



ANNUAL REPORT

2019-20

APTECH LIMITED

Annual Report 2019-20

Contents

1	Corporate Information
2	Directors' Report
3	Management Discussion & Analysis
4	Corporate Governance Report
5	Business Responsibility Report
6	Independent Auditors' Report on Consolidated Financial Statement
7	Consolidated Financial Statement
8	Independent Auditors' Report on Standalone Financial Statement
9	Standalone Financial Statement
10	Notice of Annual General Meeting

Corporate Information

Board of Directors

Rakesh Jhunjhunwala, Chairman

Vijay Aggarwal, Director

Anil Pant, Managing Director & CEO

Anuj Kacker, Whole Time Director

Asit Koticha, Director (upto 15-6-2020)

Madhu Jayakumar, Director

Madhusudan Kela, Director

Nikhil Dalal, Director

Ninad Karpe, Director

Rajiv Agarwal, Director

Ramesh S. Damani, Director

Utpal Sheth, Director

Ketan H. Shah, Company Secretary

Registered & Corporate Office

Aptech House, A - 65, M.I.D.C. Marol, Andheri (East), Mumbai - 400 093.

Tel: +91 22 6828 2300 / 01 Fax: +91 22 6828 2399 Email:

investors_relations@aptech.ac.in

Statutory Auditors

M/s. Bansi S Mehta & Co Chartered Accountants,
Merchant Chamber, 3rd Floor, 41, New Marine Lines Mumbai - 400 020.

Bankers

HDFC Bank

Trade World, 'A' Wing, 2nd Floor, Kamla Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013.

Axis Bank

Ahura Centre, 28, Mahakali Caves Road, Andheri (E), Mumbai - 400 093.

Yes Bank

25th Floor, Tower 2, Indiabulls Finance Centre, Senapati Bapat Marg, Lower Parel (W), Mumbai - 400 093.

Union Bank of India

Union Bank Bhavan, 239, 1st Floor, Vidhan Bhavan Marg, Nariman Point, Mumbai - 400 021.

Registrar & Transfer Agents

KFin Technologies Pvt. Ltd.

Selenium Building, Tower-B, Plot No 31 & 32, Financial District, Nanakramguda, Serilingampally, Hyderabad, Rangareddi, Telangana, India - 500 032.

Tel No : +91 40 6716 1631

FaxNo : +91 40 2342 0814

Email : inward.ris@kfintech.com

APTECH LIMITED

DIRECTORS' REPORT

THE MEMBERS OF APTECH LIMITED

Your Directors are pleased to present their Twentieth Annual Report on the business and operations of your Company and the Audited Financial Statement for the year ended March 31, 2020.

STATE OF AFFAIRS – SNAPSHOT OF FINANCIAL RESULTS

The financial results of the Company for the Accounting period ended March 31, 2020 are presented below:

(Rs. In Lakhs)

Particulars	Standalone		Consolidated	
	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019
Operating Revenue	14,158.84	14,078.02	21,682.32	20,855.15
Total Revenue	14,571.41	14,548.58	22,226.14	21,271.88
Total Expenditure	14,618.46	13,849.78	20,508.27	19,031.50
Net Profit /(loss) before tax	(47.05)	698.80	1717.87	2,240.38
Profit / (Loss) After Tax	20.81	519.83	1350.61	1,822.11
Total Comprehensive Income	(145.13)	658.11	1179.40	1,942.95

