

Aptech



Unleash your potential

ANNUAL REPORT

2020-2021

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Corporate Information

Board of Directors

Rakesh Jhunjunwala, Chairman
(upto 29-04-2021)

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
(Upto 01-02-2021)

Nikhil Dalal, Director

Ninad Karpe, Director

Rajiv Agarwal, Director

Ramesh S. Damani, Director

Utpal Sheth, Director

Ronnie Adi Talati (w.e.f 15-09-2020)

Tennilapuram Kanakan Ravi Shankar, CFO

Ketan Shah, Company Secretary
(Upto 31-10-2020)

Jagruti Shah, Company Secretary
(Upto 20-04-2021)

Akshar Biyani, Company Secretary
(w.e.f 29-04-2021)

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
cs@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:

4th Floor, Tower B, Peninsula Business Park,
Lower Parel, Mumbai - 400 013.

Axis Bank:

Ground Floor, Akruti Centre Point, Near
MTNL office, MIDC Andheri East,
Mumbai - 400 093.

Yes Bank:

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

ICICI Bank:

Kondivita, G-1, Ackruti Center Point,
Ground Floor Near Marol Telephone
Exchange, Seepz, MIDC, Andheri East,
Mumbai - 400093.

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: einward.ris@kfintech.com

APTECH LIMITED

DIRECTORS' REPORT

THE MEMBERS OF APTECH LIMITED

Your Directors are pleased to present their 21st Annual Report on the business and operations of your Company and the Audited Financial Statement for the year ended March 31, 2021.

STATE OF AFFAIRS - SNAPSHOT OF FINANCIAL RESULTS

The financial results of the Company for the Accounting period ended March 31, 2021 are presented below:

| Particulars | Standalone | | Consolidated | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Year ended March 31,2021 | Year ended March 31,2021 | Year ended March 31,2021 | Year ended March 31,2021 |
| Total revenue from Continuing Operations | 6,228.79 | 9,702.68 | 9,568.97 | 16,333.60 |
| Profit before finance cost, depreciation and tax | 1,813.63 | 2,023.76 | 2,698.39 | 4,153.33 |
| Finance cost & depreciation | 635.62 | 658.85 | 959.92 | 964.84 |
| Profit before tax & exceptional items Continuing Operations | 1,178.01 | 1,364.91 | 1,738.47 | 3,188.49 |
| Exceptional Cost | 2,135.67 | - | - | - |
| Profit before tax after exceptional item | (957.66) | 1,364.91 | 1,738.47 | 3,188.49 |
| Provision for taxation (incl. deferred tax) | (197.57) | (67.86) | (16.88) | 751.53 |
| Profit after tax from Continuing Operations | (760.09) | 1,432.77 | 1,755.35 | 2,436.96 |
| Profit after tax from Discontinuing Operations | (391.73) | (1,411.96) | (529.38) | (1,086.35) |
| Net Profit/ (Loss) for the period from Continuing and Discontinued Operations | (1, 151.82) | 20.81 | 1,225.97 | 1,350.61 |
| Other comprehensive income | (40.48) | (165.94) | (10,857.30) | (171.21) |
| Total comprehensive income for the period | (1, 192.30) | (145.13) | (9,631.33) | 1,179.40 |
| Total equity | (4,067.09) | 4,025.46 | 4,067.09 | 4,025.46 |
| Earnings per share (of 10 each) (Not Annualised) from Continuing Operations | | | | |
| Basic EPS () | (1.88) | 3.59 | 4.34 | 6.10 |
| Diluted EPS () | (1.88) | 3.52 | 4.28 | 5.98 |
| Earnings per share (of 10 each) (Not Annualised) from Discontinued Operations | | | | |
| Basic EPS () | (0.97) | (3.54) | (1.31) | (2.72) |
| Diluted EPS () | (0.97) | (3.47) | (1.29) | (2.67) |
| Earnings per share (of 10 each) (Not Annualised) from Continuing and Discontinuing Operations | | | | |
| Basic EPS () - Continuing | (2.85) | 0.05 | 3.03 | 3.38 |
| Diluted EPS () - Continuing | (2.85) | 0.05 | 2.99 | 3.31 |

OPERATIONS REVIEW

The operations of the Company were majorly affected due to the COVID-19 pandemic during the FY2020-21 resulting in a fall in the operating revenue for the continuing operations at the consolidated level from Rs. 15,815 lakhs in FY2019-20 to Rs. 8,896 lakhs, a drop of 43.7%. The International Retail division's performance was not hit as hard as the Domestic Retail division because of the variable impact of the pandemic across its different markets. Most of the Company's key international markets recovered and the centres restarted operations within a few months. The operating revenue for the International Retail division dipped by 9.6% vis-à-vis a 51.6% drop for the Domestic Retail division. As a result, the distribution of revenue within the Retail segment between the Domestic and International Retail divisions changed from 81:19 in FY2019-20 to 70:30. In Domestic Retail, the Lakmé Academy brand's business recovered sooner than other brands once the beauty parlours and salons could open in many locations. The "Digital Pivot" put in place by the Company to continue centre operations in a digital mode (i.e., completely online) ensured that the effect of the pandemic on the Retail business revenues, progressively, quarter on quarter was substantially arrested. In addition to this, the cost rationalization initiatives bore fruit and ensured that the segment profitability (Operating EBIT) of the Retail business was practically steady at 35.7% as compared to 36.0% in FY2019-20 notwithstanding the revenue decline and the higher share of fixed costs in the business.

