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ADC India Communications Limited

2018-2019 Annual Report
Shaping the Future of Communications

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. S. Devarajan	- Chairman & Independent Director
Mr. J. N. Mylaraiah	- Managing Director
Mrs. Revathy Ashok	- Independent Director
Mr. Ravi Bosco Rebello	- Nominee Director

KEY MANAGERIAL PERSONNEL

Mr. J.N. Mylaraiah	- Managing Director
Mr. Rakesh Bhanushali	- Chief Financial Officer
Mr. R. Ganesh	- Company Secretary

Registered Office and Factory

485/8A & 8B, 14th Cross, 4th Phase
Peenya Industrial Area,
Bangalore – 560 058

Statutory Auditors

Deloitte Haskins & Sells
Chartered Accountants

Secretarial Auditors

M/s. V. Sreedharan and Associates
Company Secretaries

Internal Auditors

M/s. Gnanoba & Bhat
Chartered Accountants

Bankers

Bank of America
Canara Bank
Citibank NA

Registrar & Share Transfer Agents

Karvy Fintech Private Limited
Karvy Selenium Tower B
Plot No. 31-32, Financial District
Nanakramguda, Gachibowli
Hyderabad-500 032
Ph: 040-67161509 / 67161592
Fax: 040-23420814
E-mail: einward.ris@karvy.com

CORPORATE INFORMATION

BOARD OF DIRECTORS



From left to right – Mrs. Revathy Ashok (Independent Director),
Mr. S.Devarajan (Chairman & Independent Director),
Mr. J.N.Mylaraiah (Managing Director), Mr. Ravi Bosco Rebello (Nominee Director)

BOARD'S REPORT

To the Members,

The Board of Directors have pleasure in presenting the 31st Annual Report on the business and operations of your Company, along with the audited financial statements for the financial year ended March 31, 2019.

Financial Results

Key highlights of the financial results of your Company prepared as per the Indian Accounting Standards ("Ind AS") for the financial year ended March 31, 2019 are as under:

(Rs. in lakhs)

Particulars	Year ended 31st March 2019	Year ended 31st March 2018
Revenue from operations	8562.21	6544.41
Other Income	305.76	303.94
Total Revenue	8867.97	6848.35
Profit before depreciation and Tax	900.40	615.80
Depreciation	32.58	29.23
Profit before Tax	867.82	586.57
Tax Expense	281.49	232.86
Profit after Tax	586.33	353.71
Other Comprehensive Income	3.24	(6.59)
Total Comprehensive Income	589.57	347.12

FINANCIAL PERFORMANCE

In the financial year 2018-19 the overall revenue from operations grew by 31% over that of previous year. Revenue from the Telecommunication business declined by 18% and the revenue from IT-Networking (Enterprise network) business grew by 45% over that of previous year. Profit before tax for the year grew by 48% over that of previous year.

DIVIDEND

Pursuant to the approval of the Board of Directors on October 29, 2018, your Company had distributed an interim dividend of Rs.20.00 per equity share, of the face value of Rs.10/- each, to Members, who were on the Register of Members of the Company as on November 09, 2018 being the record date fixed for this purpose.

Your Directors have recommended a final dividend of Rs.4.00 per equity share, of the face value of Rs.10/-each, to be appropriated from the profits of the financial year ended March 31, 2019, subject to the approval by the Members at the ensuing Annual General Meeting.

STRATEGY AND OPERATIONS

Enterprise network market growth continues to improve, but the pressure on profitability continues with greater competition across each of the market segment. The Telecom front continues to grapple with fewer orders and pressure on margins in the market place for every single Opportunity. Your Company foresee continued growth in Enterprise network market in the next few years and another challenging year for the Telecom sector, which continue to be volatile.

Your Company do see continues growth in Fiber Business over copper due to multifold increase in Bandwidth requirements, with denser wireless & deeper fiber deployments across all infrastructure projects. With increase in Smart Building, your Company do see a growth in Category 6A cabling system being deployed across the network with the Digital ceiling concept.

With stable Government in place, policy & decision-making is expected to improve in coming years. Market is expected to improve driven by investments in Infrastructure projects, Defence sector, E-commerce, Digital India & Smart city initiatives. Your Company will be able to favorably participate in the areas of its strength within each Opportunity as the market activities picks up.

During the year, your company continued its focus on growing revenues and profitability. Apart from outsourcing its major portion of manufacturing operations, the Company continued to look at other ways of cost reduction to be competitive in the market place.

