fair value less cost to sale and value in use involves reliance on management's estimates of future cash flows and their judgment with respect to the CGU's performance. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, price, terminal value and discount rates. Due to the uncertainty of forecasting and discounting future cash flows, being inherently subjective, the level of management's judgement involved and the materiality of the goodwill and intangible assets to the Group's financial statements as a whole as at March 31, 2019, we have considered this as a key audit matter.</p> <p>The basis of impairment of goodwill and intangible assets is presented in the accounting policies in Note 2.2(a) and 2.2(j) to the consolidated IndAS financial statements.</p> | <p>Our procedures in relation to evaluate the impairment of goodwill and intangible assets included:</p> <ul style="list-style-type: none"> • We assessed the Group's methodology applied in determining the CGUs to which goodwill is allocated. • We have carried out assessment of forecasts of future cash flows prepared by the management, evaluating the assumptions and comparing the estimates to externally available industry, economic and financial data. • We have also assessed the valuation methodology and the key assumptions adopted in the cash flow forecasts with the support of our in-house valuation experts; • We discussed potential changes in key drivers as compared to previous year / actual performance with management in order to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable. • We tested the arithmetical accuracy of the financial projection model. • We also assessed the adequacy of the Group's disclosures concerning this in Note 42 on significant accounting estimates and judgements and Note 4a and 4b pertaining to the disclosures of goodwill and intangible assets respectively to the consolidated IndAS financial statements. |

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

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated IndAS financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated IndAS financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether such other information is materially inconsistent with the consolidated IndAS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management for the Consolidated IndAS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated IndAS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its associates and joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (IndAS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its associates and joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its associates and joint ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated IndAS 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 IndAS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associates and joint ventures are responsible for assessing the ability of the Group and of its associates and joint ventures

to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and of its associates and joint ventures are also responsible for overseeing the financial reporting process of the Group and of its associates and joint ventures/joint operations.

Auditor's Responsibilities for the Audit of the Consolidated IndAS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated IndAS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated IndAS financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated IndAS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates and joint ventures to continue as a going concern. If we conclude

that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated IndAS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates and joint ventures to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated IndAS financial statements, including the disclosures, and whether the consolidated IndAS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and joint ventures of which we are the independent auditors, to express an opinion on the consolidated IndAS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated IndAS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated IndAS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated IndAS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

- (a) We did not audit the consolidated IndAS financial statements and other financial information, in respect of a subsidiary (the said subsidiary has 9 underlying subsidiaries and 1 joint venture), whose Consolidated IndAS financial statements include total assets of ₹ 5,605.42 million as at March 31, 2019, and total revenues (including other income) of ₹ 4,374.37 million and net cash outflows of ₹ 9.27 million for the year ended on that date (before adjustments for consolidation). These Consolidated IndAS financial statement and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated IndAS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, joint ventures and associates, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, joint ventures and associates, is based solely on the report(s) of such other auditors.

These subsidiaries/associates/joint ventures are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries/associates/ joint ventures located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. Our opinion in so far as it relates to the balances and affairs of such subsidiaries/associates/ joint ventures located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

- (b) The accompanying consolidated IndAS financial statements include unaudited financial statements and other unaudited financial information in respect of 2 subsidiaries, whose financial statements and other financial information reflect total assets of ₹ 524.76 million as at March 31, 2019, and total revenues (including other income) of ₹ 59.59 million and net cash outflows of ₹ 0.32 million for the year ended on that date (before adjustments for consolidation). These unaudited financial statements and other unaudited financial information have been furnished to us by the management. The consolidated IndAS financial statements also include the Group's share of net loss of ₹ 10.18 million for the year ended March 31, 2019, as considered in the consolidated IndAS financial statements, in respect of a joint ventures (consolidated for the period April 1, 2018 to April 30, 2018) and an associate (consolidated for the year

ended December 31, 2018), whose financial statements, other financial information have not been audited and whose unaudited financial statements, other unaudited financial information have been furnished to us by the Management. Our opinion, in so far as it relates amounts and disclosures included in respect of these subsidiaries, joint ventures and associates and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, joint ventures and associates, is based solely on such unaudited financial statement and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.

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

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, associates and joint ventures, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

- (a) We/the other auditors whose report we have relied upon 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 IndAS financial statements;
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated IndAS financial statements;
- (d) In our opinion, the aforesaid consolidated IndAS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) The matters described in Qualified Opinion paragraph of "Annexure 1" to this report, in our opinion, may have an adverse effect on the functioning of the Group and its associates and joint ventures;
- (f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary company, none of the directors of the Group's companies, incorporated in India is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act;
- (g) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated IndAS financial statements of the Holding Company and its subsidiary company, incorporated in India, refer to our separate Report in "Annexure 1" to this report;
- (h) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Holding Company and its subsidiary, incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, associates and joint ventures, as noted in the 'Other matter' paragraph:
 - i. The consolidated IndAS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, its associates and joint ventures – Refer Note 45 to the consolidated IndAS financial statements;
 - ii. Provision has been made in the consolidated IndAS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer note 21(b) to the consolidated IndAS financial statements in respect of such items as it relates to the Group, its associates and joint ventures;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiaries, incorporated in India during the year ended March 31, 2019.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **Sandeep Karnani**

Partner

Membership Number: 061207

Place of Signature: Bengaluru

Date: May 29, 2019

Annexure 1 to the independent auditor's report of even date on the consolidated IndAS financial statements of Centum Electronics Limited

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

In conjunction with our audit of the consolidated IndAS financial statements of Centum Electronics Limited as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of Centum Electronics Limited (hereinafter referred to as the "Holding Company") and its subsidiary company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting with reference to these consolidated IndAS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the standards on auditing, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. 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 with reference to these consolidated IndAS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated IndAS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an

understanding of internal financial controls over financial reporting with reference to these consolidated IndAS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated IndAS 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 qualified opinion on the Holding Company's internal financial controls over financial reporting with reference to these consolidated IndAS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated IndAS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these consolidated IndAS financial statements to future periods are subject to the risk that the internal financial control over financial reporting

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

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Holding Company's internal financial control over financial reporting with reference to these consolidated IndAS financial statements as at March 31, 2019:

- (a) The financial statement close process in one of the material overseas subsidiary was not operating effectively which could potentially result in misstatement in the Group's consolidated financial statement balances and presentation and disclosure of financial statements.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the holding company's annual consolidated IndAS financial statements will not be prevented or detected on a timely basis.

In our opinion, the Holding Company and its subsidiary company, which are companies incorporated in India, have maintained in all material respects, adequate internal financial controls over financial reporting as at March 31, 2019, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI, and except for the effects of the material weakness described above on the

achievement of the objectives of the control criteria, the Holding Company's internal financial control over financial reporting with reference to these consolidated IndAS financial statements were operating effectively as at March 31, 2019.

Other Matters

We also have audited, in accordance with the Standards on Auditing issued by the ICAI as specified under section 143(10) of the Act, the consolidated IndAS financial statements of the Holding Company, which comprise the Consolidated Balance Sheet as at March 31, 2019, and the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information. The material weakness referred to in the Qualified opinion paragraph above, was considered in determining the nature, timing and extent of audit tests applied in our audit of the March 31, 2019 Consolidated IndAS financial statements of the Group and this report does not affect our report dated May 29, 2019, which expressed a unqualified opinion on those Consolidated IndAS financial statements.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **Sandeep Karnani**

Partner

Membership Number: 061207

Place of Signature: Bengaluru

Date: May 29, 2019

Consolidated Balance Sheet

as at March 31, 2019

| | Notes | March 31, 2019 | March 31, 2018 |
|--|--------|------------------|------------------|
| (₹ in million) | | | |
| ASSETS | | | |
| (1) Non-current assets | | | |
| (a) Property, Plant and Equipment | 3 | 1,130.32 | 1,221.27 |
| (b) Capital work-in-progress | 3a | 81.34 | 9.84 |
| (c) Goodwill on consolidation | 4a | 376.23 | 376.23 |
| (d) Other Intangible assets | 4b | 541.22 | 788.49 |
| (e) Intangible assets under development | 4c | 57.23 | 256.01 |
| (f) Financial assets | | | |
| (i) Investment in joint ventures and associates | 5a, 5b | 37.99 | 53.13 |
| (ii) Other Investments | 5c | 82.48 | 91.28 |
| (iii) Loans | 6 | 50.09 | 54.44 |
| (iv) Other non current financial assets | 7 | 261.18 | 19.88 |
| (g) Deferred tax assets (net) | 8 | 51.01 | 3.83 |
| (h) Non-current tax assets (net) | 9 | 33.99 | 41.29 |
| (i) Other non-current assets | 10 | 60.41 | 64.54 |
| | | 2,763.49 | 2,980.23 |
| (2) Current assets | | | |
| (a) Inventories | 11 | 2,369.03 | 2,697.02 |
| (b) Financial assets | | | |
| (i) Trade receivables | 12 | 2,846.56 | 2,399.50 |
| (ii) Cash and cash equivalents | 13 | 173.02 | 217.29 |
| (iii) Bank balances other than cash and cash equivalents | 13 | 118.55 | 138.80 |
| (iv) Loans | 14a | 0.48 | 1.13 |
| (v) Other current financial assets | 14b | 1,092.62 | 1,591.99 |
| (c) Other current assets | 15 | 335.16 | 411.56 |
| | | 6,935.42 | 7,457.29 |
| (3) Assets classified as held for disposal | | | |
| | 41 | 1,261.80 | 296.35 |
| | | 8,197.22 | 7,753.64 |
| Total assets (1+2+3) | | 10,960.71 | 10,733.87 |
| EQUITY AND LIABILITIES | | | |
| (1) Equity | | | |
| (a) Equity share capital | 16 | 128.81 | 128.70 |
| (b) Other equity | 17 | 2,061.42 | 1,771.71 |
| Equity attributable to equity holders of the parent | | 2,190.23 | 1,900.41 |
| Non-controlling interests | | 247.23 | 260.58 |
| Total equity | | 2,437.46 | 2,160.99 |
| Liabilities | | | |
| (2) Non-current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 19 | 861.96 | 952.07 |
| (ii) Other non-current financial liabilities | 20 | 272.13 | 283.32 |
| (b) Deferred tax liabilities (net) | 8 | 113.93 | 135.62 |
| (c) Net non-current employee defined benefit liabilities | 21(a) | 37.02 | 32.95 |
| (d) Provisions | 21(b) | 103.82 | 123.53 |
| (e) Other non-current liabilities | 22 | 18.39 | - |
| | | 1,407.25 | 1,527.49 |
| (3) Current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 23 | 2,284.52 | 2,669.72 |
| (ii) Trade payables | 24 | 1,446.54 | 1,875.27 |
| (iii) Other current financial liabilities | 25 | 677.21 | 405.40 |
| (b) Other current liabilities | 26 | 1,681.34 | 1,845.30 |
| (c) Net employee defined benefit liabilities | 27 | 5.96 | 3.93 |
| (d) Provisions | 28 | 220.39 | 240.40 |
| (e) Liabilities for current tax (net) | 29 | 141.57 | 5.37 |
| | | 6,457.53 | 7,045.39 |
| (4) Liabilities directly associated with assets classified as held for disposal | | | |
| | | 658.47 | - |
| | | 7,116.00 | 7,045.39 |
| Total equity and liabilities (1+2+3+4) | | 10,960.71 | 10,733.87 |
| Summary of significant accounting policies | 2.2 | | |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For **S.R. Batliboi & Associates LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per Sandeep Karnani
Partner
Membership number: 061207

Place : Bengaluru
Date : May 29, 2019

For and on behalf of Board of Directors of
Centum Electronics Limited

Apparao V Mallavarapu
Chairman and Managing Director
DIN: 00286308

Nagaraj K V
Company Secretary
Place : Bengaluru
Date : May 29, 2019

S. Krishnan
Director
DIN: 01807344
K.S. Desikan
Chief Financial Officer

Consolidated Statement of Profit and Loss

for the year ended March 31, 2019

(₹ in million)

| | Notes | March 31, 2019 | March 31, 2018 |
|---|---------|-----------------|-----------------|
| A. Continuing Operations | | | |
| I Income | | | |
| Revenue from operations | 30 | 9,275.37 | 7,810.60 |
| Other income | 31 | 70.20 | 101.74 |
| Finance income | 32 | 28.99 | 29.01 |
| Total income | | 9,374.56 | 7,941.35 |
| II Expenses | | | |
| Cost of materials consumed | 33 | 3,825.57 | 3,416.20 |
| (Increase)/ decrease in inventories of work-in-progress and finished goods | 34 | 12.06 | (81.80) |
| Excise duty on sale of products | | - | 33.57 |
| Employee benefit expenses | 35 | 3,284.83 | 2,905.05 |
| Finance costs | 36 | 349.21 | 217.97 |
| Depreciation and amortization expenses | 3,4a,4b | 278.39 | 281.90 |
| Other expenses | 37 | 1,143.12 | 1,139.11 |
| Total expenses | | 8,893.18 | 7,912.00 |
| Profit / (loss) before share of profit/(loss) of associate and joint ventures, exceptional items and tax from continuing operations (I - II) | | 481.38 | 29.35 |
| Share of (loss) / profit of associates and joint ventures (net) | | (13.07) | (10.24) |
| Profit / (loss) before exceptional items and tax from continuing operations | | 468.31 | 19.11 |
| Exceptional items (net) | | - | - |
| III Profit/ (loss) before tax from continuing operations | | 468.31 | 19.11 |
| IV Tax expenses of continuing operations | 39 | | |
| (a) Current tax | | 72.31 | 5.48 |
| (b) Adjustment of tax relating to earlier period | | (4.37) | 0.42 |
| (c) Deferred tax expense / (credit) | | (44.65) | 2.98 |
| (d) Minimum Alternate Tax ("MAT") credit entitlement | | (25.91) | 0.93 |
| V Profit/ (Loss) after tax from continuing operations (III - IV) | | 470.93 | 9.30 |
| B. Discontinued operations | | | |
| VI (Loss)/ profit before tax from discontinued operations | 41 | (131.55) | (154.60) |
| VII Tax expenses of discontinued operations | | | |
| (a) Current tax | | 71.31 | - |
| (b) Deferred tax expense / (credit) | | - | - |
| VIII (Loss) / profit after tax from discontinued operations (VI - VII) | | (202.86) | (154.60) |
| IX Profit / (loss) for the year (V + VIII) | | 268.07 | (145.30) |
| X Other comprehensive income / (expense) (net of tax) | | | |
| (A) Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| (i) Exchange differences on translation of foreign operations | | (4.22) | 2.15 |
| (ii) Income tax effect | | - | - |
| (B) Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | |
| (i) Remeasurement gains / (losses) on defined benefit plans | | 4.82 | 2.86 |
| (ii) Income tax effect | | (1.69) | - |
| Other comprehensive income/ (expense) for the year, net of tax | | (1.09) | 5.01 |
| Profit / (loss) for the year | | 268.07 | (145.30) |
| Attributable to | | | |
| a) Equity holders of the parent | | 282.22 | (189.65) |
| b) Non-controlling interests | | (14.15) | 44.35 |
| Other comprehensive income/ (expense) for the year | | (1.09) | 5.01 |
| Attributable to | | | |
| a) Equity holders of the parent | | 5.52 | 5.01 |
| b) Non-controlling interests | | (6.61) | - |
| XI Total comprehensive income for the year (IX + X) | | 266.98 | (140.29) |
| Attributable to | | | |
| a) Equity holders of the parent | | 287.74 | (184.64) |
| b) Non-controlling interests | | (20.76) | 44.35 |

Consolidated Statement of Profit and Loss

for the year ended March 31, 2019

| | Notes | March 31, 2019 | March 31, 2018 |
|---|-------|----------------|----------------|
| (₹ in million) | | | |
| XII Earnings per equity share (nominal value of ₹ 10/- each) | | | |
| Earnings per share (₹) from continuing operations: | 40 | | |
| Basic and diluted, computed on the basis of profit/ (loss) from continuing operations attributable to equity holders of the parent (per equity share of ₹ 10/- each) | | | |
| - Basic | | 30.80 | (7.32) |
| - Diluted | | 30.77 | (7.32) |
| Earnings per share (₹) from discontinued operations: | 40 | | |
| Basic and diluted, computed on the basis of profit / (loss) from discontinued operations attributable to equity holders of the parent (per equity share of ₹ 10/- each) | | | |
| - Basic | | (8.88) | (7.48) |
| - Diluted | | (8.88) | (7.48) |
| Earnings per share (₹) from continuing and discontinued operations: | 40 | | |
| Basic and diluted, computed on the basis of profit/ (loss) attributable to equity holders of the parent (per equity share of ₹ 10/- each) | | | |
| - Basic | | 21.92 | (14.80) |
| - Diluted | | 21.89 | (14.80) |
| Summary of significant accounting policies | 2.2 | | |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For **S.R. Batliboi & Associates LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per Sandeep Karnani
Partner
Membership number: 061207

Place : Bengaluru
Date : May 29, 2019

For and on behalf of Board of Directors of
Centum Electronics Limited

Apparao V Mallavarapu
Chairman and Managing Director
DIN: 00286308

Nagaraj K V
Company Secretary

Place : Bengaluru
Date : May 29, 2019

S. Krishnan
Director
DIN: 01807344

K.S. Desikan
Chief Financial Officer

Consolidated Statement of Cash Flow

for the year ended March 31, 2019

| | (₹ in million) | |
|--|-----------------|-----------------|
| | March 31, 2019 | March 31, 2018 |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit / (loss) before tax from continuing operations | 468.31 | 19.11 |
| (Loss) / profit before tax from discontinued operations | (131.55) | (154.60) |
| Profit / (loss) before tax expenses | 336.76 | (135.49) |
| Non-cash adjustments to reconcile profit/(loss) before tax to net cash flows: | | |
| Depreciation and amortisation expenses | 345.30 | 335.84 |
| Provisions no longer required, written back | (5.26) | (101.48) |
| Fair value loss on financial instruments at fair value through profit or loss | 0.08 | 0.08 |
| Net foreign exchange differences (unrealised) | (17.59) | 16.83 |
| Gain on disposals of property, plant and equipment | - | (0.72) |
| Provision for doubtful receivables | 103.19 | 53.12 |
| Employee share based payments | 21.89 | 18.62 |
| Government Grant | (9.12) | - |
| Finance income | (28.99) | (29.01) |
| Finance costs | 366.02 | 221.01 |
| Profit on sale of investment | (65.73) | |
| Share of loss / (profit) of associates and a joint ventures | 10.18 | 37.05 |
| Operating (loss)/profit before working capital changes | 1,056.73 | 415.85 |
| Working capital adjustments: | | |
| Decrease / (increase) in inventories | 118.87 | (788.90) |
| (Increase) / decrease in trade receivables | (972.29) | (388.79) |
| Decrease / (increase) in non-current/current financial and other assets | 335.76 | (567.97) |
| Decrease / (increase) in trade payables, provisions and other liabilities | (28.26) | 1,145.35 |
| Cash generated from / (used in) operations | 510.81 | (184.46) |
| Direct taxes paid (net of refunds) | (5.31) | (83.29) |
| Net cash (used in) / from operating activities | 505.50 | (267.75) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment, including intangible assets and capital advances | (341.52) | (350.60) |
| Proceeds from sale of property, plant and equipment | - | 1.88 |
| Sale of investments | 292.63 | - |
| Investment in bank deposit (having original maturity of more than three months) and other bank balances | (221.05) | (5.37) |
| Interest received | 19.25 | 29.01 |
| Government grant received | 32.94 | - |
| Net cash (used in) / from investing activities | (217.76) | (325.08) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds / repayments of long term borrowings (net) | 56.72 | 302.80 |
| Proceeds / repayment of short term borrowings (net) | (22.40) | 631.65 |
| Proceeds from issue of equity shares | 0.77 | 8.32 |
| Finance costs paid | (345.39) | (218.49) |
| Dividend paid (including dividend distribution tax and amount transferred to Investor Education & Protection Fund) | (15.45) | (60.97) |
| Net cash from financing activities | (325.75) | 663.30 |
| Net (decrease)/increase in cash and cash equivalents (A+B+C) | (38.01) | 70.47 |
| Cash and cash equivalents at the beginning of the year | 217.29 | 136.59 |
| Effect of exchange differences on cash and cash equivalents held in foreign currency | (6.02) | 10.23 |
| Cash and cash equivalents at the end of the year | 173.26 | 217.29 |
| Total cash and cash equivalents (Note 13) | 173.02 | 217.29 |
| Cash at bank attributable to entities held for sale (refer note 41) | 0.24 | - |
| | 173.26 | 217.29 |

Consolidated Statement of Cash Flow

for the year ended March 31, 2019

Explanatory notes to statement of cash flows

1 Changes in liabilities arising from financing activities:- (₹ in million)

| Particulars | Liabilities arising from financing activities | | | |
|--|--|--|---------------------------------------|---|
| | Long term borrowings (including current maturities of long term borrowings) (refer note 19 and 25) | Unpaid dividend on equity shares including dividend distribution tax | Short term borrowings (refer note 23) | Derivatives not designated as hedges - Interest rate swap |
| As at April 1, 2018 | 1,226.38 | 2.45 | 2,669.72 | 0.08 |
| Cash flows | 56.72 | (15.45) | (22.4) | - |
| Non-cash changes | | | | |
| Foreign exchange fluctuations (gain) / loss | (10.48) | - | (59.87) | - |
| Changes in fair values | - | - | - | 0.08 |
| Dividend declared during the year | - | 15.53 | - | - |
| Adjustments on account discontinued operations | - | - | (302.93) | - |
| Acquisition of property, plant and equipment by means of finance lease | 8.20 | - | - | - |
| As at March 31, 2019 | 1,280.82 | 2.53 | 2,284.52 | 0.16 |
| As at April 1, 2017 | 887.28 | 1.77 | 1,898.38 | 6.26 |
| Cash flows | 302.80 | (60.97) | 631.65 | - |
| Non-cash changes | | | | |
| Foreign exchange fluctuations (gain) / loss | 36.30 | - | 139.69 | - |
| Changes in fair values | - | - | - | (6.18) |
| Dividend declared during the year | - | 61.65 | - | - |
| As at March 31, 2018 | 1,226.38 | 2.45 | 2,669.72 | 0.08 |
| Summary of significant accounting policies | | 2.2 | | |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For **S.R. Batliboi & Associates LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Sandeep Karnani**
Partner
Membership number: 061207

For and on behalf of Board of Directors of
Centum Electronics Limited

Apparao V Mallavarapu
Chairman and Managing Director
DIN: 00286308

Nagaraj K V
Company Secretary

S. Krishnan
Director
DIN: 01807344

K.S. Desikan
Chief Financial Officer

Place : Bengaluru
Date : May 29, 2019

Place : Bengaluru
Date : May 29, 2019

Consolidated statement of changes in equity

for the year ended March 31, 2019

(a) Equity share capital

Equity shares of ₹ 10/- each issued, subscribed and fully paid

| Particulars | Number | ₹ in million |
|--|-------------------|---------------|
| At April 1, 2017 | 12,752,696 | 127.53 |
| Issue of share capital (refer note 16) | 116,988 | 1.17 |
| At March 31, 2018 | 12,869,684 | 128.70 |
| Issue of share capital (refer note 16) | 11,434 | 0.11 |
| At March 31, 2019 | 12,881,118 | 128.81 |

(b) Other equity

(₹ in million)

| | Attributable to equity shareholders | | | | | | | Total other equity | Non-controlling interests |
|---|-------------------------------------|---------------------------------|-----------------------------------|--------------------------------------|--|---------------------------------|--|--------------------|---------------------------|
| | Reserves and surplus | | | | | | | | |
| | Securities premium (refer note 17) | General reserve (refer note 17) | Retained earnings (refer note 17) | Put option liability (refer note 17) | Share based payments reserve (refer note 17) | Capital reserve (refer note 17) | Foreign currency translation reserve (refer note 17) | | |
| For the year ended March 31, 2019 | | | | | | | | | |
| As at April 1, 2018 | 27.18 | 440.26 | 1,355.05 | (96.91) | 39.63 | 0.88 | 5.62 | 1,771.71 | 260.58 |
| (Loss)/ profit for the year | - | - | 282.22 | - | - | - | - | 282.22 | (14.15) |
| Other comprehensive income | - | - | 3.13 | - | - | - | 2.39 | 5.52 | (6.61) |
| Issue of share capital (refer note 16) | 0.66 | - | - | - | - | - | - | 0.66 | - |
| Cash dividends (refer note 18) | - | - | (12.88) | - | - | - | - | (12.88) | - |
| Dividend distribution tax (refer note 18) | - | - | (2.65) | - | - | - | - | (2.65) | - |
| Share based payment (refer note 47) | - | - | - | - | 21.89 | - | - | 21.89 | - |
| Exercise of share options (refer note 47) | - | - | - | - | (0.49) | 0.49 | - | - | - |
| Adjustment on account of deconsolidation of subsidiary on liquidation | - | - | - | - | - | - | - | - | 7.41 |
| Others | - | - | (5.05) | - | - | - | - | (5.05) | - |
| As at March 31, 2019 | 27.84 | 440.26 | 1,619.82 | (96.91) | 61.03 | 1.37 | 8.01 | 2,061.42 | 247.23 |
| As at April 1, 2017 | 20.03 | 440.26 | 1,603.49 | (96.91) | 18.34 | - | 3.47 | 1,988.68 | 216.23 |
| (Loss)/ profit for the year | - | - | (189.65) | - | - | - | - | (189.65) | 44.35 |
| Other comprehensive income | - | - | 2.86 | - | - | - | 2.15 | 5.01 | - |
| Issue of share capital (refer note 16) | 7.15 | - | - | - | - | - | - | 7.15 | - |
| Cash dividends (refer note 18) | - | - | (51.24) | - | - | - | - | (51.24) | - |
| Dividend distribution tax (refer note 18) | - | - | (10.41) | - | - | - | - | (10.41) | - |
| Share based payment (refer note 47) | - | - | - | - | 22.17 | - | - | 22.17 | - |
| Exercise of share options (refer note 47) | - | - | - | - | (0.88) | 0.88 | - | - | - |
| As at March 31, 2018 | 27.18 | 440.26 | 1,355.05 | (96.91) | 39.63 | 0.88 | 5.62 | 1,771.71 | 260.58 |
| Summary of significant accounting policies | 2.2 | | | | | | | | |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date.

For **S.R. Batliboi & Associates LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per **Sandeep Karnani**

Partner
Membership number: 061207

Place : Bengaluru
Date : May 29, 2019

For and on behalf of Board of Directors of
Centum Electronics Limited

Apparao V Mallavarapu
Chairman and Managing Director
DIN: 00286308

Nagaraj K V
Company Secretary

Place : Bengaluru
Date : May 29, 2019

S. Krishnan
Director
DIN: 01807344

K.S. Desikan
Chief Financial Officer

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

1. Corporate information

Centum Electronics Limited ("Centum" or "the Company" or "the Holding Company") is a public limited company domiciled in India. The registered office of the Company is located at Bangalore, India. Its equity shares are listed on National Stock Exchange and Bombay Stock Exchange in India.

The Company along with its subsidiaries ("the Group"), associates and its joint ventures (hereinafter collectively referred to as "the Group"), are primarily involved in the design and manufacture of advanced microelectronics modules, frequency control products, printed circuit board assembly and resistor networks catering to the Communications, Military, Aerospace, Transportation and Industrial electronics markets. Centum is headquartered in Bangalore, India.

The consolidated financial statements were approved by the Board of Directors and authorised for issue in accordance with a resolution of the directors on May 29, 2019.

2. Significant accounting policies

The significant accounting policies applied by the Group in the preparation of its consolidated financial statements are listed below. Such accounting policies have been applied consistently to all the periods presented in these consolidated financial statements, unless otherwise indicated.

2.1. Basis of Consolidation

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (IndAS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (IndAS compliant Schedule III), as applicable to the Consolidated Financial Statement (CFS).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (refer accounting policy regarding financial instruments) which have been measured at fair value.

The functional and presentation currency of the Group is Indian Rupee ("₹") which is the currency of the primary economic environment in which the Group operates and all values are rounded to the nearest million (₹ 000,000), except when otherwise indicated.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at March 31, 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

- a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.
- c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. IndAS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.
- d) Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by the Parent Company.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Impact of implementation of new standards/ amendments:

- a) The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Second Amendment Rules, 2018 applicable from the financial year 2018-19 in respect of Indian Accounting Standard – 20 on 'Accounting for Government Grants and Disclosure of Government Assistance'. The Group has exercised the option of treating the grants as deferred income as against deducting the same from related assets.
- b) IndAS 115 Revenue from Contracts with Customers, mandatory for reporting periods beginning on or after April 1, 2018, replaces existing revenue recognition requirements. Under the modified retrospective approach there were no significant adjustments required to the retained earnings at April 1, 2018. Also, the application of IndAS 115 did not have any significant impact on recognition and measurement of revenue and related items in the consolidated financial statements.
- c) Effective April 1, 2018 the Group has applied Appendix B to IndAS – 21 'Foreign Currency Transactions and Advance Consideration'. This Appendix clarifies the date of transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The effect on application of this amendment was not material.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

2.2. Summary of significant accounting policies

a. Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IndAS 12 Income Tax and IndAS 19 Employee Benefits respectively.
- Assets (or disposal groups) that are classified as held for sale in accordance with IndAS 105 Non-current Assets held for Sale and Discontinued Operations are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and

the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the Group recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

b. Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method after making necessary adjustments to achieve uniformity in application of accounting policies. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit and loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit and loss.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

c. Current versus non-current classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/ non-current classification. An asset is treated as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- i. It is expected to be settled in normal operating cycle,
- ii. It is held primarily for the purpose of trading,

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

- iii. It is due to be settled within twelve months after the reporting period, or
- iv. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Advance tax paid is classified as non-current assets.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

d. Fair value measurement of financial instruments

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date using valuation techniques.

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

e. Revenue from contract with customers

Effective April 1, 2018, the Group has applied IndAS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. IndAS 115 replaces IndAS 18 Revenue. The Group has adopted IndAS 115 using modified retrospective approach. The effect of initially applying this standard is recognised at the date of initial application (i.e. April 1, 2018).

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of products and services

Revenue from sale of products is recognised at the point in time when control of the asset is transferred to the

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

customer, generally on delivery of the products. Revenue from sale of services is recognized as the service is performed and there are no unfulfilled obligations.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated if any. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Revenue towards satisfaction of a performance obligation is measured at the amount of transaction price (net of variable consideration) allocated to that performance obligation. The transaction price of goods sold and services rendered is net of variable consideration on account of various discounts and schemes offered by the Group as part of the contract. This variable consideration is estimated based on the expected value of outflow. Revenue (net of variable consideration) is recognized only to the extent that it is highly probable that the amount will not be subject to significant reversal when uncertainty relating to its recognition is resolved.

Fixed price contracts

These contracts which have a performance obligation either provide for the fixed price for the entire project or a price defined in a framework agreement for each type of service ordered by the customer as the project is performed. Revenues from fixed price contracts is recognised based on the stage of completion and the expected profit on completion. Depending on the contracts, the degrees of progress is determined according to the input method (notably according to the costs borne by the project and hours spent) or the output method (notably according to the deliverables made). In the event of an unexpected excess of total contract costs over total contract revenues, the expected losses on completion are provisioned.

Time and material contracts

These contracts, which are subject to best efforts clause, have a variable price determined according to the time spent and the seniority of the staff employed for these projects. Revenues generated by time and material contracts is recognised as the services are performed.

Management fees income

Income from management fees is recognised as per the terms of the agreement on the basis of services rendered.

Interest income

For all financial instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

Rental income

Rental income from lease of premises under operating lease is recognized in the income statement on a straight line basis over the term of the lease.

Commission income

Commission income is recognised at the time when services are rendered in accordance with the rates as per the agreements entered into with the parties.

f. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

g. Taxes on income

Current income tax

Tax expense for the year comprises current and deferred tax. The tax currently payable is based on

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taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit and is accounted for using the balance sheet liability model. Deferred tax liabilities are generally recognised for all the taxable temporary differences. In contrast, deferred assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets include Minimum Alternative Tax ('MAT') paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realized.

In the year in which the Group recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

h. Non-current assets held for sale / disposal

The Group classifies non-current assets as held for sale / disposal if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.

The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. The Group treats sale of the asset to be highly probable when:

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for the year ended March 31, 2019

- a) The appropriate level of management is committed to a plan to sell the asset,
- b) An active programme to locate a buyer and complete the plan has been initiated,
- c) The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- d) The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, and
- e) Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the consolidated balance sheet.

i. Property, Plant and Equipment ('PPE') and depreciation of PPE

On transition to IndAS, the Group has elected to continue with the carrying value of all of its property, plant and equipment recognised as at March 31, 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment as on April 1, 2016.

Capital work in progress includes cost of property, plant and equipment under installation/under development as at the balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate assets are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

The Group identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset.

These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

For domestic entities, the depreciation on the Property, Plant and Equipment is calculated on a straight-line basis using the rates arrived at, based on useful lives estimated by the management, which coincides with the lives prescribed under Schedule II of the Companies Act, 2013 except in case of Plant and equipment (including the related intellectual property), which the Group, based on technical assessment made by the technical expert and management estimate, depreciates over estimated useful life of 8 years which is different from the useful life prescribed in Schedule II to the Companies Act, 2013.

Land is carried at historical cost and is not depreciated. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.

Further, the management has estimated the useful lives of asset individually costing ₹ 5,000 or less to be less than one year, whichever is lower than those indicated in Schedule II. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Assets acquired under finance leases are depreciated on a straight line basis over the lease term. Where there is reasonable certainty that the Group shall obtain ownership of the assets at the end of the lease term, such assets are depreciated based on the useful life prescribed under Schedule II to the Companies Act, 2013 or based on the useful life adopted by the Group for similar assets.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

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Machinery spares are depreciated on a systematic basis over the period of the remaining useful life of the fixed assets for which they are utilised.

For overseas subsidiaries, joint ventures and associates, the Group provides depreciation based on estimated useful lives of the property, plant and equipment as determined by the management of such subsidiaries, joint ventures and associates. In view of different sets of environment in which such foreign subsidiaries, joint ventures and associates operate in their respective countries, depreciation is provided based on local laws and management estimates. These entities follow straight line method of depreciation spread over the useful life of each individual asset.

The estimated useful lives of the assets considered by aforementioned entities is as follows:

| Asset category | Years | |
|-------------------------|---------|---------|
| | Minimum | Maximum |
| Plant & equipment | 3 | 5 |
| Electrical installation | 5 | 10 |
| Furniture & fixtures | 5 | 10 |
| Office equipment | 3 | 8 |
| Computer | 3 | 5 |
| Buildings | 30 | 30 |

j. Intangible assets and amortisation of intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost

A summary of the policies applied to the Group's intangible assets is, as follows:

| Intangible assets | Useful lives | Amortisation method used | Internally generated or acquired |
|--|--------------------|--------------------------|----------------------------------|
| Goodwill (including goodwill arising on consolidation) | Indefinite | No amortisation | Acquired |
| Customer relationship | Definite (8 years) | Straight-line basis | Acquired |
| Computer software | Definite (3 years) | Straight-line basis | Acquired |
| Intellectual property rights | Definite (8 years) | Straight-line basis | Acquired |

k. Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period with the affect of any change in the estimate being accounted for on a prospective basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset until such time as the assets are substantially ready for the intended use or

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sale. All other borrowing costs are expensed in the period in which they occur.

I. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease.

Group as a lessee

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased asset or, at the present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on the borrowing costs.

Operating lease payments are recognised as an expense in the consolidated statement of profit and loss on a straight-line basis over the lease term unless either:

- a) another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- b) the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected

inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

m. Inventories

Inventories are valued at lower of cost and net realisable 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 cost.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- a) Raw materials and stores and spares: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- b) Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Cost of raw materials, stores and spares work-in-progress and finished goods is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs

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of completion and the estimated costs necessary to make the sale.

n. Impairment of non-financial assets

As at the end of each accounting year, the Group reviews the carrying amounts of its PPE, intangible assets, including goodwill and investments in associates and joint venture companies to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the said assets are tested for impairment so as to determine the impairment loss, if any. Goodwill and the intangible assets with indefinite life are tested for impairment each year.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

- i) in the case of an individual asset, at the higher of the fair value less costs of disposal and the value in use; and
- ii) in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net fair value less costs of disposal and the value in use.

(The amount of value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life. For this purpose, the discount rate (pre-tax) is determined based on the weighted average cost of capital of the company suitably adjusted for risks specified to the estimated cash flows of the asset).

For this purpose, a cash generating unit is ascertained as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. For this purpose, the impairment loss recognised in respect of a cash generating unit is allocated first to reduce the carrying amount of any goodwill allocated to such

cash generating unit and then to reduce the carrying amount of the other assets of the cash generating unit on a pro-rata basis.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit and loss.

o. Provisions and contingent liabilities

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of

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one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow 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 Group does not recognize a contingent liability but discloses its existence in the consolidated financial statements.

Provisions and contingent liability are reviewed at each balance sheet.

Decommissioning liability

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

p. Retirement and other employee benefits

Retirement benefit in the form of provident fund and pension fund are defined contribution scheme. The Group has no obligation, other than the contribution payable. The Group recognizes contribution payable to provident fund and pension fund as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet reporting date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund. Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Group measures

the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end.

The Group presents the leave as a current liability in the consolidated balance sheet, to the extent it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method using actuarial valuation to be carried out at each balance sheet date

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- a) The date of the plan amendment or curtailment, and
- b) The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- a) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- b) Net interest expense or income.

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q. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the consolidated statement of profit and loss.

Investment in equity instruments issued by associates and joint ventures are measured at cost less impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

(i) Financial assets

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets and the contractual

terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset not measured at amortised cost or at fair value through other comprehensive income is carried at fair value through the statement of profit and loss.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Impairment of financial assets

Loss allowance for expected credit losses is recognised for financial assets measured at amortised cost and fair value through the statement of profit and loss.

The Group recognises impairment loss on trade receivables using expected credit loss model, which involves use of provision matrix constructed on the basis of historical credit loss experience as permitted under IndAS 109 – Impairment loss on investments.

For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit losses is recognised. Loss allowance equal to the lifetime expected credit losses is recognised if the credit risk on the financial instruments has significantly increased since initial recognition.

De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under IndAS 109.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount measured

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at the date of de-recognition and the consideration received is recognised in consolidated statement of profit or loss.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the consolidated statement of profit and loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

a) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

b) De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or

cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss.

Put Option Liability

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies to non-controlling interests are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The financial liability for such put option is accounted for under IndAS 109.

The amount that may become payable under the option on exercise is initially recognised at fair value under other financial liabilities with a corresponding charge directly to equity. All subsequent changes in the carrying amount of the financial liability are recognised in the profit or loss attributable to the parent. The entity recognises both the non-controlling interest and the financial liability under the NCI put. It continues to measure non-controlling interests at proportionate share of net assets.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognises the financial liability and recognises an offsetting credit in the same component of equity reduced on initial recognition. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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r. Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks etc. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value through consolidated statement of profit and loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Refer to Note 52 for more details.

s. Cash and cash equivalents

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

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

t. Share-based payments

Certain employees of the Group are entitled to share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant

date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

u. Cash dividend

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

v. Foreign currencies

The Group's consolidated financial statements are presented in ₹, which is also the holding company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances:

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of the following:

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- Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g., consolidated financial statements when the foreign operation is a subsidiary), such exchange differences are recognised initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.
- Exchange differences arising on monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.
- Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Group companies:

On consolidation, the assets and liabilities of foreign operations are translated into ₹ at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the Group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

w. Research and development expenditure

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Group can demonstrate all the following:

- i. The technical feasibility of completing the intangible asset so that it will be available for use or sale

- ii. Its intention to complete the asset
- iii. Its ability to use or sell the asset
- iv. How the asset will generate future economic benefits
- v. The availability of adequate resources to complete the development and to use or sell the asset
- vi. The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset. The cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of expected future benefit from the related project. Amortization is recognized in the consolidated statement of profit and loss. During the period of development, the asset is tested for impairment annually.

x. Corporate social responsibility ('CSR') expenditure

The Group charges its CSR expenditure during the year to the consolidated statement of profit and loss.

y. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the parent by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders of the parent company and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

3. Property, Plant and Equipment

(₹ in million)

| | Freehold land | Leasehold improvements | Building | Plant and equipment | Electrical installations | Computers | Office equipment | Furniture and fixtures | Vehicles | Leased computer | Leasehold land | Total |
|---|---------------|------------------------|---------------|---------------------|--------------------------|--------------|------------------|------------------------|-------------|-----------------|----------------|-----------------|
| At cost/ deemed cost | | | | | | | | | | | | |
| As at April 1, 2017 | 5.48 | 6.94 | 454.28 | 586.93 | 169.54 | 67.99 | 58.14 | 26.22 | 6.08 | - | 114.61 | 1,496.21 |
| Additions | - | 0.10 | 15.35 | 70.81 | 10.49 | 6.95 | 2.77 | 8.32 | 0.24 | - | - | 115.03 |
| Exchange differences - translation adjustment | 0.17 | - | 4.89 | 25.29 | 15.13 | 8.81 | 3.92 | - | 0.09 | - | - | 58.30 |
| Disposals | - | - | - | - | - | (5.33) | (0.11) | - | - | - | - | (5.44) |
| As at March 31, 2018 | 5.65 | 7.04 | 474.52 | 683.03 | 195.16 | 78.42 | 64.72 | 34.54 | 6.41 | - | 114.61 | 1,664.10 |
| Additions | - | - | - | 124.66 | 2.59 | 2.58 | 1.03 | 1.08 | 0.25 | 6.95 | - | 139.14 |
| Exchange differences - translation adjustment | (0.05) | - | (1.39) | (4.77) | (4.64) | (2.44) | (1.13) | - | (0.03) | - | - | (14.45) |
| Disposals | - | - | - | - | - | (9.86) | - | - | - | - | - | (9.86) |
| Transferred to assets held for sale (refer note 41) | - | - | - | (123.37) | (10.91) | (6.29) | (1.72) | - | - | - | - | (142.29) |
| As at March 31, 2019 | 5.60 | 7.04 | 473.13 | 679.55 | 182.20 | 62.41 | 62.90 | 35.62 | 6.63 | 6.95 | 114.61 | 1,636.64 |
| Accumulated Depreciation | | | | | | | | | | | | |
| As at April 1, 2017 | - | 3.83 | 17.82 | 109.16 | 54.88 | 47.42 | 24.27 | 2.78 | 1.73 | - | - | 261.89 |
| Charge for the year | - | 1.07 | 16.34 | 90.85 | 15.84 | 10.85 | 10.11 | 3.35 | 1.50 | - | - | 149.91 |
| Exchange differences - translation adjustment | - | - | 2.30 | 13.38 | 8.65 | 7.41 | 3.52 | - | 0.05 | - | - | 35.31 |
| Disposals | - | - | - | - | - | (4.22) | (0.06) | - | - | - | - | (4.28) |
| As at March 31, 2018 | - | 4.90 | 36.46 | 213.39 | 79.37 | 61.46 | 37.84 | 6.13 | 3.28 | - | - | 442.83 |
| Charge for the year | - | 1.09 | 16.70 | 110.75 | 19.36 | 8.45 | 8.52 | 3.47 | 1.54 | 0.97 | - | 170.85 |
| Exchange differences - translation adjustment | - | - | (0.66) | (4.56) | (3.61) | (1.83) | (0.98) | - | (0.02) | - | - | (11.66) |
| Disposals | - | - | - | - | - | (9.86) | - | - | - | - | - | (9.86) |
| Transferred to assets held for sale (refer note 41) | - | - | - | (75.12) | (5.23) | (4.42) | (1.07) | - | - | - | - | (85.84) |
| As at March 31, 2019 | - | 5.99 | 52.50 | 244.46 | 89.89 | 53.80 | 44.31 | 9.60 | 4.80 | 0.97 | - | 506.32 |
| Net block | | | | | | | | | | | | |
| As at March 31, 2019 | 5.60 | 1.05 | 420.63 | 435.09 | 92.31 | 8.61 | 18.59 | 26.02 | 1.83 | 5.98 | 114.61 | 1,130.32 |
| As at March 31, 2018 | 5.65 | 2.14 | 438.06 | 469.64 | 115.79 | 16.96 | 26.88 | 28.41 | 3.13 | - | 114.61 | 1,221.27 |

Notes:

- Karnataka Industrial Area Development (KIADB) has allotted land to the Group on a lease cum sale basis i.e. 24,280.60 sq. mts at Plot No. 58-P Bengaluru Aerospace Park, Industrial Area for a period of 10 years w.e.f December 18, 2013. The aggregate capitalized cost of the land at the end of the year is ₹ 114.61 million. The agreement gives a right to the Group to acquire land at the end of the lease term at an additional consideration, if any fixed by KIADB, after reducing the amount already paid.
- Property, Plant and Equipments and other intangible assets of the Group have been pledged / mortgaged as securities against borrowings. Refer note 19 and 23 for details of borrowings.
- Gross block of buildings and plant and equipments amounting to ₹ 584.00 million (March 31, 2018: ₹ 565.83 million) are on leasehold land.
- The Group during the year ended March 31, 2018 had adopted IndAS under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) rules, 2015 and relevant amendment rules issued thereafter. The Group had availed the exemption available under IndAS 101, wherein the carrying value of property, plant and equipment has been carried forward at the amount as determined under the previous GAAP as at April 01, 2016.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

3a. Capital work-in-progress

(₹ in million)

| | Capital work-in-progress |
|---|---------------------------------|
| As at April 1, 2017 | 1.87 |
| Additions | 123.02 |
| Exchange differences - translation adjustment | (0.02) |
| Capitalised during the year | (115.03) |
| As at March 31, 2018 | 9.84 |
| Exchange differences - translation adjustment | (4.48) |
| Additions | 227.37 |
| Capitalised during the year | (127.25) |
| Transferred to assets held for disposal (refer note 41) | (24.14) |
| As at March 31, 2019 | 81.34 |

Notes:

The Group during the year ended March 31, 2018 had adopted IndAS under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) rules, 2015 and relevant amendment rules issued thereafter. The Group had availed the exemption available under IndAS 101, wherein the carrying value of Capital work-in-progress development has been carried forward at the amount as determined under the previous GAAP as at April 01, 2016.

4a. Goodwill on consolidation

(₹ in million)

| | Goodwill on consolidation | Total |
|-----------------------------|----------------------------------|---------------|
| At cost | | |
| As at April 1, 2017 | 376.23 | 376.23 |
| Additions / (disposals) | - | - |
| As at March 31, 2018 | 376.23 | 376.23 |
| Additions / (disposals) | - | - |
| As at March 31, 2019 | 376.23 | 376.23 |
| Net block | | |
| As at March 31, 2019 | 376.23 | 376.23 |
| As at March 31, 2018 | 376.23 | 376.23 |

Notes:

"The Board of Directors of the Holding Company had considered and approved the investment of 51% controlling stake in Adetel Group SA, France through Centum Electronics UK Limited on June 17, 2016. The said transaction was completed on July 4, 2016. Consequent to the acquisition, Adetel Group SA, France and its subsidiaries, joint ventures/associates became subsidiaries, joint ventures/associates of the Holding Company. Further the Board of Directors of the Holding Company had considered and approved a further investment of 3.15% stake in Centum Adetel Group SA (formerly known as Adetel Company SA, France) through Centum Electronics UK Limited on March 10, 2017.

The aforementioned goodwill is tested for impairment annually. As at March 31, 2019 and March 31, 2018, the goodwill is not impaired.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

4b. Other intangible assets

(₹ in million)

| Particulars | Goodwill | Computer software | Intellectual property rights (including R&D credits) | Customer Relationships | Total |
|---|--------------|-------------------|--|------------------------|-----------------|
| At cost/ deemed cost | | | | | |
| As at April 1, 2017 | 36.35 | 130.89 | 1,143.03 | 481.92 | 1,792.19 |
| Additions | - | 6.82 | 35.32 | - | 42.14 |
| Exchange differences - translation adjustment | - | 19.75 | 163.48 | - | 183.23 |
| Disposals | - | (1.21) | - | - | (1.21) |
| As at March 31, 2018 | 36.35 | 156.25 | 1,341.83 | 481.92 | 2,016.35 |
| Additions | - | 13.13 | 172.61 | - | 185.74 |
| Exchange differences - translation adjustment | - | (0.21) | (46.45) | - | (46.66) |
| Disposals | - | - | - | - | - |
| Transferred to assets held for disposal (refer note 41) | - | (4.38) | (441.40) | - | (445.78) |
| As at March 31, 2019 | 36.35 | 164.79 | 1,026.59 | 481.92 | 1,709.65 |
| Accumulated Amortisation | | | | | |
| As at April 1, 2017 | - | 101.57 | 751.73 | 45.18 | 898.48 |
| Exchange differences - translation adjustment | - | 17.52 | 127.14 | - | 144.66 |
| Charge for the year | - | 18.53 | 107.16 | 60.24 | 185.93 |
| Disposals | - | (1.21) | - | - | (1.21) |
| As at March 31, 2018 | - | 136.41 | 986.03 | 105.42 | 1,227.86 |
| Exchange differences - translation adjustment | - | (5.07) | (35.80) | - | (40.87) |
| Charge for the year | - | 17.14 | 97.07 | 60.24 | 174.45 |
| Disposals | - | - | - | - | - |
| Transferred to assets held for disposal (refer note 41) | - | (3.10) | (189.91) | - | (193.01) |
| As at March 31, 2019 | - | 145.38 | 857.39 | 165.66 | 1,168.43 |
| Net block | | | | | |
| As at March 31, 2019 | 36.35 | 19.41 | 169.20 | 316.26 | 541.22 |
| As at March 31, 2018 | 36.35 | 19.84 | 355.80 | 376.50 | 788.49 |

Notes:

- (a) The Group had entered into a business transfer agreement with Centum Industries Private Limited, an enterprises where key managerial personnel or their relatives exercise significant influence, on December 1, 2015 for the purchase of business on slump sale. As per the terms of agreement, the Group had purchased the net assets pertaining to plastic and defence and space of Centum Industries Private Limited for an aggregate consideration ₹ 57.00 million, which was arrived at based on the business valuation done by an independent professional firm. The valuation ascribed to assets taken over by an independent professional valuer resulted in the aforesaid goodwill.

The aforementioned goodwill is tested for impairment annually. As at March 31, 2019 and March 31, 2018 the goodwill is not impaired.

- (b) The Group during the year ended March 31, 2018 had adopted IndAS under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) rules, 2015 and relevant amendment rules issued thereafter. The Group had availed the exemption available under IndAS 101, wherein the carrying value of Other intangible assets has been carried forward at the amount as determined under the previous GAAP as at April 01, 2016.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

4c. Intangible assets under development

(₹ in million)

| | Intangible assets under development |
|---|-------------------------------------|
| As at April 1, 2017 | 111.10 |
| Additions | 168.99 |
| Exchange differences - translation adjustment | 18.06 |
| Capitalised during the year | (42.14) |
| As at March 31, 2018 | 256.01 |
| Exchange differences - translation adjustment | (9.95) |
| Additions | 117.11 |
| Capitalised during the year | (185.74) |
| Transferred to assets held for disposal (refer note 41) | (120.20) |
| As at March 31, 2019 | 57.23 |

Notes:

The Group during the year ended March 31, 2018 had adopted IndAS under section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) rules, 2015 and relevant amendment rules issued thereafter. The Group had availed the exemption available under IndAS 101, wherein the carrying value of intangible assets under development has been carried forward at the amount as determined under the previous GAAP as at April 01, 2016.

5a Interest in a Joint ventures:

(i) Details of Joint ventures:

| Name of the Entity | Place of business ² | Percentage of effective ownership interest held (directly and indirectly) as at | | Percentage of voting right held as at | | Nature of activities | Accounting method followed |
|---|--------------------------------|---|----------------|---------------------------------------|----------------|--|----------------------------|
| | | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 | | |
| (a) Material Joint ventures | | | | | | | |
| Centum Rakon India Private Limited ('CRIPL') ⁴ | India | - | 51.00% | - | 51.00% | Engaged in design and manufacturing of high performance frequency control products | Equity Method |
| (b) Others | | | | | | | |
| Sandhi SAS ⁴ | France | - | 27.08% | - | 50.00% | Engaged in engineering of electronic systems. | Equity Method |

Notes:

- Aggregate amount of unquoted investment in joint ventures ₹ Nil (March 31, 2018: ₹ 298.42 million (including assets held for disposal))
- The country of incorporation is same as their principal place of business.
- The reporting dates of the joint ventures coincide with that of the parent Company whose financial statements for the year ended on and as at March 31, 2018 were considered for the purpose of consolidated financial statements of the Group.
- Refer note 41

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

(ii) Summarised financial information for material joint ventures (₹ in million)

| Particulars | CRIPL | |
|--|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Current assets | | |
| Inventories | - | 349.95 |
| Cash and cash equivalents | - | 54.60 |
| Financial assets (excluding cash and cash equivalents) | - | 133.75 |
| Other current assets | - | 68.13 |
| Total current assets | - | 606.43 |
| Non-current assets | | |
| Non-current tax assets (net) | - | 32.01 |
| Deferred tax assets (net) | - | 39.67 |
| Other non current assets | - | 188.11 |
| Total non current assets | - | 259.79 |
| Current liabilities | | |
| Financial liabilities (excluding trade payables) | - | 115.00 |
| Trade payables | - | 105.45 |
| Other current liabilities | - | 52.70 |
| Total current liabilities | - | 273.15 |
| Non-current liabilities | | |
| Net employee defined benefit liabilities | - | 12.14 |
| Other financial liabilities | - | 0.52 |
| Total non-current liabilities | - | 12.66 |
| Net assets | - | 580.41 |

(iii) Reconciliation of carrying amounts of material joint ventures (₹ in million)

| Particulars | CRIPL |
|--|---------------|
| Opening net assets as at April 01, 2017 | 632.15 |
| Profit / (loss) for the year | (51.91) |
| Other Comprehensive income | 0.16 |
| Other equity | 0.01 |
| Closing net assets as at March 31, 2018 (a) | 580.41 |
| Proportion of the group's ownership (b) | 51.00% |
| Group's share (a*b) | 296.01 |
| Adjustments to the equity values on account of share-based payments | 0.34 |
| Carrying amount of investments as at March 31, 2018 | 296.35 |
| Opening net assets as at April 01, 2018 (a) | 580.41 |
| Profit / (loss) for the period till the date of sale | 5.69 |
| Other Comprehensive income | - |
| Other equity | - |
| Closing net assets as on the date of sale (a) | 586.10 |
| Proportion of the group's ownership (b) | 51% |
| Carrying amount of investments as on the date of sale (a*b) | 298.91 |
| Sale consideration | 357.41 |
| Profit on sale of interest in joint venture disclosed under exceptional item | 58.50 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

(iv) Summarised statement of profit & loss for material joint ventures (₹ in million)

| Particulars | CRIPL | |
|---|-----------------|----------------|
| | March 31, 2019* | March 31, 2018 |
| Revenue from operations | 71.05 | 688.12 |
| Other income | 0.06 | 8.23 |
| Total income (i) | 71.11 | 696.35 |
| Cost of materials consumed and decrease/(increase) in inventories of work-in-progress | 35.10 | 410.54 |
| Employee benefits expenses | 9.79 | 115.91 |
| Depreciation and amortization expenses | 4.49 | 61.86 |
| Other expenses | 13.23 | 168.26 |
| Tax expenses / (income) | 2.81 | (8.31) |
| Total expense (ii) | 65.42 | 748.26 |
| Profit / (loss) for the year (i-ii) | 5.69 | (51.91) |
| Other Comprehensive income | - | 0.16 |
| Total Comprehensive income for the year | 5.69 | (51.75) |
| Group's share of profit / (loss) for the year | 2.90 | (26.40) |

* Disclosures has been made in respect of period April 01, 2018 to April 30, 2018 based on management certified numbers.

(v) Financial information in respect of other joint ventures (₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Aggregate carrying amount of investments in individually immaterial joint ventures | - | 2.07 |
| Aggregate amount of group's share of : | | |
| - Profit / (loss) for the year | - | 0.43 |
| - Other comprehensive income for the year | - | - |
| - Total comprehensive income for the year | - | 0.43 |

(vi) Contingent liabilities in respect of joint ventures (₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Particulars of guarantees | | |
| - Bank guarantee | - | 1.09 |
| Matters relating to direct taxes under dispute* | | |
| - Income tax | - | 72.15 |
| Matters relating to indirect taxes under dispute* | | |
| - Cenvat credit availment | - | 39.57 |

* The aforementioned amounts under disputes are as per the demands from various authorities for the respective periods and has not been adjusted to include further interest and penalty leviable, if any, at the time of final outcome of the appeals.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

5b Interest in Associates

(i) Details of Associates

| Name of the Entity | Place of Business ² | Percentage of effective ownership interest held (directly and indirectly) as at | | Percentage of voting right held as at | | Nature of Activities | Accounting Method |
|------------------------------|--------------------------------|---|----------------|---------------------------------------|----------------|--|-------------------|
| | | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 | | |
| (a) Other associates: | | | | | | | |
| Ausar Energy SAS | France | 16.49% | 16.49% | 30.45% | 30.45% | Engaged in the consulting, engineering, research and development in Energy sector. | Equity Method |

Notes:

- Aggregate amount of unquoted investment in associates ₹ 40.39 million (March 31, 2018: ₹ 51.06 million)
- The country of incorporation of the above entity is same as its principal place of business.
- There is a quarter lag in the reporting dates of the associate with that of the parent Company whose management certified financial statements for the year ended on and as at December 31, 2018 were considered for the purpose of consolidated financial statements of the Group

| Particulars | (₹ in million) | |
|--|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Aggregate carrying amount of investments in individually immaterial associates | 37.99 | 51.06 |
| Aggregate amount of group's share of : | | |
| - (Loss) / profit for the year | (13.07) | (10.67) |
| - Other comprehensive income for the year | - | - |
| - Total comprehensive income for the year | (13.07) | (10.67) |

(iii) Contingent liabilities of associates

The associate had no contingent liabilities or capital commitments as at March 31, 2019 and March 31, 2018. The Group has no contingent liabilities relating to its interests in its associates.

(iv) Commitments of / towards joint ventures and associates

- In respect of Group's investments in certain joint venture entities, other joint venture partners have the first right of refusal in case any of the joint venture partners intend to sell its stake subject to other terms and conditions of respective joint venture agreements.

(v) Carrying amount of investments in joint ventures, associates and others

| Particulars | (₹ in million) | |
|---|-----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Material joint ventures (refer note - 5a) (includes Assets classified as held for disposal) | - | 296.35 |
| Other joint ventures (refer note - 5a) | - | 2.07 |
| Other associates (refer note - 5b) | 37.99 | 51.06 |
| | (A) | 37.99 |
| Less :- Assets classified as held for disposal (refer note 41) | (B) | 296.35 |
| Total | (A)+ (B) | 53.13 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

| (vi) Share in profits / (loss) of joint ventures / associates (net) | | (₹ in million) | |
|---|-----------------------|-----------------------|----------------|
| Particulars | March 31, 2019 | March 31, 2018 | |
| Material joint ventures (includes share in profit / (loss) of joint venture / associates classified as held for disposal) | 2.90 | (26.40) | |
| Other associates | (13.07) | (10.67) | |
| Other joint ventures | - | 0.43 | |
| | (A) | (10.17) | (36.64) |
| Less - share in profit / (loss) of joint venture / associates classified as held for disposal (refer note 41) | 2.90 | (26.40) | |
| | (B) | | |
| Total | (A)+ (B) | (13.07) | (10.24) |

5c Financial assets: Other Investments

| | | (₹ in million) | |
|--|--|-----------------------|-----------------------|
| | | March 31, 2019 | March 31, 2018 |
| Unquoted | | | |
| Investment carried at fair value through consolidated statement of profit or loss | | | |
| Investments in equity shares of Qulsar Inc. ¹ 74,184 (March 31, 2018: 74,184) equity shares of USD 0.01 each, fully paid up. | | 13.26 | 13.26 |
| Investments in other companies | | 7.29 | 13.52 |
| Investment at amortised cost | | | |
| Investments in 800,000 (March 31, 2018: 800,000) unquoted bonds of Euro 1 in Ausar Energy SAS | | 61.93 | 64.50 |
| Total | | 82.48 | 91.28 |
| Aggregate book value of quoted investments | | - | - |
| Aggregate market value of quoted investments | | - | - |
| Aggregate value of unquoted investments | | 82.48 | 91.28 |

1. Unquoted equity instruments for which cost has been considered as an appropriate estimate of fair value as cost represents the best estimate of fair value within that range.

6. Loans

| | | (₹ in million) | |
|--|--|-----------------------|-----------------------|
| | | March 31, 2019 | March 31, 2018 |
| Non-Current Carried at amortised cost | | | |
| Unsecured, considered good | | | |
| Security deposits (refer note 43) | | 50.09 | 54.44 |
| | | 50.09 | 54.44 |

7. Other non-current financial assets

| | | (₹ in million) | |
|--|--|-----------------------|-----------------------|
| | | March 31, 2019 | March 31, 2018 |
| Non-current bank balance (refer note 13) | | 261.18 | 19.88 |
| | | 261.18 | 19.88 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

8. Deferred tax

(₹ in million)

| | March 31, 2019 | | March 31, 2018 | |
|---|--------------------|------------------------|--------------------|------------------------|
| | Deferred tax asset | Deferred tax liability | Deferred tax asset | Deferred tax liability |
| Deferred tax liability | | | | |
| Property, Plant and Equipments and Intangible assets: Impact of difference between tax depreciation and depreciation / amortization charged for the financial reporting | - | (113.93) | - | (135.62) |
| Sub - total | (A) | - | - | (135.62) |
| Deferred tax liability (net) | | (113.93) | | (135.62) |
| Deferred tax asset | | | | |
| Property, Plant and Equipments and Intangible assets: Impact of difference between tax depreciation and depreciation / amortization charged for the financial reporting | - | (35.13) | - | (27.25) |
| Impact of expenditure charged to the statement of profit and loss but allowed for tax purposes on payment basis | 32.30 | - | 21.87 | - |
| Impact on account of provision for Expected credit loss | 25.03 | - | 6.56 | - |
| MAT credit entitlement | 28.56 | - | 2.65 | - |
| Others | 0.25 | - | - | - |
| Sub - total | (B) | 86.14 | 31.08 | (27.25) |
| Deferred tax assets (net) | | 51.01 | 3.83 | |
| Total | (A)+(B) | 86.14 | 31.08 | (162.87) |
| (Deferred tax liability) / Deferred tax assets (net) | | (62.92) | (131.79) | |
| Charge for the year | | (68.87) | | 3.91 |
| Reconciliation to the consolidated statements of profit and loss from continuing and discontinued operations | | | | |
| (Credit) / expense during the year as above | | (68.87) | | 3.91 |
| Tax (income) /expense during the period recognized in OCI | | 1.69 | | - |
| (Credit) / expense during the year | | (70.56) | | 3.91 |

9. Non-current tax assets (net)

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Advance income tax (net of provision for current tax and including tax paid under protest) | 33.99 | 41.29 |
| | 33.99 | 41.29 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

10. Other non current assets

(₹ in million)

| | | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|----------------|
| Capital advances | | | |
| Unsecured, considered good | | 46.12 | 56.11 |
| | (A) | 46.12 | 56.11 |
| Prepaid expenses | | 8.64 | 3.22 |
| | (B) | 8.64 | 3.22 |
| Balances with statutory / government authorities | | | |
| Unsecured, considered doubtful | | - | - |
| Unsecured, considered good | | 5.65 | 5.21 |
| | | 5.65 | 5.21 |
| Less: Provision for doubtful receivables | | - | - |
| | (C) | 5.65 | 5.21 |
| Total other non-current assets | (A+B+C) | 60.41 | 64.54 |

11. Inventories (valued at the lower of cost and net realisable value)

(₹ in million)

| | | March 31, 2019 | March 31, 2018 |
|--|--|-----------------|-----------------|
| Raw materials | | 1,740.94 | 2,054.02 |
| [Includes raw material in transit ₹ 88.92 million (March 31, 2018: ₹ 89.10 million)] | | | |
| Work-in-progress | | 549.27 | 615.18 |
| Finished goods | | 78.74 | 24.89 |
| Stores and spares | | 0.08 | 2.93 |
| | | 2,369.03 | 2,697.02 |

12. Trade receivables

(₹ in million)

| | | March 31, 2019 | March 31, 2018 |
|--|--|-----------------|-----------------|
| Carried at amortised cost | | | |
| Receivables from related parties (refer note 43) | | 9.47 | 45.04 |
| Other trade receivables | | 2,837.09 | 2,354.46 |
| Total trade receivables | | 2,846.56 | 2,399.50 |

Break-up for security details:

(₹ in million)

| | | March 31, 2019 | March 31, 2018 |
|--|--|-----------------|-----------------|
| Trade receivables: | | | |
| Unsecured, considered good | | 2,919.55 | 2,412.58 |
| Trade Receivables - credit impaired | | 21.72 | 14.32 |
| | | 2,941.27 | 2,426.90 |
| Impairment allowance (allowance for bad and doubtful debts) | | | |
| Unsecured, considered good | | (72.99) | (13.08) |
| Trade Receivables - credit impaired | | (21.72) | (14.32) |
| Total Trade receivables | | 2,846.56 | 2,399.50 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

- The carrying amount of trade receivables include receivables amounting to ₹ 841.08 million (March 31, 2018: ₹ 1,132.91 million) which are subject to factoring arrangement entered into with the factoring agency / bank. Under this arrangement, the Group has transferred the relevant receivables to the bank in exchange of cash and transferred all rights and actions attached to the aforementioned receivables. As the risk for non recovery lies with the Group, it continues to recognise the transferred assets in its entirety in balance sheet. The amount repayable under the factoring arrangement is presented as unsecured borrowing in note 23.
- No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. For details of trade or other receivable due from firms or private companies respectively in which any director is a partner, a director or a member, refer note 43.
- Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

13. Cash and cash equivalents

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|---------------------|----------------|
| Balances with banks: | | |
| - On current accounts | 142.92 | 166.51 |
| - On exchange earners foreign currency (EEFC) accounts | 29.64 | 20.83 |
| Deposits with original maturity of less than three months | - | 29.27 |
| Cash on hand | 0.46 | 0.68 |
| | (A) 173.02 | 217.29 |
| Bank balances other than cash and cash equivalents | | |
| Balance with banks | | |
| - On current account ¹ | 2.53 | 2.45 |
| - On margin money accounts ² | 377.20 | 156.23 |
| | 379.73 | 158.68 |
| Amount disclosed under other non-current financial assets (refer note 7) | (261.18) | (19.88) |
| | (B) 118.55 | 138.80 |
| Total cash and cash equivalents | (A+B) 291.57 | 356.09 |

1. Includes balance in unclaimed dividend account ₹ 2.53 million (March 31, 2018: ₹ 2.45 million)
2. Margin money is against bank guarantees issued in favour of customers and statutory authorities.
3. Balances with banks on current accounts does not earn interest. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash-requirement of the Company, and earn interest at the respective short-term deposit rates.

14a. Loans

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Unsecured, considered good | | |
| Current - Carried at amortised cost | | |
| Security deposits (refer note 43) | 0.48 | 1.13 |
| | 0.48 | 1.13 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

14b. Other current financial assets

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|-----------------|-----------------|
| Unsecured considered good | | |
| Staff advances (refer note 43) | 1.90 | 1.79 |
| Interest accrued on fixed deposits | 4.67 | - |
| Deferred consideration receivable (refer note 41) | 90.37 | - |
| Unbilled revenue | 589.37 | 887.67 |
| Subsidy receivables | 394.12 | 702.53 |
| Other financial assets | 12.19 | - |
| | 1,092.62 | 1,591.99 |

15. Other current assets

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Unsecured considered good | | |
| Prepaid expenses | 113.97 | 73.38 |
| Balance with statutory / government authorities | 124.05 | 233.39 |
| Advance to suppliers and other advances (refer note 43) | 97.14 | 104.79 |
| | 335.16 | 411.56 |

16. Equity share capital

Equity shares of ₹ 10 each

| | In Numbers | (₹ in million) |
|---------------------------------------|-------------------|----------------|
| Authorised share capital: | | |
| At April 1, 2017 | 15,500,000 | 155.00 |
| Increase / (decrease) during the year | - | - |
| At March 31, 2018 | 15,500,000 | 155.00 |
| Increase / (decrease) during the year | - | - |
| At March 31, 2019 | 15,500,000 | 155.00 |

(a) Issued equity share capital:

Equity shares of ₹ 10 each issued, subscribed and fully paid

| | In Numbers | (₹ in million) |
|--|-------------------|----------------|
| At April 1, 2017 | 12,752,696 | 127.53 |
| Issue of equity shares (refer note 47) | 116,988 | 1.17 |
| At March 31, 2018 | 12,869,684 | 128.70 |
| Issue of equity shares (refer note 47) | 11,434 | 0.11 |
| At March 31, 2019 | 12,881,118 | 128.81 |

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend 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.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

(c) Details of shareholders holding more than 5% shares in the Company

| Name of Shareholder | March 31, 2019 | | March 31, 2018 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | No. of shares held | % holding in class | No. of shares held | % holding in class |
| Equity shares of ₹ 10 each fully paid | | | | |
| Apparao V Mallavarapu | 6,604,715 | 51.27% | 6,604,715 | 51.32% |
| Nikhil Mallavarapu* | 589,929 | 4.58% | 589,929 | 4.58% |
| Dr. Swarnalatha Mallavarapu* | 369,150 | 2.87% | 369,150 | 2.87% |
| M S Swarnakumari* | 12,684 | 0.10% | 12,684 | 0.10% |
| HDFC Trustee Company Limited | 1,131,330 | 8.78% | 1,131,634 | 8.79% |

* Represents shareholders in promoter's group

(d) Shares reserved for issue under options

For details of shares reserved for issue under the Share based payment plan of the Company, refer note 47.

17. Other equity

| | (₹ in million) |
|--|---------------------|
| Securities premium | |
| Balance as at April 1, 2017 | 20.03 |
| Add: received during the year on account of issue of equity shares | 7.15 |
| Balance as at March 31, 2018 | 27.18 |
| Add: received during the year on account of issue of equity shares | 0.66 |
| Balance as at March 31, 2019 | (A) 27.84 |
| General reserve | |
| Balance as at April 1, 2017 | 440.26 |
| Balance as at March 31, 2018 | 440.26 |
| Balance as at March 31, 2019 | (B) 440.26 |
| Retained earnings | |
| Balance as at April 1, 2017 | 1,603.49 |
| (Loss) / profit for the year | (189.65) |
| Less: Cash dividends | (51.24) |
| Less: Dividend distribution tax | (10.41) |
| Add: Remeasurement of post-employee benefit obligations | 2.86 |
| Balance as at March 31, 2018 | 1,355.05 |
| (Loss) / profit for the year | 282.22 |
| Less: Cash dividends | (12.88) |
| Less: Dividend distribution tax | (2.65) |
| Add: Remeasurement of post-employee benefit obligations | 3.13 |
| Others | (5.05) |
| Balance as at March 31, 2019 | (C) 1,619.82 |
| Share based payments reserve | |
| Balance as at April 1, 2017 | 18.34 |
| Add: Options granted during the year | 22.17 |
| Less: Transferred to capital reserve on exercise of stock options | (0.88) |
| Balance as at March 31, 2018 | 39.63 |
| Add: Options granted during the year | 21.89 |
| Less: Transferred to capital reserve on exercise of stock options | (0.49) |
| Balance as at March 31, 2019 | (D) 61.03 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

| | (₹ in million) |
|---|------------------------|
| Capital reserve | |
| Balance as at April 1, 2017 | - |
| Add: Amount transferred on exercise of share options | 0.88 |
| Balance as at March 31, 2018 | 0.88 |
| Add: Amount transferred on exercise of share options | 0.49 |
| Balance as at March 31, 2019 | (E) 1.37 |
| Put option liability (refer note 20(2)) | |
| Balance as at April 1, 2017 | (96.91) |
| Balance as at March 31, 2018 | (96.91) |
| Balance as at March 31, 2019 | (F) (96.91) |
| Foreign currency translation difference account (FCTR) | |
| Balance as at April 1, 2017 | 3.47 |
| Movement during the year | 2.15 |
| Balance as at March 31, 2018 | 5.62 |
| Movement during the year | 2.39 |
| Balance as at March 31, 2019 | (G) 8.01 |
| Total other equity | (A+B+C+D+E+F+G) |
| Balance as at March 31, 2018 | 1,771.71 |
| Balance as at March 31, 2019 | 2,061.42 |

Nature and purpose of reserves

Securities Premium

Securities Premium Reserve is used to record the premium on issue of shares and is utilised in accordance with the provisions of the Companies Act, 2013.

General Reserve

The Group created a General reserve in earlier years pursuant to the provisions of the Companies Act, 1956 where in certain percentage of profits was required to be transferred to General reserve before declaring dividends. As per Companies Act 2013, the requirements to transfer profits to General reserve is not mandatory. General reserve is a free reserve available to the Group.

Retained earnings

Retained Earnings are the profits of the Group earned till date net of appropriations.

Share based payments reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based options provided to employees, including key management personnel, as part of their remuneration. Refer to Note 47 for further details of these plans.

Capital reserve

The Group recognizes the exercise or cancellation of vested options of the Group's equity-settled share-based payments to capital reserve.

Foreign currency translation difference account (FCTR)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. ₹) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

18. Distribution made and proposed

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Cash dividends on equity shares declared and paid: | | |
| Final dividend for the year ended on March 31, 2018: Nil (March 31, 2017: ₹ 3 per share) | - | 38.38 |
| Dividend distribution tax on final dividend | - | 7.81 |
| Interim dividend for the year ended on March 31, 2019: ₹ 1 per share (March 31, 2018: ₹ 1 per share) | 12.88 | 12.86 |
| Dividend distribution tax on interim dividend | 2.65 | 2.60 |
| | 15.53 | 61.65 |
| Proposed dividends on equity shares¹ | | |
| Final cash dividend for the year ended on March 31, 2019: ₹ 4 per share (March 31, 2018: Nil) ² | 51.52 | - |
| Dividend distribution tax on proposed dividend | 10.59 | - |
| | 62.11 | - |

- Proposed dividends on equity shares are subject to approval at the annual general meeting and are not recognised as a liability (including dividend distribution tax thereon) as at March 31st.
- The Board of Directors of the Company at its meeting held on May 29, 2019 have recommended a final dividend of 40% (i.e. ₹ 4 per equity share) for the year ended March 31, 2019 (March 31, 2018: Nil).

19 Non-current financial liabilities: Borrowings

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Term loan | | |
| From banks | | |
| Foreign currency term loan (secured) (refer note 25 for details of Current maturities of long term borrowings) ^{1,2} | 227.99 | 471.23 |
| From Financial Institutions | | |
| Indian rupee term loan (unsecured) (refer note 25 for details of Current maturities of long term borrowings) ³ | 109.62 | - |
| Obligations under finance lease (secured) (refer note 45) (refer note 25 for details of Current maturities of long term borrowing) ⁵ | 4.89 | - |
| Bonds ⁶ (unsecured) | 309.67 | 322.50 |
| Interest free loan from Government ⁴ (unsecured) | 209.79 | 158.34 |
| | 861.96 | 952.07 |
| The above amount includes | | |
| Secured borrowings | 232.88 | 471.23 |
| Unsecured borrowings | 629.08 | 480.84 |
| | 861.96 | 952.07 |

- Foreign currency term loan availed by the Company amounting to ₹ 221.61 million (March 31, 2018: ₹ 301.50 million) (including current maturities of long term borrowings) represents term loan taken from a bank and secured by way of :
 - First pari-passu charge on current assets including stock and receivables of the Company;
 - First pari-passu charge on present and future fixed assets of the Company; and
 - First pari-passu charge by way of equitable mortgage on Land and building situated at i) No. 44, KHB Industrial Area, Yelahanka, Bangalore - 560 106 and ii) Plot No. 58-P, Bengaluru Aerospace Park Industrial Area, Sy. No. 8 - Part of Unachur Village & Sy.No. 8 - Part of Dummanahalli Village, Jala Hobli, Bengaluru North, Yelahanka Taluk, Bengaluru Urban District.

The term loan carries an interest rate of 4.25% per annum (p.a.) (March 31, 2018: 4.25% p.a.) on the outstanding amount of the loan payable at quarterly rests. The term loan is repayable in sixteen equal quarterly instalments from September 2017.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

2. Foreign currency term loans availed by Centum Adetel Group SA, Centum Adeneo SAS and Centum Adetel Solution amounting to ₹ 322.57 million (March 31, 2018: ₹ 444.04 million) (including current maturities of long term borrowings) carries interest rate ranging from 2.83% to 11% p.a. (March 31, 2018: 2.83% to 11% p.a.) and is secured by way of pledge of respective receivables and all other assets present and future along with the bank guarantee.
3. The Indian rupee term loan from Financial Institution amounting to ₹ 200.00 million carries an interest rate of 12% per annum (p.a.) (March 31, 2018: Nil) on the outstanding amount of loan payable. The term loan is repayable in Sixty One unequal monthly instalments from April 2019. Further the term loan needs to be repaid to the tune of ₹ 60.00 million once the funds from the sale of stake in Centum Rakon India Private Limited is received. The loan is secured by :-
 - (a) Mortgage on Residential Property of Dr. Swarnalatha Mallavarapu situated at site no. A-11 and A-12, Manyatha Residency, Rachenahalli Village, K. R. Puram, Hobli, Bengaluru.
 - (b) Personal Guarantee of Mr. Apparao Venkata Mallavarapu and Dr. Swarnalatha Mallavarapu to be restricted to the collateral mortgaged and the value of unpaid loan.
 - (c) 4 undated cheques ('UDC') for ₹ 50.00 million each
 - (d) 3 post dated cheques ('PDC') for ₹ 4.45 million each
4. Interest free loan from government amounting to ₹ 220.24 (March 31, 2018: ₹ 158.34) has been provided to carry out research and development activities and is payable on the successful outcome of the research and development.
5. Finance lease obligation of ₹ 8.20 million (March 31, 2018 : Nil) are secured by underlying assets taken on finance lease arrangements. The lease term is 3 years carrying an interest rate of 17.80% p.a. The period and amount of default as on the balance sheet date with respect to aforementioned borrowings are as follows:

| (₹ in million) | | | | |
|-----------------------------------|-----------------------|----------------|----------------|-------------------|
| Particulars | Nature | March 31, 2019 | March 31, 2018 | Period of default |
| Obligation under financial leases | Quarterly installment | 1.30 | - | 0-90 days |

6. Bonds have a coupon rate of 4% p.a. and redemption due date of August 2020. The Group is liable to pay reimbursement premium of Euro 1.02 million towards waiver of conversion rights by the bond holders into equity shares of Adetel Group SA.

20. Other non-current financial liabilities

| (₹ in million) | | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Financial liabilities through profit or loss | | |
| Derivatives not designated as hedge | | |
| Interest rate swap ¹ | 0.16 | 0.08 |
| Put option liability ² | 271.97 | 283.24 |
| | 272.13 | 283.32 |

1. The Company had entered into an interest rate swap agreement whereby the Company pays a fixed rate of interest of 4.25% p.a. as against the availed floating rate loan (i.e. USD overnight LIBOR + 190bps). The swap is being used to hedge the exposure to changes in the floating interest rates on secured loan (refer note 19). The mark to market fluctuation has been recognised as an expense for the year ended March 31, 2019 and March 31, 2018. Refer note 52.
2. Put option liability pertains to liabilities arising from options given to non controlling interest shareholders by one of the subsidiary of the Group as at the date of acquisition.

The management of the Group recognised these liabilities at fair values in accordance with the binomial lattice model. The aforementioned projections are based on estimates and assumptions which are considered reasonable by the management including volatility, up move and down move probabilities, risk free rate of return, etc.

Based on assessment, the management of the Group is of the view that there are no significant change in the fair value of the aforementioned liabilities in the underlying functional currency of the entity as compared to its fair values as on the date of acquisition as at March 31, 2019 and as at March 31, 2018.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

21(a) Net non-current employee defined benefit liabilities

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Provision for employee benefits | | |
| Provision for gratuity (refer note 44) | 37.02 | 32.95 |
| Total | 37.02 | 32.95 |

21(b) Non-current provisions

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Provision for employee benefits | | |
| Provision for pension (refer note 44) | 23.24 | 21.12 |
| Other provisions | | |
| Provisions for litigations and contingencies (Refer note 19(6)) | 74.06 | 85.57 |
| Provisions for loss making contracts | 6.52 | 16.84 |
| | 103.82 | 123.53 |

| | Provisions for litigations and contingencies (Refer note 19(6)) | Provisions for loss making contracts* |
|--|---|---------------------------------------|
| As at April 1, 2017 | 102.55 | - |
| Provision made during the year and amount utilised during the year (net) | (16.98) | 16.84 |
| As at March 31, 2018 | 85.57 | 16.84 |
| Provision made during the year and amount utilised during the year (net) | (11.51) | (10.32) |
| As at March 31, 2019 | 74.06 | 6.52 |

*The provision for losses includes provision for estimated losses on onerous contracts

22 Other non-current liabilities

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Government grants | | |
| At April 1 | - | - |
| Government grant received during the year | 32.94 | - |
| Released to statement of profit and loss | (9.12) | - |
| Current portion classified under Other current liabilities | (5.43) | - |
| As at March 31 | 18.39 | - |

Government grants have been received towards the purchase and construction of certain items of property, plant and equipment under Modified Special Incentive Package Scheme (M-SIPS) as notified by Ministry of Communications and Information Technology, Department of Information Technology. As per the scheme, the Company is required to abide by all terms and conditions of M-SIPS policy, guidelines and amendments issued from time to time. The Company vide its letter of undertaking dated May 02, 2018 has agreed to comply with all terms and conditions of M-SIPS policy, guidelines and amendments issued from time to time.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

23. Current financial liabilities: Borrowings

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|-----------------|-----------------|
| Secured | | |
| Indian rupee term loan from banks ¹ | 200.00 | 200.00 |
| Cash credit and overdraft from banks ^{2, 3} | 567.56 | 470.41 |
| Packing credit loan from banks ^{2, 5} | 794.77 | 697.37 |
| Foreign currency non-repatriable (FCNR) loan ² | 72.45 | 427.38 |
| Customers bill discounted / factored ⁴ | 649.74 | 874.56 |
| | 2,284.52 | 2,669.72 |
| The above amount includes | | |
| Secured borrowings | 2,284.52 | 2,669.72 |
| Unsecured borrowings | - | - |
| | 2,284.52 | 2,669.72 |

¹ Secured Indian rupee term loan from a bank of ₹ 200.00 million (March 31, 2018: ₹ 200 million) carries interest at 12.50% p.a. (March 31, 2018: 10.25%). The loan is repayable within 12 months and is secured by way of:

- Charge on current assets including stock and receivables of the Company;
- Charge on present and future fixed assets of the Company; and
- Charge by way of equitable mortgage on Land and building situated at i) No. 44, KHB Industrial Area, Yelahanka, Bangalore - 560 106 and ii) Plot No. 58-P, Bengaluru Aerospace Park Industrial Area, Sy. No. 8 - Part of Unachur Village & Sy.No. 8 - Part of Dummanahalli Village, Jala Hobli, Bengaluru North, Yelahanka Taluk, Bengaluru Urban District.

² Cash credit and overdraft from banks amounting to ₹ 558.82 million (March 31, 2018: ₹ 453.48 million), packing credit loans from banks amounting to ₹ 794.77 million (March 31, 2018: ₹ 697.37 million) and FCNR loan from banks amounting to ₹ 72.45 million (March 31, 2018: ₹ 427.38 million) of the Company are payable on demand and are secured by way of :

- Hypothecation of entire stock of raw materials/work in progress/finished goods, receivables / book debts and other current assets / moveable fixed assets on pari passu first charge with other banks;
- Hypothecation of plant and machinery pari passu first charge with other banks;
- Equitable mortgage of factory land and building at No. 44, KHB Industrial Area, Yelahanka, Bangalore - 560 106 belonging to the Company, on pari passu first charge with other banks; and
- Equitable mortgage on leasehold rights of factory land and equitable mortgage of building at Plot No. 58-P, Bengaluru Aerospace Park Industrial Area, Sy. No. 8 - Part of Unachur Village & Sy. No. 8 - Part of Dummanahalli Village, Jala Hobli, Bengaluru North, Yelahanka Taluk, Bengaluru Urban District, belonging to the Company on pari passu first charge with other banks.

The rate of interest of Cash credit and overdraft from banks ranges from 10.50% to 11.45% p.a. (March 31, 2018: 10.40% to 11.10% p.a;). The rate of interest of Packing credit from banks ranges from 3.76% to 7.28% (March 31, 2018: 3.34% to 5.74% p.a.) and that of FCNR ranges from 5.38% to 6.65% p.a. (March 31, 2018: 5.38% to 5.69%p.a.) payable on monthly basis.

³ Cash credit / overdraft from banks amounting to ₹ 8.74 million (March 31, 2018: ₹ 16.93 million) availed by Centum Adetel Transportation SAS and Centum Adetel Solution carries interest rate of 4% p.a.

⁴ Customer's bill discounted / factored receivables carries interest rate of 0.09% of the factored invoices including VAT and have recourse to Centum Adeneo SAS, Centum Adeneo CRD SAS and Centum Adetel Transportation SAS and are guaranteed by the cession of the current account balance. Refer note 12 for details.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

5. The period and amount of default as on the balance sheet date with respect to aforementioned borrowings are as follows:

| (₹ in million) | | | | |
|--------------------------------|----------------------|----------------|----------------|-------------------|
| Particulars | Nature | March 31, 2019 | March 31, 2018 | Period of default |
| Packing credit loan from banks | Payment of Principal | 1.29 | - | 0-90 days |

24. Financial liabilities: Trade payables

| (₹ in million) | | |
|---|-----------------|-----------------|
| | March 31, 2019 | March 31, 2018 |
| Trade payables | 1,444.78 | 1,861.47 |
| Trade payables to related parties (refer note 43) | 1.76 | 13.80 |
| | 1,446.54 | 1,875.27 |

a) Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing
- For explanations on the Company's credit risk management processes, refer to note 49(c).
- The dues to related parties are unsecured

25. Other current financial liabilities

| (₹ in million) | | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| At amortised cost | | |
| Unpaid dividends | 2.53 | 2.45 |
| Accrued salaries and benefits (refer note 43) | 208.21 | 90.19 |
| Payable for capital goods | 23.00 | 25.10 |
| Current maturities of long term borrowings ¹ (refer note 19) | 418.86 | 274.31 |
| Interest accrued but not due on borrowings | 24.61 | 13.35 |
| | 677.21 | 405.40 |

Note

1. The details of current maturities of long term borrowings are as follows:

Term loan

| | | |
|--------------------------------------|---------------|---------------|
| From banks | | |
| Foreign currency term loan (secured) | 316.19 | 274.31 |
| From Financial Institutions | | |
| Indian rupee term loan (unsecured) | 88.91 | - |
| Obligations under finance lease | 3.31 | - |
| Interest free loan from Government | 10.45 | - |
| | 418.86 | 274.31 |

26. Other current liabilities

| (₹ in million) | | |
|--|-----------------|-----------------|
| | March 31, 2019 | March 31, 2018 |
| Advance from customers | 943.04 | 721.59 |
| Withholding and other taxes / duties payable | 495.29 | 578.92 |
| Deferred revenue | 179.66 | 378.85 |
| Government grant (refer note 22) | 5.43 | - |
| Other liabilities | 57.92 | 165.94 |
| | 1,681.34 | 1,845.30 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

27. Net current employee defined benefit liabilities

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Provision for employee benefits | | |
| Provision for gratuity (refer note 44) | 5.96 | 3.93 |
| | 5.96 | 3.93 |

28. Current provisions

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Provision for employee benefits | | |
| Provision for compensated absences | 220.39 | 240.40 |
| | 220.39 | 240.40 |

29. Liabilities for current tax (net)

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Provision for taxation, net of advance tax | 141.57 | 5.37 |
| | 141.57 | 5.37 |

30. Revenue from operations

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|-----------------|-----------------|
| Sale of products (including excise duty) (refer note 43) ¹ | 5,349.71 | 4,289.68 |
| Sale of services (refer note 43) | 3,270.70 | 2,986.61 |
| Other operating revenues (refer note 43) | | |
| Management fees | 124.99 | 120.29 |
| Other operating revenues | 529.97 | 414.02 |
| | 9,275.37 | 7,810.60 |

1. Sale of products by the Company includes excise duty collected from customers of ₹ Nil (March 31, 2018: ₹ 33.57 million). Revenue from operations for periods up to June 30, 2017 includes excise duty. From July 1, 2017 onwards the excise duty and most indirect taxes in India have been replaced with Goods and Service Tax (GST). The Company collects GST on behalf of the Government. Hence, GST is not included in Revenue from operations. In view of the aforesaid change in indirect taxes, Revenue from operations for the year ended March 31, 2019 is not comparable to March 31, 2018.

31. Other income

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Rental income (refer note 43) | 3.03 | 3.03 |
| Provisions / liabilities no longer required, written back | 5.26 | 48.03 |
| Government Grants (refer note 22) | 9.12 | - |
| Profit on sale of property, plant and equipment | - | 0.72 |
| Sale of scrips | 28.53 | 22.47 |
| Other non-operating income | 24.26 | 27.49 |
| | 70.20 | 101.74 |

32. Finance income

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Interest income on bank deposits | 9.79 | 18.54 |
| Interest Income - Others (refer note 43) | 19.20 | 10.47 |
| | 28.99 | 29.01 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

33. Cost of materials consumed

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|-----------------|-----------------|
| Inventory at the beginning of the year | 2,056.95 | 1,280.71 |
| Add: Purchases (refer note 43) | 3,652.66 | 4,192.44 |
| | 5,709.61 | 5,473.15 |
| Transferred to asset held for disposal- balance as at April 1, 2018 | (143.02) | - |
| Inventory at the end of the year | (1,741.02) | (2,056.95) |
| Cost of materials consumed | 3,825.57 | 3,416.20 |

34. Decrease / (Increase) in inventories of work-in-progress and finished goods

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Inventories at the beginning of the year | | |
| - Work-in-progress / finished goods | 640.07 | 558.27 |
| Less : Inventories at the end of the year | | |
| - Work-in-progress / finished goods | 628.01 | 640.07 |
| Decrease/(Increase) in inventories of work-in-progress | 12.06 | (81.80) |

35. Employee benefits expenses

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|-----------------|-----------------|
| Salaries, wages and bonus | 2,475.49 | 2,194.78 |
| Contribution to provident and other funds (refer note 44) | 721.11 | 620.03 |
| Employee share based payment (refer note 47) | 21.89 | 22.17 |
| Gratuity expenses (refer note 44) | 14.63 | 18.24 |
| Staff welfare expenses | 51.71 | 49.83 |
| | 3,284.83 | 2,905.05 |

36. Finance costs

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Interest on debt and borrowings (refer note 43) | 210.96 | 160.52 |
| Bank charges | 28.65 | 22.84 |
| Exchange differences | 69.93 | 26.02 |
| Other borrowing costs | 30.30 | 8.59 |
| Interest on income tax | 9.37 | - |
| | 349.21 | 217.97 |

37. Other expenses

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Rent | 201.49 | 189.83 |
| Rates and taxes | 103.29 | 101.33 |
| Power and fuel | 56.67 | 72.15 |
| Repairs and maintenance | 96.37 | 98.11 |
| Insurance | 38.60 | 33.93 |
| Legal and professional fees* | 148.68 | 117.55 |
| Travelling and conveyance | 174.65 | 182.71 |
| Purchase of services | 79.56 | 110.94 |
| Corporate social responsibility expenditure | 7.99 | 3.72 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

| | March 31, 2019 | March 31, 2018 |
|---|-----------------|-----------------|
| Freight outwards | 13.59 | 9.86 |
| Loss on account of foreign exchange fluctuations (net) | 33.61 | 22.02 |
| Fair value loss on financial instruments at fair value through profit or loss | 0.08 | 0.08 |
| Provision for doubtful advances | 79.26 | 24.15 |
| Directors' sitting fees | 1.74 | 0.72 |
| Miscellaneous expenses | 107.54 | 172.01 |
| | 1,143.12 | 1,139.11 |

* Legal and professional fees includes remuneration to auditors as mentioned in note 38

38. Payment to auditor (exclusive of taxes) (₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| As auditor: | | |
| Audit fee (including fees for internal controls over financial reporting, consolidated financial statements of the company and quarterly limited reviews) | 5.20 | 5.20 |
| In other capacity | | |
| Reimbursement of expenses | 0.57 | 0.45 |
| | 5.77 | 5.65 |

39. Income tax

The domestic subsidiaries of the Group are subject to income tax in India on the basis of standalone financial statements. As per the Income Tax Act, these entities are liable to pay income tax which is the higher of regular income tax payable or the amount payable based on the provisions applicable for Minimum Alternate Tax (MAT). MAT paid in excess of regular income tax during a year can be carried forward for a period of 15 years and can be offset against future tax liabilities. Business loss can be carried forward for a maximum period of eight assessment years immediately succeeding the assessment year to which the loss pertains. Unabsorbed depreciation can be carried forward for an indefinite period.

Income tax expenses in the consolidated statement of profit and loss consist of the following:

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| | | (₹ in million) |
| Tax expenses of continuing operations | | |
| (a) Current tax | 72.31 | 5.48 |
| (b) Adjustment of tax relating to earlier period | (4.37) | 0.42 |
| (c) Deferred tax expense / (credit) | (44.65) | 2.98 |
| (d) MAT credit entitlement | (25.91) | 0.93 |
| (e) Deferred tax expense / (credit) related to items recognized in OCI during the year | 1.69 | - |
| Tax expenses of discontinued operations | | |
| (a) Current tax | 71.31 | - |
| (b) Deferred tax expense / (credit) | - | - |
| Total taxes | 70.38 | 9.81 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

Reconciliation of estimated income tax to income tax expense is as below:

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|---|----------------|-----------------|
| Profit/(loss) before tax from continuing and discontinued operations | 336.76 | (135.49) |
| Income tax expense at applicable tax rates applicable to individual entities | 113.35 | (53.95) |
| Tax effect on permanent non-deductible expenses | 8.51 | 2.44 |
| Allowances of expenditure in accordance with section 35(2AB) of the Income Tax Act | (10.15) | (11.07) |
| Deferred tax assets not recognised because realisation is not probable (including taxable losses) | - | 93.51 |
| Utilisation of previously unrecognized tax losses | (38.64) | - |
| Adjustments in respect of current income tax of previous years | (4.37) | 0.42 |
| Difference in tax rate for capital gains | (6.84) | - |
| Others | 8.52 | (21.54) |
| Total tax expenses | 70.38 | 9.81 |
| Income tax reported in the consolidated statement of profit and loss | 70.38 | 9.81 |
| | - | - |

Note: Certain entities of the Group have incurred losses during the relevant period, which has resulted in reduction of profit / increase of losses in the consolidated financial statements. However, the tax liability has been discharged by the respective entities on a standalone basis. Further, in view of absence of reasonable certainty, the Group has not recognised deferred tax asset in such companies.

40. Earnings per share ('EPS')

Basic EPS amounts are calculated by dividing the profit/ loss for the year attributable to equity shareholders of the parent by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

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

The following reflects the income and share data used in the basic and diluted EPS computations:

| | March 31, 2019 | March 31, 2018 |
|--|----------------|-----------------|
| Profit attributable to equity holders of the parent: | | |
| Continuing operations (₹ in million) | 396.61 | (93.83) |
| Discontinued operations (₹ in million) | (114.39) | (95.82) |
| Profit attributable to equity holders of the parent for basic / diluted earnings per share (₹ in million) | 282.22 | (189.65) |
| Weighted average number of equity shares used for computing EPS (basic) | 12,878,062 | 12,814,148 |
| Add: Effect of dilutive issues of stock options ¹ | 12,919 | 25,866 |
| Weighted average number of equity shares used for computing EPS (diluted) | 12,890,981 | 12,840,014 |
| Earnings per share for continuing operations - Basic | 30.80 | (7.32) |
| Earnings per share for continuing operations - Diluted* | 30.77 | (7.32) |
| Earnings per share for discontinuing operations - Basic and Diluted* | (8.88) | (7.48) |
| Earnings per share for continuing and discontinuing operations - Basic | 21.92 | (14.80) |
| Earnings per share for continuing and discontinuing operations - Diluted* | 21.89 | (14.80) |

* Considering that the Company had incurred losses during the year ended March 31, 2018 the allotment of stock options would decrease the loss per share for the year ended March 31, 2018 and accordingly had not been considered for the purpose of calculation of diluted earnings per share.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

* Considering that the Company has incurred losses from discontinuing operations during the year ended March 31, 2019 the allotment of stock options would decrease the loss per share for the year ended March 31, 2019 and accordingly had not been considered for the purpose of calculation of diluted earnings per share for discontinuing operations.

41 Discontinued Operations

- a) The Board of Directors of the Company in its meeting held on February 26, 2018 had approved proposal to sell 51% stake held in Centum Rakon India Private Limited, a joint venture of the Group, subject to approval of the shareholders. Subsequent to the year ended March 31, 2018, the Company has signed Share Purchase Agreement with Rakon Limited for the sale of entire 51% stake held by the Group in Centum Rakon India Private Limited.

Pursuant to the aforesaid transaction, the Group has classified the carrying value of investments as at March 31, 2018 in Centum Rakon India Private Limited amounting to ₹ 296.35 million, as assets classified as held for disposal and has accordingly disclosed its share of losses from Centum Rakon India Private Limited for the year ended March 31, 2018 amounting to ₹ 26.40 million and share of income of ₹ 2.90 million for the year ended March 31, 2019 as discontinuing operations in the consolidated statement of profit and loss.

During the year ended March 31, 2019, the Group has divested its entire 51% stake in Centum Rakon India Private Limited, a joint venture entity and realized a profit of ₹ 58.50 million on such sale of shares, which has been disclosed as an 'exceptional item' from discontinued operations.

- b) During the year ended March 31, 2019, the management of the Group has decided to sell its investments in Centum Adetel Transportation SAS, step down subsidiary of the Group and accordingly the results of the operation of this entity has been disclosed under discontinuing operations.
- c) During the year ended March 31, 2019, the step down subsidiaries of the Group, Adetel Maroc SA and Adetel Equipment Maroc SA, have initiated liquidation proceedings and accordingly the results of the operation of these entity has been disclosed under discontinuing operations.
- d) During the year ended March 31, 2019, the Group has divested its entire stake in Sandhi SAS, a joint venture entity and realized a profit of ₹ 7.23 million on such sale of shares, which has been disclosed as an 'exceptional item' from discontinued operations in the audited consolidated financial results of the Group for the year ended March 31, 2019.

e) (Loss)/Profit from discontinuing operations (₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|--|-----------------|----------------|
| Income | | |
| (a) Revenue from operations | 1,804.30 | 740.45 |
| (b) Other income | 38.77 | 65.81 |
| Total Income (i) | 1,843.07 | 806.25 |
| Expenses | | |
| (a) Cost of materials consumed | 1,597.61 | 614.22 |
| (b) (Increase)/ decrease in inventories of work-in-progress and finished goods | (11.09) | - |
| (c) Employee benefit expenses | 191.69 | 185.77 |
| (d) Finance costs | 16.81 | 3.04 |
| (e) Depreciation and amortisation expenses | 66.91 | 53.94 |
| (f) Other expenses | 181.32 | 77.48 |
| Total expenses (ii) | 2,043.25 | 934.45 |
| (Loss) / profit before exceptional items, share in (loss) / profit of associates and joint ventures and tax expense from discontinuing operations (i-ii) | (200.18) | (128.20) |
| Exceptional items | 65.73 | - |
| (Loss)/profit before share in (loss) / profit of associates and joint ventures and tax expense from discontinuing operations | (134.45) | (128.20) |
| Share of profit / (loss) of associates and joint ventures from discontinuing operations | 2.90 | (26.40) |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

| Particulars | March 31, 2019 | March 31, 2018 |
|--|-----------------|-----------------|
| (Loss)/profit before tax expense from discontinuing operations | (131.55) | (154.60) |
| Tax expenses | | |
| (a) Current tax | 71.31 | - |
| (b) Deferred tax | - | - |
| (Loss) / profit after tax expense from discontinuing operations | (202.86) | (154.60) |
| (Loss) / profit after tax expense from discontinuing operations | | |
| Attributable to | | |
| a) Equity holders of the parent | (114.39) | (95.82) |
| b) Non-controlling interests | (88.47) | (58.78) |

c) The details of assets/disposal group classified as held for disposal and liabilities associated thereto are as under:

| Group of asset classified as held for sale | (₹ in million) | |
|---|-----------------|----------------|
| Particulars | March 31, 2019 | March 31, 2018 |
| Property, Plant and Equipment | 56.45 | - |
| Capital work-in-progress | 24.14 | - |
| Other intangible assets | 252.77 | - |
| Intangible assets under development | 120.20 | - |
| Investment in Joint Ventures and Associates | - | 296.35 |
| Inventories | 200.21 | - |
| Trade receivables | 347.87 | - |
| Cash and cash equivalents | 0.24 | - |
| Other current financial assets | 170.29 | - |
| Other current assets | 89.63 | - |
| Total | 1,261.80 | 296.35 |
| Liabilities associated with group of assets classified as held for sale | (₹ in million) | |
| Particulars | March 31, 2019 | March 31, 2018 |
| Long term provisions | 4.25 | - |
| Borrowings | 302.93 | - |
| Trade payables | 203.09 | - |
| Other current financial liabilities | 7.25 | - |
| Other current liabilities | 124.94 | - |
| Short term provisions | 16.01 | - |
| Total | 658.47 | - |

42 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

Notes to the Consolidated IndAS Financial Statements

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Significant judgements and estimates relating to the carrying values of assets and liabilities include impairment of investments, impairment of goodwill, fair value measurement of financial assets / liabilities, treatment of certain investments as joint ventures / associates, provision for employee benefits and other provisions, recoverability of deferred tax assets, commitments, contingencies, provision for inventory obsolescence and efforts estimation for revenue recognition.

(i) Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of investments and goodwill

Determining whether investments and goodwill are impaired requires an estimation of the value in use of the respective asset or the relevant cash generating units. The value in use calculation is based on DCF model. Further, the cash flow projections are based on estimates and assumptions which are considered as reasonable by the management (refer note 4a, 4b and 5).

Taxes

Deferred tax assets are recognised for MAT credit entitlement and unused tax losses to the extent that it is probable that taxable profit will be available against which the same can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer note 39 for further disclosures.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ('DCF') model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 49(a) for further disclosures.

Contingencies

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal and contractual claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds.

The mortality rate is based on publicly available mortality tables for India. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

Further details about gratuity obligations are given in note 44.

Notes to the Consolidated IndAS Financial Statements

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Provision for inventory obsolescence

Inventory obsolescence provision are determined using policies framed by the Company and in accordance with the methodologies that the Company deems appropriate to the business. There is a significant level of judgment involved in assessing whether provision for obsolescence for slow moving, excess or obsolete inventory items should be recognized considering orders in hand, expected orders, alternative usage, etc.

Revenue recognition

The group uses the percentage-of-completion method in accounting for its fixed-price contract. Use of the percentage-of-completion method requires the Group to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion as there is a direct relationship between input and productivity.

Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

43. Related parties

a) Names of related parties and description of relationship

| Description of relationship | Name of related parties |
|--|---|
| Parties where control exists | Mr. Apparao V Mallavarapu (directly and indirectly exercises over 50% voting power in the Company) |
| Subsidiary Companies | Centum Electronis UK Limited Centum Adetel Group SA Centum Adeneo SAS Centum Adeneo CRD SAS Centum Adetel Transportation System SAS Centum Adetel Transportation SAS* Centum Adetel Synergies SARL Centum Adetel Solution Centum Adetel Equipment Adetel Maroc SA** Adetel Equipment Maroc SA** Centum Adeneo India Private Limited* |
| Associates/ Joint Venture Companies | Centum Rakon India Private Limited# Sandhi SAS# Ausar Energy SAS |
| Enterprises where key managerial personnel or their relatives exercise significant influence (where transactions have taken place) | Centum Industries Private Limited |
| Key managerial personnel and their relatives | Mr. Apparao V Mallavarapu - Chairman and Managing Director Dr. Swarnalatha Mallavarapu - Director Mr. Nikhil Mallavarapu - Relative Mr. S Krishnan - Independent Director Mr. Pranav Kumar Patel - Independent Director Mr. Rajiv C Mody - Independent Director Mr. Manoj Nagrath - Independent Director Mr. Thiruvengadam P - Independent Director Mr. K S Desikan - Chief Financial Officer Mr. Ramu Akkili- Company Secretary (resigned w.e.f November 30, 2018) Mr. Nagaraj K V- Company Secretary (appointed w.e.f January 21, 2019) |

Notes to the Consolidated IndAS Financial Statements

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* The Group is planning to divest its stake and has accordingly classified it as held for sale for the year ended March 31, 2019. (Refer note 41)

** Liquidated during the year ended March 31, 2019.

Ceased to be a joint venture during the year ended March 31, 2019 (also refer note 5(a) & 41)

b) Summary of transactions and outstanding balances with above related parties are as follows:

| Particulars | (₹ in million) | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| i) Sale of products | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | 0.86 | 18.41 |
| - Ausar Energy SAS | 0.45 | 5.85 |
| ii) Sale of services | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | 1.54 | 10.02 |
| iii) Other operating income | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | 3.85 | 54.22 |
| - Ausar Energy SAS | 0.41 | 0.45 |
| iv) Other income | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | 0.25 | 3.03 |
| - Ausar Energy SAS | 1.44 | 1.34 |
| v) Purchase of goods | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | - | 14.19 |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | - | 0.01 |
| vi) Purchase of services | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | - | 0.35 |
| vii) Other expenses - Rent | | |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | 9.28 | 7.79 |
| viii) Expense incurred by the Company on behalf of: | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | 0.45 | 12.70 |
| ix) Security deposits refunded/ adjusted | | |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | - | 0.16 |
| x) Remuneration to key managerial personnel and their relatives | | |
| Employee benefit expenses (including employee share based payments) | | |
| - Mr. Apparao V Mallavarapu | 16.65 | 9.18 |
| - Mr. Nikhil Mallavarapu | 11.20 | 10.05 |
| - Mr. K S Desikan | 6.90 | 6.33 |
| - Mr. Nagaraj K V | 0.30 | - |
| - Mr. Ramu Akkili | 1.46 | 2.15 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

| Particulars | (₹ in million) | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| xi) Directors' sitting fees (including commission paid to non-executive directors) | | |
| - Mr. S Krishnan | 0.38 | 0.18 |
| - Mr. Rajiv C Modi | 0.26 | 0.04 |
| - Mr. Pranav Kumar Patel | 0.38 | 0.18 |
| - Mr. Manoj Nagrath | 0.38 | 0.18 |
| - Mr. Thiruvengadam P | 0.34 | 0.14 |
| xii) Outstanding balances as at the year ended: | | |
| a) Trade receivables - Current | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | - | 19.89 |
| - Ausar Energy SAS | 8.94 | 24.21 |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | 0.53 | 0.95 |
| b) Trade payables - Current | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | - | 12.33 |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | 0.68 | 1.47 |
| Payable to key managerial personnel | | |
| - Mr. S Krishnan | 0.22 | - |
| - Mr. Rajiv C Modi | 0.20 | - |
| - Mr. Pranav Kumar Patel | 0.22 | - |
| - Mr. Manoj Nagrath | 0.22 | - |
| - Mr. Thiruvengadam P | 0.22 | - |
| c) Other current financial assets - Staff advances | | |
| - Mr. Apparao V Mallavarapu | - | 0.39 |
| - Mr. K S Desikan | - | 0.26 |
| d) Other current assets - Advance to suppliers and other advances | | |
| Associates/ Joint Venture Companies | | |
| - Centum Rakon India Private Limited | - | 0.92 |
| f) Other current financial asset - Security deposit | | |
| Enterprises where key managerial personnel or their relatives exercise significant influence | | |
| - Centum Industries Private Limited | 0.45 | 0.45 |
| g) Other current assets - Other advances | | |
| Associates/ Joint Venture Companies | | |
| - Ausar Energy SAS | 24.75 | 20.57 |
| h) Other current financial liabilities - Accrued salaries and benefits-payable/(recoverable) | | |
| - Mr. Apparao V Mallavarapu | 8.02 | 0.46 |
| - Mr. Nikhil Mallavarapu | 1.07 | 0.24 |
| - Mr. K S Desikan | 0.68 | 0.41 |
| - Mr. Ramu Akkili | 0.12 | 0.10 |
| i) Personal Guarantee and security issued by directors jointly towards the loan availed by the company (refer note 19) | | |
| - Mr Apparao Mallavarapu | 200.00 | - |
| - Dr. Swarnalatha Mallavarapu | - | - |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

c) Key Managerial Personnel's interests in the share based payments plan:

Share options held by key managerial personnel under the share based payments plan to purchase equity shares are as follows:

| Share based payments plan | Exercise price | March 31, 2019 | March 31, 2018 |
|---------------------------|----------------|--------------------|--------------------|
| | | Number outstanding | Number outstanding |
| Centum ESOP - 2013 | ₹ 71.25 | 3,653 | 3,654 |

No share options have been granted to the non-executive members of the Board of Directors under the share based payments plans of the Group. Refer to note 47 for further details on the scheme.

Notes:

- As the liability for gratuity and leave encashment is provided on actuarial basis for the Group as a whole, the amount pertaining to the key managerial personnel's are not included.
- Refer note 5 as regards investments in joint venture / associates.

44. Gratuity and other post-employment benefits plans

a) Defined contribution plan

The Group contribution to provident fund, employees' state insurance, pension and other funds are considered as defined contribution plans. The contributions are charged to the consolidated statement of profit and loss as they accrue. Contributions to provident and other funds included in employee benefits expenses (note 35 and note 41) are as under:

| Particulars | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Contribution to provident fund | 27.58 | 25.23 |
| Contribution to employees' state insurance | 8.62 | 7.23 |
| Contribution to pension fund | 742.20 | 641.26 |
| | 778.40 | 673.72 |

b) Defined benefit plans

The Group has a defined benefit gratuity plan. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (based on last drawn basic) for each completed year of service. The level of benefits provided depends on the member's length of service and salary at retirement age. The Gratuity plan is unfunded.

The following tables summarise the components of net benefit expense recognised in the consolidated statement of profit or loss and amounts recognised in the consolidated balance sheet for gratuity benefit:

| i. Net benefit expenses (recognized in the consolidated statement of profit and loss) | | (₹ in million) | |
|---|----------------|----------------|--|
| Particulars | March 31, 2019 | March 31, 2018 | |
| Current service cost | 11.50 | 8.27 | |
| Net interest cost on defined benefit obligation | 3.13 | 2.31 | |
| Past service cost | - | 7.67 | |
| Net benefit expenses | 14.63 | 18.24 | |

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| ii. Remeasurement (gains)/ loss recognised in other comprehensive income: | | (₹ in million) | |
|---|-----------------------|-----------------------|--|
| Particulars | March 31, 2019 | March 31, 2018 | |
| Actuarial (gain)/ loss on obligations arising from changes in experience adjustments | (5.81) | (1.33) | |
| Actuarial (gain)/ loss on obligations arising from changes in financial assumptions | 0.99 | (1.53) | |
| Actuarial (gain)/ loss recognised in OCI | (4.82) | (2.86) | |
| iii. Net defined benefit asset/ (liability) - Consolidated Balance Sheet | | (₹ in million) | |
| Particulars | March 31, 2019 | March 31, 2018 | |
| Defined benefit obligation | (42.98) | (36.88) | |
| Fair value of plan assets | - | - | |
| Asset / (liability) recognised in the balance sheet | (42.98) | (36.88) | |
| iv. Changes in the present value of the defined benefit obligation are as follows: | | (₹ in million) | |
| Particulars | March 31, 2019 | March 31, 2018 | |
| Opening defined benefit obligation | 36.88 | 29.53 | |
| Current service cost | 11.50 | 8.27 | |
| Past service cost | - | 7.67 | |
| Benefits paid | (3.89) | (8.03) | |
| Interest cost on the defined benefit obligation | 3.13 | 2.31 | |
| Acquisition cost | 0.18 | - | |
| Actuarial (gain)/ loss on obligations arising from changes in experience adjustments | (5.81) | (1.32) | |
| Actuarial (gain)/ loss on obligations arising from changes in financial assumptions | 0.99 | (1.53) | |
| Closing defined benefit obligation | 42.98 | 36.88 | |
| v. The following pay-outs are expected in future years: | | (₹ in million) | |
| Particulars | March 31, 2019 | | |
| March 31, 2020 | 5.95 | | |
| March 31, 2021 | 2.12 | | |
| March 31, 2022 | 2.15 | | |
| March 31, 2023 | 2.90 | | |
| March 31, 2024 | 3.14 | | |
| March 31, 2025 to March 31, 2029 | 19.91 | | |

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years (March 31, 2018: 10 years).

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vi. The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

| Particulars | March 31, 2019 | March 31, 2018 |
|--------------------------|--|---|
| Discount rate (in %) | 7.43% | 7.69% |
| Salary escalation (in %) | 7.00% | 7.00% |
| Employee Turnover | Age 21 - 30 Yrs : 15% Age 30 - 34 Yrs : 10% Age 35 - 44 Yrs : 5% Age 45 - 50 Yrs : 3% Age 51 - 54 Yrs : 2% Age 55 - 57 Yrs : 1% | |
| Retirement age | 58 years | 58 years |
| Mortality Rate | Indian Assured Lives Mortality (2012-14) Ultimate | Indian Assured Lives Mortality (2006-08) (Modified) Ultimate |

Notes:

i) The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

ii) Plan Characteristics and Associated Risks:

The Gratuity scheme is a Defined Benefit Plan that provides for a lump sum payment made on exit either by way of retirement, death or disability. The benefits are defined on the basis of final salary and the period of service and paid as lump sum at exit. The Plan design means the risks commonly affecting the liabilities and the financial results are expected to be:

- Discount rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase
- Salary Inflation risk : Higher than expected increases in salary will increase the defined benefit obligation
- Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

vii. A quantitative sensitivity analysis for significant assumption as at March 31, 2019 is as shown below:

| Particulars | March 31, 2019 | March 31, 2018 |
|---|-----------------------|-----------------------|
| (₹ in million) | | |
| Discount rate | | |
| Impact on defined benefit obligation due to 1% increase in discount rate | (3.64) | (3.10) |
| Impact on defined benefit obligation due to 1% decrease in discount rate | 3.88 | 3.29 |
| Salary escalation rate | | |
| Impact on defined benefit obligation due to 1% increase in salary escalation rate | 2.25 | 1.89 |
| Impact on defined benefit obligation due to 1% decrease in salary escalation rate | (2.10) | (1.77) |
| Attrition rate | | |
| Impact on defined benefit obligation due to 1% increase in attrition rate | 0.21 | 0.25 |
| Impact on defined benefit obligation due to 1% decrease in attrition rate | (0.28) | (0.32) |

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The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

45. Commitments and contingencies

(a) Operating leases: Group as lessee

The Group has entered into operating leases for office facilities and equipments (like car and computers) under cancellable operating leases. The total rental expense towards the aforementioned leases charged to the consolidated statement of profit and loss is ₹ 236.83 million (March 31, 2018: ₹ 196.17 million).

Future minimum rentals payable under non-cancellable operating leases as at balance sheet dates are as follows:

| | (₹ in million) | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Within one year | 5.59 | 6.01 |
| After one year but not more than five years | 2.89 | 8.48 |
| | 8.48 | 14.49 |

Group as lessor

The Group has entered into operating lease for giving office facilities under cancellable operating lease arrangement. The total rental income recognised by the Group in the consolidated statement of profit and loss amounted to ₹ 3.03 million (March 31, 2018: ₹ 3.03 million).

(b) Finance leases: Company as lessee

The Group has finance lease contracts for server forming part of leased computer. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are, as follows:

| | (₹ in million) | | | |
|--|------------------------------|----------------------|------------------------|----------------------|
| | March 31, 2019 | | March 31, 2018 | |
| | Minimum lease payments (MLP) | Present value of MLP | Minimum lease payments | Present value of MLP |
| Within one year | 4.72 | 3.32 | - | - |
| After one year but not more than five years | 5.81 | 4.88 | - | - |
| Total minimum lease payments | 10.53 | 8.20 | - | - |
| Less amounts representing finance charges | (2.33) | - | - | - |
| Present value of minimum lease payments | 8.20 | 8.20 | - | - |

The Group has capitalised the leased asset at ₹ 6.95 million (refer note 3) and balance amounting to ₹ 1.25 million represents goods and service tax paid on leased assets and the credit of the same would be availed by the Group on payment of installments of finance lease obligations as and when due.

(c) Commitments

| | (₹ in million) | |
|--|----------------|----------------|
| Particulars | March 31, 2019 | March 31, 2018 |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 140.89 | 45.85 |

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(d) Contingencies liabilities

In the ordinary course of business, the Group faces claims and assertions by various parties. The Group assesses such claims and assertions and monitors the legal environment on an ongoing basis with the assistance of external legal counsel, wherever necessary. The Group records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its consolidated financial statements, if material. For potential losses that are considered possible, but not probable, the Group provides disclosure in the consolidated financial statements but does not record a liability in its accounts unless the loss becomes probable.

The following is a description of claims and assertions where a potential loss is possible, but not probable. The Group believes that none of the contingencies described below would have a material adverse effect on the Group's financial condition, results of operation or cash flow.

| | (₹ in million) | |
|----------------------------------|-----------------------|-----------------------|
| Particulars of guarantees | March 31, 2019 | March 31, 2018 |
| Corporate guarantees | 382.36 | 36.28 |
| Bank guarantees | - | 5.58 |

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. As a matter of caution, the Group has made a provision on a prospective basis from the date of the SC order. The Company will update its provision, on receiving further clarity on the subject.

The Group is involved in legal proceedings, both as plaintiff and as defendant. The Group believes the following claims to be material.

| | (₹ in million) | |
|--|-----------------------|-----------------------|
| Disputes * | March 31, 2019 | March 31, 2018 |
| Matters relating to direct taxes under dispute: | | |
| - Income tax | 1.89 | 1.89 |
| Matters relating to indirect taxes under dispute: | | |
| - Sales tax | 7.04 | 7.04 |
| - Excise, cenvat credit availment and customs duty | 85.77 | 85.77 |
| Others: | | |
| - Stamp duty levy | 16.28 | 16.28 |
| - Other claims against the Group not acknowledged as debts | 20.00 | 18.11 |

* The aforementioned amounts under disputes are as per the demands from various authorities for the respective periods and has not been adjusted to include further interest and penalty leviable, if any, at the time of final outcome of the appeals.

46 Segment information - Disclosure pursuant to IndAS 108 "Operating Segments"

(a) Information about reportable segments

Basis of identifying operating segments / reportable segments:

(i) Basis of identifying operating segments:

Operating segments are identified as those components of the Group (a) that engage in business activities to earn revenues and incur expenses (including transactions with any of the Group's other components); (b) whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resource allocation and performance assessment and (c) for which discrete financial information is available. The accounting policies consistently used in the preparation of financial statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are

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apportioned to the segment on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company therefore believes that it is not practical to provide segment disclosures relating to such items and accordingly such items are separately disclosed as 'unallocated'.

(ii) Reportable segments:

An operating segment is classified as reportable segment if reported revenue (including inter-segment revenue) or absolute amount of result or assets exceed 10% or more of the combined total of all the operating segments.

The Company along with its subsidiaries, associates and joint ventures are an integrated business unit which addresses the Electronics System Design and Manufacturing ("ESDM") and accordingly there is only one reportable segment called ESDM in accordance with the requirement of IndAS 108 - "Operating segments".

(b) Geographical information

(₹ in million)

| Geography | Segment revenue* | | Non-current assets** | |
|------------------------|------------------|-----------------|----------------------|-----------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| (i) India | 2,185.46 | 1,058.83 | 1,199.75 | 1,164.93 |
| (ii) Europe | 5,758.24 | 4,601.99 | 881.05 | 1,419.17 |
| (iii) North America | 901.37 | 1,355.50 | 165.95 | 132.28 |
| (iv) Rest of the world | 430.30 | 794.28 | - | - |
| Total | 9,275.37 | 7,810.60 | 2,246.75 | 2,716.38 |

* Revenue by geographical area are based on the geographical location of the client.

** Non-current assets exclude financial assets and tax assets.

47a Share-based payments

A Description of the share based payment arrangements

The Company has following share based payment arrangements:

(i) Share option plans (equity settled)

The Company sponsors two share option plans - the Centum Employee Stock Option Plan ('ESOP') - 2007 plan and the Centum ESOP - 2013 plan. The details of the aforementioned plans are as follows:

- The Centum ESOP - 2007 plan was approved by the directors of the Company in October 2007 and by the shareholders in December 2007. Centum ESOP - 2007 plan provides for the issue of 416,666 shares to the employees of the Company and its subsidiaries / joint venture (whether in India or outside India), who are in whole time employment with the Company and/or it's subsidiaries / joint venture.
- The Centum ESOP - 2013 plan was approved by the directors of the Company in May 2013 and by the shareholders in August 2013. Centum ESOP - 2013 plan provides for the issue of 250,000 shares to the employees of the Company and its subsidiaries / joint venture (whether in India or outside India), who are in whole time employment with the Company and/or it's subsidiaries / joint venture.

The plan is administered by a Compensation committee. Options will be issued to employees of the Company and/or its subsidiaries / joint venture at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

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B Measurement of fair values

The fair value of employee share options has been measured using Black Scholes model. The fair value of the options and the input used in the measurement of the grant- date fair values of both the plans are as follows:

| | Year ended March 31, 2019 | | Year ended March 31, 2018 | |
|--|---------------------------|--------------------|---------------------------|--------------------|
| | Centum ESOP - 2007 | Centum ESOP - 2013 | Centum ESOP - 2007 | Centum ESOP - 2013 |
| Fair value at grant date | ₹ 6.54 - ₹ 47.20 | ₹ 11.65 - ₹ 277.30 | ₹ 6.54 - ₹ 47.20 | ₹ 11.65 - ₹ 277.30 |
| Share price at grant date | ₹ 31.60 - ₹ 118.50 | ₹ 71.25 & ₹ 637.05 | ₹ 31.60 - ₹ 118.50 | ₹ 71.25 & ₹ 637.05 |
| Weighted average exercise price on options outstanding | Nil | ₹ 245.35 | ₹ 53.45 | ₹ 283.03 |
| Dividend yield (%) | 10% | 10% | 10% | 10% |
| Expected life of share options (years) | 1- 4 years | 1- 4 years | 1- 4 years | 1- 4 years |
| Risk free interest rate (%) | 5.70 - 8.60% | 5.70 - 8.60% | 5.70 - 8.60% | 5.70 - 8.60% |
| Expected volatility (%) | 48.31% | 48.31% | 48.31% | 48.31% |

C Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, Centum ESOP - 2007 plan during the year:

| Particulars | For the year ended March 31, 2019 | | For the year ended March 31, 2018 | |
|---|-----------------------------------|----------|-----------------------------------|--------------|
| | Number of options | WAEP | Number of options | WAEP |
| Options outstanding at April 1, | 2,981 | 53.45 | 28,814 | 69.14 |
| Granted during the period | - | - | - | - |
| Forfeited / lapsed during the period | - | - | - | - |
| Exercised during the period | 2,981 | 53.45 | 25,833 | 70.95 |
| Expired during the period | - | - | - | - |
| Options outstanding at March 31, | - | - | 2,981 | 53.45 |
| Exercisable at March 31, | - | - | 2,981 | 53.45 |

There are no options outstanding as at March 31, 2019 and options outstanding as at March 31, 2018 had an exercise price of ₹ 53.45 and the weighted average remaining contractual life of 7.64 years.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, Centum ESOP - 2013 plan during the year:

| Particulars | March 31, 2019 | | March 31, 2018 | |
|---|-------------------|---------------|-------------------|---------------|
| | Number of options | WAEP | Number of options | WAEP |
| Options outstanding at April 1, | 48,090 | 71.25 | 135,532 | 71.25 |
| Granted during the period | - | 283.03 | 18,000 | 637.05 |
| Forfeited / lapsed during the period | 16,888 | - | 14,287 | - |
| Exercised during the period | 8,453 | 71.25 | 91,155 | 71.25 |
| Expired during the period | - | - | - | - |
| Options outstanding at March 31, | 22,749 | 245.35 | 48,090 | 283.03 |
| Exercisable at March 31, | 17,499 | 127.83 | 30,090 | 283.03 |

The options outstanding as at March 31, 2019 had an exercise price of ₹ 245.35 (March 31, 2018: ₹ 283.03) and the weighted average remaining contractual life of 9.07 years (March 31, 2018: 10.61 years).

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D Expense recognised in the consolidated statement of profit and loss

The expense recognised for employee services received during the year is shown in the following table:

| | (₹ in million) | |
|---|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Expense arising from equity settled share based payment transaction | 0.80 | 0.06 |

E Stock options granted to other employees of the Group

The Company had granted stock options to employees of CRIPL, a joint venture of the group, under ESOP plans as detailed in note 47a(A) above. The Company had an obligation to settle the transaction with the aforementioned entity's employees by providing its own equity shares. Therefore, in accordance with IndAS 102, the Company had measured its obligation in accordance with the requirements applicable to equity settled share-based payment transaction.

47b Share-based payments in a subsidiary of the Company

The Group along with its subsidiary has agreed that the Management Shareholders of Centum Adetel Group S.A. shall be issued 58,425 additional free shares in the Centum Adetel Group S.A. The issuance of these shares is contingent on the achievement of certain revenue and EBIT targets by the Centum Adetel Group S.A. on a consolidated basis, which have been detailed in the Shareholders Agreement dated July 5, 2016.

The fair value of the aforementioned share options has been measured using Binomial Lattice model by an independent external valuer. The fair value of the options and the input used in the measurement of the fair values by independent external valuer are as follows:

| | Revenue target | EBIT target |
|--|-------------------|-------------------|
| Issue date of the share options | July 1, 2016 | July 1, 2016 |
| Maturity date of the share options | December 31, 2019 | December 31, 2019 |
| Fair value of shares of the subsidiary at grant date | Euro 16.14 | Euro 16.14 |
| Volatility (%) | 5.80% | 17.30% |
| Risk free rate (%) | 0.49% | 0.49% |
| Maximum number of shares | 58,425 | 58,425 |
| Binomial Tree Metrics - Up move probability (%) | 50.80% | 49.20% |
| Binomial Tree Metrics - Down move probability (%) | 49.20% | 50.80% |

Movements during the year

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|--------------------------------------|--------------------------------------|
| | Number of options | |
| Options outstanding at April 1, | 58,425 | 58,425 |
| Granted during the period | - | - |
| Exercised during the period | - | - |
| Expired during the period | - | - |
| Options outstanding at March 31, | 58,425 | 58,425 |
| Exercisable at March 31, | - | - |

The options outstanding as at March 31, 2019 had a weighted average exercise price of ₹ Nil (March 31, 2018: ₹ Nil) and the weighted average remaining contractual life of 0.75 years (March 31, 2018: 1.75 years), contingent on the achievement of certain revenue and EBIT targets by the Centum Adetel Group S.A. on a consolidated basis, which have been detailed in the Shareholders Agreement dated July 5, 2016.

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Expense recognised in the consolidated statement of profit and loss

The expense recognised for the aforementioned share options is shown in the following table:

(₹ in million)

| | March 31, 2019 | March 31, 2018 |
|--|----------------|----------------|
| Expense arising from equity settled share based payment transaction (under Employee benefits expenses) | 21.09 | 22.11 |

48. Capital Management

The Group's capital management is intended to create value for the shareholders by facilitating the meeting of long term and short term goals of the Group.

The Group determines the amount of capital required on the basis of annual business plan coupled with long term and short term strategic investment and expansion plans. The funding needs are met through equity, cash generated from operations and long term and short term bank borrowings.

For the purpose of the Group's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity shareholders of the Group.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. The Group's policy is to keep the gearing ratio at an optimum level to ensure that the debt related covenants are complied with.

(₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|-----------------|-----------------|
| Borrowings (refer note 19, 23 and 25) | 3,565.34 | 3,896.10 |
| Less: Cash and cash equivalents (refer note 13) | 173.02 | 217.29 |
| Total debts (A) | 3,392.32 | 3,678.81 |
| Capital components | | |
| Equity share capital (refer note 16) | 128.81 | 128.70 |
| Other equity (refer note 17) | 2,061.42 | 1,771.71 |
| Total Capital (B) | 2,190.23 | 1,900.41 |
| Capital and borrowings (C = (A+B)) | 5,582.55 | 5,579.22 |
| Gearing ratio (D=(A/C)) | 61% | 66% |

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2019 and March 31, 2018.

49. Disclosures on Financial instruments

This section gives an overview of the significance of financial instruments for the Group and provides additional information on balance sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.2(b) and 2.2(o), to the financial statements.

(a) Financial assets and liabilities

The following tables presents the carrying value and fair value of each category of financial assets and liabilities as at March 31, 2019 and March 31, 2018 (excluding those pertaining to discontinued operations, refer note 41)

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As at March 31, 2019

(₹ in million)

| Particulars | Fair value through statement of profit or loss | Derivative instruments not in hedging relationship | Amortised cost | Total fair value | Total carrying value |
|---|--|--|-----------------|------------------|----------------------|
| Financial assets | | | | | |
| (i) Investments (other than investments in associates and joint ventures) | 20.55 | - | 61.93 | 82.48 | 82.48 |
| (ii) Trade receivables | - | - | 2,846.56 | 2,846.56 | 2,846.56 |
| (iii) Cash and cash equivalents | - | - | 173.02 | 173.02 | 173.02 |
| (iv) Bank balances other than cash and cash equivalents | - | - | 379.73 | 379.73 | 379.73 |
| (v) Other financial assets | - | - | 1,143.19 | 1,143.19 | 1,143.19 |
| Total | 20.55 | - | 4,604.43 | 4,624.98 | 4,624.98 |
| Financial liabilities | | | | | |
| (i) Borrowings | - | - | 3,565.34 | 3,565.34 | 3,565.34 |
| (ii) Trade payables | - | - | 1,446.54 | 1,446.54 | 1,446.54 |
| (iii) Derivative instrument - Interest rate swap | - | 0.16 | - | 0.16 | 0.16 |
| (iv) Put option liability | - | 271.97 | - | 271.97 | 271.97 |
| (v) Other financial liabilities | - | - | 258.35 | 258.35 | 258.35 |
| Total | - | 272.13 | 5,270.23 | 5,542.36 | 5,542.36 |

As at March 31, 2018

(₹ in million)

| Particulars | Fair value through statement of profit or loss | Derivative instruments not in hedging relationship | Amortised cost | Total fair value | Total carrying value |
|---|--|--|-----------------|------------------|----------------------|
| Financial assets | | | | | |
| (i) Investments (other than investments in associates and joint ventures) | 26.78 | - | 64.50 | 91.28 | 91.28 |
| (ii) Trade receivables | - | - | 2,399.50 | 2,399.50 | 2,399.50 |
| (iii) Cash and cash equivalents | - | - | 217.29 | 217.29 | 217.29 |
| (iv) Bank balances other than cash and cash equivalents | - | - | 158.68 | 158.68 | 158.68 |
| (v) Other financial assets | - | - | 1,647.56 | 1,647.56 | 1,647.56 |
| Total | 26.78 | - | 4,487.53 | 4,514.31 | 4,514.31 |
| Financial liabilities | | | | | |
| (i) Borrowings | - | - | 3,896.10 | 3,896.10 | 3,896.10 |
| (ii) Trade payables | - | - | 1,875.27 | 1,875.27 | 1,875.27 |
| (iii) Derivative instrument - Interest rate swap | - | 0.08 | - | 0.08 | 0.08 |
| (iv) Put option liability | - | 283.24 | - | 283.24 | 283.24 |
| (v) Other financial liabilities | - | - | 131.09 | 131.09 | 131.09 |
| Total | - | 283.32 | 5,902.46 | 6,185.78 | 6,185.78 |

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(b) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3, as described below:

Quoted prices in an active market (Level 1): This level of hierarchy includes financial assets that are measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities. This category consists of investment in quoted equity shares, and mutual fund investments.

Valuation techniques with observable inputs (Level 2): This level of hierarchy includes financial assets and liabilities, measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Valuation techniques with significant unobservable inputs (Level 3): This level of hierarchy includes financial assets and liabilities measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

(₹ in million)

| Particulars | Fair value measurements at reporting date using | | | |
|---|---|---------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| March 31, 2019 | | | | |
| Financial assets | | | | |
| Investments (other than investments in associates and joint ventures) | 20.55 | - | - | 20.55 |
| Financial liabilities | | | | |
| Derivative instrument - Interest rate swap | 0.16 | - | 0.16 | - |
| Put option liability | 271.97 | - | - | 271.97 |
| March 31, 2018 | | | | |
| Financial assets | | | | |
| Investments (other than investments in associates and joint ventures) | 26.78 | - | - | 26.78 |
| Financial liabilities | | | | |
| Derivative instrument - Interest rate swap | 0.08 | - | 0.08 | - |
| Put option liability | 283.24 | - | - | 283.24 |

- (i) Short-term financial assets and liabilities are stated at carrying value which is approximately equal to their fair value.
- (ii) Foreign exchange forward contracts and interest rate swaps are fair valued using market observable rates and published prices together with forecasted cash flow information where applicable.
- (iii) Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of the amounts that the Group could have realised or paid in sale transactions as of respective dates. As such, fair value of financial instruments subsequent to the reporting dates may be different from the amounts reported at each reporting date.
- (iv) There have been no transfers between Level 1, Level 2 and Level 3 for the years ended March 31, 2019 and March 31, 2018.

(c) Financial risk management objectives and policies

In the course of its business, the Group is exposed primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Group has a risk management policy which not only covers the foreign exchange risks but also other risks associated with

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

the financial assets and liabilities such as interest rate risks and credit risks. The risk management policy is approved by the Board of Directors. The risk management framework aims to:

- (i) create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the Group's business plan.
- (ii) achieve greater predictability to earnings by Determining the financial value of the expected earnings in advance.

Market risk

Market risk is the risk of any loss in future earnings, in realisable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity price fluctuations, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

(a) Market risk- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

| (₹ in million) | | |
|----------------|-------------------------------------|-----------------------------|
| Particulars | Increase / decrease in basis points | Effect on profit before tax |
| March 31, 2019 | +50 | (9.61) |
| | -50 | 9.61 |
| March 31, 2018 | +50 | (11.16) |
| | -50 | 11.16 |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

(b) Market risk- Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

Foreign currency exposure

The following table demonstrate the unhedged exposure in USD / EURO exchange rate as at March 31, 2019 and March 31, 2018. The Group's exposure to foreign currency changes for all other currencies are not material.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

(Amount in million)

| Particulars | Currency | March 31, 2019 | March 31, 2018 |
|--|----------|----------------|----------------|
| Trade payables and borrowings (including short term borrowing and long term borrowing) | USD | (25.23) | (31.20) |
| Trade receivables and cash and cash equivalents | USD | 15.14 | 11.10 |
| Deferred sale consideration | USD | 1.32 | - |
| Other current financial assets | USD | 0.18 | - |
| Net assets / (liabilities) in USD in million | | (8.59) | (20.10) |
| Net assets / (liabilities) in ₹ in million | | (602.01) | (1,308.09) |

(Amount in million)

| Particulars | Currency | March 31, 2019 | March 31, 2018 |
|--|----------|----------------|----------------|
| Trade payables and borrowings (including short term borrowing and long term borrowing) | EUR | (2.21) | (1.36) |
| Trade receivables and cash and cash equivalents | EUR | 0.10 | 0.05 |
| Net assets / (liabilities) in EUR in million | | (2.11) | (1.31) |
| Net assets / (liabilities) in ₹ in million | | (163.21) | (105.63) |

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EURO exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

(₹ in million)

| Particulars | Change in currency | Effect on profit or loss | |
|-----------------------|--------------------|--------------------------|-----------|
| | | Strengthening | Weakening |
| March 31, 2019 | | | |
| USD | 5% | (30.10) | ₹30.10 |
| EURO | 5% | (8.16) | 8.16 |
| March 31, 2018 | | | |
| USD | 5% | (65.40) | 65.40 |
| EURO | 5% | (5.28) | 5.28 |

The sensitivity analysis has been based on the composition of the Group's financial assets and liabilities at March 31, 2019 and March 31, 2018 of entities within the Group having exposure other than their functional currency. The period end balances are not necessarily representative of the average debt outstanding during the period.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial instruments that are subject to credit risk and concentration thereof principally consist of trade receivables, investments, cash and cash equivalents and derivatives.

The carrying value of financial assets represents the maximum credit risk. The maximum exposure to credit risk was ₹ 4,624.98 million and ₹ 4,514.31 million as at March 31, 2019 and March 31, 2018, respectively, being the total carrying value of trade receivables, balances with bank, bank deposits, investments (other than investments in associates and joint ventures) and other financial assets (excluding assets held for disposal).

Customer credit risk is managed by each entity / business unit based on the Group's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date on an individual basis for major customers. The Group does not hold collateral as security.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

With respect to Trade receivables, the Group has constituted the terms to review the receivables on periodic basis and to take necessary mitigations, wherever required. The Group creates allowance for all unsecured receivables based on lifetime expected credit loss based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and rates used in the provision matrix.

Credit risk from balances with bank and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Group have made certain strategic investments which have been approved by the Board of Directors.

Liquidity risk

Liquidity risk refers to the risk that the Group cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group has obtained fund and non-fund based working capital limits from various banks. The Group invests its surplus funds in bank fixed deposit, which carry no or low market risk.

The Group monitors its risk of a shortage of funds on a regular basis. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, etc. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be medium.

The following table shows a maturity analysis of the anticipated cash flows excluding interest obligations for the Group's financial liabilities on an undiscounted basis, which therefore differ from both carrying value and fair value. Floating rate interest is estimated using the prevailing interest rate at the end of the reporting period.

| (₹ in million) | | | | |
|-----------------------------|-----------------|-----------------|-----------|-----------------|
| Particulars | 0-1 years | 1 to 5 years | > 5 years | Total |
| March 31, 2019 | | | | |
| Borrowings | 2,703.38 | 861.96 | - | 3,565.34 |
| Trade payables | 1,446.54 | - | - | 1,446.54 |
| Other financial liabilities | 258.35 | 272.13 | - | 530.48 |
| | 4,408.27 | 1,134.09 | - | 5,542.36 |
| March 31, 2018 | | | | |
| Borrowings | 2,944.03 | 952.07 | - | 3,896.10 |
| Trade payables | 1,875.27 | - | - | 1,875.27 |
| Other financial liabilities | 131.09 | 283.32 | - | 414.41 |
| | 4,950.39 | 1,235.39 | - | 6,185.78 |

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

50 Disclosure under IndAS 115

a) Timing of rendering of services

| Particulars | Performance obligation satisfied at point in time | Performance obligation satisfied over time* | Total |
|--|---|---|-----------------|
| Sale of products (including excise duty) | 5,349.71 | - | 5,349.71 |
| Sale of services | - | 3,270.70 | 3,270.70 |
| Management fees | - | 124.99 | 124.99 |
| Other operating revenues | - | 529.97 | 529.97 |
| Interest income on bank deposits | - | 9.79 | 9.79 |
| Interest Income - Others | - | 19.20 | 19.20 |
| Total | 5,349.71 | 3,954.65 | 9,304.36 |

* The Group recognises revenue from these sources over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

b) Contract Balances

(₹ in million)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|----------------|----------------|
| Receivables | | |
| - Current (Gross) | 2,941.27 | 2,426.90 |
| - Provision for impairment loss (current) | (94.71) | (27.40) |
| Contract assets:* | | |
| Unbilled revenue | | |
| - Current | 589.37 | 887.67 |
| Contract Liabilities* | | |
| Deferred / unearned revenue | | |
| - Current | 179.66 | 378.85 |
| Advance received from customers | | |
| - Current | 943.04 | 721.59 |

*A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are transferred to receivables when the rights become unconditional and contract liabilities are recognized as and when the performance obligation is satisfied.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract

c) Revenue recognised during the year from the performance obligation satisfied upto previous year (arising out of contract modifications) amounts to ₹ Nil

51. Previous year numbers have been reclassified/regrouped wherever necessary to confirm to current year classifications. The management believes that such reclassifications of items are not material as they would, individually or collectively, not influence the economic decisions that users make on the basis of the financial statements.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

52. Hedging activities and derivatives

The Group uses foreign exchange forward contracts and interest rate swaps to manage some of its transaction exposures. These derivative instruments are not designated as cash flow / fair value hedges and are entered into for periods consistent with foreign currency exposure of underlying transactions. The Group does not hold or issue derivative financial instruments for trading purposes. All transactions in derivative financial instruments are undertaken to manage risks arising from underlying business activities.

| Particulars | (₹ in million) | |
|--|----------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Derivative instrument - Interest rate swap (refer note 20) | 0.16 | 0.08 |

53. Standards issued but not yet effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IndAS 116

IndAS 116 Leases was notified in March 2019 and it replaces IndAS 17 Leases. IndAS 116 is effective for annual periods beginning on or after 1st April, 2019. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IndAS 17. Lessor accounting under IndAS 116 is substantially unchanged from today's accounting under IndAS 17. IndAS 116 requires lessees and lessors to make more extensive disclosures than under IndAS 17. The Group is in the process of evaluating the requirements of the standard and its impact on its financial statements.

IndAS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in statement of profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Group does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with IndAS 12.

The amendment to Appendix C of IndAS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IndAS 12. It outlines the following:

- (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty
- (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount
- (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Group does not expect any significant impact of the amendment on its financial statements.

IndAS 109 – Prepayment Features with Negative Compensation

The amendments relate to the existing requirements in IndAS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Group does not expect this amendment to have any impact on its financial statements.

Notes to the Consolidated IndAS Financial Statements

for the year ended March 31, 2019

IndAS 19 – Plan Amendment, Curtailment or Settlement

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group does not expect this amendment to have any significant impact on its financial statements.

IndAS 23 – Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Group does not expect any impact from this amendment.

IndAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IndAS 109 Financial Instruments, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Group does not currently have any such long-term interests in associates and joint ventures.

IndAS 103 – Business Combinations and IndAS 111 - Joint Arrangements

The amendments to IndAS 103 relating to re-measurement clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to IndAS 111 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business. The Group does not expect any impact from this amendment.

- 54.** Certain amounts (currency value or percentages) shown in the various tables and paragraphs included in these consolidated financial statements have been rounded off or truncated as deemed appropriate by the management of the Group.

As per our report of even date.

For **S.R. Batliboi & Associates LLP**
ICAI Firm registration number: 101049W/E300004
Chartered Accountants

per Sandeep Karnani

Partner
Membership number: 061207

Place : Bengaluru

Date : May 29, 2019

For and on behalf of Board of Directors of
Centum Electronics Limited

Apparao V Mallavarapu

Chairman and Managing Director
DIN: 00286308

Nagaraj K V

Company Secretary

Place : Bengaluru

Date : May 29, 2019

S. Krishnan

Director
DIN: 01807344

K.S. Desikan

Chief Financial Officer



Centum Electronics Limited

Corporate Identity Number (CIN) - L85110KA1993PLC013869

Registered Office: No.44, KHB Industrial Area, Yelahanka New Town, Bangalore - 560 106

Tel. No: +91 80 4143 6000 Fax No: +91 80 4143 6005

Email: investors@centumelectronics.com Website: www.centumelectronics.com

Notice of the 26th Annual General Meeting

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of **Centum Electronics Limited** will be held on Tuesday, August 13, 2019 at 11.00 a.m. at Chambers Hall, Hotel 'Radisson Blu Atria Bengaluru', No.1, Palace Road, Bengaluru 560 001 to transact the following business:

ORDINARY BUSINESS

Item No.1 – Adoption of Financial Statements

To consider and adopt the standalone and consolidated audited financial statements of the Company for the financial year ended March 31, 2019, including the Audited Balance Sheet and the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.

Item No.2 – Declaration of Dividend

To declare a final Dividend of ₹4.00 per equity share (i.e. 40%) of ₹10/- each and to confirm the payment of interim Dividend of Re.1.00 per equity share (i.e. 10%) of ₹10/- each paid during the financial year 2018-19.

Item No.3 – Retirement of Director by rotation

To appoint a Director in place of Dr. Swarnalatha Mallavarapu (DIN: 00288771), who retires by rotation and being eligible, offers herself for the re-appointment.

SPECIAL BUSINESS

Item No.4 – Remuneration payable to the Cost Auditors

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

“RESOLVED THAT pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. K.S. Kamalakara & Co., Cost Accountants (Registration No. 10625), appointed as Cost Auditors by the Board of Directors to audit the cost records of the Company for the financial year 2019–20, be paid a remuneration of ₹ 1,00,000 (Rupees One Lakh) per annum plus applicable taxes and out-of-pocket expenses that may be incurred during the course of audit.

RESOLVED FURTHER THAT the Board of Directors and Company Secretary & Compliance Officer of the Company be and

are hereby severally authorised to do all such acts, deeds and things as may be necessary, proper or expedient to give effect to this resolution.”

Item No.5 – Re-appointment of Mr. Pranav Kumar N Patel (DIN: 06784801) as an Independent Director of the Company

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 (“Act”) and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Regulation 17 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Mr. Pranav Kumar N Patel (DIN: 06784801), Independent Director of the Company who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in respect of whom the Company has received a notice in writing from a Member under Section 160(1) of the Act proposing his candidature for the office of Director and who is eligible for re-appointment, be and is hereby re-appointed as an Independent Director of the Company to hold office for second term of five consecutive years commencing from April 1, 2019 to March 31, 2024 or till such earlier date to conform with the policy on retirement and as may be determined by any applicable statutes, rules, regulations or guidelines and whose office shall not be liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors and Company Secretary & Compliance Officer of the Company be and are hereby severally authorised to do all such acts, deeds and things as may be necessary, proper or expedient to give effect to this resolution.”

Item No.6 – Re-appointment of Mr. S. Krishnan (DIN: 01807344) as an Independent Director of the Company

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 (“Act”) and the Companies (Appointment and

Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Regulation 17 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Mr. S Krishnan (DIN: 01807344), Independent Director of the Company who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in respect of whom the Company has received a notice in writing from a Member under Section 160(1) of the Act proposing his candidature for the office of Director and who is eligible for reappointment, be and is hereby re-appointed as an Independent Director of the Company to hold office for second term of five consecutive years commencing from April 1, 2019 to March 31, 2024 or till such earlier date to conform with the policy on retirement and as may be determined by any applicable statutes, rules, regulations or guidelines and whose office shall not be liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors and Company Secretary & Compliance Officer of the Company be and are hereby severally authorised to do all such acts, deeds and things as may be necessary, proper or expedient to give effect to this resolution."

**By Order of the Board of Directors
For Centum Electronics Limited**

**Nagaraj K V
Company Secretary
& Compliance Officer**

**Place: Bengaluru
Date: May 29, 2019**

Registered Office:
No.44, KHB Industrial Area
Yelahanka New Town
Bangalore – 560 106
CIN: L85110KA1993PLC013869

NOTES:

1. The Statement pursuant to Section 102 (1) of the Companies Act, 2013 with respect to the Special Business set out in the Notice is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS / HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total share capital of the Company. Members holding more than ten percent of the total share capital of

the Company may appoint a single person as proxy, who shall not act as proxy for any other Member.

3. The instrument of proxy, in order to be effective, should be deposited at the Registered Office of the Company duly completed and signed, not later than 48 hours before the commencement of the meeting. A proxy form is annexed to this Report. Proxies submitted on behalf of corporates, limited liability partnerships, societies etc., must be supported by an appropriate resolution/authority, as applicable.
4. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.
5. Members attending the Annual General Meeting are requested to bring the following with them (as applicable):
 - a) Members holding shares in dematerialized form, their DP & Client ID Number(s).
 - b) Members holding shares in physical form, their folio number,
 - c) Copy of the Annual Report & Notice (2018-19).
 - d) The Attendance Slip duly completed & signed in terms of specimen signature lodged with the Company.
 - e) Member companies/Institutions are requested to send a copy of the resolution of their Board/Governing Body, authorizing their representative to attend and vote at the Annual General Meeting.
6. 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 Annual General Meeting.
7. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
8. The Company has fixed Friday, August 02, 2019 as Record Date for determining the members eligible for Dividend on Equity Shares, if declared at the Annual General Meeting.
9. Subject to the provisions of the Companies Act, 2013, dividend as recommended by the Board of Directors, if approved by the members will be paid on or before Tuesday, September 10, 2019 to those members who names appear in the Register of Members on the Record Date.
10. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and

updates of savings bank account details to their respective Depository Participant(s). Members holding Shares in physical form are requested to advise any change of address or bank details immediately to our Registrars and Transfer Agent, Karvy Fintech Private Limited. Members are also encouraged to utilize the Electronic Clearing System (ECS) for receiving dividends.

11. Members are requested to send all communications relating to Shares including dividend matters to our Registrar and Share Transfer Agents at the following address:

Karvy Fintech Private Limited
Unit: Centum Electronics Limited
Karvy Selenium Tower B, Plot no. 31 & 32,
Financial District Nanakramguda, Serilingampally Mandal,
Hyderabad – 500 032
Ph No.: +91 40 6716 2222, Fax No.: 040-2300 1153
Toll Free No. 1800 3454 001, Email: einward.ris@karvy.com

12. Members are requested to note that the dividends not encashed or claimed within 7 (seven) years from the date of transfer to the Unpaid Dividend Account, will as per Section 124 of the Companies Act, 2013, respective shares lying in the pool account and unpaid dividend amount be transferred to the Investor Education and Protection Fund. Members who haven't encashed or claimed the dividend for the earlier years are requested to approach the Company / Registrar & Transfer Agents and whose shares transferred to IEPF can claim by making an application in form IEPF-5 to IEPF Authority through Companies Nodal Officer and Registrar & Transfer Agents at the earliest.
13. The Company is concerned about the environment and utilizes natural resources in a sustainable way. Members who have not registered their email addresses with their Depository Participants are requested to register their email address so that they can receive the Annual Report and other communication from the Company electronically. Members who wish to receive a physical copy of the Annual Report may write to the Company Secretary at the registered office or send an email to investors@centumelectronics.com. The Annual Report can also be downloaded from the investors section of the Company's website <https://www.centumelectronics.com>.
14. Copies of the Annual Report 2018 are being sent by electronic mode only to all the members whose email addresses are registered with the Company / Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email addresses, physical copies of the Annual Report 2018-19 are being sent by the permitted mode.

15. Additional information pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of the Directors seeking appointment/ re-appointment at the Annual General Meeting is furnished and forms a part of the Notice. The Directors have furnished the requisite consents / declarations for their appointment/ re-appointment.
16. The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding Shares in electronic form are, therefore, requested to submit their PAN to their Depository Participant(s). Members holding Shares in physical form shall submit their PAN details to the Registrar & Transfer Agents / Company.
17. All documents referred to in the Notice will be available for inspection at the Company's registered office during normal business hours on working days up to the date of the Annual General Meeting.
18. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014 and in compliance with the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, it is mandatory to extend to the Members of the Company, the facility to vote at the Annual General Meeting (AGM) by electronic means. Members of the Company can transact all the items of the business through electronic voting system as contained in the Notice of the Meeting.
19. The Company has appointed Mr. S.P. Nagarajan, Practising Company Secretary (Membership No. ACS 10028), who in the opinion of the Board is a duly qualified person, as a Scrutinizer who will collate the electronic voting process in a fair and transparent manner. The Scrutinizer shall within a period of three (3) working days from the date of conclusion of e-voting period, submit his report of the votes cast in favour or against, if any, to the Chairman of the Company. The result of the same will be disclosed at the Annual General Meeting proceedings. The e-voting results will also be uploaded in the website of the Company <https://www.centumelectronics.com>.
20. The Route Map of the venue of the Annual General Meeting forms part of this Notice and is published in the Annual Report of the Company.
21. The Company has entered into an agreement with Karvy Fintech Private Limited (Karvy) for facilitating e-voting for the Annual General Meeting. The instructions for e-voting are as follows:
- A.** In case a Member receives an e-mail from Karvy (for Members whose e-mail addresses are registered with the Company/Depositories):

- i. Launch internet browser by typing the URL <https://evoting.karvy.com>
 - ii. Enter the login credentials (i.e., User ID and password mentioned below). Event No. followed by Folio No./ DP ID-Client ID will be your User ID. However, if you are already registered with the Karvy for e-voting, you can use your existing User ID and password for casting your vote.
 - iii. After entering these details appropriately, Click on "LOGIN".
 - iv. You will now reach the password change menu wherein you are required to mandatorily change your password. The new password shall comprise of 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$,etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
 - v. You need to login again with the new credentials.
 - vi. On successful login, the system will prompt you to select the "EVENT" i.e., Centum Electronics Limited.
 - vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut off Date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the shareholder does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
 - viii. Shareholders holding multiple folios/demat accounts shall choose the voting process separately for each folios/demat accounts.
 - ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
 - x. You may then cast your vote by selecting an appropriate option and click on "Submit".
 - xi. A confirmation box will be displayed. Click on "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).
 - xii. Corporate/Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/Authority letter, etc., together with attested specimen signature of the duly authorized signatory (ies) who are authorized to vote, to the Scrutinizer through e-mail to cs@nagarajsp818.com.
 - xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) - Shareholders and e-voting user manual - Shareholders, available at the downloads section of www.evoting.karvy.com.
 - xiv. The e-voting period commences on Saturday, August 10, 2019 at 9.00 a.m. to Monday, August 12, 2019 at 5.00 p.m. During this period, the Members of the Company holding shares in physical form or in dematerialized form, as on the cut-off date being Wednesday, August 7, 2019, may cast their vote by electronic means in the manner and process set out hereinabove. The e-voting module shall be disabled for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently. Further, the Members who have cast their vote electronically shall not vote by way of poll, if held at the Meeting.
 - xv. In case a person has become the Member of the Company after the dispatch of AGM Notice but on or before the cut-off date i.e., August 7, 2019, may write to Karvy on the email id: shivakumar.n@karvy.com or to Mr. Shivakumar, Contact No. 040-67161653 or at 18003454001 (toll free), at [Unit: Centum Electronics Limited] Karvy Fintech Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032, requesting for the User ID and Password. After receipt of the above credentials, please follow all the steps from Sl. No. (i) to (xii) as mentioned in (A) above, to cast the vote.
- B.** In case a Member receives physical copy of the Notice of AGM (for Members whose email addresses are not registered with the Company/Depositories):
- i. User ID and and initial password as provided separately along with the Notice.
 - ii. Please follow all steps from Sl. No. (i) to (xii) as mentioned in (A) above, to cast your vote.

**By Order of the Board of Directors
For Centum Electronics Limited**

**Place: Bengaluru
Date: May 29, 2019**

**Nagaraj K V
Company Secretary &
Compliance Officer**

Explanatory Statement pursuant to Section 102 of the Companies Act, 2013

Pursuant to Section 102 of the Companies Act, 2013 ('the Act'), the following Explanatory Statement sets out all material facts relating to the business mentioned from Item No. 4 to Item No. 6 of the accompanying Notice dated May 29, 2019:

Item No. 4:

The provisions of Section 148 of the Companies Act, 2013 and the Companies (Cost Records and Audit) Rules, 2014 mandates the Company to get its cost records audited every year. The Board of Directors have considered the appointment of M/s. K.S. Kamalakara & Co., Cost Accountants (Registration No. 10625) as the Cost Auditors of the Company for the financial year 2019-20 at a remuneration of ₹ 1,00,000/- (Rupees One Lakh) apart from applicable taxes and out-of-pocket expenses, if any.

Ratification of remuneration payable to Cost Auditors needs to be done by the Shareholders of the Company in terms of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014. Due to which consent of the Members is sought for ratification of the remuneration payable to the Cost Auditors for the financial year 2019-20.

The Board of Directors recommends the Ordinary Resolution as set out in Item No. 4 of the Notice for the approval of the Shareholders.

None of the Promoters, Directors, Key Managerial Personnel or their relatives are interested, financial or otherwise, if any in the Resolution No. 4 of the accompanying Notice except to the extent of their Shareholding, if any in the Company.

Item No. 5 & 6:

Mr. Pranav Kumar N Patel (DIN: 06784801) and Mr. S Krishnan (DIN: 01807344) were appointed as Independent Directors on the Board of the Company pursuant to the provisions of Section 149 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and the erstwhile Clause 49 of the Listing Agreement with the Stock Exchanges to hold office as an Independent Directors of the Company up to March 31, 2019 ("first term" in line with the explanation to Sections 149(10) and 149(11) of the Companies Act, 2013).

Mr. Pranav Kumar N Patel and Mr. S Krishnan are being eligible for re-appointment for a second term on the Board of the Company as an Independent Directors, not liable to retire by rotation, effective from April 1, 2019 to March 31, 2024, subject to approval of the Shareholders by a Special Resolution.

The Board, based on the recommendations of the Nomination and Remuneration Committee and given their background, experience and contributions made by them, is in the opinion that the continued association of Mr. Pranav Kumar N Patel and Mr. S Krishnan, would be beneficial to the Company and accordingly, it is desirable to continue to avail their services as Independent Directors of the Company.

The Company has received a declaration from Mr. Pranav Kumar N Patel and Mr. S Krishnan as Independent Directors of the Company, confirming that they meets the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time. Further, they are not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given their consent to act as Directors of the Company.

Details of Directors whose re-appointment as Independent Directors is proposed at Item Nos. 5 and 6 are provided in the "Annexure" to the Notice pursuant to the Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable provisions.

None of the Directors or the Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in this resolutions except to the extent of their shareholding (if any) and Directorship in the Company, being an appointee in their respective resolutions.

The Board of Directors of the Company in their Board Meeting held on May 29, 2019 have approved the above proposal and recommends the Special Resolutions set- out in Item No. 5 and 6 of the Notice for approval by the Shareholders.

The Directors recommends Resolutions No. 5 and 6 of the Notice for consent and approval by the Shareholders as **Special Resolutions**.

**By Order of the Board of Directors
For Centum Electronics Limited**

**Place: Bengaluru
Date: May 29, 2019**

**Nagaraj K V
Company Secretary &
Compliance Officer**

Details of the Directors seeking re-appointment at the 26th Annual General Meeting {Pursuant to Regulation 36 of the SEBI (LODR) Regulations, 2015}

1. Dr. Swarnalatha Mallavarapu:

| Name of the Director | Dr. Swarnalatha Mallavarapu |
|----------------------|-----------------------------|
| Date of birth | 12.10.1956 |
| Age (in years) | 63 |
| Date of appointment | 26.03.2015 |

Qualifications:

Dr. Swarnalatha Mallavarapu (Latha) received her Ph.D. in Physics and worked in some of the premier research institutes in India and the US. The major research Labs she worked at are, The US Air Force Weapons Labs in Albuquerque, the Indian Institute of Science in Bangalore and the R&D division of Bharat Electronics Limited. She is an Alumnus of the Indian Institute of Science. Her research in thin films and devices for applications such as optical Coatings, super conducting coatings, magnetic memory devices, etc., have been well recognized. Her work has been published in several reputed international and national scientific journals and conferences.

| | |
|---|---|
| No. of shares held in the Company | 3,69,150 |
| List of companies in which Directorship held as on March 31, 2019 | 1. Centum Electronics Limited 2. Centum Industries Private Limited |
| Chairman/Member of the mandatory Committees of the Board of the companies on which she is a Director as on March 31, 2019. (includes only Audit Committee & Stakeholders' Relationship Committee) | NIL |

Expertise in specific functional areas:

Dr. Latha spent time as a Consultant to Industries in the US such as Coretek in Boston and X-Media Corporation and Wyrnet in California, before she established Centum Industries in the year 2004.

Dr. Latha was also a government nominated member of the Syndicate of Bangalore University (2001 to 2004), which is the executive body of the University administration. She has actively contributed in the execution of reforms

and policies, having taken on various leadership roles, to evolve proper systems and processes in the University administration.

Furthermore, she was on the board of directors for the Bangalore Stock Exchange. She has also held many positions in FICCI Ladies Organization (FLO) including serving as the senior vice chair of the Karnataka Chapter.

2. Mr. Pranav Kumar N Patel:

| Name of the Director | Mr. Pranav Kumar N Patel |
|----------------------|--------------------------|
| Date of birth | 25.03.1978 |
| Age (in years) | 41 |
| Date of appointment | 28.01.2014 |

Qualifications:

Mr. Pranav holds a bachelor's degree with honors in electrical engineering from the University of Illinois @ Urbana – Champaign, a master's degree in electrical and computer engineering and a second master's degree in industrial engineering from the Georgia Institute of Technology. He obtained his MBA degree from the Georgia State University.

| | |
|--|---|
| No. of shares held in the Company | NIL |
| List of companies in which Directorship held as on March 31, 2019 | 1. Centum Electronics Limited |
| Chairman/Member of the mandatory Committees of the Board of the companies on which he is a Director as on March 31, 2019. (includes only Audit Committee & Stakeholders' Relationship Committee) | 1. Audit Committee – Centum Electronics Ltd |

Expertise in specific functional areas:

Mr. Pranav is a well accomplished business leader, a thought leader and an early innovator. He is founder and CEO of MediTechSafe. Mr. Pranav held various executive leadership roles across multiple industries including Healthcare, Aviation, Energy, Batteries, Manufacturing & Automation Systems and Wireless / Semiconductor with fortune 500 companies like GE and Siemens. Mr. Pranav has co-authored six patents.

3. Mr. S Krishnan:

| | |
|-----------------------------|-----------------------|
| Name of the Director | Mr. S Krishnan |
| Date of birth | 14.05.1946 |
| Age (in years) | 73 |
| Date of appointment | 11.09.2007 |

Qualifications:

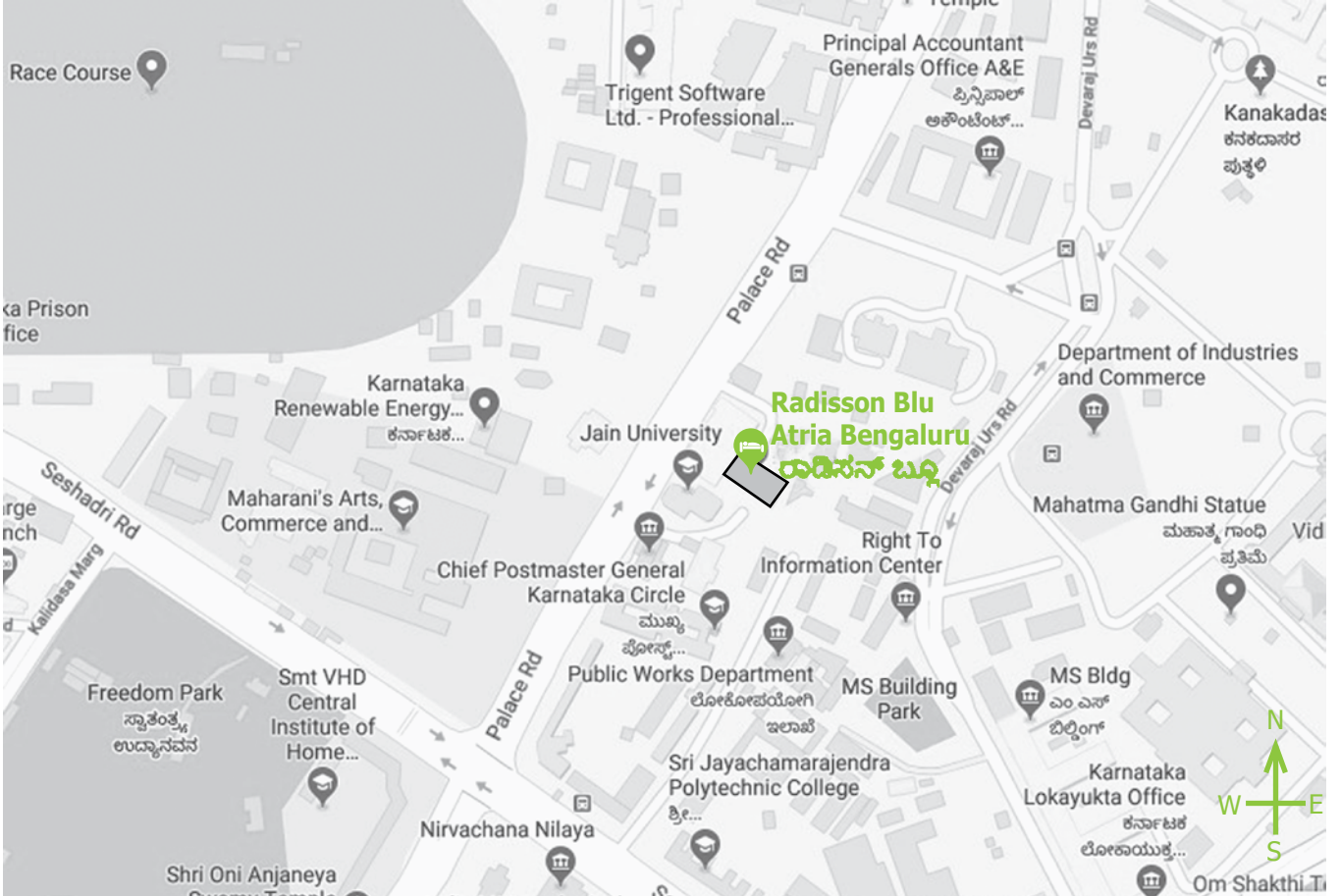
Mr. S Krishnan has received B.Tech from IIT, Madras and M.E. from IISC, Bangalore.

| | |
|--|---|
| No. of shares held in the Company | 83 |
| List of companies in which Directorship held as on March 31, 2019 | 1. Centum Electronics Limited |
| Chairman/Member of the mandatory Committees of the Board of the companies on which he is a Director as on March 31, 2019. (includes only Audit Committee & Stakeholders' Relationship Committee) | 1. Audit Committee – Centum Electronics Ltd 2. Stakeholders' Relationship Committee – Centum Electronics Ltd |

Expertise in specific functional areas:

Mr. Krishnan has 33 years of rich experience in the areas of Design, Manufacturing Process Technology and Quality Assurance. He served as the head of Design and Engineering at Centum since its inception till his retirement in 2004. Mr. Krishnan served in the microelectronics group of Bharat Electronics Limited (BEL) prior to joining Centum.

Route Map to AGM Venue





Centum Electronics Limited

Corporate Identity Number (CIN) - L85110KA1993PLC013869

Registered Office: No.44, KHB Industrial Area, Yelahanka New Town, Bangalore - 560 106

Tel. No: +91 80 4143 6000 Fax No: +91 80 4143 6005

Email: investors@centumelectronics.com Website: www.centumelectronics.com

ATTENDANCE SLIP

26TH ANNUAL GENERAL MEETING

Name and Registered
Address of the Shareholder :

Name(s) of the Joint
Shareholder(s) if any :

Registered Folio No./
DP ID and Client ID :

Name of the Proxy/
Representative, if any :

Signature of Member(s)/
Proxy :

Signature of the
Representative :

I/We hereby record my presence at the 26th Annual General Meeting of the Company held on Tuesday, August 13, 2019 at 11.00 a.m. at Chambers Hall, Hotel 'Radisson Blu Atria Bengaluru', No.1, Palace Road, Bengaluru – 560 001.



Centum Electronics Limited

Corporate Identity Number (CIN) - L85110KA1993PLC013869

Registered Office: No.44, KHB Industrial Area, Yelahanka New Town, Bangalore - 560 106

Tel. No: +91 80 4143 6000 Fax No: +91 80 4143 6005

Email: investors@centumelectronics.com Website: www.centumelectronics.com

Form No. MGT-11

Proxy Form

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

| | |
|-----------------------|--|
| Name of the Member(s) | |
| Registered Office | |
| E-mail Id | |
| Folio No /Client ID | |
| DP ID | |

I/We, being the member(s) of shares of the above named company. Hereby appoint

| | |
|------------|--|
| Name : | |
| Address: | |
| E-mail Id: | |

Signature, or failing him

| | |
|------------|--|
| Name : | |
| Address: | |
| E-mail Id: | |

Signature, or failing him

| | |
|------------|--|
| Name : | |
| Address: | |
| E-mail Id: | |

Signature, or failing him

as my/ our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held on Tuesday, August 13, 2019 at 11.00 a.m. at Chambers Hall, Hotel 'Radisson Blu Atria Bengaluru', No.1, Palace Road, Bengaluru 560 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Sl. No. | Resolutions | VOTE (PLEASE MARK (✓) AND NO. OF SHARES) | |
|--------------------------|--|--|---------|
| | | For | Against |
| Ordinary Business | | | |
| 1 | Adoption of Financial Statements | | |
| 2 | Declaration of Dividend | | |
| 3 | Retirement of Director by rotation | | |
| Special Business | | | |
| 4 | Remuneration payable to the Cost Auditors | | |
| 5 | Re-appointment of Mr. Pranav Kumar N Patel (DIN: 06784801) as an Independent Director of the Company | | |
| 6 | Re-appointment of Mr. S. Krishnan (DIN: 01807344) as an Independent Director of the Company | | |

Signed this day of2019

Signature of the Member Signature of Proxyholder(s)

| |
|---------------------------|
| Affix Revenue Stamp |
|---------------------------|

Notes:

1. This Form in order to be effective should be duly filled, stamped, signed and deposited at the Registered Office of the Company at No.44, KHB Industrial Area, Yelahanka New Town, Bangalore – 560 106, not less than 48 hours before the commencement of the Meeting.
2. A proxy need not be a Member of the Company.
3. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Twenty Sixth Annual General Meeting of the Company.



Centum Electronics Limited

Corporate Identity Number (CIN) - L85110KA1993PLC013869

Registered Office: No.44, KHB Industrial Area, Yelahanka New Town, Bangalore - 560 106

Tel. No: +91 80 4143 6000 Fax No: +91 80 4143 6005

Email: info@centumelectronics.com Website: www.centumelectronics.com