The Company is evaluating a planned exit from the Institutional business segment based on suitable valuation, offers being received and subject to the approval of the Board and the shareholders. The operating revenue and net loss from this discontinued operation declined by 50.4% and 51.3% respectively from FY2019-20 to FY2020-21.

The Other Income went up by 29.6% to Rs. 672 lakhs during the reported year. EBITDA margins for the continuing operations jumped from 25.4% in the previous year to 28.2% in FY2020-21 on account of cost rationalisation and lower ESOP cost. However, the decline in revenue resulted in the absolute EBITDA coming down by 35%. The Profit Before Tax (PBT) for the continuing operations was Rs. 1,738 Lakhs in FY2020-21, a drop of 45.5% from the previous year's levels. The Profit After Tax (PAT), in comparison, fell only by 28% due to lower tax. The total net profit for the period after adding up the PAT for discontinued operations was down by 9.2% from Rs. 1,351 lakhs in FY2019-20 to Rs. 1,226 lakhs in FY2020-21. The Company has provided for full impairment of the carrying value of its investment in BJBC-China of Rs. 10,813.21 Lakhs as part of the Other Comprehensive Income based on recent legal advice and supported by fair valuation. It has repaid the short-term working capital liability of Rs. 2,258 lakhs that was taken in the previous year to manage the impact of the pandemic related lockdown on cash flow. The balance sheet had zero debt and total Cash, Cash Equivalents, Short-term Investments and Financial Instruments of Rs. 8,079 Lakhs as of March 31, 2021.

The system-wide billing from students for the franchise business in the Retail segment was Rs. 30,727 Lakhs in FY2020-21, a dip of 34% from Rs. 46,534 Lakhs in FY2019-20. The share of system-wide billing from students for the Domestic Retail division was Rs. 19,061 Lakhs and

for the International Retail division was Rs. 11,665 Lakhs with YOY growth of -45.1% and -1.4%, respectively. The average number of active centres during the reported financial year was lower in both Domestic Retail and International Retail at 600 and 143, respectively. The corresponding counts in the previous year were 669 and 157, respectively. The total number of new centre sign-ups went down from 210 in FY2019-20 to 79 in FY2020-21 for the Domestic market and down from 20 to 3 for the International market.

The Company achieved significant success in moving to completely digital delivery of its courses and related services for its Retail division. This is reflected in the staggering numbers of ~3.5 million hours and ~0.7 million hours in online student hours and online tutor hours, respectively, logged in the domestic market during the year. It was also effective in enrolling 25,000 students in its courses and placing more than 2,000 students digitally. The International Retail division's digital shift catered to ~15,000 students across the globe. Some of the activities executed to ensure continued centre operations and student engagement were training programs on online delivery and digital counselling, virtual job fairs, online events and webinars, provision of access to virtual labs, and continuous and clear communication with the stakeholders to ensure information dissemination and involvement. This was in addition to the enabling of the Company's staff to Work from Home during the lockdowns through adequate resources and communication of a clear policy. It also extended its student debt tie-ups beyond the traditional banks and NBFCs to new-age Fintech start-ups such as GyanDhan, MoneyTap, Eduvanz, etc. The Company received a dividend of (Polish Zloty) PLN 231,000 (₹40.75 Lakhs) for the year 2019 from Syntea, Poland, in which it has a 9.09% stake. The Assessment and Testing division continued to cut down on costs to reduce the level of break-even revenue during the year. This resulted in a lower loss despite halving of the revenues as compared to the previous year. However, based on the decision to exclusively focus on the Retail segment, the Company has decided to identify potential suitors for selling the Institutional business, including the Assessment and Testing division.

The Company inked an alliance with the Vancouver Centre of Entertainment Arts (VCEA) that will give an exit pathway for Arena and MAAC students across the world to internationally renowned diploma programs offered by them in Vancouver, Canada. The key benefits to the students, who have completed 2+ year career programs with Arena and MAAC, from the alliance will have a reduced tuition fees, permission to work part-time for 20 hours per week along with studies, dual qualifications, access to employment in Vancouver that is the hub of Media and Entertainment industry in Canada, and further pathway to degree programs at Canadian universities. The VCEA programs also improve prospects for work permits and emigration to Canada.

Within a short period of 25 months, the Company was recognized as having matured from Level 3 to Level 5 on the CMMI Institute's People Capability Maturity Model (PCMM) in 2020. This was achieved notwithstanding the national lockdown in place. One of the many major awards and recognitions bagged by the Company during the year was the top ICT company award from HCMCA, Vietnam, for the 18th consecutive year. It also won multiple recognitions

at the 9th ACEF Global Customer Engagement Forum & Awards such as a gold award for the 'Most Effective use of Sponsorship and Event Marketing' (by MAAC), a silver award for 'Most Admired B2C Activation' (for Winged – India's first makeup and hair reality web series by Lakmé Academy), and a bronze award for 'Best Cause-Related Communication Campaign' (Welcome Zindagi – campaign supporting LGBTQ community with skilled employment by Lakmé Academy). The website of Arena Animation bagged the 'Best UI & UX Design' in Digital Marketing for its "The Campus" theme at the 11th India Digital Summit.

IMPACT OF COVID-19 PANDEMIC AND MITIGATION MEASURES IMPLEMENTED

The COVID-19 pandemic has created a significant disruption in the normal functioning of businesses due to social distancing norms and lockdowns in place to prevent the spread of the disease. The impact on the Company's operations was seen in the following ways:

- The educational centres were mandated to be closed for in-class training across India for the entire financial year and a significant period in many international markets.
- The cancellation/ deferment of Grade 10th and Grade 12th exams resulted in a shift in the enrolment pattern in the domestic market. The Institutional business was also affected as entrance and recruitment exams were also stopped or put off.
- Overall demand for the Company's courses was affected due to an economic slowdown that resulted in lower recruitment numbers, an uncertain job market, and reduced paying capacity. The demand was also affected by the reverse migration of people back to their native cities and towns.
- Delays in payments by institutional clients and financial dropout of students at the retail centres due to tight fiscal situation.

The Company adapted to the situation by completely shifting all the value chain activities in the Retail business to digital format. It also significantly scaled back its fixed costs and optimized variable costs to ensure sustained profitability levels. The Company focused on capability development, resources including ready digital kits, and communication to enable its staff, tutors, and counsellors to align their mindset and methods to the new normal. There were changes or upgrades in the systems used by the Company to meet the new requirements, e.g., digital payment options for student fees, upgrade of testing software in the Assessment and Testing business.

The Company's estimate of the financial impact during FY2020-21 due to the pandemic was Rs. 8803 Lakhs in terms of operating revenue. As the nature of the pandemic's impact is complex and varied, this figure only reflects the Company's assessment of direct impact due to pandemic and may differ based on availability or consideration of any new or diverse information on the effects of the pandemic on its business.

TRANSFER TO RESERVE

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

DIVIDEND

The Board of Directors at their meeting held on April 29, 2021 have declared Interim Dividend of Rs. 2.25 per equity share (22.5%) for the Financial Year 2020-21.

DIRECTORS

During the year 2020-21, the Directors met five times on May 21, 2020 (Adjourned to May 25, 2020), June 15, 2020, July 27, 2020, October 28, 2020 and February 3, 2021.

Our Chairman, Mr. Rakesh Jhunjunwala conveyed his decision to the members of the Board to step down as Chairman and Director from the Board of Aptech Limited on April 29, 2021 with immediate effect. He elaborated his journey for more than fifteen years in the Company, stating his intention to now devote his time to family, personal and philanthropic causes.

All the Board Members placed on record their gratitude and best wishes to the Chairman and the senior management team of the Company placed on record the dynamism, guidance, vision and direction received by them from time to time from the Chairman.

Upon the resignation of Mr. Rakesh Jhunjunwala as the Non-Executive Chairman of the Company, Mr. Vijay Aggarwal, Independent Director, was appointed as the Non-Executive Chairman of the Company and Mr. Utpal Sheth was appointed as the Non-Executive Vice-Chairman of the Company with effect from April 29, 2021.

Mr. Utpal Sheth (DIN: 00081012), Non-Executive Director, retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Mr. Ronnie Adi Talati (DIN:08650816) was appointed as an Additional Non-Executive Independent Director with effect from September 15, 2020 and shall be regularized at this ensuing Annual General Meeting.

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 and complied with Rule 6 of Companies (Appointment and Qualification of Directors) Rules, 2014.

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 and independent 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 and Remuneration Committee of the Board. Disclosures as required under the SEBI (Share Based Employee Benefits) Regulations, 2014 are available on Company's Website on: www.aptech-worldwide.com

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 2020-21 is available on Company's website on the link: www.aptech-worldwide.com

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-I".

SUBSIDIARIES

As on 31st March 2021, the Company had 6 subsidiaries. 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 2021.

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-II”.

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 the 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 -III”.

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: