



SENSING TECHNOLOGY

# **ANNUAL REPORT**

## **2016-17**

BOARD OF DIRECTORS

Vinod Ramnani, Chairman  
Somadas G.C, Managing Director  
Jayesh C Patel, Director  
Thomas Dietiker, Director  
Dr. Suleman Adam Merchant, Director  
Rajkumar Raisinghani, Director  
Dr.Suchitra Misra, Director  
Nanjappaiah Madgondapalli Ramu, Director

CHIEF FINANCIAL OFFICER

V. Sundar

COMPANY SECRETARY

Supriya Kulkarni

REGISTERED OFFICE

# 83, Electronics City,  
Bengaluru 560 100, Karnataka, India

AUDITORS

Messrs B.V Swami & Co  
Chartered Accountants  
No.6, Commanders Place,  
Richmond Circle, RRM Road,  
Bengaluru -560025

COMPANY CO-ORDINATES  
FOR INVESTORS

9am IST – 5pm IST, Weekdays  
# 83, Electronics City,  
Bengaluru 560 100, Karnataka, India  
T: 91 80 2852 1040/41/42  
F: 91 80 2852 1094  
E-mail: investorsservices@optoindia.com |  
ir@optoindia.com

BANKERS

State Bank of India  
United Bank of India  
IndusInd Bank Ltd.  
Standard Chartered Bank  
HDFC Bank Ltd.  
YES Bank Ltd.  
ICICI Bank Limited  
The Bank of Nova Scotia

25<sup>TH</sup> ANNUAL GENERAL MEETING

Day & Date: Tuesday, September 05,2017.  
Time: 11:00 Am  
Venue: # 83, Electronics City,  
Bengaluru 560 100, Karnataka, India

GROUP WEBSITES

www.optoindia.com | www.amdlcorp.com |  
www.csiusa.com  
www.devoncath.com | www.eurocor.de |  
www.mediaidinc.com | www.optoeurocor.com |  
www.ormedortho.com | www.unetixs.com

BOARD'S REPORT

To  
The Members,

Your Board is pleased to present the 25th Annual Report on the business and operations of Opto Circuits (India) Limited, together with the Financial Statements of your Company for the year ended March 31, 2017.

Pursuant to the notification dated February 16, 2015 issued by the Ministry of Corporate Affairs, the Company has adopted the Indian Accounting Standards ("IndAS ") as prescribed under section 133 of the Companies Act, read with the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016. Financial statements for the year ended as at March 31, 2016 have been restated to conform to Ind AS.

FINANCIAL HIGHLIGHTS:

₹ in Lakhs

	STANDALONE		CONSOLIDATED	
Particulars for the year ended March 31 <sup>st</sup>	2017	2016	2017	2016
Revenue from operations				
Sales/Income from Operations	5,038.01	7,667.15	21,410.73	31,158.96
Other income (net)	-	-	118.47	138.68
Total income	5,038.01	7,667.15	21,529.19	31,297.65
Expenses				
Operating Expenditure	2,802.82	4,433.90	13,802.31	22,378.00
Depreciation and amortization expenses	879.45	949.60	1603.40	4,136.71
Other expenses	735.09	887.61	27,627.13	8,236.89
Total expenses	4,417.36	6,271.11	43,032.84	34,751.59
Profit from Operations before other income, Finance Cost and Exceptional Items	620.65	1,396.04	(21,503.64)	(3,453.95)
Other income	16.99	0.36	69.51	3,380.51
Finance Cost	(785.21)	(3,151.68)	(1707.14)	(4,366.33)
Exceptional Items	(36,256.56)	-	(26,178.36)	4,360.65
Profit before tax	(36,404.14)	(1,755.28)	(49,319.64)	(79.11)
Tax Expenses	-	(46.58)	(1,510.84)	(114.91)
Net Profit / (Loss) after tax	(36,404.14)	(1,801.86)	(50,830.48)	(194.01)
Other comprehensive income				
Minority interest	-	-	(176.76)	(48.63)
Total Comprehensive income	(36,404.14)	(1,801.86)	(51,007.24)	(242.64)
Earnings Per Share				
Basic	(15.02)	(0.74)	(21.05)	(0.10)
Diluted	(15.02)	(0.74)	(21.05)	(0.10)

COMPANY'S PERFORMANCE  
ON STANDALONE BASIS

Standalone Total Revenue was at Rs. 5,038.01 Lakhs for the financial year ended 31st March 2017 as against Rs. 7,667.51 Lakhs for the corresponding financial year ended March 31, 2016, a decline of 34%. Standalone profit/ (Loss) after tax for the financial year ended 31st March 2017 is at Rs. (36,404.14) lakhs as against Rs. 1,801.86) lakhs for the corresponding period financial year ended March 31, 2016. Earnings per share for the year ended 31st March 2017 is at Rs (15.02) Basic.

ON CONSOLIDATED BASIS

Consolidated revenue is at Rs. 21,410.73 Lakhs for the financial year ended 31st March 2017 as against Rs. 31,158.96 lakhs for the corresponding period of financial year 2016. Consolidated profit after tax for the year ended 31st March 2017 is at Rs. (50,830.48) lakhs, as against Rs. (194.01) lakhs for the corresponding period of financial year 2016. Earnings per share for the year ended 31st March 2017 is at Rs (21.05) Basic.

DIVIDENDS

Your Directors have not recommended any dividend for the year ended 31st March 2017.

TRANSFER TO RESERVES

An amount of Rs. (36,404.14) lakhs is proposed to be retained in the Statement of Profit and Loss.

CHANGES IN SHARE CAPITAL

There is no change in the authorized, and paid up Share Capital of the Company.

DISCLOSURE REGARDING ISSUE OF EQUITY SHARES WITH DIFFERENTIAL RIGHTS

During the year under review, the Company has not issued Shares with Differential Rights.

DISCLOSURE REGARDING ISSUE OF EMPLOYEE STOCK OPTIONS

During the year under review, the Company has not issued Shares under Employee Stock Options.

DISCLOSURE REGARDING ISSUE OF SWEAT EQUITY SHARES:

During the year under review, the Company has not issued Sweat Equity Shares.

SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE COMPANIES:

During the year under review, the Company continues to have Nine (9) direct subsidiaries. In accordance, with Section 129(3) of the Companies Act, 2013, the Company has prepared consolidated financial statements of the Company and all its subsidiaries, which forms part of the Annual Report. Further, a statement containing the salient features of the financial statement of our subsidiaries in the prescribed format AOC – 1 is appended as Annexure A to the consolidated financial statement and hence not repeated here for the sake of brevity.

The policy for determining material subsidiaries as approved may be accessed on the Company's website at the link:

<http://www.optoindia.com/pdf/OCIL%20-20on%20Material%20Subsidiariesx.pdf>

There has been no material change in the nature of the business of the subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Medical devices are an eminent part of the healthcare sector. The medical device industry includes devices which simplify the prevention, diagnosis and treatment of diseases and illnesses. The devices range from pacemakers, dialysis machines to thermometers, vital signs monitors, and pulse oximetry sensor which are used in diverse primary, secondary and tertiary medical establishments. North America is the largest market accounting for over 40% followed by Europe

and rest of the World. In rest of the World, developing economies in particular China, India, Africa, Middle East and Brazil have been growth contributors over the past couple of years.

While an aging population, chronic lifestyle diseases, expansion of emerging markets and advances in technology are expected to drive growth, however there are certain factors which are considerably altering the healthcare demand and delivery landscape.

Companies in the industry need to adapt their R&D strategy. Policy on pricing and mechanics of their supply chain to strive in the changing regulatory, clinical and business landscape. Consequently, companies will need to create technologies that help reduce healthcare costs, focus on the needs of the emerging markets, and fit into the reimbursement patterns of developed economies.

The Indian medical device industry though in its nascent stages shows great potential due to its strong private healthcare system, growing middle class with increasing income levels, change in the disease profiles (lifestyle diseases), greater penetration of health insurance, government focus on healthcare infrastructure development and arising awareness of personal healthcare.

profiles (lifestyle diseases), greater penetration of health insurance, government focus on healthcare infrastructure development and arising awareness of personal healthcare.

COMPANY OVERVIEW

Opto Circuits (India) Limited is an established global medical devices and technology group with a diversified product portfolio which is headquartered out of Bangalore, India. Your Company along with its subsidiaries are engaged in the design, development, manufacture, marketing and distribution of a range of medical products that are used by primary, secondary and tertiary healthcare establishments as well as in public access facilities such as schools, fire stations, policy offices in over 150 countries. Your Company specializes in vital signs monitoring, emergency cardiac care, vascular treatments and sensing technologies. Your US FDA listed and CE marked products are manufactured in India, Malaysia, Germany and the United States.

Your Company's interventional products include stents, balloons both drug eluting and non-drug eluting and AV

shunts used for the treatment of coronary and peripheral arterial diseases, as well as catheters and implants that are inserted in the human body. Your Company has proprietary technology with respect to the design and development of these products allowing us to differentiate these from competing devices. Some of our well known brands in this segment are Dior, Freeway, E-Magic Plus, and Genius Magic, Siro Prime, Freeway Shunt Balloon Catheter.

Your Company develops, manufacture, and market a broad range of advanced cardiac diagnostic and therapeutic devices and state of art patient monitoring systems. Your Company's products include automated patient monitoring devices and services, vital signs monitors, pulse oximeters and peripheral artery disease diagnostic equipment.

Your Company also sells a variety of related products and consumables and offer a portfolio of related training and key support services, including the installation, training, monitoring and maintenance of our equipments, which allow our customers to optimize the usage of our products and provide us with recurring revenues on a contracted basis. Some of our well known brands in this segment are, RevoNCompass, NGenuity, Poet IQ, etc.,

STRENGTHS OF YOUR COMPANY

One of the biggest competitive advantages is the propriety technology developed by our in-house teams which gives us control over features and intellectual property costs of devices and helps minimize our dependence on third party technologies. The focus on research and development activities has enabled us to develop devices which we believe are technologically superior to other devices available in the market. Your Company's diversified product portfolio across invasive and non-invasive caters to the needs of primary secondary and tertiary care establishments is well balanced and includes technologies that command high profit margins and also allows to achieve sales and distribution synergies coupled with economies of scale. The global distribution network is supported by a large team of third-party distributors and highly qualified international team of sales personal spread across Europe, United States and other parts of the world. Your Company's extensive distribution, sales and service network allows to be closer to end-users and enables us to be more responsive to market demand. Your Company has been in the medical devices business since 1992 and have established long-standing relationships with physicians, general practitioners and specialists, clinics

and hospitals. Further your company believes that our long term relationships and the quality of our customer base is a key strength that enables us to expand our business and operations.

BUSINESS PERFORMANCE ANALYSIS CONSOLIDATED

The Company reported consolidated Sales of Rs 215.98 Crores in Financial Year 2016-17, a decline of 37% over Rs 346.78 Crores Sales reported in Financial Year 2015-16.

The decline in sales can be attributed to partly the hostile takeover of CSC& CSI reported elsewhere, causing CSC& CSI not to be step down Subsidiaries of Opto Circuits (India) Limited, hence the entire revenues of CSC& CSI were not taken into this year's revenues combined with, and a softening of European Markets and overall economic slowdown. Further, Opto Eurocor Healthcare Limited and the Standalone entity were entities that witnessed a significant decrease in revenues thereby contributing to the overall decline in consolidated revenues.

The Company reported a Operating Loss of Rs 8.80 Crores for the Financial Year 2016-17 [ as against an Operating Loss of Rs 44.39 Crores for the Financial Year 2015-16] before the Exceptional Items. Exceptional items account for Rs 498 Crores for the Financial Year 2016-17, comprising of:

Opto Circuits [India] Ltd- Rs 362.50 Crores on account of Rs 222 Crores towards Provision for Bad & Doubtful debts, provision for non moving Stock amounting to Rs 140 Crores;

Advanced Micronic Devices Ltd-Rs 14.29 Crores –Past Tax liability provided

Opto Cardiac Care Ltd-Rs 76.50 Crores –being provision for Bad & Doubtful Debts

Opto Eurocor Health Care Ltd –Rs 45.30 Crores , comprising of Rs 37.30 Crores non moving stock Provisioning and Rs 8.00 Crores reversal of Forex.

After providing for the above exceptional items, the Company [consolidated] reported a Net Loss of Rs. 510 Crores in Financial Year 2016-17.

Further the Hostile takeover of two of the overseas Subsidiaries, vizz Cardiac Science Corporation, USA[ CSC] &

Criticare Systems Inc, USA[CSI]by / though DBS Bank Ltd, have dented the Top Line apart from having a huge impact on the Cash flow and non moving stock specifically earmarked for these entities resulting in huge losses.

Company along with its step down subsidiary (Cardiac Science Corporation) had borrowed funds from DBS Bank Ltd. In the year 2014-15 the said loan was restructured and as part of the said process Rs.12678.41 lakhs borrowed by the company was also restructured. As per the terms of the agreement with DBS Bank Ltd , upon default by step down subsidiary ( Cardiac Science Corporation) the bank exercised their rights and assigned the debts to a third party and also exercised proxy voting rights to take management control of the company . As a result of this the loan borrowed by the company to the tune of Rs. 12678.41 lakhs stands extinguished. DBS Bank has objected to the stand taken by the Company and also want to classify the loan as red flagged account and recommended for a forensic audit. The banks also have convened a Joint Lender Forum on the above matter.

The Company has raised objections to the stand taken by DBS Bank and moved the Court and obtained a Mandatory Injunction Order [ Under Order F.R. NO: O.S. /292/2017 dated 06th March, 2017 from the Hon'ble City Civil Court restraining the Bank [ DBS bank] from

a] Declaring the Company as Willful defaulters

b] Classifying the company's loan account as sub standard or red flagged account

c] Appointing/ conducting any forensic audit in the precincts of the company.

The Company also made a claim of USD 160.82 Million against DBS Bank Ltd vide its letter dated 24th January, 2017 and this claim is part of the above petition filed before the Hon'ble Court by the Company and that the matter is sub judice. The Company has also informed all the other lender Banks in the above matter.

The loan liability of Cardiac Science Corporation by secured lender DBS Bank Limited was sold by them to Aurora Capital through its Subsidiary CFS. The Shares of Criticare Systems Inc, had also been pledged to DBS, for additional lines granted by them to DBS. CFS has filed Chapter XI of the US Bankruptcy Code, in US Bankruptcy Courts in the Western District of Wisconsin of Cardiac Science Corporation, to facilitate Debt Restructuring and to protect itself from miscellaneous creditors. Opto Circuits (India) Limited and Opto Cardiac Care Limited as owners of Cardiac Science

Corporation are seeking appropriate legal recourse to protect the rights of the Shareholders. Your Directors are fighting the legal battle against this hostile takeover, which may take some time, but are confident that it will be to the benefit of your Company and also to Shareholders.

During the Financial year, one of the Step down subsidiary company, viz N.S. Remedies Private Ltd, Kolkotta, subsidiary of Opto Eurocor Health Care Ltd was sold as there were no operations.

During the course of the Financial Year, one of the Subsidiary company, Opto Infrastructure Ltd have sold one of its property, viz Altron Hotel Electronics City for Rs. 32 Crores which was rendered as security to Standard Chartered Bank Ltd towards the working Capital facilities by the bank to the Company. Major part of the proceeds of the sale was paid to Standard Chartered Bank Ltd [ Rs 20.79 Crores] towards part repayment of the OTS with Stanadard Chartered Bank Ltd[ SCB]

The Company has suspended its operations in one of its Divisions at Vizag, SEZ w.e.f April 01, 2017 as an outcome of the losses suffered in Hud Hud Cyclone in Vizag and that the company's constant efforts to get the Insurance claim with the Insurance company did not yield positive results. The Company is taking effective steps including legal remedy to have its claims settled with the insurance company. Further the operations were impacted due to the hostile take over of two of its step down overseas subsidiaries, viz CSC, USA & CSI USA.

During the Financial Year Mr. Valiveti Bhaskar, Managing Director, Opto Eurocor Health Care Ltd, subsidiary of the Company retired from the services on 31st March 2017.

#### OPTO CIRCUITS [INDIA] LTD- STANDALONE FINANCIAL

The Company reported Sales of Rs. 50.55 Crores in Financial Year 2016-17, [previous Financial years Sales Rs 76.67 Crores, a decline of 34% over Previous Financial Year.

The Company reported an Operating Loss of Rs 1.47 Crores for the Financial Year 2016-17[ Previous Financial year 2015-16 Operating Loss was Rs 17.49 Crores] before the Exceptional items. Exceptional Items for Financial Year 2016-17 was for Rs 362.56 Crores comprising of Rs 222 Crores towards Provision for Bad & Doubtful debts, provision for non moving Stock

amounting to Rs 140 Crores; After providing for Exceptional items , [Rs 362.56 Crores] the company reported a Net Loss of Rs 364 crores [for Previous Financial year 2015-16 -Net Loss was Rs 17.95 Crores]

Receivables -The Company has provided for Bad & doubtful debts with respect to Receivables which are over 3 years; This is despite constant efforts put in by the Management to recover the dues ; The Company would also seek the necessary approvals from Appropriate Regulatory Authorities for write off of these receivables over 3 years.

Non Moving/ Obsolete Stock- Due to the loss of Cardiac Science Corporation [ CSC, USA]and Criticare Systems Inc[ CSI, USA] , the stock both raw materials and work in progress meant for these two entities have piled up and were to be provided for in the books. The Company would seek the requisite approvals from Appropriate Regulatory Authorities for write off of these stock

Your Company continues efforts to win more customers and a bigger pie of the existing business, to improve the overall performance.

The Company has borrowings from State Bank of India, HDFC Bank Ltd, Yes Bank Ltd, Standard Chartered Bank Ltd and Bank of Nova Scotia Ltd, for which no provision for interest is made in the financial statements as these Banks have categorized the respective borrowings as NPA.

The Management has submitted proposals for One Time Settlement [OTS] with Standard Chartered Bank Ltd, State Bank of India, HDFC Bank Ltd and Bank of Nova Scotia Ltd. With Standard Chartered Bank Ltd, based on the proposal for OTS submitted to SCB Ltd, the company has already Repaid Rs 20.79 Crores towards part settlement of OTS and the balance of Rs 62 Crores in a phased manner[ 3 years time] which is under consideration.

With State Bank of India, the Company has made a proposal for OTS and had already repaid Rs 2.50 Crores towards OTS [out of total OTS Proposal of Rs 86.50 Crores] and the balance amount with a schedule of repayment as submitted to SBI in 22 Months commencing from August 2017 and ending with May 2020 and that the proposal is with SBI for consideration.

With HDFC Bank Ltd and Bank of Nova Scotia Ltd, the company has submitted proposals for OTS which are under discussion and negotiation.

The Management is actively pursuing the OTS proposals with the respective banks on an 'on-going' basis.

#### CONSERVATION OF ENERGY

Your Company does not fall under the category of power intensive industries. However, sustained efforts are taken to reduce energy consumption. The organization is an ISO 14001 certified Company which is an international Environmental Management System Standard. The Environmental policy of your Company aims at conservation of natural resources and minimization of pollution.

#### FOREIGN EXCHANGE EARNINGS AND OUTGO.

Your Company earned Rs. 4,590.13 Lakhs in foreign exchange in the year under review.

Foreign Exchange outflow was Rs. 2,087.99 Lakhs.

#### PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

There were no employees, who were in receipt of more or employed part of Rupees One Crore Two Lakhs or more or employed part of year and in receipt of remuneration in excess of Rupees Eight Lakhs Fifty Thousand or more, a month, under information as per Section 197(12) of the Act, read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016.

Having regard to the provisions of the first proviso to Section 136(1) of the Act and as advised, the Annual Report excluding the information on Disclosures pertaining remuneration and other details as required under Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, is being sent to the members of the Company. The said information is available for inspection at the registered office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

#### CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by SEBI. The report on corporate governance as stipulated under the Listing Regulations forms an integral part of this Report. The requisite certificate from the practicing company Secretary confirming compliance with the conditions of corporate governance is attached to the report on corporate governance.

## DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that

- In the preparation of the Annual Accounts for the year ended March 31, 2017 the applicable accounting standards have been followed and there are no material departures from the same.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 and loss of the company for that period;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance the provisions of the Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors have prepared the annual accounts on the going concerns basis.
- The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively and
- The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## LISTING OF SECURITIES

Your Company's Equity Shares continue to remain listed on BSE Limited and the National Stock Exchange of India Limited., As per the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 which came in effect from December 1, 2015, a shortened version of the Uniform Listing Agreement was signed by the Company with both the Stock Exchanges. Your Company has paid the listing fees as payable to the BSE Limited and the National Stock Exchange of India Limited., for the financial year 2017-18.

## FIXED DEPOSITS

Your Company has not accepted any fixed deposits from the public during the financial year under review.

## DIRECTORS AND KEY MANEGERIAL PERSONNEL APPOINTMENTS

Based on recommendations of Nomination and Remuneration Committee the Board appointed Mr. Nanjappaiah Madgondapalli Ramu (holding DIN: 07268616) as an additional Director in the category of Independent

Director, with effect from 16th April 2017 and approved the appointment of Mr. Somadas G.C (DIN: 00678824) as Managing Director for a period of three years effective from April 16, 2017, with remuneration subject to the approval of the Members.

## RETIREMENT AND REAPPOINTMENTS

As per the provisions of the Companies Act, 2013, Dr.Suchitra Misra, (DIN: 02254365) & Mr.Vinod Ramnani ( DIN 01580173) retires by rotation and being eligible, offers themselves for re-appointment at the ensuing Annual General Meeting. The Board of Directors recommends the appointment of Dr.Suchitra Misra and Mr.Vinod Ramnani as Director of the Company.

None of the Independent Directors will retire at the ensuing Annual General Meeting.

At the 22nd Annual General Meeting held on September 30, 2014, Mr.Rajkumar Tulsidas Raisinghani (DIN: 01411084), was appointed as an Independent Director of the Company to hold office till the conclusion of Annual General Meeting to be held in year 2017. Pursuant to the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company approved, subject to Members' approval, re-appointment of Mr.Rajkumar Tulsidas Raisinghani as the Independent Director for a second term of five years to hold office up to the conclusion of the 30th Annual General Meeting of the Company, based on his experience, knowledge and outcome of performance evaluation.

The Company has received separate notices under section 160 from Members, along with the requisite deposit, signifying their intention to propose appointment of Mr. Nanjappaiah Madgondapalli Ramu (DIN: 07268616), Mr. Somadas G.C (DIN: 00678824) and reappointment of Mr.Rajkumar Tulsidas Raisinghani (DIN: 01411084), as mentioned in the preceding paragraphs. Accordingly, necessary resolutions are being placed for approval of the Members at the 25th Annual General Meeting of the Company.

The Directors seek your support in confirming the appointments of Directors in the ensuing Annual General Meeting.

## RESIGNATION

Dr.Anvay Mulay resigned as Independent Director with effect

from close of business hours of January 04, 2017.

Mr.Vinod Ramnani resigned as Managing Director of the Company w.e.f. April 01, 2017 and continues to serve the organization as Non Executive Director & Chairman.

The Board places on record immense contributions made by Dr. Anvay Mulay and Mr. Vinod Ramnani to the growth of your Company over the years.

## DECLARATION BY INDEPENDENT DIRECTOR

The Company has received necessary declaration from Independent Directors that they meet the criteria of Independence laid down in Section 149(6) of the Companies Act, 2013 and the provisions of Regulation 16(1) (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Training of Independent Directors.

To familiarize the new inductees with strategy operations and functions of our Company, Senior Managerial personnel make presentations on Company's strategy, organization structure, products, technology, quality, facilities. Further at the time of appointment of an Independent Director, the Company issues a formal letter of appointment outlining his or her role, function, duties.

Based on the confirmation received, none of the Directors are disqualified for being appointed/re-appointed as directors in terms of Section 164 the Companies Act, 2013.

During the year under review, no stock options were issued to the Directors of the Company.

## POLICY ON DIRECTORS APPOINTMENT REMUNERATION AND EVALUATION

Your Company has in place, the Nomination Remuneration and Evaluation Policy of the Company on Directors appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of Director and other matters provided under sub Section (3) of Section 178 of the Companies Act, 2013. The Policy also contains the evaluation framework as stipulated under SEBI Listing Regulations, 2015 which mandates that the Board shall monitor and review the Board evaluation framework. The Companies Act, 2013 states that a formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual Directors. The evaluation of all the Directors and the Board as a whole was

conducted based on the criteria and framework adopted by the Board and as per Guidance Note on Board Evaluation issued by the Securities Exchange Board of India on January 05, 2017.

## MEETING OF THE BOARD

Nine Meetings of the Board of Directors were held during the year. For further details, please refer Corporate Governance section in this Annual Report.

## COMMITTEES OF THE BOARD

Currently, the Board has Five Committees: Audit and Risk Management Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stake holders Relationship Committee and Finance Committee.

A detailed note on the composition and scope of the Committee is provided under the Corporate Governance Section in this Annual Report.

## AUDITORS

As the term of M/s. B.V. Swami & Co., Statutory Auditor, comes to an end at the conclusion of ensuing Annual General Meeting, approval of members is sought at the ensuing 25th Annual General Meeting to appoint M/s. B.V. Swami & Co., Chartered Accountants, Bangalore as Statutory Auditors for period of three years, to hod office till the conclusion of 28th Annual General Meeting.

M/s. B.V. Swami & Co, Chartered Accountants, have conveyed their consent to be appointed as the statutory Auditors of the Company.

## SECRETARIAL AUDITOR

The Board has appointed Mr. Vijayakrishna K.T., Practicing Company Secretary, to conduct Secretarial Audit for the financial year 2016-17. The Secretarial Audit Report for the financial year ended March 31, 2017 is annexed herewith marked as Annexure 1 in the Form of MR 3 to this Report. The Board of Directors of the Company hereby furnish following explanations and clarifications with respect the observations made by the Secretarial Auditors in their report dated August 01,2017 under the heading observations in points (a) to (c).

a) Due to technical issues in making the requisite returns, digitally signing the same and uploading, delays occurred in filings of certain returns. Extreme levels of care and caution will be exercised to ensure that such delays do not occur again.

b) The Company will ensure & take corrective action to



strengthen Secretarial standards & Certain provisions of the Act.

c) Extreme levels of care and caution will be exercised to ensure that such delays do not occur again.

## RISK MANAGEMENT

The Company has laid down risk assessment and minimization procedures which are in line with the best practices in the industry and as per its experience and objectives. The Risk Management system is reviewed periodically and updated.

## INTERNAL FINANCIAL CONTROLS

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operation were observed.

## CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions. The disclosure of Related Party transactions as required under Section 134(3)(h) of Companies Act, 2013 in Form AOC 2 is annexed herewith marked as Annexure 2.

The policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link <http://www.optoindia.com/pdf/OCIL - Policy on Related Party Transaction.pdf>

Your Directors draw attention of the members to Note No. 33 to the financial statement which sets out related party disclosures.

## PARTICULARS OF LOANS GIVEN, INVESTMENTS MADE, GUARANTEES GIVEN AND SECURITIES PROVIDED

The particulars of loans, guarantees, and investments have been disclosed in the financial statements.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Corporate Social Responsibility Committee (CSR

Committee) appointed by the Board, has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board. The CSR Policy may be accessed on the Company's website at the link: <http://www.optoindia.com/pdf/OCIL - CSR Policy.pdf>

In terms of Section 134 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the annual report on Corporate Social Responsibility activities of the Company is given in Annexure 3 to this report.

Due to non-availability of profits the Company was not required to spend any amount on CSR activities during the financial year 2016-17.

## VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company promotes ethical behavior in all its business activities and has put in place a mechanism for reporting illegal or unethical behavior. The Company has a vigil mechanism and whistle blower policy under which the employee are free to report violations of applicable laws and regulations and the code of conduct, to chief vigilance officer and Audit and Risk Management Committee of the Board. The Company further confirms that no personal have been denied access to the Audit and Risk Management Committee.

The policy on vigil mechanism and whistle blower policy may be accessed on the Company's website at the link: <http://www.optoindia.com/pdf/OCIL - Whistle Blower Policy.pdf>

## POLICY ON DISCLOSURE OF MATERIAL EVENTS AND INFORMATION

your Company has adopted the Policy on Disclosure of Material Events and information, in accordance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to determine the events and information which are material in nature and are required to be disclosed to the Stock Exchanges.

The said policy is available on the website of the Company at <http://www.optoindia.com/pdf/OCIL - Policy on Disclosure of Material Event and Informationx.pdf>

## POLICY ON PRESERVATION OF DOCUMENTS AND RECORDS

your Company has adopted the policy on Preservation of Documents and Records in accordance with Securities and

Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy ensures that the Company complies with the applicable document retention laws, preservation of various statutory documents and also lays down minimum retention period for the documents and records in respect of which no retention period has been specified by any law/rule/regulation. The policy also provides for the authority under which the disposal/ destruction of documents and records after their minimum retention period can be carried out.

## EXTRACT OF ANNUAL RETURN

Extract of Annual Return of the Company is annexed herewith as Annexure 4 to this Report.

## MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY.

There have been no material changes and commitments, affecting the financial position of the Company which occurred during between the end of the financial year to which the financial statements relate and the date of this report

## SIGNIFICANT AND MATERIAL ORDERS

No order was passed by any court or regulator or tribunal during the year under review which impacts going concern status of the Company.

## RESPONSE TO AUDITORS OBSERVATIONS

The Board of Directors of the company furnish following response to the Qualifications/observations made by the Auditors in their Report dated May 30, 2017 for the Standalone Financial Statements and Consolidated Financial Statements.

## OPTO CIRCUITS[INDIA] LIMITED

### OCIL Standalone-

## AUDITORS OBSERVATION ON STANDALONE FINANCIAL STATEMENTS

The Board of Directors of the Company response to the Qualifications/ observations made by the Auditors in their Report dated 30th May 2017 for the Standalone Financial Statements under the heading Basis for Qualified Opinion in points[ a] to [g.] and Response to Annexure to the Auditors Report Point [i] to [viii]

## RESPONSE TO QUALIFIED OPINION:

### a-i] Receivables:

The Company is constantly pursuing these long overdues with the Debtors and that the management has taken a stand for provisioning of receivables over 36 months , aggregating to Rs. 22,250 Lacs. The company will be seeking the requisite Regulatory approvals for write off of these receivables during the course of the current year.

### a-ii] Payables:

With regard to the payables over 3 years, the company had taken up with the vendors and addressed certain inadequacies in the quality specifications with respect to the materials supplies by these vendors and the negotiations are underway to sort these out to arrive at a mutually acceptable settlement. It may further be noted that the payables over 3 years has come down from Rs 3,308 Lacs reported in last Financial Year [fy 2015-16] to Rs 1,229 Lacs in Financial Year 2016-17.

### b] SEZ &Stock:

SEZ-Vizag -As reported in the Last Annual Report post the HudHud cyclone and its after effects, company's sustained efforts with the Insurance company to get the claim did not bear results; It may be noted that the company do not have any working capital funds to sustain its operations, though there is demand for the company's products. Further with the hostile takeover over of Cardiac Science Corporation , USA[CSC] &Criticare Systems Inc, USA[CSI] by and though the action of DBS Bank Ltd for whose behalf lot of materials were procured and stored as inventory could not be shipped, resulting in Sizable retention of Inventory [both raw materials and work in progress] got accumulated and these could not be sold/or exported , resulting in provisioning of these non-moving obsolete stock. The Company would be seeking the requisite approvals from Regulatory Authorities for write off of such block of stock during the course of the Current Year.

### c] Bank Borrowings-NPA-OTS etc:

Noted . As explained, the company had submitted proposals for One Time Settlement [OTS] with Standard Chartered Bank Ltd, State Bank of India, HDFC Bank Ltd and Bank of Nova Scotia Ltd to reiterate its intention to repay the debts, despite suffering a severe setback due to loss of management control and companies [ step down subsidiaries, viz CSC & CSI in USA as stated] resulting in sizable loss of revenue and resultant losses and business.

Standard Chartered Bank Ltd, the company has already Repaid Rs 20.79 Crores towards part settlement of OTS and the balance of Rs 62 Crores in a phased manner[ 3 years time] which is under consideration.

State Bank of India, the Company has already Paid Rs 2.50 Crores towards OTS [ out of total OTS Proposal of Rs86.50 Crores] to be paid in 22 Months and that the proposal is under consideration.

With HDFC Bank Ltd and Bank of Nova Scotia Ltd, the company has submitted proposal which are under negotiation.

**d] Investment in subsidiary- Opto Cardiac Care Ltd[ OCCL]**  
Noted . The company has taken up the matter with the Hon'ble Court in Bangalore, Karnataka and obtained Mandatory Injunction against DBS Bank Ltd.

Further The Company also made a claim of USD 160.82 Million against DBS Bank Ltd vide its letter dated 24th January, 2017 and this claim is part of the above petition filed before the Hon'ble Court by the Company and that the matter is before the Hon'ble High Court and that the matter is sub-judice. The Company has also informed all the other lender Banks in the above matter.

Further that the litigation is pending before the US Bankruptcy Courts and that the Company is seeking appropriate legal relief to protect the rights of the shareholders. Your company will take a decision to impair the investments when these legal cases are settled.

**e] Working Capital & Action by the Banks**

As stated in para[c] as above, the company has already taken steps and submitted proposals for OTS with the Banks as detailed in para[c] and that the company is negotiating with the respective banks for an amicable settlement of the liabilities.

As regards the Winding Up petition by HDFC Bank Ltd and Bank of Nova Scotia Ltd before the Hon'ble High Court, Karnataka, the company has filed its objections and also copies of the Settlement Proposals [OTS] before the Hon'ble High Court Karnataka, Bangalore and the company is pursuing the matter through its Legal Counsels

**f] Advanced Micronic Devices Ltd[ AMDL] - Noted.**

The Company is taking efforts for a revival plan to revive the operations and will take stand on this matter during the course of the current financial year.

**g] Impairment of Assets AS36**

As mentioned in para [b] as above, there is inadequate working capital funds support for sustaining the operations, the company is not able to allocate further resources for this intangible assets

**Response to Annexure to the Auditors Report[i] to [viii]**

[i] The Company has taken note of the comments by the Auditors and that the company would carryout physical verification of inventories on half yearly from this year.

[iii] The Company had granted unsecured loans to its subsidiaries to meet their working capital requirements and that no interest has been charged, since the Company is not incurring interest costs.

[iv] with respect to the Auditors Comments and observations in para [viii-a] to the Annexure, this is noted and in future no delays would occur.

**AUDITORS OBSERVATION ON CONSOLIDATED FINANCIAL STATEMENTS**

**AUDITORS OBSERVATION ON CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors of the Company response to the Qualifications/ observations made by the Auditors in their Report dated 30th May 2017 for the Consolidated Financial Statements under the heading Basis for Qualified Opinion in points[1] to [12] and Response to Annexure to the Auditors Report Point [1] to [13]

**RESPONSE TO QUALIFIED OPINION**

**1-a] Non movingstock :**

The company is examining the quality of non moving stock and would take appropriate action in due course ; this to be read with our response para[b] as above under heading 'SEZ & Stock in Opto Circuits [ India] Ltd Standalone Auditor's Report.

1-b]AdvancedMicronic Devices Ltd-Noted and that the management of Advanced Micronic Devices Ltd would take effective steps in this respect.

**2. LONG OUTSTANDING RECEIVABLES/ PAYABLES**

**i] Receivables:**

The Company is constantly pursuing these long overdues with the Debtors and that the management has taken a stand for provisioning of receivables over 36 months , aggregating to Rs 22,250 Lacs. The company will be seeking the requisite Regulatory approvals for write off of these receivables as needed during the course of the current year.

**ii] Payables:**

With regard to the payables over 3 years, the company

had taken up with the vendors and addressed certain inadequacies in the quality specifications with respect to the materials supplies by these vendors and the negotiations are underway to sort these out to arrive at a mutually acceptable settlement.

**[b] &[c] Advanced Micronic Devices Ltd-**

Noted the observation on receivables over 360 days and the company would take effective steps to recover the same . On payables, the company has taken up with the respective creditors seeking balance confirmation and awaiting response.

**2 [d] & Point 4. Borrowings from Banks-NPA etc**

As explained, the company had submitted proposals for One Time Settlement [OTS] with Standard Chartered Bank Ltd, State Bank of India, HDFC Bank Ltd and Bank of Nova Scotia Ltd to reiterate its intention to repay the debts, despite suffering a severe setback due to loss of management control and companies [ step down subsidiaries, viz CSC & CSI in USA as stated] resulting in sizable loss of revenue and resultant losses and business.

Standard Chartered Bank Ltd, the company has already Repaid Rs 20.75 Crores towards part settlement of OTS and the balance of Rs 62 Crores in a phased manner[ 3 years time] which is under consideration.

State Bank of India, the Company has already Paid Rs 2.50 Crores towards OTS [ out of total OTS Proposal of Rs86.50 Crores] to be paid in 22 Months and that the proposal is under consideration.

With HDFC Bank Ltd and Bank of Nova Scotia Ltd, the company has submitted proposal which are under negotiation.

As regards the Winding Up petition by HDFC Bank Ltd and Bank of Nova Scotia Ltd before the Hon'ble High Court, Karnataka, the company has filed its objections and also copies of the Settlement Proposals [OTS] before the Hon'ble High Court Karnataka, Bangalore and the company is pursuing the matter through its Legal Counsels

**3. INVESTMENT IN OPTO CARDIAC CARE LTD**

Noted . Investment in OCCL is in turn towards its wholly owned overseas subsidiaries, viz CSC, USA & CSI, USA. It may be noted that the company has taken up the matter with the Hon'ble Court in Bangalore, Karnataka and obtained Mandatory Injunction against DBS Bank Ltd.

Further The Company also made a claim of USD 160.82

Million against DBS Bank Ltd vide its letter dated 24th January, 2017 and this claim is part of the above petition filed before the Hon'ble Court by the Company and that the matter is before the Hon'ble High Court and that the matter is sub- judice. The Company has also informed all the other Banks in the above matter.

Further that the litigation is pending before the US Bankruptcy Courts and that the Company is seeking appropriate legal recourse to protect the rights of the shareholders. Your company will take a decision to impair the investments when these legal cases are settled.

**5. ADVANCE TO AMDL**

Advanced Micronic Devices Ltd[ AMDL] - Noted. The Company is making efforts for a revival of its operations and will take stand on this matter during the course of the current financial year.

**6. CRITICARE SYSTEMS [M] SDNBHD, MALAYSIA,**

Noted.

Criticare Systems [M] SdnBhd, Malaysia, subsidiary of CSI USA and astep down subsidiary of Opto Cardiac Care Ltd have stopped operations in Malaysia and that no activity took place during the Year and not being material hence the financials were not available for such consolidation. of the assets and liabilities representing the investment.

**7. IMPAIRMENT OF NON-CURRENT INVESTMENT/ INTANGIBLE ASSETS**

[a] & [b] Please refer to our response in para[d] in Opto Circuits Stand alone Response.

[c] & [d]....

As mentioned in para [a &b] as above, there is inadequate working capital funds support for sustaining the operations, the company is not able to allocate further resources for this intangible assets.

**9. ADVANCED MICRONIC DEVICES LTD-USA BRANCH**

Advanced Micronic Devices Ltd has a branch at USA. There is no mandatory requirement for such branch audit in the USA. The company has adequate internal control systems, checks and mechanisms in place and is directly monitoring the same.

**10 & 11. ADVANCED MICRONIC DEVICES LTD**

Noted . The company is taking effective steps to settle and

clear the dues to its employees. The company is also following up the matter in the Hon'ble High Court. Un reconciled tax amount outstanding is out of the receipt of Rs 186 Lacs as Tax refund during the year.

12. COMMENTS OF THE AUDITORS NOTED

INDUSTRIAL RELATIONS

Industrial relations have been cordial and constructive, which have helped your Company to achieve production targets.

DISCLOSURE UNDER THE SEXUAL HARSSMENT OF WOEMN AT WORK PLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

Your company has always believed in providing a safe and harassment free workplace for every individual working in Company's premises through various interventions and practices. The Company always endeavors to create and provide an environment that is free from discrimination and harassment including sexual harassment.

A policy on prevention of Sexual Harassment a workplace has been released by the Company. The policy aims at prevention of harassment of employees and lays down the guidelines for identification, reporting and prevention of undesired behavior. Three members internal complaints Committee (ICC) was set up from the senior management with women employees constituting majority. The ICC is responsible for redressal of complaints related to sexual harassment and follows the guidelines provided in the policy. No complaints pertaining to sexual harassment was reported during the year.

ACKNOWLEDGEMENTS

Your Directors greatly appreciate the commitment and dedication of employees at all levels that have contributed to the growth and success of your company. Your Company also thanks all our stakeholders, customers, vendors, Investors, bankers and other business associates for their continued support and encouragement during the year.

On behalf of the Board of Directors

**Vinod Ramnani**  
Chairman,  
(DIN:01580173)

**Somadas GC**  
Managing Director  
(DIN:00678824)

Place: Bengaluru  
Date: August 01, 2017

Form No. MR-3

ANNEXURE 1 - SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31.03.2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To  
The Members,  
OPTO CIRCUITS (INDIA) LIMITED

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Opto Circuits (India) Limited., (CIN:L85110KA1992PLC013223) (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31.3.2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter; I have examined the books, papers, minute books, forms and returns filed and other records maintained by Opto Circuits (India) Limited., for the financial year ended 31.03.2017 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the rules made there under
  - (ii) The Securities Contracts (Regulation) Act, 1956 (SCRA) and the rules made there under;
  - (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
  - (iv) Foreign Exchange Management Act, 1999 and the rules regulations made there under to the extent of Foreign Direct investment, Overseas Direct Investment and External Commercial Borrowings;
  - (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act ;)
    - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
    - (b) The Securities and Exchange Board of India ( Prohibition of Insider Trading) Regulations, 2015
    - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
    - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
    - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
    - (f) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
    - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations 2009 and
    - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations 1998;
    - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - (vi) There are no specific laws applicable to the Company pursuant to the business carried by the Company.
  - (vii) The other general laws as may be applicable to the Company including the following;
- (1) Employer/Employee Related laws & Rules:**
- i. Industries (Development & Regulation) Act, 1951
  - ii. The Factories Act, 1948 (in case of manufacturing Companies, where applicable)
  - iii. The Employment Exchanges (Compulsory notification of Vacancies Act, 1959
  - iv. The Apprentices Act, 1961



OPTO CIRCUITS (INDIA) LIMITED

- v. The Employees Provident Fund & Miscellaneous Provisions Act, 1952
- vi. The Employees State Insurance Act, 1948vii. The Workmen’s Compensation Act, 1923
- vii. The Workmen's Compensation Act, 1923
- viii. The Maternity Benefit Act, 1961i.
- ix. The Payment of Gratuity Act, 1972
- x. The Payment of Bonus Act, 1965
- xi. The Industrial Disputes Act, 1947
- xii. The Trade Unions Act, 1926
- xiii. The payment of Wages Act, 1936
- xiv. The Minimum Wages Act, 1948
- xv. The Child Labour (Regulation & Abolition) Act, 1970
- xvi. The Contract Labour (Regulation & Abolition) Act, 1970
- xvii. The Industrial Employment (Standing Orders) Act, 1946
- xviii. Equal Remuneration Act, 1976
- xix Inter State migrant workmen ( Regulation of Employment and conditions of services) Act, 1979
  - i. Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1996
  - ii. Prohibition of Employment as Manual Scavengers and their Rehabilitation Act, 2013
  - iii. The Karnataka Shops & Establishments Act, 1961
- xx. The Sexual Harassment of Women at Work Place (Prevention, Prohibition & Redressal) Act, 2013
- xxi. The Industrial Establishments (National and Festival Holidays) Act, 1963
- xxii. The Labour Welfare Fund Act, 1965
- xxiii. The Karnataka Daily Wage Employees Welfare Act, 2012
- xxiv. For majority of Central Labour Laws the State has introduced Rules [names of the Rules is no included here]

(2) Environment Related Acts & Rules:

- i. The Environment Protection Act, 1986
- ii. The Water (Prevention & Control of Pollution) Act, 1974
- iii The Water (Prevention & Control of Pollution) Cess Act, 1977
- iv. The Air (Prevention & Control of Pollution) Act, 1981
- v. The Government Order Under Environment (Protection) Act, 1986
- vi. Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008.
- vii. The Karnataka Ground Water (Regulation for Protection of Sources of Drinking Water) Act, 1999

3) Economic/Commercial Laws & Rules:

- i. The Competition Act, 2002
- ii. The Indian Contract Act, 1872
- iii. The Sales of Goods Act, 1930
- iv The Forward Contracts (Regulation) Act, 1952
- v. The Indian Stamp Act, 1899
- vi. The Transfer of Property Act, 1882

I have also examined compliances with the applicable clauses of the:  
Secretarial Standards issued by the Institute of Company Secretaries of India on the Board and General Meetings i.e.  
SS - 1 and SS – 2.

I further state that during the period under review and based on my verification of the records maintained by the Company and also on the review of compliance reports/statements by respective department heads/Chief Financial Officer/ Company Secretary taken on record by the Board of Directors of the Company, in my opinion, adequate systems and process and control

mechanism exist in the Company to monitor and ensure compliance with applicable labour laws, environmental laws and other applicable laws as mentioned above. Certain non material findings made during the course of the audit relating to the provisions of Companies Act, Labour Laws were addressed suitably by the Management. Following observations have been brought before the shareholders which are treated as material in nature:

- a) Certain returns/registers required to be filed/maintained under the above general laws are not maintained/’filed within prescribed time.
- b) Compliance on Secretarial Standards and certain provisions of the Companies Act needs to be strengthened.
- c) There were delays in payment of PF and ESI contribution in some months.

During the period under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc. mentioned above. Certain non material findings made during the course of the audit relating to Labour Laws were addressed suitably by the Management.

**Further I report that** with regard to financial and taxation matters, I have relied on the Audit Report, Limited Review Report and the Internal Audit Report provided by the Statutory/Internal Auditor as the case may be.

**I further report that** The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors which took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members’ views are captured and recorded as part of the minutes as per the practice followed. However, during the period under report, there was no such case instance.

**I further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**Signature:**  
VIJAYAKRISHNA KT  
FCS No.: 1788  
C P No.: 980  
  
Place: Bengaluru  
Date: August 01,2017

*Note: This report is to be read with our letter of even date which is annexed as Annexure and forms an integral part of this report.*

'ANNEXURE'

My report of even date is to be read along with this letter:

- 1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
- 2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, I have followed provide a reasonable basis for our opinion.
- 3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company including records under Income Tax Act, Central Excise Act, Customs Act, Central and State Sales Tax Act.
- 4. Where ever required, the Company has represented about the compliance of laws, rules and regulations and happening of events etc as applicable from time to time.
- 5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
- 6. The secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Signature:  
VIJAYAKRISHNA KT  
FCS No.: 1788  
C P No.: 980

Place: Bengaluru  
Date: August 01,2017

Form No. AOC - 2

ANNEXURE 2

[Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts or arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. DETAILS OF CONTRACTS OR ARRANGEMENTS OR TRANSACTIONS NOT AT ARM'S LENGTH BASIS:

The Company has not entered into any contract/arrangement/transaction with its related parties which is not in ordinary course of business or at arm's length during FY 2017.

(a) Name(s) of the related party and nature of relationship:	Not Applicable
(b) Nature of contracts/arrangements/transactions:	Not Applicable
(c) Duration of the contracts / arrangements/transactions:	Not Applicable
(d) Salient terms of the contracts or arrangements or transactions including the value, if any:	Not Applicable
(e) Justification for entering into such contracts or arrangements or transactions:	Not Applicable
(f) Date(s) of approval by the Board:	Not Applicable
(g) Amount paid as advances, if any:	Not Applicable
(h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188:	Not Applicable

2. DETAILS OF MATERIAL CONTRACTS OR ARRANGEMENT OR TRANSACTIONS AT ARM'S LENGTH BASIS:

a. Name(s) of the related party and nature of relationship:	Not Applicable
b. Nature of contracts / arrangements / transactions:	Not Applicable
c. Duration of the contracts / arrangements / transactions:	Not Applicable
d. Salient terms of the contracts or arrangements or transactions including the value, if any:	Not Applicable
e. Date(s) of approval by the Board, if any:	Not Applicable
f. Amount paid as advances, if any:	None

On behalf of the Board of Directors

Vinod Ramnani  
Chairman,  
(DIN:01580173)

Somadas GC  
Managing Director  
(DIN:00678824)

Place: Bengaluru  
Date: August 01, 2017