OPERATIONS REVIEW

The Company ended the FY2019-20 with a Revenue from Operations of Rs. 21,682 Lakhs, which translates to a growth of 4.0% over the previous financial year. This contrasted with the YOY decline reported during the last fiscal year. The Company delivered this growth despite a significant business impact from the COVID-19 pandemic in the Q4 of the FY2019-20. The COVID-19 crisis conservatively impacted the top line of the Company by an estimated Rs. 16 crores. This effect percolated to the bottom-line, as seen in the FY2019-20 EBIT decline of 27.7% to Rs. 1,493 Lakhs from Rs. 2,065 Lakhs in FY2018-19. The Profit Before Tax and the Profit After Tax were Rs. 1,718 Lakhs and Rs. 1,351 Lakhs in the reported financial year, respectively. Also, the respective YOY decline was 23.3% and 25.9% in FY2019-20. The previous financial year included a writeback of Rs. 306 Lakhs related to the non-cash ESOP expenses as against Rs. 507 Lakhs hit in the reported fiscal year. Excluding this expense head, the Profit Before Tax rose by 15%, showing the improvement in operational efficiency effected by the Company. The balance sheet of the Company continued to be healthy with zero net debt and Cash, Cash Equivalents, Short-term Investments & Financial Instruments amounting to Rs. 6,604 Lakhs as on March 31, 2020. The Company expects to repay the short-term working capital liability of Rs. 2,258 Lakhs on the balance sheet as the collection from debtors improves post relaxation of lockdown.

Notwithstanding the impact of the closure of all the Educational institutions enforced by various countries to contain the spread of the Coronavirus in February and March 2020, the Retail segment reported a 12.2% jump in its revenues during the reported financial year. The Institutional division faced a double whammy from the CAA-NRC protests and the Corona virus pandemic. There was a significant impact on its FY2019-20 revenue with a full year YOY decline

of 13.2% from a 25.5% YOY growth seen on a 9M basis. Retail EBIT swelled by 7.8% to Rs. 5,718 Lakhs, from Rs. 5,303 Lakhs in the previous year, which translates into an EBIT margin of 36.2%. The Company also continued to cut down on the corporate overhead expenses, reducing its fixed cost base, as seen in the reduction of unallocable costs.

The Retail segment revenue mix for the FY2019-20 was 81:19 in terms of the split between the Domestic and International segments. The movement in the revenue mix from 77:23 in FY2018-19 was mainly on account of continued growth in Domestic Retail and decline in the International Retail revenue, but improvement in margin mix, because of exit from low margin businesses. Domestic Retail revenue went up from Rs. 10,793 Lakhs in FY2018-19 to Rs. 12,885 Lakhs in FY2019-20, a growth of 19.4%, owing to the power brands Arena, MAAC, and Lakmé Academy Powered by Aptech. The International Retail division revenue declined by 11.4% on an overall basis, but on a like-to-like basis, i.e., excluding the low margin business contribution, it showed a growth of 3.8% in FY2019-20 even when some of its major markets were severely impacted due to COVID-19 pandemic.

The system-wide collection from students for the franchise business in the Retail segment was Rs. 42,504 Lakhs in FY2018-19 and went up to Rs. 46,514 Lakhs in FY2019-20, translating to a growth of 9.4%. Out of this total, the system-wide collection from students for Domestic Retail was Rs. 34,704 Lakhs and for International Retail was Rs. 11,810 Lakhs with a YOY growth of 16% and -6.2%, respectively. During FY2019-20, the average number of active centers during the year went up by 14 in Domestic Retail and 4 in International Retail. The total number of new center sign-ups went up from 194 in FY2018-19 to 211 in FY2019-20 for the Domestic market and down from 28 to 20 for the International market.

The Company continued to fortify its Retail segment's positioning as a Branded Lifecycle Learning Platform of choice by concentrating on:

1. Enhancing the student experience multifold through innovation, events, social platforms, and focus on delivery excellence.
2. Strengthening the core value proposition of employability by consolidating its connection with the industry and bringing more job opportunities for the students in addition to academic partnerships.
3. Boosting center network capability through proactive support and continuous training to franchises and churning the partner mix to inject more aggression and attention.
4. Amplifying the marketing message by significantly increasing the spending and expanding presence in all media, including innovative proprietary platforms, and using celebrity brand ambassadors.
5. Reinvigorating the workforce by injecting fresh blood and adopting progressive employee practices to promote motivation levels.
6. Increasing the Per Student Booking by leveraging the brand power to increase pricing and improving product mix by pushing high-value courses.

The above actions align with the Company's strategic pursuit of "Employment Driven Enrolment" and the mission to compete with "Unemployability". In some of its larger international markets, the Company adopted similar actions by making country-specific tweaks, and initial results were encouraging. The product value proposition in the International market includes a formal education pathway to an international degree at a much lower overall cost through academic articulation partnerships.

The Assessment & Testing division continued to pursue its strategy of de-risking the business portfolio by diversifying away from high-stakes recruitment exams of the Central and State governments. It included focusing on acquiring a broader base of customers, reduce dependence on a few large clients, and address the significant market segment of OMR sheet based written examinations. The Company continued to cut down on the fixed costs in line with the revenue base. New products and features developed during the year include Secure Internet Exam, Learning Management Solution, Internet-based Evaluation that would help in capturing a larger share of the pie from each customer.

The Company and its brands won many prestigious awards and recognitions during the reported financial year. Lakmé Academy Powered by Aptech won the award for the "Best Professional

Beauty Training Institute of the Year" at the ASSOCHAM's 3rd Beauty, Wellness and Personal Care Awards, 2020. Aptech was recognized as the "Best Training Institute" by the ABP News National Education Awards 2019. MAAC, Aptech Montana International Pre-school, and Lakmé Academy Powered by Aptech won different recognitions at the Scoonews Global Education Awards 2019. Aptech Computer Education won the ICT Gold Medal for Highest Turnover in Training from HCMCA, Vietnam, for the 17th consecutive year. Aptech Montana won the "Best Emerging Franchisor Award (International)" at the Franchise India Awards 2019. Aptech was once again voted as a Great Place to Work (2019-20) by the Great Place To Work Institute survey.

IMPACT OF COVID-19 PANDEMIC AND MITIGATION MEASURES IMPLEMENTED

In the Retail business, consequent to the global spread of COVID-19 pandemic, all the learning centers of the Company suspended the classes in most of its major markets including India and international countries in ASEAN, Africa, and South Asia starting from various dates in February and March 2020 in compliance with the lockdown and health safety measures announced by the respective governments. In Vietnam, most of the centers have restarted classes in phases from the second half of May 2020. However, in many countries, the batches are expected to resume only towards the end of H1 FY2020-21 or later. The closure of learning centers led to an impact in terms of class conduct, fee collection, delay in conversion of leads to new enrollments, and more. The lead conversion for new admissions was also affected by the deferment of various high-school exams and subsequent delay in declaring results and shaky job scenario in multiple industries served by the Company. The economic slump and uncertainty also impacted the network expansion plans of the Company.

Due to the pandemic and the subsequent lockdown, the educational institutes and the government agencies postponed the conduct of assessments and training programs, which affected the Institutional segment's business. Fresh recruitment and assessment plans were put on hold by many Customers or potential Customers, and there have also been delays in releasing payments for completed projects by some Government clients due to a shift in priorities.

The Company has, however, initiated various measures to tackle the challenges arising from the current situation:

- Strategically capitalize on the trend for digital training, assessment, and payments by adapting our business and opening new market segments.
- Digital Pivot
 - Retail: embracing remote delivery, online counseling, digital marketing, and encouraging digital payments.
 - Institutional: Software solution developed to address new norms of social distancing while conducting exams, Evaluation of new digital opportunities like LCMS, Remote Proctored Exam, and Web-based Evaluation. Recalibration and reconfiguration of rollout plans for all existing contracts in hand with Digital Pivot as far as possible.
- Re-skilling Faculties and Centre staff for Digital Pivot while working from Home
- Sustained Student engagement with Online initiatives
- Impact assessment on industries that employ our students

The Company has estimated that the financial impact of the pandemic in the Q4 of FY2019-20 was an operating revenue loss of roughly Rs. 16 crores. It has also impacted the collection of student fees and institutional payables. The additional expenses related to a capacity loss for social distancing and other health and safety measures will lead to an increase in the cost of operations. However, the assessment of full future financial impact will be known only once the road ahead is clear. The Company presently continues to have a net-zero debt situation and has sufficient liquidity to weather the current headwinds. The Company has also planned for a reduction of nearly 20% in its fixed cost base in FY20-21 to mitigate the financial impact of the pandemic.

TRANSFER TO RESERVE

There has not been any transfer to the General Reserves during the year under review.

DIVIDEND

An Interim Dividend of Rs. 3.50 per was declared by the Board of Directors at their meeting held on 21st May, 2019. Further, An Interim Dividend of Rs. 4.50 per equity share was paid to the shareholders as approved by the Board of Directors vide its circular resolution passed on 7th March 2020. The Directors have considered it financially prudent to re-invest profits into the business of the Company and therefore do not intend to recommend final dividend.

DIRECTORS

During the year 2019-20, the Directors met four times on 4 times on 21st May 2019, 22nd July 2019, 24th October, 2019 and 29th January 2020.

Mr. Rakesh Jhunjunwala (DIN: 00777064), Non Executive Director, retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Mr. Asit Koticha (DIN: 00034266), Independent Director of the Company has tendered his Resignation from the post of Director of the Company with effect from 15th June, 2020 due to other preoccupations.

All Independent Directors have given declarations that they meet the criteria of independence as laid down in Section 149(6) of the Companies Act, 2013 and Regulation 16 (b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All Independent Directors have registered their name in the Independent Directors data bank.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015, during the year under review, the Board carried out the annual evaluation of the performance of the Board, its Committees and of individual Directors including Independent Directors. A structured questionnaire covering various aspects of functioning of the Board, Committees and Directors such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligation and governance was distributed to each member of the Board and inputs were received.

EMPLOYEE STOCK OPTIONS

The Members of the Company at its Annual General Meeting held on 27th September, 2016 had approved the Aptech Employee Stock Option Scheme 2016 ("the Scheme"), to create offer and grant upto 44,32,620 Employee Stock Options to all eligible employees, directors (excluding promoter directors) of the Company and employees of its subsidiaries with a view to attract and retain key talents working with the Company and its Subsidiary Company (ies) by way of rewarding their performance and motivate them to contribute to the overall corporate growth and profitability. All the plans are administered by the Nomination & Remuneration Committee of the Board. Disclosures as required under the SEBI (Share Based Employee Benefits) Regulations, 2014 are available on Company's Website on:

<https://www.aptech-worldwide.com/downloads/news-and-notification/DISCLOSUREASREQUIREDUNDERSEBIESOP-17.06.2020.pdf>

EXTRACT OF ANNUAL RETURN

As per the requirements of Section 92(3) of the Companies Act, 2013 and Rules framed thereunder, the extract of the annual return for FY 2019-20 is available on Company's website on the link:

<https://www.aptech-worldwide.com/downloads/news-and-notification/Extractofannualreturn-MGT-9-2019-20.pdf>

PARTICULARS OF LOAN, GUARANTEE OR INVESTMENTS

Loan, guarantees and investments covered under Section 186 of the Companies Act, 2013 forms part of the notes to the financial statements provided in the Annual Report.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

In line with the requirements of the Companies Act, 2013 and the SEBI (LODR), 2015 the Company has formulated a Policy on Related Party Transactions and the same is uploaded on the Company's website:

https://www.aptech-worldwide.com/downloads/InvestorPolicy/Aptech_RPTPolicy2019.pdf

Details of Related Party Transactions are given in AOC-2 as **Annexure-IV**.

SUBSIDIARIES

As on 31st March 2020, the Company had 6 subsidiaries and 1 joint venture. Pursuant to Rule 5 of the Companies (Accounts) Rules, 2014, **Form AOC-1** is attached to the financial statements of the Company. The said Form also highlights performance of the said entities and their contribution to the overall performance of the Company during the year ended 31st March 2020.

The Board of Directors of Maya Entertainment Limited and Attest Testing Services Limited, wholly owned subsidiaries of the Company, at their respective meetings held on September 11, 2019 had approved the Scheme of Amalgamation of Attest Testing Services Limited ("the Transferor Company") with Maya Entertainment Limited ("the Transferee Company") with effect from April 1, 2019, being the appointed date. The Scheme was approved by the National Company Law Tribunal at Mumbai on February 28, 2020 which became effective from filing of the NCLT order with the Registrar of Companies on 5th March 2020. Thereafter the name of the Company has been changed from Maya Entertainment Limited to 'MEL Training & Assessments Limited' w.e.f 14th May, 2020. During the year, a voluntary winding up of one of its non-operational, step down subsidiary, in Mauritius has been filed with Mauritian authorities.

NOMINATION AND REMUNERATION POLICY

The Company has formulated and adopted the Nomination and Remuneration Policy in accordance with the provisions of the Companies Act, 2013 read with the Rules made thereunder and the Listing Regulations.

The Nomination and Remuneration Policy can be accessed on the website of the Company <https://www.aptech-worldwide.com/downloads/aptech-policy/Remuneration-Policy.pdf>

CORPORATE SOCIAL RESPONSIBILITY

The Company has constituted Corporate Social Responsibility Committee in compliance with the provisions of Section 135 of the Companies, Act 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014. With a view to enlarge the scope of CSR activities, the Company revised the CSR Policy to enable providing skill development to underprivileged children and youth besides the existing activities. The revised policy also facilitates education by providing financial assistance to the NGOs which are working in the field of development of children and youth through education. The revised policy has been uploaded on the website of the Company <https://www.aptech-worldwide.com/downloads/policy-on-csr.pdf>

The Disclosure with respect to CSR activities forming part of this report is given in **Annexure-I**

DEPOSITS

The Company does not accept any deposits from public.

INSURANCE

The Company has taken insurance cover for its assets to the extent required.

MANAGEMENT DISCUSSION AND ANALYSIS

A separate report on the Management Discussion and Analysis is attached as a part of the Annual Report.

CORPORATE GOVERNANCE

Effective corporate governance is necessary to retain the trust of stakeholders and to achieve business success. Corporate governance is about commitment to values and ethical business conduct. It is about how an organization is managed. It includes its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. As shareholders across the globe evince keen interest in the practices and performance of companies, corporate governance has emerged at the centre stage of the way the corporate world functions. Corporate governance is vital to enable companies to compete globally in a sustained manner and let them flourish and grow.

A separate Report on Corporate Governance is attached and forms part of the Annual Report. The Auditors' Certificate regarding compliance of the conditions of Corporate Governance is annexed as "**Annexure V**"

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement that :

- (i) in the presentation of the annual accounts for the year ended March 31, 2020, applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in the selection of the accounting policies, consulted the statutory auditors and have 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 for the year ended March 31, 2020 and of the profit of the Company for the year ended on that date;

- (iii) they have taken proper and sufficient care, to the best of their knowledge and ability, 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;
- (iv) the annual accounts have been prepared on a going concern basis.
- (v) internal financial controls followed by the Company are adequate and were operating effectively
- (vi) the system to ensure compliance with the provisions of all applicable laws were adequate and operating effectively

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT

Conservation of Energy

Adequate measures are taken to conserve energy although the Company's operations are low energy intensive.

Technology Absorption

Your Company continues to use the latest technologies for improving the productivity and quality of its services.

Research & Development

Technological obsolescence is certain. We encourage continuous innovation and research and development for measuring future challenges and opportunities.

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

The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2019-20, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2019-20 and the comparison of remuneration of each Key Managerial Personnel (KMP) are given in **Annexure-III**

PARTICULARS OF EMPLOYEES

Particulars of employees as required to be disclosed in terms of Section 134 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, shall be made available to any shareholder on a specific request made by him in writing before the date of the Annual General Meeting and such particulars shall be made available by the company within three days from the date of receipt of such request from shareholder. In case the request is received after the Annual General Meeting such particulars shall be made available to the shareholder within seven days from the date of receipt of such request.

PREVENTION OF SEXUAL HARASSMENT MECHANISM

During the year under review, the Company has not received any complaint from the employees related to sexual harassment. The Company has in place prevention of sexual harassment policy which is available on the Company's website i.e.

www.aptech-worldwide.com