



Unleash your potential

Aptech Limited

ANNUAL REPORT 2017-18

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Corporate Information

Board of Directors

Rakesh Jhunjhunwala
Chairman

Vijay Aggarwal
Director

Anil Pant
Managing Director & CEO

Anuj Kacker
Whole Time Director

Asit Koticha
Director

Madhu Jayakumar
Director

Madhusudan Kela
Director

Nikhil Dalal
Director

Ninad Karpe
Director

Rajiv Agarwal
Director

Ramesh S. Damani
Director

Utpal Sheth
Director

Company Secretary
Ketan H. Shah

Registered & Corporate Office

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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.

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

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.

Registrar & Transfer Agents

M/s. Karvy Computershare Pvt. Ltd
Karvy Selenium, Tower B, Plot 31-32, Gachibowli,
Financial District, Hyderabad - 500 032
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MANAGEMENT DISCUSSION AND ANALYSIS

Aptech in the Education Sector

Aptech is a leading player in the private, non-formal education space that has developed a unique franchising-based, global education platform. It has been a pioneer in many industry segments and has scaled these into large markets, in India and many countries abroad. It is currently present in more than 40 countries after 30+ years of being in existence. It fills a need-gap between the skills demanded by employers and education offered by the formal sector from both volume and skills perspective. The Company has succeeded in replicating its success in the IT Training segment into many verticals and has developed a franchising-based education platform, which can now deliver similar products in the non-formal space across the globe. As an outcome of its

Retail

Offering in the Skilling Area for Adults & Young Adults Age Group:

Brand	Format	Skill Areas	Industry
Arena Animation	Franchise centres with Arena Animation in domestic and Arena Multimedia brand in international markets	Graphic Design, Web Design, Photography, 2D & 3D Animation, Visual Effects, Gaming	Media & Entertainment
MAAC (Maya Academy of Advanced Cinematics)	Franchise format - under the brand name of MAAC	2D & 3D Animation, Visual Effects, Film Making, Gaming	Media & Entertainment
Aptech Computer Education	A combination of 3 to 5 of these brands also offered under Aptech Learning franchise format in the domestic market, apart from individual brand franchise centres.	Software Development	Information Technology
Aptech Hardware & Networking Academy		Hardware Engineering, Network Management, Software Administration, IT Management	Information Technology
Aptech Aviation & Hospitality Academy		Customer Service, Airport Management, Ticketing, Hotel Management, Tourism, Retail Store Management, Merchandising, Distribution	Aviation, Hospitality, Travel & Tourism, Organized Retail
Aptech English Learning Academy		Language Learning	All
Aptech Banking & Finance Academy		Banking, Financial Sales, Investment Advisory, Depository Operations, Equity Dealing	BFSI
Lakme Academy Powered By Aptech	Franchise format with Lakme Academy Powered By Aptech brand, in partnership with Lakme India	Skin Care, Make-up, Hair Style, Nail Care	Beauty & Grooming

Course durations of programs ranges from 1 week to 3 years. Content development for all courses is geared towards creating a standardized set of documents that support course delivery in a large and widely spread network of learning centres. These artefacts minimize dependence on trainer's teaching style to achieve the desired learning outcomes to the best extent possible. The courses are a mix of theory

presence in the skilling space and digitisation push, the Company also gained a first mover advantage in the online Assessment and Testing segment and is one of the leading players in India in this space.

Business Overview

The product portfolio of Aptech can be broadly categorized into two segments, viz. Retail and Non-retail. Retail segment consists of network of vocational (targeting adult and young-adult age group) and pre-school (targeting toddlers and pre-schoolers age group) learning centres under various brands of Aptech, primarily run with a franchise model. Aptech's skilling centres offer programs addressing various vocations for jobs in multiple verticals.

and lab/practice with an emphasis to learn the skills necessary for executing the job. Aptech's Industry Connect and Placements (ICAP) team not only provides placement assistance to the students, but also executes multiple industry interaction opportunities to improve learning experience for them. They also provide career guidance and conduct soft skill training to improve employability. The competition for this segment, as defined by the Company, is 'Unemployability'.

Some of the key segments for the Company in this segment that are offered through a dedicated learning centre for a specific audience are as follows:

- **Aptech Indian Technical and Economic Cooperation (ITEC) Program**

Aptech is an empanelled training provider with the ITEC and Special Commonwealth African Assistance Program (SCAAP) bilateral programs of the Ministry of External Affairs, Government of India since 2002. Under ITEC and SCAAP, the MEA provides fully sponsored training programs in India to selected individuals from developing countries. Aptech offers courses in IT, Multimedia and Language Training at its dedicated facility in New Delhi for ITEC program.

- **Aptech International Window Program (IWP)**

Aptech's offers exclusive program for International students and professionals, a gamut of courses in Aptech's portfolio in India at its dedicated training infrastructure in Bengaluru or other locations.

Offering for Toddlers, Pre-schoolers, School-age & Adolescent Age Group:

In the recent past, the Company has expanded its target segment by adding offerings in the non-vocational areas for lower age groups. These are as follows:

Brand	Format	Courses
Aptech Montana International Preschool	Franchise format under Aptech Montana International Preschool brand name in partnership with The Montana International Preschool Pvt. Ltd.	Mother-toddler, Pre-nursery, Nursery, Kindergarten-1, Kindergarten-2, Childcare and Activity centres
Aptech Learning Ladder	Direct to school program offered primarily in international markets through School Implementation Partners	Information Technology, Multimedia and Animation

Non-retail

Non-retail segment covers Aptech's offerings to Corporate (Public and Private), Institutional and Government sectors. It consists of two main divisions, viz. Assessment & Testing and Training Solutions. Aptech's services under these divisions can be described as follows:

- **Aptech Assessment & Testing Solutions**

Computer Aided Assessments and Digital Evaluation for paper based exams (descriptive Q&A) are the main offerings.

Computer Aided Assessments are typically used for entrance exams, recruitment and screening exams, semester-end exams, competitive/scholarship exams and corporate assessments, all of which are amenable to multiple-choice answer format. Digital Evaluation tool is relevant for descriptive answer based exams, and involves evaluation of digitized answer scripts. Aptech has capabilities to offer end-to-end solution to clients with its proprietary IT platforms for both offerings.

- **Aptech Training Solutions**

Training solutions is focused on large scale skilling needs of Corporate and Government clients and covers training in product knowledge, software application training, customer services, soft skills, IT and other areas. The focus area for the Company are training rollouts for middle to lower level employees.

Business Strategy

In the Retail business, Aptech has perfected the art and science of managing large network of franchisee learning centres. Some of the key strategies that the Company has used to drive revenue and profitability growth in this business over the years are as follows:

1. Firm focus on asset-light, franchising or content licensing business models to increase scale and reach at a fast pace without risking capital.
2. Development of a franchise platform with a common servicing infrastructure and resources, which can launch multiple brands across multiple geographies. This also helps Aptech spread risks through diversification.
3. The Company has internalised partnership driven approach in all the areas of operations. While Franchise partners are the primary example of partnership driven approach, the Company has also partnered with companies with domain expertise to launch new products, formed alliances with other companies to offer newer courses under its existing brands and also co-opted competition by allying with formal sector to offer pathway to qualifications for its students.
4. With the mission to eliminate 'Unemployability', Aptech is now focused on driving enrolments that are driven by available employment opportunities. The objective is to ensure better all-round success by improving chances of employment for its students by better matching skill supply with demand. This includes having a strong industry connect to map out the demand for skills from a quantitative and composition perspective. Based on this demand map, to revamp its existing courses or develop new ones, drive enrolment towards these courses and offer full support for placement to students.
5. The Company has also focused on highly manpower intensive sectors, which are seeing growth in demand for skilled manpower,

such as Hospitality, Tourism, Aviation, Beauty & Grooming, Media, Hardware & Networking etc

6. Continuous focus on franchisee economics because success of franchisee means success for Aptech.
7. Constantly increasing use of technology in course delivery and company operations to improve efficiency and effectiveness. Usage of digital marketing is continuously on the rise. All courseware is now delivered to students through an online learning platform Onlinevarsity. Franchise operations are managed through cloud-based portal Aptrack and SAP is being used as an internal ERP. In FY2017-18, the Company started a project to use Augmented & Virtual Reality technologies at the counselling desk to make an impact on the student and improve the quality of sales pitch. It also started integrating Augmented Reality content in its course books to improve learning outcomes.

In the Enterprise Business segment, the Company has focused on investing in a team and robust infrastructure to support multiple large scale exams. The key at present with an evolving market is to build trust and handhold clients in transitioning from paper and pencil tests to computer aided assessments. The Company also offers security and quality assurance to clients by getting certified in all necessary certification standards for e.g. ISO 27001, PCMM Level 3, etc. In the corporate training segment, the focus is to offer support for large scale, geographically spread training roll-outs through the company's reach and project management capabilities.

Consolidated Financial Performance

The Company's Total Operating Revenue on a consolidated basis for the year ended March 31st 2018 stood at ₹ 22,914 lac, reflecting a growth of 8.0% against the previous year. This slow down as compared to 30.6% growth in FY2016-17 over FY2015-16 was primarily on account of Conscious decision to exit from extremely low margin project business in the International Retail segment. These projects had

Segment – wise Financial Performance (₹ in lacs)

	FY2016-17	FY2017-18	Variance	FY2016-17	FY2017-18	Variance
Segment	Retail			Non-Retail		
Operating Revenues	14,512	14,552	0.3%	6,706	8,362	24.7%
Operating EBIT	3,738	4,673	25.0%	1,433	1,046	-27.0%
Capital Employed	3,954	4,590	16.1%	3,269	5,131	57.0%

RETAIL BUSINESS

Domestic Retail

Major highlights for the Domestic Retail business for the year 2017-18 were as follows:

- Animation & Multimedia vertical segment continued to grow at a good pace in the domestic market with both Arena Animation and

minimal value addition from and to Aptech. Excluding this discontinued revenue stream, on a comparable basis, the total operating revenue growth would have been 19.7% over FY2016-17. Retail segment revenue growth would be 17.0% on a like-to-like basis, excluding such projects business, as against flat lining trend shown in the financial results.

With the inbuilt operating leverage and exclusion of low margin revenue stream, the Operating EBIT margin of Retail segment has gone up by 6.4% from 25.8% in the preceding year. This translated to a growth of 25.0% in Operating EBIT for the Retail segment on an absolute basis. There was a decline of 940 basis points in the Operating EBIT margin for Non-retail segment from FY2016-17 to FY2017-18 mainly on account of increase in manpower to service a higher volume of business on an ongoing basis. In addition to this, Corporate Training division with a relatively lesser margin contributed a higher proportion of the revenue for Non-retail segment in FY2017-18 vis-à-vis FY2016-17. Overall EBIT after excluding the non-cash impact on account of grant of ESOP was 16.4% higher than previous year on a comparable basis. Other Income was higher by ₹ 78 lac majorly on account of interest income and reversal of liabilities. The Company earned an exceptional income of ₹ 1,556.15 lac from sale of land and property where AICAR Business School was situated and other non-core assets, after netting of expenses associated with the sale. Profit Before Tax (after Exceptional Item) grew by 60.3% as compared to FY2016-17. Current tax expenses increased only by 5.7% because of average tax rate for the year was increased to 19.8% in FY2017-18 from 15.40% in FY2016-17 and deferred tax gain of ₹ 353 lac. Profit After Tax went up from ₹ 1,930 lac in the previous year to ₹ 3,287 lac, a gain of 70.3%. Overall basic EPS for the year was higher at ₹ 8.24 as against ₹ 4.84. Total Comprehensive Income for the period was 81.2% higher than last year. Debt on the balance sheet continued to be nil, cash and liquid investment position was ₹ 5,102 lac and the debtor days stood at an average of 96 days as on 31st March 2018.

MAAC showing translation of enrolment and booking growth into revenue growth. Rapid proliferation of Lakmé Academy Powered by Aptech and Aptech Montana International Preschool centres contributed handsomely to the revenue growth of the Retail business in India.

- With the expansion continuing to remain a focus across all brands in FY2017-18, revenue from new centre sign-ups also increased

for most brands, especially for the newer brands in the portfolio. Overall a total of 196 new centres were signed-up by the Company in FY2017-18 in the domestic market, as against 156 new centres in FY2016-17. This translated to a 35.0% growth in revenue terms.

- Aptech Montana International Preschool signed-up 34 new centres and Lakmé Academy Powered by Aptech signed 55 new centres in FY2017-18. Both these brands also scaled up fast in terms of enrolment growth with many centres becoming operational during the year.
- Industry Connect and Placements (ICAP) team performed well with the total job opportunities made available to students across all brands going up from 20,965 in FY2016-17 to 47,912 in FY2017-18.
- Partnered with a few non-banking financial institutions to offer instant approvals for a collateral-free loan to students for any course at the time of enrolment.
- Launched a community-based platform for the Arena students to showcase their work / portfolio to peers, experts and recruiters for getting feedback and placements in tie-up with Creosouls.
- Aptech signed up Rahul Dravid as the brand ambassador for Aptech Learning and Arena Animation brands for the following year, i.e. FY2018-19.

International Retail (excluding China)

International Retail segment of Aptech continued to gain traction. Key performance highlights for the year 2017-18 are as follows:

- Aptech consciously exited from low margin, low value-add projects, which meant a decline of revenue by ₹ 1,995 lac as compared to FY2016-17. The Company will continue to drive this initiative going forward as well.
- Growth in income from new centre sign-ups (34 new centres), renewal of old centres and courseware showed encouraging growth.
- All the major countries for Aptech, including Vietnam, Qatar, Nigeria (after excluding low margin projects), Malaysia, Uganda, etc. showed growth in FY2017-18 over FY2016-17 on a constant currency basis. Revival also seen in Saudi Arabia and Bangladesh.
- Indian government pushed through adverse changes in commercial terms for the ITEC business during the year, affecting profitability for the project, and consequently the International Retail business. This impact on profitability may affect the continuity of this business going forward, since the Company is re-evaluating all low margin projects.
- Aptech courses were validated and approved by NCC of UK, and this alliance now offers Aptech students a chance to avail Level 5 UK qualifications in IT after completing a few extra modules in their course work. This Level 5 qualification will also allow successful Aptech students to get direct entry into a Level 6 UK program or an international undergraduate program of Universities in many countries.
- Aptech launched its first Aptech Learning and Arena Multimedia centres in Egypt in partnership with a leading Education company. Partner executed an Aptech English training program for more than 1,000+ undergraduate students against an order from the government.

- Re-launched Bangladesh through up a Master Franchise partnership for Arena Multimedia and Aptech Computer Education.
- Successfully executed a project awarded by Indian Council for Cultural Relations to train 550+ Afghan students in English in New Delhi.
- Signed a School Implementation Partner for Aptech Learning Ladder in Vietnam.

Brand	FY2016-17	FY2017-18	Variance
Domestic Retail	7,781	9,469	21.6%
International Retail*	6,725	5,083	-24.4%
Grand Total	14,512	1,4552	0.3%

* Including ₹ payment

BJB Career Education (China)

In 2000, Aptech entered the IT training market in China through a 50:50 JV (BJB Aptech) with Beida Jade Bird (BJB). Driven by the economic growth and the government's thrust to make China an important IT outsourcing nation, the IT training market in China has seen strong growth over the last two decades. Aligning itself to this growth, Aptech restructured its stake in the China JV in 2009. It divested its 50% stake in the JV and invested the proceeds in the holding company, BJB Career Education Company Ltd. (BJBC). Aptech currently holds 22.4% stake in BJBC and also has a Board seat. BJBC's main lines of business are vocational IT training (BJB Aptech) and distribution of vocational IT educational content to high schools, colleges and universities.

BJBC has not been, for the last about four years, furnishing its financials to its investors, nor have they been convening Board/General body meetings. In order to establish investor protection, as also as a measure of Corporate democracy and transparency, a few major investors got together and filed appropriate petitions in the Honourable Court of Cayman Island and obtained favourable orders. The same is now being pursued to be served in Beijing, PRC where the company's office is situated, in order to take the matter further and thus conclusively establish shareholders' rights.

NON-RETAIL BUSINESS

Important developments for the segment across Assessment and Training divisions in FY2017-18 are:

- Assessment & Testing business executed ~7.5 million tests during the financial year.
- Growth in Assessment & Testing business was 20.5%. Training Solutions division grew at a faster pace on account significant increase in traction from an existing large customer in the telecom space. Total number of customers for the segment was close to 100 during the year, thus establishing a critical mass of customer base for further scale-up
- Revenue contribution of Training Solutions division to Non-retail revenue went up from 10.9% in the previous year to 13.9% in FY2017-18 due to higher growth rate.
- 20 new clients were signed up by the Assessment & Testing division during the reported period and it worked with 6 new state government entities for conducting recruitment tests during the year.

- Significant investments in manpower and infrastructural resources to develop capabilities for delivering business multiple times of existing scale have been made.

Awards & Recognitions

- The Company was recognized for its many employee friendly initiatives and investment in its talent pool by the Great Place To Work® institute, as one of the Top 50 mid-sized places to work in India for the period May 2017 to April 2018.
- Aptech Montana International Preschool and Lakmé Academy Powered by Aptech won the “Best Early Learning Education Innovative Curriculum Award” and the “Skill Learning Training – Beauty Award” respectively at the 8th edition of the Indian Education Awards 2018, New Delhi.
- Aptech IT and MAAC were featured in the prestigious ‘Training Institute of the Year 2017’ list, as selected by the Higher Education Review magazine.
- Aptech Vietnam won the ICT Gold Medal For Highest Turnover (Category: Training) and Top ICT Training Cup from HCM Computer Association for the 15th year in a row (2003 – 2017).

Asian Institute of Communication and Research (AICAR) Business School

Aptech has sold the immovable property where the AICAR Business School was situated because the school had ceased operations since financial year 2014-15. This closure on account of lack of demand for PG diploma courses in management. The Company made a profit of ₹ 1,374 lac on this sale and incurred expenses/losses of ₹ 176 lac, resulting in a net gain of ₹ 1,197 lac that has been recognised as an exceptional profit in the reported financials.

Material Developments in Human Resources

Aptech’s human capital is the principal ingredient of its success as an Education and Training organization. Relationship management skills and service ethic are key to sustaining the critical differentiator of long and deep franchisee relationships for our Retail segment. Similarly, project execution competencies and technological solutioning an absolute essentials for success of our Non-retail business. All these capabilities reside in and with our people, who are therefore at the heart of our continued sustenance as a Company. The Company therefore invests considerable efforts and resources to ensure welfare and engagement of its employees.

The employee strength of the Company as on March 31, 2017 was 474, and it went up to 564 as on March 31, 2018. The average attrition rate for the year was 19.77%. This was in comparison with average attrition rate in FY2016-17 of 18.0%. Aptech has also initiated efforts to acquire Level 3 People Capability Maturity Model certification to achieve world class people processes, and is likely to complete it in FY2018-19.

Macro Outlook

India

Indian economy grew at its weakest pace in FY2017-18 during the first four years of Narendra Modi led National Democratic Alliance government’s term. The GDP growth slowed down to 6.7% from 7.1% in the previous year. This can be attributed to Government’s decision to implement major structural reforms such as the Goods & Services Tax and Insolvency & Bankruptcy Code, apart from lingering effect of demonetisation of high denomination currency notes, in the first half of the year. The GDP growth however had recovered by the end of year and economic activity had gathered steam to clock 7.7% growth in Q4 of FY2017-18. There was acceleration in most parts of the economy with Agriculture growing by 4.5%, Manufacturing by 9.1% and Construction by 11.5%. India also regained the top spot as the fastest growing large economy in the world.

Reserve Bank of India has projected a 7.4% growth for the Indian economy in FY2018-19. Apart from the pick-up in economic activity seen during last quarter of FY2017-18, the positive outlook for the coming year is based on the sustaining global growth momentum, projections of normal monsoon in India, reviving export growth and high capacity utilisation leading to expected pick-up in private investments. However, there are significant downside risks to this outlook, increase in oil and commodity prices, which have led to higher inflation and increase in interest rates, being the major cause for worry. In addition to this, there are concerns arising from adverse impact of ‘trade wars’ initiated by United States and loosening of fiscal discipline by the Government in view of general elections in 2019 and important state elections in 2018.

From an employment perspective, there have been a few positive signs in FY2017-18 with the EPFO data showing steady increase in formal sector jobs, while the overall unemployment remained at 3.5% seen in previous years. With the economic activity picking up and increasing formalisation of the economy, more formal sector jobs are expected to become available, thus supporting prospects for the Company.

International

Global economy expanded at a faster pace of 3.1% in 2017 after recovering its mojo at the end of 2016 based on increase in investment and trade growth. Advanced economies were ably led by United States of America, which amplified its pace of growth from 1.5% in 2016 to 2.3% in 2017 on the back of fiscal stimulus from tax cuts, industry friendly policies and improving employment scenario. Other than India and Mexico, which were impacted by structural reforms or elections, all other major emerging economies expanded at a faster rate in 2017. China continued its rebalancing without any major hiccups in 2017. The rise in oil and commodity prices also meant that the oil and commodity exporting countries that were significantly hurt by the slump in 2015 and 2016 recovered from the impact and reverted to the growth path in 2017.

Outlook for the year 2018, as per World Bank's Global Economic Prospects report of June 2018, was of 3.1% growth in global economy. The easing of growth momentum was on account of slower, but robust growth in non-US advanced economies, China and some of the other commodity importing emerging economies. Major areas of concern were restricted financial flows due to increasing interest rates and paring of monetary stimulus, imposition of competitive trade tariffs by major trading powers, and firming up of oil and commodity prices.

Aptech's presence, primarily, in emerging and developing economies means that economic growth outlook is an important factor affecting its prospects. However, other factors such as political stability, regulatory risks and FOREX market movements have a far greater impact due to the nature of its business. GDP growth estimates from World Bank for Aptech's major international markets are provided below.

Country	% GDP Growth in 2017 (E)	% GDP Growth in 2018 (F)	% GDP Growth in 2019 (F)
Malaysia	5.9%	5.4%	5.1%
Nigeria	0.8%	2.1%	2.2%
Qatar	1.6%	2.8%	3.2%
Saudi Arabia	-0.7%	1.8%	2.1%
Vietnam	6.8%	6.8%	6.6%

Business Outlook

With the overall economic prospects remaining supportive, the outlook for the coming financial year at Aptech is very positive. In combination with the encouraging external environment, the strategic approaches undertaken by the Company for each of its business segments are expected to deliver continuing growth in the medium term.

In the domestic market, the Company expects to maintain the growth momentum exhibited by the Retail business in the last few years with Animation & Multimedia remaining the growth mainstay and newer brands such as Lakme Academy and Montana pushing ahead with aggressive expansion. Revival in traction for Aptech Learning portfolio of brands is also expected with a sustained marketing campaign planned with Rahul Dravid as the celebrity endorser. Overall job environment is also expected to remain supportive and the ICAP team is expected to continue to expand its influence in driving growth.

Qualification products through tie-ups, profitable projects and expansion will remain the key strategy for growth in the International Retail market. The Company is looking to expand newer products in its existing markets and to focus on countries beyond its traditional markets in emerging Asia and Africa.

Online assessment and testing continue to see increasing acceptance and adoption in the country. While the sector faced a few execution

issues associated with conducting large scale, high stake recruitment exams, it was also well appreciated by the key stakeholders that this is also on account of the increased transparency afforded by digitisation vs. paper and pencil mode. Coupled with digitisation push by the central government, demand scenario is expected to remain robust. Approach of the Company will continue to be to expand the client roster, grow existing clients with large untapped potential and most importantly, pursue mega, game changing mandates.

The Company does not expect any significant changes in its fixed cost structure apart from the regular inflation, and with the built in operating leverage, margins are expected to improve on revenue growth.

Opportunities and Threats

Opportunities and Threats are entwined together and a matter of one's perspective and ability or inability to transform one into another. Some of the key opportunities and/or threats facing Aptech today are listed below.

1. Digital India scheme of the Government is a key initiative to not only bring the Government's schemes at the doorstep of common man digitally, but it is also an initiative to improve digital infrastructure including internet connectivity and digital literacy of the citizens. Demand for digital skills across various domains and verticals is likely to go up.
2. Along with Digital India, the setting up of National Testing Agency to conduct high-profile entrance exams is also expected to increase adoption of online assessments across the industry, thus increasing the market size that can be tapped by the Company.
3. Formal education sector remains a significant threat as a substitute for Company's courses. Aptech has managed to address this threat by co-opting the formal sector through alliances and offering integrated products or transition pathways offering best of both worlds to the students.
4. Automation and technologies such as Artificial Intelligence, Cloud Computing, Augmented & Virtual Reality, Robotics, etc. destroying traditional jobs is another notable threat that is also an opportunity in disguise. Automation is expected to also lead to creation of alternate, and highly specialised jobs, which present an opportunity for Aptech as a provider of courses for latest skills. Aptech is also adopting the same technologies to improve its customer outreach campaigns, student experience and learning outcomes.
5. Changing regulations have the potential to reshape the entire landscape in the Education sector. These can be seen as a major, but temporary threat to Aptech's business that can be addressed by transforming the offering to align with new environment.

Risks, Challenges and Concerns

In addition to the generic macro risks such as political risk, economic risk, regulatory risk, currency risk, etc., Aptech also faces some specific business risks as an education company operating with a specific business model. A few of such major risks are as follows:

1. **Business Partner Risk:** The Company is dependent on Franchisees for business generation, but they are the face of Aptech for the student. Hence, capabilities, motivation and financial viability of the Business Partner along with their compliance to processes and directions mandated by the Company are critical to their and Aptech's continued success.
2. **Demand Risk:** Technological and market evolution keep changing the nature and scale of skill requirements in the verticals serviced by Aptech. Such changes can render the courses offered by the Company obsolete. In addition, employment demand is also driven by economic prospects of the specific vertical in each individual country.
3. **Execution Risk:** Projects, whether of training or assessments, are a significant source of income for the Company. Delivering committed results in time, with quality and within budgeted costs are critical for success of the Company. In the event of a failure of any kind, it may lead to loss of business, imposition of penalties, loss of reputation, etc. for the Company.

The Company has adopted various mitigation approaches for all types of risks in order to ensure effective monitoring and resolution. Some of the standard risk mitigation approaches employed by the Company include:

1. Diversification
2. Documented process manuals and published guidelines, which are reviewed and updated periodically
3. Continuous monitoring and control of business performance

4. Quality assurance
5. Sustained stakeholder engagement
6. Hedging
7. Disaster recovery and business continuity plans
8. Investment in research and development, promote innovation

Aptech has an institutionalised Risk Management Policy covering the above mitigation approaches to manage all probable and possible risks to the Company.

Internal Controls and Their Adequacies

The internal audit and internal control procedures in place at Aptech are in line with the requirements of the business. These are periodically reviewed and upgraded, along with the related systems, in line with the changes in the business environment and prevalent best practices. The systems and controls are supplemented by regular performance reviews by the management, and release of policies and guidelines to ensure that financial and other control parameters are complied with. There is a defined organizational structure and authority matrix to have a clear chain of command for decision making and responsibility. Documentation and archiving policies have been used to maintain paper-based record of transactions for processes which are not completely digitised.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in Government regulations, tax laws and other factors such as litigation and industrial relations.