



**ALLSEC
TECHNOLOGIES
LIMITED**

Q
A QUESS ENTERPRISE

Annual Report
2018 - 19



Board of Directors

Mr. Ajit Isaac
Mr. Subrata Nag
Mr. Sanjay Anandaram
Mr. Milind Chalisgaonkar
Mrs. Lakshmi Sarada

Chairman & Non Executive Non Independent Director
Non Executive Non Independent Director
Non Executive Independent Director
Non Executive Independent Director
Non Executive Independent Woman Director

Management Committee

Mr. R. Vaithyanathan
Mr. C. Mahadevan
Mr. P. Raghunath
Mr. Saravanan Thambusamy

Senior Vice President - Operations & HR
Senior Vice President - HR Operations
Vice President - Finance
Vice President - Technology

DGM-Legal & Company Secretary

Mr. Gagan Preet Singh

Auditors

Walker Chandio & Co., LLP,
Chartered Accountants,
7th Floor, Prestige Polygon,
471, Anna Salai, Teynampet,
Chennai 600 018, India

Registered Office

46C, Velachery Main Road,
Velachery, Chennai - 600042

Corporate Office

46B, Velachery Main Road,
Velachery, Chennai 600 042.

Bankers

- Canara Bank
- HDFC Bank
- Citi Bank

Registrars & Transfer Agents

KARVY FINTECH PRIVATE LIMITED,
Karvy Selenium Towers, No. - B,
Plot No. 31-32, Gachibowli,
Financial District, Nanakramguda,
Hyderabad 500 032.



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ALLSEC TECHNOLOGIES LIMITED

Financial Highlights
Standalone & Consolidated

Financial Highlights (Standalone)



ALLSEC TECHNOLOGIES LIMITED

(INR in Lakhs)											
S. No.	Particulars	Year Ended March 31, 2019*	Year Ended March 31, 2018*	Year Ended March 31, 2017*	Year Ended March 31, 2016	Year Ended March 31, 2015	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2010
A	Profit and Loss Account										
	Revenue	15,317	12,878	11,621	10,836	9,747	10,674	10,747	12,471	14,154	12,208
	Gross Profit before Interest, depreciation & Tax (EBITDA)	3,748	2,828	2,225	1,525	485	1,368	736	(328)	686	370
	Profit before taxation^	2,015	2,478	2,037	1,245	(130)	543	(333)	(1,470)	(394)	(681)
	Profit after taxation	951	2,899	2,254	948	(174)	543	(333)	(1,470)	(394)	(681)
B	Balance Sheet										
	Net Fixed Assets	1,160	1,013	765	745	927	1,769	2,384	3,131	3,588	3,569
	Investments	10,473	10,857	10,328	6,724	5,282	6,178	3,532	3,118	4,252	2,715
	Net Current Assets	3,497	3,248	1,858	4,966	5,387	4,161	5,650	5,762	5,775	7,644
	Total Assets	15,130	15,118	12,951	12,435	11,596	12,108	11,566	12,011	13,615	13,928
	Share Capital	1,524	1,524	1,524	1,524	1,524	1,524	1,524	1,524	1,524	1,524
	Reserves & Surplus	16,104	16,072	13,173	10,876	9,928	10,497	9,954	10,287	11,756	12,150
	Net Worth	17,628	17,596	14,697	12,400	11,452	12,021	11,478	11,811	13,280	13,674
	Loan Funds	45	65	25	35	144	88	88	200	336	256
	Total Liabilities	17,673	17,661	14,722	12,435	11,596	12,109	11,566	12,011	13,616	13,930
C	EPS (in INR)	6.01	19.02	14.27	6.2	(1.1)	3.5	(2.1)	(9.6)	(2.5)	(4.4)
	Diluted EPS (in INR)	6.01	19.02	14.27	6.2	(1.1)	3.4	(2.1)	(9.6)	(2.5)	(4.4)
	Book Value per share	115.67	115.46	96.44	81.36	75.14	78.88	75.33	77.5	87.15	89.74
	Return on Capital Employed (ROCE in %)	12%	14%	14%	10%	(1%)	5%	(2%)	(12%)	(3%)	(5%)
	Return on Networth (RONW in %)	5%	16%	15%	8%	(2%)	5%	(3%)	(12%)	(3%)	(5%)
	Fixed Assets Turnover (No of times)	13.20	12.71	15.19	14.54	10.51	6.03	4.51	3.98	3.94	3.42
	Working Capital Turnover (No of times)	4.38	3.96	6.25	2.2	1.80	2.57	1.90	2.16	2.45	1.60

* Figures for year ended 31st March 2019, 31st March 2018 & 31st March 2017 are as per Ind AS whereas comparatives for previous years are based on earlier IGAAP.

[^] Profit before taxation for year ended 31st March 2019 includes one time investment impairment of INR 1,307 lakhs.



(INR in Lakhs)											
S. No.	Particulars	Year Ended March 31, 2019*	Year Ended March 31, 2018*	Year Ended March 31, 2017*	Year Ended March 31, 2016	Year Ended March 31, 2015	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2010
A	Profit and Loss Account										
	Revenue	26,116	32,496	31,812	23,338	15,086	19,962	32,007	18,314	15,852	13,475
	Gross Profit Before Interest, Tax, Depreciation & Amortisation (EBITDA)	4,638	6,825	6,862	4,192	(41)	(3,452)	4,057	443	691	377
	Profit Before Taxation^	2,883	6,359	6,328	3,453	(1,233)	(5,363)	2,063	(1,049)	(735)	(999)
	Profit After Taxation	1,567	5,953	6,172	3,094	(1,406)	(3,714)	884	(1,472)	(756)	(1,010)
B	Balance Sheet										
	Net Fixed Assets	1,321	2,424	2,173	2,231	2,652	3,906	4,293	4,634	5,183	4,368
	Investments	8,239	7,316	6,139	1,911	175	1,072	888	510	1,875	1,332
	Net Current Assets	9,723	8,447	4,762	5,175	3,239	1,570	6,312	5,048	4,955	6,980
	Total Assets	19,283	18,187	13,074	9,317	6,066	6,548	11,493	10,192	12,013	12,680
	Share Capital	1,524	1,524	1,524	1,524	1,524	1,524	1,524	1,524	1,524	1,524
	Stock Options Outstanding	-	-	-	-	-	-	-	-	101	108
	Reserves & Surplus	20,411	19,347	13,554	7,623	4,621	6,430	8,620	8,391	10,029	10,792
	Net Worth	21,935	20,871	15,078	9,147	6,145	7,954	10,144	9,915	11,654	12,424
	Loan Funds	65	65	25	256	82	260	325	23	336	256
	Deferred Tax Assets (Net)	1,441	(1,633)	(683)	(86)	(161)	(1,666)	-	-	-	-
	Minority Interest	-	-	-	-	-	-	1,024	254	22	-
	Total Liabilities	23,441	19,303	14,420	9,317	6,066	6,548	11,493	10,192	12,013	12,680
	EPS (In INR)	12.78	38.02	38.10	20.30	(9.23)	(16.43)	1.28	(11.14)	(4.97)	(6.63)
	Diluted EPS (In INR)	12.78	38.02	38.10	20.30	(9.23)	(16.43)	1.28	(11.14)	(4.97)	(6.63)
C	Book Value per Share	143.93	136.95	98.94	60.02	40.32	52.19	66.56	65.06	76.48	81.53
	Return on Capital Employed (ROCE in %)	13%	31%	43%	38%	(18%)	(63%)	23%	(10%)	(6%)	(8%)
	Return on Networth (RONW in %)	7%	29%	41%	34%	(23%)	(47%)	9%	(15%)	(7%)	(8%)
	Fixed Assets Turnover (No of times)	19.77	13.41	14.64	10.46	5.69	5.11	7.46	3.95	3.06	3.08
	Working Capital Turnover (No of times)	2.69	3.85	6.68	4.51	4.66	12.71	5.07	3.63	3.20	1.93

*Figures for year ended 31st March 2019, 31st March 2018 & 31st March 2017 are as per Ind AS whereas comparatives for previous years are based on earlier IGAAP.

^Profit before taxation for year ended 31st March 2019 includes one time goodwill impairment of INR 1,247 lakhs.



Directors' Report

The Directors take pleasure in presenting to you the 20th Annual Report of the Company covering the financial year ended 31st March 2019.

FINANCIAL HIGHLIGHTS

Pursuant to the notification dated 16th February 2015 issued by the Ministry of Corporate Affairs, the Company has adopted the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules 2015 with effect from 1st April 2017. The performance of the Company for the financial year 2018-19 is summarized below:

(INR In Lakhs)

	STANDALONE			CONSOLIDATED		
	YEAR ENDED			YEAR ENDED		
	31-Mar-19	31-Mar-18	F/(A)	31-Mar-19	31-Mar-18	F/(A)
INCOME FROM SERVICES	15,317	12,878	19%	26,116	32,496	(20%)
TOTAL COSTS	12,310	10,568	(17%)	22,153	26,392	16%
OPERATING MARGIN	3,007	2,310	30%	3,963	6,104	(35%)
OTHER INCOME	680	518	31%	675	727	(7%)
EBIDTA	3,687	2,828	30%	4,638	6,831	(32%)
EBIDTA (%)	24%	22%		18%	21%	
DEPRECIATION	408	328	(24%)	526	450	(17%)
INTEREST EXP /(INCOME)	(43)	22	295%	(18)	22	182%
PROFIT/(LOSS) BEFORE TAX & EXCEPTIONAL ITEM	3,322	2,478	34%	4,130	6,359	(35%)
EXCEPTIONAL ITEM	1,307	-		1,247		
PROFIT/(LOSS) BEFORE TAX	2,015	2,478	(19%)	2,883	6,359	(55%)
PROFIT/(LOSS) AFTER TAX	951	2,899	(67%)	1,567	5,953	(74%)

* F/(A) means Favorable / (Adverse)

Business Outlook

The Company in India primarily operates two business segments namely the Human Resources Operations (HRO) business that caters to the payroll and other HR service we provide to our clients and the Customer Lifecycle Management (CLM) business which provides the voice and non-voice services to domestic and international clients. Globally, the Company has a CLM and HRO business in Manila and Anti Money Laundering (AML) business in the US.

Our HRO division continued its growth momentum and in line with the focus on expanding its footprint globally. The division now services more than 30 countries in Asia, Middle-East and Africa. Your Company has been chosen as the preferred vendor in Middle East and India by a global leader in Beverages and Foods business. Allsec bouquet of services includes, Outsourced payroll services, Expense Claims management, HRO services including (Onboarding, Info Store, Employee movements, Rewards Letter generation, Attendance and Leave and Exit), Statutory compliance services (payroll compliance

including PF, ESI, PT and LWF, Labour law compliance, Contract labour compliance and Factory compliance). The Company is currently focussing on setting up sales teams in the Middle East and South East Asia to leverage sales operations in these areas. The Statutory services has huge potential for significant growth in the coming years. Allsec's digital technology delivery platform using RPA, digitization of Registers and Returns will enable the Company to increase the statutory services business vertical in India.

The CLM - Domestic business continued with improved volumes and margins as compared to previous year. Our strategy of identifying processes that have better margins and also strengthening relationships with existing clients by way of client farming and relationship nurturing has helped us in growing this business. We witnessed growth in BFS (Banking & Financial Services) and E-commerce space while also adding businesses from Insurance industry and emerging industries like Early Education Products for Children. Our Noida centre has further increased its existing share of business by ramping up in other North Indian languages.



The CLM - International business in India has remained stable over the last year. The Company continues to pursue opportunities to increase volumes in this business especially in the non-voice segment and has maintained a sharp focus on expanding its Finance and Accounts Outsourcing offering especially in the Accounts Receivable space.

The Operational financial performance of your Company continued to improve during this year. Profit before Tax and Exceptional Item (PBTE) stood at INR 3,322 Lakhs as compared to INR 2,478 Lakhs in the previous year. During the year, the Company had a one time impairment charge of INR 1,307 Lakhs which resulted in lower Profit before tax of INR 2,015 Lakhs as against INR 2,478 Lakhs in previous year. Your Company has reported Net profit after tax for the current year at INR 951 Lakhs as compared to Net profit after tax of INR 2,899 lakhs for the previous year. Detailed analysis of the Standalone results forms part of the Management Discussion and Analysis (MD&A) report provided separately as part of the Annual Report.

Consolidated Revenues for the year stands at INR 26,116 lakhs as compared to INR 32,496 in the previous year. Consolidated Profit before Tax and Exceptional Item decreased to INR 4,130 lakhs from INR 6,359 INR in the previous year. The reduction is attributable primarily to the US business with reduction in volumes in the AML business. Net profit after tax stood at INR 1,567 lakhs down from INR 5,953 lakhs in previous year.

The Company has delivery centers in India at Chennai, Bengaluru & NCR locations. In the international front Allsec has centers in Manila (Philippines) and Dallas (United States of America).

Dividend

The Board of Directors of your Company does not recommend any dividend for the year.

Deposits

Your Company has not accepted any deposit from the public during the period under review and did not have any outstanding deposits.

Directors

Pursuant to the Public Announcement dated 17th April 2019 made by Conneqt Business Solutions Limited ("Acquirer") along with Quess Corp Limited ("Person Acting in Concert"/"PAC"), the Detailed Public Statement ("DPS") in leading News papers dated 25th April 2019 and the Acquisition process as per the SEBI (SAST) Regulations 2011, the Board of Directors has constituted a "Committee of Independent Directors for Open Offer" to provide written recommendations to the Open Offer. A note on the material developments and changes due to the Acquisition process is detailed as in this report.

Key Managerial personnel

The Key Managerial Personnel of Allsec Technologies Limited upto the report date are mentioned below:

1. Mr. R. Jagadish - Chief Executive Officer
2. Mr. P. Raghunath - Chief Financial Officer
3. Mr. Gagan Preet Singh - Company Secretary

Employees

The information relating to Employees to be given under Section 197(12) of the Companies Act, 2013 is given in Annexure G.

Corporate Governance

Your Company is fully compliant with the requirements under SEBI (LODR) Regulations, 2015. The report on Corporate Governance as per Regulation 34(3) read with Schedule V of the listing Regulations is given in Annexure A.

Certificate from Auditors confirming the compliance of conditions of Corporate Governance is included in Annexure B. CEO / CFO certification is attached in Annexure I.

In terms of Regulation 34 of SEBI (LODR) Regulations, 2015, the Management Discussion and Analysis report is given in Annexure - C.

Subsidiary Companies

The Company has three subsidiaries as at year end namely Allsec Tech Inc., USA, Allsectech Manila Inc., Philippines and Retreat Capital Management Inc., USA.

The Consolidated Financial Statements of the Company and its subsidiaries are prepared in accordance with Indian Accounting Standards and forms an integral part of this Annual Report.

The Annual Accounts of the said subsidiaries and the related detailed information will be made available to the investors of the Company seeking such information at any point of time. Performance and financial position of subsidiaries included in consolidated financial statements of the Company in format AOC-1 is provided in Annexure E.

The Company monitors performance of subsidiary companies (list of subsidiary companies has been provided in the financial statements), inter-alia, by the following means:

- a) The Company does not have any material unlisted Indian subsidiary, and hence, is not required to nominate an Independent Director of the Company on the Board of any subsidiary.
- b) The Audit Committee reviews the financial statements, in particular, the investments made by the subsidiary companies on a quarterly basis.



- c) Your Company has formulated a Policy on Material Subsidiary as required under SEBI (LODR) Regulations, 2015 and the policy is hosted on the website of the Company under the web link <https://www.allsectech.com/investor-information>.

Compliance under Companies Act, 2013

Pursuant to Section 134 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, your Company complied with the compliance requirements and the detail of compliances under Companies Act, 2013 are enumerated in this report.

Extract of Annual Return

An Extract of the Annual Return in form MGT-9 as of 31st March 2019, pursuant to the sub section (3) of Section 92 of the Companies Act 2013 and forming part of the report is placed in the Company's website under the web link <https://www.allsectech.com/investor-information>.

Board Meetings held during the year

During the year, 4 meetings of the Board of Directors were held. The details of the meetings are furnished in the Corporate Governance Report which is attached as Annexure-A to this Report.

Committees of the Board

The Board of Directors have 4 committees, 1. Audit Committee 2. Nomination and Remuneration Committee 3. Corporate Social Responsibility & 4. Stakeholder Relationship Committee. The Details of the composition and meetings are furnished in the Corporate Governance Report which is attached as Annexure -A to this report.

Directors' Responsibility Statement

The Board of Directors acknowledges the responsibility of ensuring compliance with the provisions of Section 134(3)(c) of the 2013 Act. To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements:

Your Directors confirm the following that:

- In preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- 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 or loss of the Company for that period.
- 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.

- The Directors had prepared the annual accounts on a going concern basis.
- Proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- Proper systems were in place so as to ensure compliance with the provisions of all applicable laws and were adequate and operating effectively.

Independent Directors and Board Evaluation

The Independent Directors of the Company have declared that they meet the criteria of Independence in terms of Section 149(6) of the Companies Act, 2013, Regulation 25 of the SEBI (LODR) Regulations, 2015.

Pursuant to Section 134(3) of the Companies Act, 2013 & Rule (8) of the Companies (Accounts) Rules, 2014 and the listing Regulations, a structured Questionnaire was prepared considering the various aspects of Board Committees functioning and composition of Board Committees and used to evaluate the performance of the Board. The Independent Directors considered / evaluated the performance of the Non-independent Directors at a meeting without the Non-independent Directors.

The Board members subsequently evaluated performance of the Board, the Committees and Independent Directors as per the criteria and questionnaire developed for the purpose and the Board of Directors expressed their satisfaction with the evaluation process.

Familiarisation Programme

Your Company follows an orientation and familiarization program through various reports / codes / internal policies for all the Directors with a view to update them on the Company's policies and procedures on a regular basis. Periodic presentations are made at the Board Meetings on business and performance, long term strategy initiatives and risks involved. The details about the familiarization program have been posted in the website of the Company under the web link <https://www.allsectech.com/investor-information>.

Remuneration Policy

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. The Company's policy on appointment and remuneration including criteria for determining qualifications, positive attributes, and independence are provided in the Corporate Governance Report forming part as an Annexure-A to this Report.



Related Party Transactions

The Company has formulated a policy on Related Party Transactions as approved by the Board and the same is uploaded on the Company's website <https://www.allsectech.com/investor-information>.

All the Related Party Transactions that were entered into by the Company during the financial year 2018-19, were on an arm's length basis and were in the ordinary course of business. All repetitive Related Party Transactions are placed before the Audit Committee and are within the Omnibus Approval limits obtained in accordance with the requirements of the SEBI (LODR) Regulation 2015. The transactions entered into pursuant to such approval are placed periodically before the Audit Committee.

There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel which may have a potential conflict with the interest of the Company at large. None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company otherwise than disclosed in the Corporate Governance Report, forming part of this report.

Details of the transaction are provided in Form AOC-2 which is attached as Annexure - F to this Report.

Vigil Mechanism / Whistle Blower Policy

In accordance with the requirements of the Companies Act 2013, your Company has established a Vigil Mechanism / Whistle Blower Policy for Directors and Employees to report genuine concerns. The said Policy meets the requirement of the Vigil Mechanism framework under the 2013 Act, and the members can view the details of the policy on <https://www.allsectech.com/investor-information>. No member has been denied access to Vigil Mechanism and no complaints have been received during the year.

Corporate Social Responsibility

The Board of Directors of your Company has constituted the CSR Committee to help the Company to frame, monitor and execute the CSR activities.

As per Section 135 of the Companies Act 2013, the Board of every Company referred to in sub-section (1), shall ensure that the Company spends, in every financial year, at least 2% of the average net profits of the Company made during the three immediately preceding financial years.

As per Computations made under Section 198 of the Companies Act, 2013, the Company must contribute approximately INR 37 lakhs as CSR Contribution. During the financial year 2018-19, the Company has formulated a CSR policy and the CSR committee had a meeting on 26th March 2019 which approved the contributions

made and proposed to the tune of INR 38 Lakhs to promote various educational institutions identified and which falls under the categories prescribed in Schedule VII of the Companies Act 2013 under (ii) promoting education, including special education and employment enhancing vocational skills specially among children, women, elderly and the differently abled and livelihood enhancement project.

The report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules 2014 is annexed in Annexure - H and forms an integral part of the this Report. The policy has been uploaded on the Company's website at the Link <https://www.allsectech.com/investor-information>.

Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the Notes to the financial statements forming an integral Part of the Annual Report.

Internal Financial Control and Adequacy

The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial disclosures. The Internal Audit is entrusted to M/s. Srinivasan & Shankar Chartered Accountants and the main scope of the Audit is to test and review controls, appraisal of risks and business processes, besides benchmarking controls with best practices in the Industry.

Auditors

As required under SEBI (LODR) Regulations 2015, the Statutory Auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

Comments on Auditors' report

There are no qualifications, reservations or adverse remarks or disclaimers made by the Statutory Auditors and Company Secretary in Practice in their reports respectively. The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

Material changes and commitments affecting the financial position of the Company which have occurred between March 31, 2019 and May 17, 2019 (date of the Report)

Pursuant to a Public Announcement dated April 17, 2019, Conneqt Business Solutions Limited ("Acquirer")