DIRECTORS

Mr.Ravi Bosco Rebello retires by rotation at the ensuing Annual General Meeting of the Company, and being eligible offers himself for re-appointment.

The Members of the Company at the 26th Annual General Meeting held on August 08, 2014 had appointed Mr. J.N.Mylaraiah as Managing Director of the Company for a term of five years ending on March 31, 2019. The Board of Directors, based on the

recommendation of the Nomination & Remuneration Committee, have at their meeting held on February 11, 2019 re-appointed Mr. J.N.Mylaraiah as the Managing Director of the Company for a further term of five years with effect from April 01, 2019 to March 31, 2024.

The Members of the Company at the 26th Annual General Meeting held on August 08, 2014 had appointed Mr. S. Devarajan and Mrs. Revathy Ashok as Independent Directors of the company for a term of five years ending on March 31, 2019 ("first term"). The Board of Directors, based on the recommendation of the Nomination & Remuneration Committee, have at their meeting held on February 11, 2019 re-appointed Mr.S.Devarajan and Mrs. Revathy Ashok as Independent Directors of the Company for a second term of five consecutive years from April 01, 2019 to March 31, 2024.

Brief details of Mr.Ravi Bosco Rebello, Mr. J.N.Mylaraiah, Mr. S. Devarajan and Mrs. Revathy Ashok who are proposed to be re-appointed is furnished in the Explanatory Statement to the Notice of the 31st Annual General Meeting.

KEY MANAGERIAL PERSONNEL

There were no changes in the Key Managerial Personnel of the Company during the year.

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declarations from all the Independent Directors of the company, confirming that they meet the criteria of independence as provided under section 149(6) of the Companies Act, 2013 and under the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

BOARD MEETINGS

Seven Board meetings were held during the financial year 2018-19 on April 19, 2018, May 23, 2018; July 18, 2018; August 10, 2018; October 29, 2018; February 11, 2019 and March 25, 2019. The details of meetings held by various Committees of the Board are given in the Corporate Governance Report.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(3) (C) of the Companies Act, 2013, the Directors based on the information and representations received from the Company Management confirm that:

- a. In the preparation of Annual Accounts, the applicable Accounting Standards have been followed with no material departures;
- b. The Directors had selected such accounting

policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period ;

- c. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- d. The Directors had prepared the Annual Accounts on a 'going concern' basis;
- e. The Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and have been operating effectively; and
- f. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

DIRECTORS' APPOINTMENT AND REMUNERATION

Considering the requirements of the skill-sets on the Board, persons having professional expertise in their individual capacity as independent professionals and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination and Remuneration Committee for appointment of new Directors on the Board. The Non-Executive Independent Directors appointed on the Board are paid sitting fees for attending the Board and Board Committee Meetings. No other remuneration or commission is paid to the Non-Executive Independent Directors. Non-Executive Non-Independent Directors are neither paid any sitting fees nor paid any commission. The remuneration paid to the Managing Director is governed by the relevant provisions of the Companies Act, 2013, rules of the Company and Members approval.

AUDITORS AND AUDITORS' REPORT

At the 26th Annual General Meeting of the Company held on August 08, 2014 M/s. Deloitte Haskins & Sells, were appointed as the Statutory Auditors of the Company for a term of five years from the conclusion of this Annual General Meeting until the conclusion of the 31st Annual General Meeting. Consequently their term of appointment will expire on the conclusion of the forth coming 31st Annual General Meeting of the Company.

The Board of Directors, based on the recommendation of the Audit Committee, have at their meeting held on May 28, 2019 recommended the re-appointment of Deloitte Haskins & Sells as the Statutory Auditors of the Company for a period of three years commencing from the conclusion of the 31st Annual General Meeting of the Company. The re-appointment of M/s. Deloitte Haskins & Sells is being placed before the 31st Annual General Meeting for the Members approval.

The Auditors report does not contain any qualification, reservation or adverse remark.

SECRETARIAL AUDITORS AND SECRETARIAL AUDIT REPORT

Pursuant to the provisions of section 204 of the Companies, 2013 and the Rules made thereunder, M/s.V.Sreedharan and Associates, Practicing Company Secretaries were appointed as the Secretarial Auditors to conduct a secretarial audit of the Company's Secretarial and related records for the financial year 2018-19. The Secretarial Auditors' Report for the financial year ended March 31, 2019 is annexed to this Report as Annexure 1. The secretarial audit report does not contain any qualification, reservation or adverse remark.

CORPORATE SOCIAL RESPONSIBILITY

Pursuant to the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has spent an amount of Rs.12 lakhs towards various CSR Programs undertaken by the Company during the year. Education and Health were the focal areas during the year. The Annual Report on CSR activities in accordance with the Companies (Corporate Social Responsibility) Rules, 2014 is annexed to this Report as Annexure 2.

CORPORATE GOVERNANCE

Your Company has always practiced sound corporate governance and has complied with various provisions of Corporate Governance.

As required under Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Corporate Governance Report and the Statutory Auditors' Certificate regarding compliance of conditions of Corporate Governance forms part of the Annual Report.

INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to the applicable provisions of the Companies Act, 2013, read with the IEPF Authority

(Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules'), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF established by the Government of India, after the completion of seven years. Further, according to the Rules, the shares on which dividend has not been paid or claimed by the shareholders for seven consecutive years shall also be transferred to the demat account of the IEPF Authority

Accordingly, during the financial year 2018-19 unclaimed dividend amount of Rs.0.77 Lakhs pertaining to dividend declared for the financial year 2009-10 was transferred to the Investor Education and Protection Fund on April 12, 2018. Further, in terms of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended, the Company transferred the corresponding shares, where the dividends for the last seven consecutive years have not been claimed by the concerned shareholders to the demat account of the IEPF Authority on May 10, 2018.

TRANSFER TO RESERVES

During the year no amount has been transferred to the General Reserve.

WEBSITE OF THE COMPANY

The Company maintains a website www.adckcl.com where information related to the Company are provided.

FIXED DEPOSITS

During the year, the Company has not accepted any fixed deposits. Hence, there is no outstanding amount as on the Balance Sheet date.

LISTING

The equity shares of the Company are listed with Bombay Stock Exchange Limited. There are no arrears on account of payment of listing fees to them.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

A. Conservation of Energy

The following energy conservation measures were carried out during the year:

- Replacement of CFL fittings with LED lights in the factory resulting in energy saving of 225KW per month and corresponding savings in cost.
- Installation of LED lights in the Assembly Line at Sub-Contractor location.

B. Technology

During the year the Company has set up its own Server System and moved all data from

the erstwhile server to the new server without impacting business operations.

C. Research and Development

- Installed 250 KVA DG set at sub-contractor location to reduce wastage of raw materials.
- Ergonomic chairs provided to the operators for work comfort.
- Hazardous materials being stored in fire resistance cabinet.
- Hi Reach Stacker installed at sub-contractor's location for material handling.
- Replacement of asbestos sheets with colour coated roofing sheets at visitors lounge and DG set areas in the factory.

FOREIGN EXCHANGE EARNINGS AND OUTFLOW

During the year your Company has earned Foreign Exchange of Rs.3.58 Lakhs and the Foreign Exchange outflow was Rs.30.69 lakhs.

EXTRACT OF ANNUAL RETURN

As required under the provisions of section 92(3) of the Companies Act, 2013 an extract of the annual return for the year ended March 31, 2019 is annexed to this report as Annexure 3.

MANAGERIAL REMUNERATION AND RELATED DISCLOSURES

The details of the remuneration paid to the Directors of the Company is mentioned in the Report of Corporate Governance. The disclosure pursuant to the provisions of section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this report as Annexure 4.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136 of the Companies Act, 2013, the Annual Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the 31st Annual General Meeting. If any Member is interested

in obtaining a copy thereof, such Member may write to the Company Secretary in this regard

WHISTLE BLOWER MECHANISM

The Company has established a mechanism called "Vigil Mechanism Policy" for employees, directors and others who are associated with the Company to report to management instances of unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. The Policy provides adequate safeguards against victimization of employees/directors who avail the mechanism. The Vigil Mechanism also cover the Whistle Blower mechanism aspect as stipulated under clause 49 of the Listing Agreement The Company affirms that no person has been denied access to the Audit Committee in this respect. The policy has been communicated to all employees by displaying the same on the Company's website.

SUBSIDIARY/ASSOCIATES/JOINT VENTURE COMPANIES

The Company does not have any Subsidiary/ Associate/Joint Venture Company.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has implemented a policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace. The Company is committed to creating a safe and healthy working environment. The Company believes that all individuals have the right to be treated with dignity and strives to create a workplace which is free of gender bias and Sexual Harassment. The Company has a zero tolerance approach to any form of Sexual Harassment. The policy has been displayed in the Company's website.

During the year 2018-19, the Company has not received any complaint of sexual harassment.

RELATED PARTY TRANSACTIONS

The Related Party Transaction Policy for determining the materiality of related party transactions and on the dealings with related parties has been displayed in the Company's website www.adckcl.com.

All transactions with related parties during the year were in the ordinary course of business and at arm's length. There are no related party transactions during the year having potential conflict with the interest of the Company at large. The details of related party transactions are disclosed in Note No.32 to the Financial statements.

RISK MANAGEMENT

The Company has formed a Risk Management Committee and the constitution and terms of reference of this Committee are set out in detail in the Corporate Governance Report. The Risk Management Committee at its meeting held on February 11, 2019 discussed the various risks encountered by the Company and the processes adopted by the Company to mitigate these risks. The same was also reviewed by the Board of Directors at its meeting held on the same day.

INTERNAL FINANCIAL CONTROLS AND THEIR ADEQUACY

Your Directors to the best of their ability have laid down internal financial controls to be followed by the Company, which they believe are adequate keeping in view the size and nature of Company's business. Adequate financial procedures are in place to ensure that all the assets are safeguarded, protected against loss and all transactions are authorized, recorded and reported correctly. This ensures the quality and reliability of financial data, financial statements and financial reporting.

Your Company's internal financial controls are deployed through an internally evolved framework that address material risks in your Company's operations and financial reporting objectives, through a combination of entity level controls and process controls (both manual and automated), information technology based controls, period end financial reporting and closing controls and through internal audit. The Audit Committee of the Board reviews the adequacy of internal financial controls on an ongoing basis to identify opportunities for improvement in the existing systems to further strengthen the internal control environment in your Company.

REPORTING OF FRAUDS

During the year there was no instance of fraud which required the Statutory Auditors to report under section 143(12) of the Companies Act, 2013 and the Rules framed thereunder.

BOARD EVALUATION

The Company's Policy and Process for Board evaluation lays down a structured questionnaire to be used in the evaluation of the entire Board of the Company, Board Committees and Individual

Directors. This Policy has been displayed in the Company's website www.adckcl.com.

Using the structured questionnaire, the Board of Directors has carried out an annual evaluation of its own performance, Board Committees and individual Board members pursuant to the provisions of the Companies Act, 2013 and SEBI Listing Regulations. The Directors have expressed their full satisfaction with the performance of the Board, Board Committees and the members of the Board.

Further, the Independent Directors, at their meeting held during the year, reviewed the performance of the Board, Non-Independent Directors and other matters as stipulated under the SEBI Listing Regulations.

LOANS, GUARANTEES OR INVESTMENTS

The Company has not given any loan or guarantee nor has made any investment during the financial year 2018-19 attracting the provisions of section 186 of the Companies Act, 2013.

MATERIAL CHANGES AND COMMITMENTS

There have not been any material changes and commitments affecting the financial position of the Company between the financial year ended March 31, 2019 and the date of the Directors Report.

ACKNOWLEDGEMENTS

Your Directors place on record its appreciation of the significant contributions made by the employees of the Company during the year under review. The Company's consistent growth was made possible by the hard work, cooperation and support of employees at all levels. Your Directors also thank the customers, channel partners, distributors, vendors and bankers for their support and co-operation during the year. Your Directors also thank the Promoters of the Company for their advice and assistance during the year.

For and on behalf of the Board of Directors

S.Devarajan
Chairman

J.N.Mylaraiah
Managing Director

Place: Bangalore
Date: May 28, 2019

ANNEXURE - 1 SECRETARIAL AUDIT REPORT

Form No. MR-3 SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED: MARCH 31, 2018

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

To

The Members

ADC INDIA COMMUNICATIONS LIMITED
No.485/8A and 8B, 14th Cross, 4th Phase,
P.B.No.5812, Peenya Industrial Area,
Bangalore - 560058

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **ADC India Communications Limited** (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the financial year ended on March 31, 2019 (the audit period) complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company during the audit period 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, 2015;
- c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI ICDR Regulations), up to September 10, 2018 and SEBI ICDR Regulations, 2018 w.e.f September 11, 2018;
- d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not Applicable to the Company during the Audit Period);**
- 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; and **(Not Applicable to the Company during the Audit Period);**
- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (SEBI Buyback of Securities Regulations) up to September 10, 2018 and SEBI Buyback of Securities Regulations, 2018 w.e.f September 11, 2018; **(Not Applicable to the Company during the Audit Period);** and
- i. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

(vi) The Company has identified the following other laws as specifically applicable to the Company: