

AGC/PB/SE/2016/036

September 28, 2016

Corporate Relationship Department Bombay Stock Exchange Limited P.J. Towers, Dalal Street, Fort, Mumbai - 400 001	Corporate Relationship Department National Stock Exchange Limited Exchange plaza, Bandra Kurla complex, Bandra (E) Mumbai 400051
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Dear Sir,

Sub: Submission of Annual Report as per Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Ref.: Scrip code BSE 500463/NSE AGCNET

With reference to the captioned subject, please find attached herewith the Annual Report of the Company for the Financial Year 2015-16, approved and adopted at the Annual General Meeting of the Company held on 28th September, 2016.

This is for your information, record and necessary action.

Thanking You,

For AGC Networks Limited



Pratik Bhanushali
Company Secretary & Compliance officer
Encl.: A./a.

**Statement on Impact of Audit Qualifications - Consolidated Annual Audited Financial Results of
AGC Networks Limited FY 2015-16**

I	SI No.	Particulars	Audit figures (as reported before adjusting for qualifications)	Audit figures (audit figures after adjusting for qualifications)
	1	Turnover / Total income	888.53	888.53
	2	Total Expenditure	923.12	965.89
	3	Net Profit/(Loss)	(34.59)	(77.36)
	4	Earnings Per Share	(12.15)	(27.18)
	5	Total Assets	625.29	582.33
	6	Total Liabilities	556.66	556.47
	7	Net Worth	68.63	25.86
	8	Any other financial item(s) (as felt appropriate by the management)	-	-
II	<u>Audit Qualification:</u> 1. Auditor's qualification on consolidated financial statements a. Details of Audit Qualification: As stated in Note 5 (i) to the Statement, during the year ended 31 March 2015 the Company had recognized sale of properties having aggregate carrying value of Rs. 1.09 crores and profit on such sale amounting to Rs. 46.04 crores (net of incidental selling expenses amounting to Rs. 3.39 crores) under 'exceptional items'. In our opinion, as the significant risks and rewards for the said properties had not been transferred, recognition of such sale was not in accordance with the principles laid under Accounting Standard (AS) 9 Revenue Recognition and the sale should have been reversed during the year ended 31 March 2016. Had the Company followed principles of AS 9 and reversed the sale transaction during the year ended 31 March 2016, the prior period items and loss before tax would have been higher by Rs. 46.04 crores each. (March 2015: Exceptional items and profit before tax would have been lower by Rs. 46.04 crores each). Tax expense for the year ended 31 March 2016 would have been lower by Rs. 3.27 crores (March 2015: Rs. 3.27 crores). Long-term loans and advances and carrying value of tangible assets as at 31 March 2016 would have been higher by Rs 3.27 crores (March 2015: Rs. 3.27 crores) and Rs 1.09 crores (March 2015: Rs. 1.09 crores) respectively; reserves and surplus, other current assets and other current liabilities as at that date would have been lower by Rs 42.77 crores (March 2015: Rs. 42.77 crores), Rs 47.32 crores (net of Rs. 3.20 crores received during the year) (March 2015: Rs. 50.52 crores) and Rs 0.19 crores (March 2015: Rs. 3.39 crores), respectively. Our audit opinion on the consolidated financial statements for the year ended 31 March 2015 and consolidated review opinion on the results for the quarter ended and nine months ended 31 December 2015 were qualified in respect of this matter. b. Type of Audit Qualification: Qualified opinion c. Frequency of Qualification: has been appearing from the year ended 31 March 2015 d. Management's views:			



During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of Rs. 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of Rs. 46.04 Crores (net of incidental expenses Rs. 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of Rs. 5.89 crores and also realised part consideration of Rs. 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.

2. Auditor's qualification on the Internal Financial Controls

a. Details of Audit Qualification:

In our opinion, according to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Holding Company's Internal Financial Control over Financial Reporting (IFCoFR) as at 31 March 2016:

The Holding Company's internal financial control over evaluation of accounting of non-routine transactions was not operating effectively. This has, during the year, resulted in non-reversal of transaction of sale of properties recorded in the previous year due to inappropriate evaluation of timing of transfer of risk and reward. This has led to misstatements of long-term loans and advances, tangible assets, other current assets, other current liabilities, prior period items, tax expense and resultant impact on the loss before tax and the reserves and surplus as at and for the year ended 31 March 2016.

A 'material weakness' is a deficiency or a combination of deficiencies in IFCoFR, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit test applied in our audit of the 31 March 2016 financial statements of the Holding Company and the material weakness has affected our opinion on the consolidated financial statements of the Holding Company and we have issued a qualified opinion on the consolidated financial statements

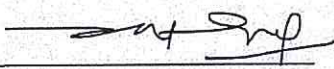
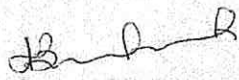
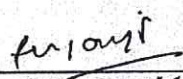

b. Type of Audit Qualification: Qualified opinion

c. Frequency of Qualification: appeared first time during the year ended 31 March 2016

d. Management's views:

During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of Rs. 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of Rs. 46.04 Crores (net of incidental expenses Rs. 3.39 Crores) during the year ended 31 March



	<p>2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of Rs. 5.89 crores and also realised part consideration of Rs. 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.</p>
III	<p><u>Signatories</u></p> <ul style="list-style-type: none"> • CEO/Managing Director <div style="text-align: right;">  SANJEEV VERMA, WHOLE TIME DIRECTOR </div> • CFO <div style="text-align: right;">  ANGSHU SENGUPTA </div> • AUDIT COMMITTEE CHAIRMAN <div style="text-align: right;">  SUJAY SHETH </div> • STATUTORY AUDITOR Walker Chandiook & Co LLP (Formerly Walker, Chandiook & Co) Chartered Accountants Firm registration number: 001076N/N500013 <div style="text-align: right;">  per Adi P. Sethna, Partner Membership no.: 108840 </div> <p>Place: Mumbai Date: 25.07.2016</p>



**Statement on Impact of Audit Qualifications - Standalone Annual Audited Financial Results of
AGC Networks Limited FY 2015-16**

I	Sl No.	Particulars	Audit figures (as reported before adjusting for qualifications)	Audit figures (audit figures after adjusting for qualifications)
	1	Turnover / Total income	321.68	321.68
	2	Total Expenditure	358.39	401.16
	3	Net Profit/(Loss)	(36.71)	(79.48)
	4	Earnings Per Share	(12.90)	(27.92)
	5	Total Assets	373.14	330.18
	6	Total Liabilities	301.13	300.94
	7	Net Worth	72.01	29.24
	8	Any other financial item(s) (as felt appropriate by the management)	-	-
II	<p><u>Audit Qualification:</u></p> <p>1. Auditor's qualification on standalone financial statements</p> <p>a. Details of Audit Qualification: As stated in Note 4 (i) to the Statement, during the year ended 31 March 2015 the Company had recognized sale of properties having aggregate carrying value of Rs. 1.09 crores and profit on such sale amounting to Rs. 46.04 crores (net of incidental selling expenses amounting to Rs. 3.39 crores) under 'exceptional items'. In our opinion, as the significant risks and rewards for the said properties had not been transferred, recognition of such sale was not in accordance with the principles laid under Accounting Standard (AS) 9 Revenue Recognition and the sale should have been reversed during the year ended 31 March 2016. Had the Company followed principles of AS 9 and reversed the sale transaction during the year ended 31 March 2016, the prior period items and loss before tax would have been higher by Rs. 46.04 crores each. (March 2015: Exceptional items and profit before tax would have been lower by Rs. 46.04 crores each). Tax expense for the year ended 31 March 2016 would have been lower by Rs. 3.27 crores (March 2015: Rs. 3.27 crores). Long-term loans and advances and carrying value of tangible assets as at 31 March 2016 would have been higher by Rs 3.27 crores (March 2015: Rs. 3.27 crores) and Rs 1.09 crores (March 2015: Rs. 1.09 crores) respectively; reserves and surplus, other current assets and other current liabilities as at that date would have been lower by Rs 42.77 crores (March 2015: Rs. 42.77 crores), Rs 47.32 crores (net of Rs. 3.20 crores received during the year) (March 2015: Rs. 50.52 crores) and Rs 0.19 crores (March 2015: Rs. 3.39 crores), respectively. Our audit opinion on the standalone financial statements for the year ended 31 March 2015 and standalone review opinion on the results for the quarter ended and nine months ended 31 December 2015 were qualified in respect of this matter.</p> <p>b. Type of Audit Qualification: Qualified opinion</p> <p>c. Frequency of Qualification: has been appearing from the year ended 31 March 2015</p>			



d. Management's views:

During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of Rs. 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of Rs. 46.04 Crores (net of incidental expenses Rs. 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of Rs. 5.89 crores and also realised part consideration of Rs. 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.

2. Auditor's qualification on the Internal Financial Controls

a. Details of Audit Qualification:

In our opinion, according to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's Internal Financial Control over Financial Reporting (IFCoFR) as at 31 March 2016:

The Company's internal financial control over evaluation of accounting of non-routine transactions was not operating effectively. This has, during the year, resulted in non-reversal of transaction of sale of properties recorded in the previous year due to inappropriate evaluation of timing of transfer of risk and reward. This has led to misstatements of long-term loans and advances, tangible assets, other current assets, other current liabilities, prior period items, tax expense and resultant impact on the loss before tax and the reserves and surplus as at and for the year ended 31 March 2016.

A 'material weakness' is a deficiency or a combination of deficiencies in IFCoFR, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit test applied in our audit of the 31 March 2016 financial statements of the Company and the material weakness has affected our opinion on the standalone financial statements of the Company and we have issued a qualified opinion on the standalone financial statements.

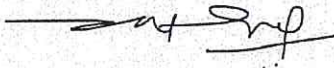

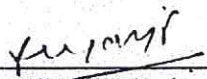
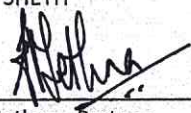
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	<p>approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of Rs. 46.04 Crores (net of incidental expenses Rs. 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of Rs. 5.89 crores and also realised part consideration of Rs. 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.</p>
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Paving the way for stakeholder value

ANNUAL REPORT 2015-16
AGC NETWORKS LIMITED

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MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

The year under review was a challenging year for your company. The eagerness to grab a share of the immense market opportunity was tempered with the need to do business in a manner to build value for the stakeholders of the Company over the long term.

Your Company continues to focus on best governance practices, a clean balance sheet, with a thrust to effectively increase profitability, manage working capital and debt in the best possible manner, and last but most importantly, reduce costs

in a sustainable manner. The effects of this transformation, under the young, yet experienced leadership of Sanjeev Verma, as well as CFO Angshu Sengupta, is aimed at increasing value for all stakeholders, in a consistent and sustainable manner, in the years to come.

A transformation of the magnitude that is underway in your Company does take time, and has challenges, and I am happy to say that the team has risen to the occasion to put in place a plan to ensure reliable cash-flow, profitability, growth and value.

Your Company continues to expand geographically, as planned. CYBER-i, the Cyber Security

division of your Company continued to grow and build skills and partnerships. The Intel Security based Global Security Operations Center (GSoC) of the Company is one of the top SOC's in South Asia.

With the right systems in place, as well as the right attitude and right people, your Company is now ready to take on the dynamic global marketplace with confidence.

Thank you, shareholders, for your continuing support.

With Best Wishes,

Sujay R. Sheth

MESSAGE FROM WHOLE TIME DIRECTOR

In FY 2015-16, my transition from an international landscape to now being at the helm of a Global delivery model across geographies with a renewed focus on India, has been stupendous. My learning, my experiences, my teams have all stood strong to chart AGC's global journey ahead. It has thus far been a transformative journey where we have worked relentlessly in re-igniting our **Relationships** across our ecosystem, recraft our **Relevance** and drive **Results** that have a long term positive impact on our customers and shareholder value.

AGC's presence in the Global ICT space coupled with the right skill and technology partnerships in each

geography sets us apart. We are engaging with more global and cross shore deals that clearly changes the context and puts AGC ahead in delivering superior experiences to our customers and partners. Your organization's emergence as a Global Solution Integrator of choice is showcased through the customer confidence across theatres. AGC's dominance in the Unified Communications space in India has evolved from mere voice solutions to offering superior customer experience through advanced solutions like self-service kiosks to natural language and speech and contextual analytics. The showcase of customer centricity and relevance has been across Cyber Security, Storage and Audio Video solutions in the Middle East and Africa regions, enabling global trade, coupled with the emergence of the Healthcare vertical and the Cloud & Managed service launch in US. Our

investments in APAC are in the right directions and we continue to see positive traction in ANZ and Philippines in the contact center, networking & security solutions.

While the canvas may seem widespread from a geographical reach perspective; our ability to go local is what has been AGC's biggest differentiator.

I see the way ahead for AGC as being the Cloud and Managed Services provider across traditional Capex and Opex models. Our endeavor is to secure the Cyber space across domains and networks with a vision to offer outcome based managed security services across the globe.

We thank you for your continued support.

Warm Regards,

Sanjeev Verma

CORPORATE INFORMATION

Directors

Sujay R. Sheth	Chairman - Independent Non-Executive Director
Jangoo Dalal	Independent Non-Executive Director
Manhar Mandaliya	Independent Non-Executive Director
Shuva Mandal	Independent Non-Executive Director
Sujaya Banerjee	Non-Executive Director
Sanjeev Verma	Whole Time Director (w.e.f. 15th Feb, 2016)

Chief Financial Officer

Amal Thakore (upto 10th July 2016)
Angshu Sengupta (w.e.f. 11th July 2016)

Company Secretary & Compliance Officer

Pratik Bhanushali

Auditors

M/s. Walker Chandiok & Co LLP

Registered Office

Equinox Business Park,
(Peninsula Techno Park),
Off Bandra Kurla Complex,
LBS Marg, Kurla (West),
Mumbai - 400 070

Regional Offices - India

Bengaluru, Chennai,
Gandhinagar, Gurgaon,
Hyderabad, Kolkata,
Mumbai, Pune

Global Presence

Australia, Kenya, New Zealand,
Philippines, Singapore,
UAE, UK, USA

Bankers

Yes Bank Limited,
IDBI Bank Limited,
Bank of India

Registered and Share Transfer Agents

Datamatics Financial Services Limited,
Plot No. B5, MIDC, Part B Cross Lane,
Andheri (East), Mumbai - 400 093

Audit Committee

Sujay R. Sheth (Chairman)
Manhar Mandaliya
Shuva Mandal

Stakeholders Relationship Committee

Sujay R. Sheth (Chairman)
Sanjeev Verma

Ethics and Compliance Committee

Shuva Mandal (Chairman)
Sujay R. Sheth

Nomination and Remuneration Committee

Shuva Mandal (Chairman)
Sujay R. Sheth
Manhar Mandaliya

Executive Committee

Sanjeev Verma (Chairman)
Amal Thakore
Animesh Shrivastava
Atul Khatavkar

Corporate Social Responsibility Committee

Sujay R. Sheth (Chairman)
Shuva Mandal
Sanjeev Verma

Risk Management Committee

Sujay R. Sheth (Chairman)
Sanjeev Verma
Amal Thakore

The above data is as of 31st March 2016.

NOTICE

NOTICE is hereby given that the 30th Annual General Meeting of the members of **AGC NETWORKS LIMITED** will be held on Wednesday, September 28, 2016 at 11.00 A.M. at Banquet Hall, Equinox Business Park, Off B.K.C, LBS Marg, Kurla West, Mumbai 400070 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2016, the Profit & Loss Account for the year ended on that date together with the Schedules attached thereto and the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mrs. (Dr.) Sujaya Banerjee (DIN 06814544), who retires by rotation and being eligible, offers herself for re-appointment.
3. To ratify appointment of the retiring Auditors M/s. Walker Chandiok & Co. LLP, Chartered Accountants (ICAI Registration No. 001076N) as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution, with or without modifications(s):

"RESOLVED THAT M/s. Walker Chandiok & Co. LLP, Chartered Accountants (ICAI Registration No. 001076N), be and are hereby re-appointed Auditors of the Company, to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors in addition to reimbursement of out-of-pocket expenses in connection with the work of audit to be carried out by them."

SPECIAL BUSINESS:

4. To consider and if thought fit to pass with or without modification the following resolution as **Special Resolution**.

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013 read with provisions of Schedule V of the Companies Act, 2013, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modifications or re-enactments thereof, for the time being in force) and such other approvals, permissions and sanctions, as may be required, subject to approval of the Central Government, consent of the members of the Company be and is hereby accorded for the appointment of Mr. Sanjeev Verma (DIN: 06871685) as Executive Director to be designated as Whole time Director of the Company for a period of three years with effect from February 15, 2016 to February 14, 2019, without remuneration or any other perks and perquisites, but may be paid Consultancy fees up to Rs. 25,00,000 (Rupees Twenty Five Lakhs only) per annum w.e.f. 1st April, 2016, for Business related consultancy, and also reimbursement of reasonable expenses incurred for rendering his services to the Company, and he shall have the right to manage the day-to-day business and affairs of the Company subject to the superintendence, guidance, control and direction of the Board of Directors of the Company.

RESOLVED FURTHER THAT Mr. Sanjeev Verma shall have the right to exercise such powers of Management of the Company as may be delegated to him by the Board of Directors, from time to time.

RESOLVED FURTHER THAT Mr. Sanjeev Verma will continue to be based and operate out of Dallas, US.

RESOLVED FURTHER THAT the Board of Directors of the Company and/or the Company Secretary of the Company be and are hereby authorized severally to do all such deeds, acts, things and matters as may be incidental or ancillary to give effect to the resolution.

**By order of the Board of Directors,
For AGC Networks Limited**

Sd/–

Pratik Bhanushali

Company Secretary & Compliance officer
Membership No. F8538

Place: Mumbai.
Dated: August 12, 2016

Registered Office:–

Equinox Business Park
(Peninsula Techno Park),
Off Bandra Kurla Complex,
LBS Marg, Kurla West,
Mumbai – 400 070.
www.agcnetworks.com

NOTES

- 1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The instrument appointing proxy should however, be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
- 2) Corporate Members are requested to send a duly certified copy of the Board Resolution, authorizing their representative to attend and vote at the Annual General Meeting.
- 3) In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- 4) Members are requested to bring their attendance slip along with their copy of annual report to the Annual General Meeting.
- 5) Members who wish to obtain information on the Company or view the accounts for the financial year ended March 31, 2016, may visit the company's corporate website www.agcnetworks.com or send their queries at least 10 days before the Annual General Meeting to the Company Secretary at the Registered Office of the Company.
- 6) All the documents referred to in the accompanying notice are available for inspection at the Registered Office of the Company on all the working days between 11.00 AM to 1.00 PM up to the date of the Annual General Meeting.
- 7) The Register of Members and Transfer Books in respect of Equity Shares of the Company will remain closed from 22.09.2016 (Thursday) to 28.09.2016 (Wednesday) (both days inclusive) for the purpose of Annual General Meeting.
- 8) M/s. Datamatics Financial Services Limited (DFSL) is "Registrar and Share Transfer Agent" of the Company. All members and investors are hereby advised to contact DFSL at the following address for any assistance, request or instruction regarding transfer or transmission of shares, dematerialization of shares, change of address, non-receipt of annual report, dividend payments and other query / grievance relating to the shares of the Company:
M/s. Datamatics Financial Services Limited,
Plot No. B-5, Part B Crosslane,
MIDC, Marol, Andheri (East), Mumbai – 40093
Tel : +91 22 6671 2151 to 6671 2156
Fax : +91 22 6671 2209
E-mail : agcinvestors@dfssl.com
- 9) Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the company. Nomination forms can be obtained from the registrars of the Company.
- 10) Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
- 11) As per the requirement of the SEBI (LODR) Regulations, 2015 on Corporate Governance for appointment of the Directors / re-appointment of the retiring Directors, a statement containing details of the concerned Directors are given below.

- 12) Members are hereby informed that Dividend which remains unclaimed/ un-encashed over a period of Seven years, has to be transferred as per the provisions of the Companies Act, 2013 by the Company to “The Investor Education & Protection Fund” constituted by the Central Government. It may please be noted that once unclaimed/ un- en-cashed dividend is transferred to “Investor Education & Protection Fund” as above, no claims shall lie in respect of such amount by the Shareholder.
- 13) **Members who have not registered their e-mail addresses so far are requested to register their email address so that they can get the all the information of the Company at the click of the mouse.**
- 14) As the members are aware, your Company’s shares are tradable compulsorily in electronic form. In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialization of the Company’s shares on either of the Depositories viz. National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).

INSTRUCTIONS FOR E-VOTING

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins at 9.00 AM on 25.09.2016 and ends at 5.00 PM on 27.09.2016. During this period shareholders’ of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of Wednesday, 21.09.2016 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0’s before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.

- (i) After entering these details appropriately, click on “SUBMIT” tab.
- (ii) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (iii) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (iv) Click on the EVSN for the relevant <AGC Networks Limited> on which you choose to vote.
- (v) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

- (vi) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (vii) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (viii) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (ix) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (x) If Demat account holder has forgotten the same password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xi) Shareholders can also cast their vote using CDSL’s mobile app m–Voting available for android based mobiles. The m–Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xi) **Note for Non – Individual Shareholders and Custodians**
 - Non–Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xii) In case you have any queries or issues regarding e–voting, you may refer the Frequently Asked Questions (“FAQs”) and e–voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4

Mr. Sanjeev Verma was appointed as Whole Time Director of the Company for a period of 5 (five) year with effect from 15th May, 2014. Mr. Verma resigned from the whole–time Directorship of the Company with effect from 20th October, 2014, and continued to be Non–executive Director of the Company since then. Mr. Verma has also been handling International Business of the Company based out of Dallas, US.

Mr. Verma is a Technology Veteran with over 22 years of extensive global experience in the ICT domain. He has highly successful track record in diverse set of management and leadership roles in the areas of business operations, sales and marketing, consulting, M & A and startup operations.

At this crucial juncture, the Board, as per the recommendation from the Nomination and Remuneration Committee of the Company, considered and decided to entrust Mr. Sanjeev Verma with increased role and responsibility by elevating him as Executive Director to be designated as Whole time Director (WTD) of the Company. The term of his appointment as Whole Time Director will be 3 years with effect from 15th February, 2016 to February 14, 2019. Mr. Sanjeev Verma is also holding employment and Directorship with AGC Networks INC, US, and draws remuneration from there. At present, no remuneration is proposed to be paid to Mr. Verma for his services pursuant to such appointment as WTD of the Company. However, Mr. Verma may be paid Consultancy fees up to Rs. 25,00,000 (Rupees Twenty Five Lakhs only) per annum w.e.f. 1st April, 2016, for Business related consultancy, and also reimbursement of reasonable expenses incurred for rendering his services to the Company

The Board recommends this Resolution for approval.

No Director, other key managerial personnel or their relatives, except Mr. Sanjeev Verma is concerned or interested financially or otherwise in this Resolution.

Annexure to Notice

Details of the Directors seeking appointment/re-appointment in forthcoming Annual General Meeting

[Pursuant to SEBI (LODR) Regulations, 2015]

Name of Director	Mr. Sanjeev Verma
Date of Birth	20th July, 1967
Date of Appointment	15th February, 2016
Expertise in specific functional areas and Qualifications	As mentioned in statement under Section 102 of the Companies Act, 2013 of this Notice
List of other Companies in which Directorship held as on 15th February, 2016	NIL
Shareholding in the Company as on 15th February, 2016	NIL

Name of Director	Mrs. (Dr.) Sujaya Banerjee
Date of Birth	25th November, 1966
Date of Appointment	12th March, 2015
Expertise in specific functional areas and Qualifications	<p>Dr. Sujaya Banerjee has been a Human Resources professional for over 24 years and has transformed the HR function in several leading organizations during her career.</p> <p>She has set up world class Performance and Talent Management programs through her assignments at ADNOC and as Head at HR at Lowe Lintas and Partners and Director HR of British Gas. Sujaya has also been listed among the Top 40 HR professionals in Asia, has won the Youth Icon Award for 2009 and the Contribution to HR Community Award given by the Government of Malaysia in 2012, besides winning several International accolades like the Learning Elite Award – CLO USA, Best Business Adoption Award–Success Factors (2011) and the SAP Ace Award 2013. She currently works with the Essar Group.</p> <p>She has presented white papers and chaired conferences around the world at GE's John F. Welch Leadership Center (Crotonville), at the CLO Summit–Harvard Business School, ASTD Denver Conference 2012, SkillSoft Perspectives Florida and Success Connect Sydney. She also chairs the Emerging Markets HR Summit in the UK every year.</p>
List of other Companies in which Directorship held as on 12th March, 2015	Capstone People Consulting Private Limited
Shareholding in the Company as on 12th March, 2015	NIL

DIRECTORS' REPORT

The Directors hereby present the 30th Annual Report and the audited financial statements of the Company for the year ended March 31 2016.

1. Financial Results

The results of the Company on a standalone and Consolidated basis are as given below:

₹/Cr

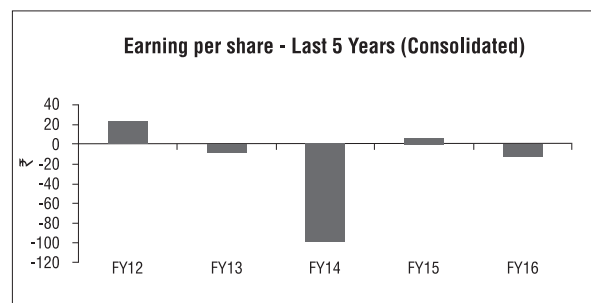
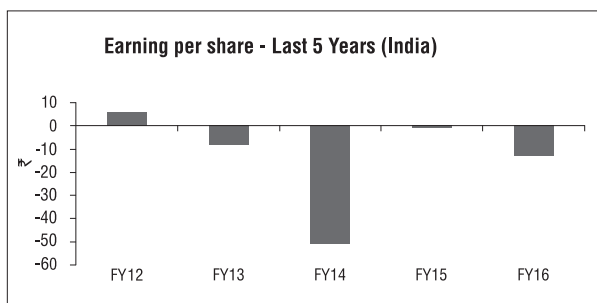
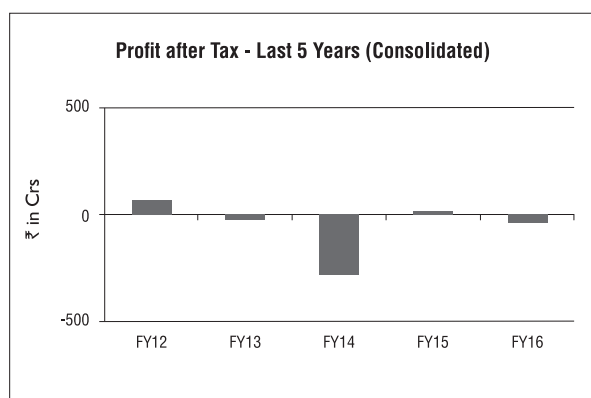
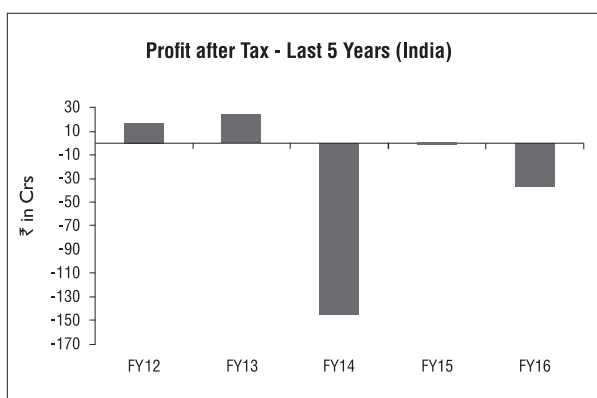
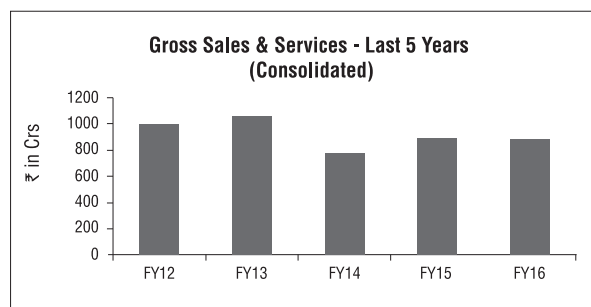
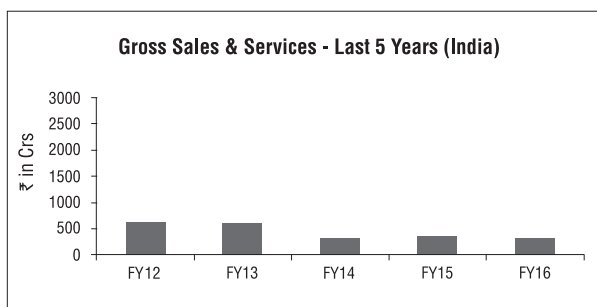
	Standalone		Consolidated	
	Year ended 31/03/2016	Year ended 31/03/2015	Year ended 31/03/2016	Year ended 31/03/2015
Sales & Services (Gross)	314.57	341.27	882.76	892.04
Sales & Services (Net)	320.04	350.83	886.89	897.17
Profit before interest, depreciation & tax (EBIDA)	-7.38	31.63	12.83	62.04
Less : Interest and finance charges (Net)	24.10	24.17	26.68	25.92
Less : Depreciation	5.23	5.13	8.50	18.44
Profit before tax from continuing operations	-36.71	2.33	-22.35	17.68
Less : Provision for tax (including Deferred tax)	0.00	2.71	12.24	2.91
Profit after tax from continuing operations	-36.71	-0.38	-34.59	14.77
Profit after tax from discontinuing operations	0.00	0.00	0.00	0.00
Profit after tax	-36.71	-0.38	-34.59	14.77
Balance brought forward from previous year	-90.28	-89.90	-134.12	-148.30
Amount available for appropriation	-126.99	-90.28	-168.71	-133.53
Appropriations :				
Profit on Demerger/Additional Depreciation	0.00	0.00	0.00	0.59
Transfer to General Reserve	0.00	0.00	0.00	0.00
Balance carried to Balance Sheet	-126.99	-90.28	-168.71	-134.12

2. Dividend

In view of the losses, your Directors have not recommended any dividend for the financial year ended March 31, 2016.

3. Financial Performance

The Company, for the year ended March 31, 2016 recorded a gross turnover of ₹ 314.57 Crores as against ₹ 341.27 Crores for the period ended March 31, 2015. The net loss is ₹ 34.59 Crores for the financial year ended March 31, 2016, as against the net profit of ₹ 14.77 Crores for the financial year ended March 31, 2015.



4. ORGANIZATIONAL INITIATIVES

Building a Global Connect through Culture & Engagement:

AGC aims to create a positive work environment through Camaraderie, Collaboration & Communication and thus position AGC as a **“Great Place to work”**.

To create a culture where employees are committed to their organization’s goals and values, motivated to contribute to organizational success, and are able at the same time to enhance their own sense of well-being.

1. Employee Connect Programs & Corporate Social responsibilities

- I. **Corporate Social Responsibilities** – As a responsible corporate organization, AGC has been consistently working towards adding value to the society through some of it’s community initiatives such as Give Help, Give Hope– Support Chennai initiatives and Back to School– A donation drive held across geographies (US, India) to provide literacy support to underprivileged children towards the noble cause of supporting child education.

II. Employee Connect Programs; Planet H – With an intent to create happy planet at AGC.

- a. International Women's Day celebrations** – On 8th March'16, AGC celebrated International Women's day (IWD 2016) globally, through series of engagement initiatives to rejoice the indomitable spirit of women. At AGC, we believe that diversity and inclusion is a very strong business imperative and through this initiative, we connected our diverse women workforce across global locations.
- b. Health & Wellness** – The old adage "Health is Wealth" is believed by AGCians to the core. In alignment to this "Employee Health and Wellness initiative at AGC" was launched through preventive health checks imbibing correct nutrition in our lifestyle. Free counseling sessions by medical experts and an Eye Check-up Camp was organized to encourage the value of adopting healthier lifestyle.
- c. My Expressions** – Hobby Initiative – 'My Expressions' contest was a great opportunity for all employees to showcase their talent and express their passions and belief through imagery. Painting and Photography enthusiasts across the globe participated with vibrant enthusiasm and connect.

III. Communication:

- a. CEO Konnect** – An All Hands Communication is an important Employee Connect platform where the Whole Time Director shares organization-wide update, directions and overall imperatives with the employees.
 - b. Focus Group Meeting** – An ideation meeting with Management Team to discuss ideas and brainstorm suggestions, communicate strategic views and future plans for the business and discuss ways to accelerate business. This platform is to gather market intelligence, ignite creative thinking, brainstorm and ideate strategies to build new roadways into the market and understand the needs of customers and vendors.
- IV. Learning Programs** – Learning and development offerings are customized for employees across career levels, skill and domains. Learning expertise has been cultivated in-house, in the form of dedicated internal trainers and lab set ups. New learning and development methodologies were launched to maximize individual capability and performance. Key OEM certifications achieved to enable partnerships with prime OEMs.

5. Management's Discussion and Analysis report

Management's Discussion and Analysis Report for the year under review, as stipulated under SEBI (LODR) Regulations, 2015, is presented in a separate section forming integral part of the Annual Report.

6. Internal Financial Controls

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested. For detailed with regard to reportable material weaknesses, if any, please refer Statutory Auditors' report forming part of the report.

7. Fixed Deposits

The Company has not accepted any Fixed Deposits during the year.

8. Subsidiaries

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial information of the subsidiaries companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

A statement containing salient features of the financial statements of each of the subsidiaries of the Company in Form No. AOC-1 is presented on page No. 107 of this Annual Report.

9. Particulars of Loans given, investments made, Guarantees given and securities provided

Particulars of Loans given, investments made, Guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient are provided in the notes to financial statements.

10. Statutory Auditors and their report

M/s. Walker Chandio & Co LLP, Chartered Accountants, Mumbai, Statutory Auditors of the Company shall hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have confirmed their eligibility to the effect that their re-appointment, if made, would be within the prescribed limits under the Act and that they are not disqualified for re-appointment.

The Notes to financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. Following were the reservation/qualifications mentioned in their Audit Report for the financial year ended 31st March, 2016, along with view of the Management for the same.

A. Standalone Audit report

- I. As stated in Note 4 (i) to the Statement, during the year ended 31 March 2015 the Company had recognized sale of properties having aggregate carrying value of ₹ 1.09 crores and profit on such sale amounting to ₹ 46.04 crores (net of incidental selling expenses amounting to ₹ 3.39 crores) under 'exceptional items'. In our opinion, as the significant risks and rewards for the said properties had not been transferred, recognition of such sale was not in accordance with the principles laid under Accounting Standard (AS) 9 Revenue Recognition and the sale should have been reversed during the year ended 31 March 2016. Had the Company followed principles of AS 9 and reversed the sale transaction during the year ended 31 March 2016, the prior period items and loss before tax would have been higher by ₹ 46.04 crores each. (March 2015: Exceptional items and profit before tax would have been lower by ₹ 46.04 crores each). Tax expense for the year ended 31 March 2016 would have been lower by ₹ 3.27 crores (March 2015: ₹ 3.27 crores). Long-term loans and advances and carrying value of tangible assets as at 31 March 2016 would have been higher by ₹ 3.27 crores (March 2015: ₹ 3.27 crores) and ₹ 1.09 crores (March 2015: ₹ 1.09 crores) respectively; reserves and surplus, other current assets and other current liabilities as at that date would have been lower by ₹ 42.77 crores (March 2015: ₹ 42.77 crores), ₹ 47.32 crores (net of ₹ 3.20 crores received during the year) (March 2015: ₹ 50.52 crores) and ₹ 0.19 crores (March 2015: ₹ 3.39 crores), respectively. Our audit opinion on the standalone financial statements for the year ended 31 March 2015 and standalone review opinion on the results for the quarter ended and nine months ended 31 December 2015 were qualified in respect of this matter.

Management's views:

During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of ₹ 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of ₹ 46.04 Crores (net of incidental expenses ₹ 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of ₹ 5.89 crores and also realised part consideration of ₹ 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.

- II. As stated in our opinion, according to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's Internal Financial Control over Financial Reporting (IFCoFR) as at 31 March 2016:

The Company's internal financial control over evaluation of accounting of non-routine transactions was not operating effectively. This has, during the year, resulted in non-reversal of transaction of sale of properties recorded in the previous

year due to inappropriate evaluation of timing of transfer of risk and reward. This has led to misstatements of long-term loans and advances, tangible assets, other current assets, other current liabilities, prior period items, tax expense and resultant impact on the loss before tax and the reserves and surplus as at and for the year ended 31 March 2016.

A 'material weakness' is a deficiency or a combination of deficiencies in IFCoFR, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit test applied in our audit of the 31 March 2016 financial statements of the Company and the material weakness has affected our opinion on the standalone financial statements of the Company and we have issued a qualified opinion on the standalone financial statements.

Management's views:

During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of ₹ 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of ₹ 46.04 Crores (net of incidental expenses ₹ 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of ₹ 5.89 crores and also realised part consideration of ₹ 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.

B. Consolidated Audit report

- I. As stated in Note 5 (i) to the Statement, during the year ended 31 March 2015 the Company had recognized sale of properties having aggregate carrying value of ₹ 1.09 crores and profit on such sale amounting to ₹ 46.04 crores (net of incidental selling expenses amounting to ₹ 3.39 crores) under 'exceptional items'. In our opinion, as the significant risks and rewards for the said properties had not been transferred, recognition of such sale was not in accordance with the principles laid under Accounting Standard (AS) 9 Revenue Recognition and the sale should have been reversed during the year ended 31 March 2016. Had the Company followed principles of AS 9 and reversed the sale transaction during the year ended 31 March 2016, the prior period items and loss before tax would have been higher by ₹ 46.04 crores each. (March 2015: Exceptional items and profit before tax would have been lower by ₹ 46.04 crores each). Tax expense for the year ended 31 March 2016 would have been lower by ₹ 3.27 crores (March 2015: ₹ 3.27 crores). Long-term loans and advances and carrying value of tangible assets as at 31 March 2016 would have been higher by ₹ 3.27 crores (March 2015: ₹ 3.27 crores) and ₹1.09 crores (March 2015: ₹ 1.09 crores) respectively; reserves and surplus, other current assets and other current liabilities as at that date would have been lower by ₹ 42.77 crores (March 2015: ₹ 42.77 crores), ₹ 47.32 crores (net of ₹ 3.20 crores received during the year) (March 2015: ₹ 50.52 crores) and ₹ 0.19 crores (March 2015: ₹ 3.39 crores), respectively. Our audit opinion on the consolidated financial statements for the year ended 31 March 2015 and consolidated review opinion on the results for the quarter ended and nine months ended 31 December 2015 were qualified in respect of this matter.

Management's views:

During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of ₹ 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature.

Accordingly the Company had recognised profit on sale of Fixed Assets of ₹ 46.04 Crores (net of incidental expenses ₹ 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of ₹ 5.89 crores and also realised part consideration of ₹ 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.

- II. In our opinion, according to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Holding Company's Internal Financial Control over Financial Reporting (IFCoFR) as at 31 March 2016:

The Holding Company's internal financial control over evaluation of accounting of non-routine transactions was not operating effectively. This has, during the year, resulted in non-reversal of transaction of sale of properties recorded in the previous year due to inappropriate evaluation of timing of transfer of risk and reward. This has led to misstatements of long-term loans and advances, tangible assets, other current assets, other current liabilities, prior period items, tax expense and resultant impact on the loss before tax and the reserves and surplus as at and for the year ended 31 March 2016.

A 'material weakness' is a deficiency or a combination of deficiencies in IFCoFR, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit test applied in our audit of the 31 March 2016 financial statements of the Holding Company and the material weakness has affected our opinion on the consolidated financial statements of the Holding Company and we have issued a qualified opinion on the consolidated financial statements

Management's views:

During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of ₹ 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of ₹ 46.04 Crores (net of incidental expenses ₹ 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of ₹ 5.89 crores and also realised part consideration of ₹ 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.

11. Secretarial Auditors and their report

The Board has appointed Dr. S. K. Jain and Co., Practicing Company Secretaries, to conduct Secretarial Audit for the financial year 2015-16. The Secretarial Audit Report for the financial year ended March 31, 2016 is annexed herewith marked as Annexure I to this Report.

12. 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 Company has also implemented several best corporate governance practices as prevalent globally. The report on Corporate Governance as stipulated under the SEBI (LODR) Regulations, 2016 forms an integral part of this Report. The certificate required under SEBI (LODR) Regulations, 2016 from Practicing Company Secretaries confirming compliance with the conditions of corporate governance is annexed herewith marked as Annexure II.

13. Number of Board meetings

During the F.Y. 2015–16, Eight (8) Board meetings were held. Further detail on the same is available in Corporate Governance Report which forms part of this Annual Report.

14. Employees' Stock Option Scheme

Pursuant to the shareholders approval dated April 21 2015, the Nomination and Remuneration Committee of the board of directors of the Company granted stock options as per the terms of ESOP Scheme 2015 approved on April 21 2015 to employees and directors of the Company and its subsidiaries. Following is the table giving detailed information with regard to the same.

Total options granting eligibility of the Company (A)	14,23,323
Options granted as on 31.3.2016 (B)	10,04,866
Options lapsed as on 31.3.2016 (C)	5,12,397
Options available for grant as on 31.3.2016 (A–B+C)	9,30,854

Vesting has not started for any of the above grants.

15. Vigil Mechanism

The Vigil Mechanism of the Company in terms of the SEBI (LODR) Regulations, 2015 is incorporated under whistle blower policy. Protected disclosures can be made by a whistle blower through an e–mail, or a letter to the Ethics Officer or to the Chairman of the Audit Committee. The Policy on vigil mechanism and whistle blower policy may be accessed on the Company's website at the link <http://www.agcnetworks.com/home/policies>.

16. Extract of Annual Return

Extract off the Annual Return of the Company in Form No. MGT–9 is annexed herewith as Annexure III of this report.

17. Directors and Key Managerial Personnel

In accordance with the provisions of the Act and Articles of Association of the Company, Dr. (Mrs.) Sujaya Banerjee, Non–executive Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible have offered herself for re–appointment.

During the year, following appointment/resignation took place in Directors and Key Managerial Personnel of the Company.

Name	Event	Designation	Date of Event
Mr. Neeraj Gupta	Resignation	–	December 1, 2015
Mr. Sanjeev Verma	Re–designation	Whole Time Director	February 15, 2016
Mr. Anil Nair	Resignation	–	February 15, 2016

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under the Act and SEBI (LODR) Regulations, 2015. For detailed composition of Board of Directors and various Committees, kindly refer 'the report on Corporate Governance forming part of this report.

The Company has devised a Policy for performance evaluation of Directors, Board and senior management which include various criteria for performance evaluation of the same. The Company has also devised remuneration policy. These policies are annexed to this report as Annexure IV and V respectively.

18. Personnel

The Board places on record its appreciation for the hard work and dedicated efforts put in by all the employees. The relations between the management and employees continue to remain cordial on all fronts.

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the Annual Report. Disclosures pertaining to 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) Rules, 2014 are provided in the Annual Report. Kindly refer Annexure VI of this report.

Having regard to the provisions of the first proviso to Section 136(1) of the Act and as advised, the Annual Report excluding the aforesaid information 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.

19. Particulars required to be furnished by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

- (i) Part A pertaining to conservation of energy is not applicable to the Company.
- (ii) Part B pertaining to particulars relating to technology absorption is as per Annexure VII to this report.
- (iii) Part C pertaining to foreign exchange earnings and outgoings is as mentioned below.

Expenditure in foreign currency (accrual basis)	FY 2015–16	FY 2014–15
	₹ in Crores	₹ in Crores
Training and software support upgrades	5.74	9.88
Maintenance services	8.33	8.74
Travelling expenses	1.29	1.28
Other matters	0.18	0
	15.54	19.91
Earnings in foreign currency (accrual basis)	₹ in Crores	₹ in Crores
	₹ in Crores	₹ in Crores
Sale of goods and services (Including sale from overseas branch and to Export Oriented Units)	7.37	11.03
Interest and commission income	3.27	6.12
	10.64	17.15

20. Corporate Social Responsibility (CSR)

The Corporate Social Responsibility Committee (CSR Committee) 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.agcnetworks.com/in/en/corporate-governance>.

The Report on CSR activities is annexed herewith marked as Annexure VIII.

21. Risk Management Policy

During the year, your Directors have constituted a Risk Management Committee which has been entrusted with the responsibility to assist the Board in (a) Overseeing and approving the Company's enterprise wide risk management framework; and (b) Overseeing that all the risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks. A Risk Management Policy was reviewed and approved by the Committee.

22. 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. Most of these are one time purchase/sales transactions except Loans and Advances transactions which are repayable on demand, and maintenance services transactions which are of the duration of 3 months to 12 months. Your Directors draw attention of the members to Note 33 (Consolidated) and 34 (stand-alone) to the financial statement which sets out related party disclosures.

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.agcnetworks.com/home/policies>.

23. Directors' Responsibility Statement

Your Directors state that:

- a) in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the profit/(loss) of the Company for the year ended on that date;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a 'going concern' basis;
- e) 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
- f) 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.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory and secretarial auditors and external consultants, including audit of internal financial controls over financial reporting by the statutory auditors, and the reviews performed by management and the relevant board committees, including the audit committee, the board is of the opinion that the Company's internal financial controls were adequate and effective during FY 2015-16.

24. Committees of the Company

The details relating to all the Committees constituted by the Company are mentioned in the 'Report on Corporate Governance', which forms a part of the Annual Report.

25. Acknowledgements

The Board is thankful to the Shareholders and the Bankers of the Company for their continued support. It also takes this opportunity to express gratitude to its various suppliers and its partners for their continued co-operation, support and assistance. Above all, the Board expresses its appreciation to each and every employee for his / her contribution, dedication and sense of commitment to the Company's objectives.

For and on behalf of the Board of Directors

Sanjeev Verma
Whole Time Director

Sujaya Banerjee
Director

Mumbai
August 12, 2016

ANNEXURE I TO DIRECTORS' REPORT

Secretarial Audit Report For The Financial Year Ended 31st March, 2016

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
AGC NETWORKS LIMITED
Equinox Business Park (Peninsula Techno Park),
Off. Bandra Kurla Complex,
LBS Marg, Kurla (West)
Mumbai – 400070

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by AGC NETWORKS LIMITED (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 Company's 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 31st March, 2016 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 the Company as given in 'Annexure-I' for the financial year ended on 31st March, 2016 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder 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, 1992 till 14th May, 2015 and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 from 15th May, 2015;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the Company during the financial year under review)
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, presently known as SEBI (Share Based Employee Benefits) Regulations, 2014;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not Applicable as the Company has not issued any Debt Securities during the financial year under review)
 - f) The Securities and Exchange Board of India (Registrars 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; (Not applicable as the Company has not delisted/propose to delist its Equity Shares from any Stock Exchange during the financial year under review)
 - h) The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998; (Not applicable as the Company has not brought back / propose to buy-back any of its securities during the financial year under review) and
 - i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 applicable w.e.f. 1st December, 2015;

- vi. Other laws specifically applicable to the Company is:
 - a) Information Technology Act, 2000 as amended up to date and the rules made thereunder;
 - b) The Indian Copyrights Act, 1957;
 - c) The Patents Act, 1970; and
 - d) The Trade Marks Act, 1999.

I have also examined Compliance with the applicable clauses of the following:

- i. Secretarial Standards SS-1 and SS-2 issued and notified w.e.f. 1st July, 2015 by the Institute of Company Secretaries of India have been complied by the Company during the financial year under review.
- ii. The Listing Agreement entered into by the Company with Stock Exchange(s) and the new Listing Agreement entered with BSE Limited and National Stock Exchange of India Limited under Regulation 109 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 on 29th February, 2016.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above except Forms MGT-14 (2 Forms and MR-1 not filed with the Registrar of Companies)

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 that 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 system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decision of the Board was unanimous and no dissenting views were recorded.

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 compliances with the applicable Laws, Rules, Regulations and Guidelines.

I further report that during the audit period, the Company has not undertaken event/action having a major bearing on the Company's affairs in pursuance of the above referred Laws, Rules, Regulations, Guidelines, Standards etc. referred to above.

I further report that during the audit period the Company has the following specific events:

1. During the year under Report the Company has obtained consent of the Members of the Company through Postal Ballot for passing the following Special Resolution:
 - i. To create, offer and grant of Employee Stock Options to the employees of the Company under AGC Network Employee Stock Option Scheme 2015.
 - ii. To create, offer and grant of Employee Stock Options to the employees of the Subsidiary Companies of the Company under AGC Network Employee Stock Option Scheme 2015.
 - iii. To create, offer and grant of Options to issue securities equal to or exceeding one per cent but not exceeding four per cent of the issued Capital of the Company during any one financial year to identified employees under AGC Network Employee Stock Option Scheme 2015.
2. Mr. Jangoo Minoo Dalal (DIN: 01683803) who was appointed as an Additional Director w.e.f. 27th May, 2015 and designated as Independent Director was appointed as Regular Director at the 29th Annual General Meeting held on 06th August, 2015.
3. Mrs. Sujaya Jaydeep Banerjee (DIN: 06814544) who was appointed as an Additional Director w.e.f. 12th March, 2015 and designated as Non-Executive Director was appointed as Regular Director at the 29th Annual General Meeting held on 06th August, 2015.
4. The Board of Directors of the Company noted the resignation of Mr. Neeraj Gupta (DIN: 00317395) a Director of the Company, by passing Circular Resolution dated 11th February, 2016.

5. Mr. Anil Nair (DIN: 02655564) who was appointed as Managing Director and Chief Executive Officer of the Company tendered his resignation w.e.f. 15th February, 2016.

For **S. K. Jain & Co.**
Dr. S. K. Jain
Practicing Company Secretary
FCS No.:1473
C P No.: 3076

Date : 12/08/2016

Place: Mumbai

This report should be read with my letter of even date which is annexed as **Annexure–A** and forms an integral part of this report

ANNEXURE-I

List of documents verified

1. Memorandum & Articles of Association of the Company.
2. Annual Report for the financial year ended 31st March, 2015.
3. Minutes of the Meetings of the Board of Directors, Audit Committee and Nomination & Remuneration Committee along with Attendance Register held during the Financial Year under report.
4. Minutes of General Body Meetings held during the Financial Year under report.
5. All Statutory Registers.
6. Agenda papers submitted to all the Directors /Members for the Board Meetings and Committee Meetings.
7. Declarations received from the Directors of the Company pursuant to the provisions of Section 184 of the Companies Act, 2013 and attachments thereto during the Financial Year under Report.
8. E-Forms filed by the Company, from time-to-time, under applicable provisions of the Companies Act, 2013 and attachments thereof during the financial year under report.

ANNEXURE-A

To,
The Members

AGC NETWORKS LIMITED

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 my audit.
2. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial Records. I believe that the process and practices I followed, provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of Financial Records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations and standards is the responsibility of management. My examination was limited to the verification of procedure 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.

For **S. K. Jain & Co.**
Dr. S. K. Jain
Practicing Company Secretary
FCS No.:1473
C P No.: 3076

Date : 12/08/2016

Place: Mumbai

ANNEXURE II TO DIRECTORS' REPORT

Certificate on Corporate Governance Report

To

The Members of
AGC Networks Limited

I have examined the compliance of the conditions of Corporate Governance by AGC Networks Limited ("The Company"), for the year ended 31st March 2016, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges (for the eight months period ended 30 November 2015) and in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of Regulation 46 and paragraph C, D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me and based on the representation given by the management of the Company, I certify that the Company has materially complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. K. JAIN & CO**
Company Secretaries
Sd/–
(S. K. Jain)
Proprietor
M.No. 1473
C. P. No. 3076

Place : Mumbai
Date : 12 August 2016

ANNEXURE III TO DIRECTORS' REPORT

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2016

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1.	CIN	L32200MH1986PLC040652
2.	Registration Date	19-08-1986
3.	Name of the Company	AGC Networks Limited
4.	Category/Sub-category of the Company	Public Company / Limited by shares
5.	Address of the Registered office & contact details	Equinox Business Park,(Peninsula Techno Park) Off. Bandra Kurla Complex, LBS Marg, Kurla West. Mumbai – 400070 – Maharashtra, India Tel: +91 22 6661 72 72 Fax: +91 22 6704 58 88
6.	Whether listed company	Yes
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Datamatics Financial Services Limited, Plot No. B-5, MIDC, Part B Cross Lane, Andheri (East), Mumbai – 400 093 Tel: +91 22 6671 2001 Fax: +91 22 6671 2011

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Other telecommunications activities	619	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

S. No.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Essar Telecom Limited	Essar House, 10 Frere Felix de Valois Street, Port Louis, Mauritius	079880 C1/GBL	Holding	75%	2(46)
2.	AGC Networks Pte. Limited	50 Raffles Place #32-01 Singapore Land Tower Singapore 048623	200921052H	Subsidiary	100%	2(87)(ii)

S. No.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
3.	AGC Networks Australia Pty Limited	G Avaya House , 123 Epping road , Macquarie Park, NSW 2113	110 810 298	Subsidiary	100%	2(87)(ii)
4.	AGC Networks INC	222 W. Las Colinas Blvd. Suite 200 North Tower Irving, Texas 75039 USA	N.A.	Subsidiary	100%	2(87)(ii)
5.	AGC Networks Philippines INC.	8/F Jaka Building 6780, Ayala Avenue, Makati City Philippines 1226	CS201503880	Subsidiary	100%	2(87)(ii)

VI. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

Category of shareholder	Number of Shares held at the beginning of the year 01.04.2015				Number of shares held at the end of the year 31.03.2016				% Change during the year
(II)	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
Promoters									
Indian									
Individuals/HUF	0	0	0	0.0000	0	0	0	0.0000	0.0000
Central Government	0	0	0	0.0000	0	0	0	0.0000	0.0000
State Government(s)	0	0	0	0.0000	0	0	0	0.0000	0.0000
Bodies Corporate	0	0	0	0.0000	0	0	0	0.0000	0.0000
Banks / FI	0	0	0	0.0000	0	0	0	0.0000	0.0000
Any Other (specify)	0	0	0	0.0000	0	0	0	0.0000	0.0000
Sub Total (A)(1)	0	0	0	0.0000	0	0	0	0.0000	0.0000
Foreign									
NRIs – Individuals	0	0	0	0.0000	0	0	0	0.0000	0.0000
Other – Individuals	0	0	0	0.0000	0	0	0	0.0000	0.0000
Bodies Corporate	21349848	0	21349848	75.0000	21349848	0	21349848	75.0000	0.0000
Banks / FI	0	0	0	0.0000	0	0	0	0.0000	0.0000
Qualified Foreign Investor	0	0	0	0.0000	0	0	0	0.0000	0.0000
Any Other (specify)	0	0	0	0.0000	0	0	0	0.0000	0.0000
Sub Total (A)(2)	21349848	0	21349848	75.0000	21349848	0	21349848	75.0000	0.0000
Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	21349848	0	21349848	75.0000	21349848	0	21349848	75.0000	0.0000
Public shareholding									
Institutions									
Mutual Funds	100	10128	10228	0.0359	100	10128	10228	0.0359	0.0000
Banks / FI	400	1400	1800	0.0063	400	1400	1800	0.0063	0.0000
Central Government	285068	42766	327834	1.1516	285068	42766	327834	1.1516	0.0000
State Government(s)	0	0	0	0.0000	0	0	0	0.0000	0.0000
Venture Capital Funds	0	0	0	0.0000	0	0	0	0.0000	0.0000

Category of shareholder	Number of Shares held at the beginning of the year 01.04.2015				Number of shares held at the end of the year 31.03.2016				% Change during the year
(II)	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
Insurance Companies	100	100	200	0.0007	100	100	200	0.0007	0.0000
FIs	2006220	1100	2007320	7.0515	2005911	1100	2007011	7.0504	-0.0011
Foreign Venture Capital Funds	0	0	0	0.0000	0	0	0	0.0000	0.0000
Qualified Foreign Investor	0	0	0	0.0000	0	0	0	0.0000	0.0000
Other (specify)	0	0	0	0.0000	0	0	0	0.0000	0.0000
Sub Total (B)(1)	2291888	55494	2347382	8.2461	2291579	55494	2347073	8.2450	-0.0011
Non-institutions									
Bodies Corporate	0	0	0	0.0000	0	0	0	0.0000	0.0000
Indian	838369	3735	842104	2.9582	650354	3735	654089	2.2978	-0.6605
Overseas	0	600	600	0.0021	0	600	600	0.0021	0.0000
Individuals									
Individuals – shareholders holding nominal share capital up to ₹ 1 Lakh	2426981	508609	2935590	10.3125	2555427	494750	3050177	10.7150	0.4025
Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	796731	0	796731	2.7988	858140	0	858140	3.0146	0.2157
Qualified Foreign Investor	0	0	0	0.0000	0	0	0	0.0000	0.0000
Other (specify)									
NRI Rep	102429	5384	107813	0.3787	98036	5384	103420	0.3633	-0.0154
NRI Non –Rept	86396	0	86396	0.3035	103117	0	103117	0.3622	0.0587
Foreign Bodies	0	0	0	0.0000	0	0	0	0.0000	0.0000
Foreign National	0	0	0	0.0000	0	0	0	0.0000	0.0000
Sub Total (B)(2)	4250906	518328	4769234	16.7539	4265074	504469	4769543	16.7550	0.0011
Total Public Shareholding (B)=(B)(1)+(B)(2)	6542794	573822	7116616	25.0000	6556653	559963	7116616	25.0000	0.0000
Total (A+B)	27892642	573822	28466464	100.0000	27906501	559963	28466464	100.0000	0.0000
Custodians for GDRs and ADRs	0	0	0	0.0000	0	0	0	0.0000	0.0000
GRAND TOTAL (A)+(B)+(C)	27892642	573822	28466464	100.0000	27906501	559963	28466464	100.0000	0.0000

B) Shareholding of Promoter–

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Essar Telecom Limited	21349848	75.00	75.00	21349848	75.00	75.00	NIL

C) Change in Promoters' Shareholding (please specify, if there is no change)

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	21349848	75.00	21349848	75.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	There is no change			
	At the end of the year	21349848	75.00	21349848	75.00

D) Shareholding Pattern of top ten Shareholders:**(Other than Directors, Promoters and Holders of GDRs and ADRs):**

Sr. No.	Name	Remarks	Benpos Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	INDIA OPPORTUNITIES GROWTH FUND LTD – PINWOOD STRATEGY	At the beginning of the Year	1–APR–2015	1383308	4.859	1383308	4.859
		Increase	04–MAR–2016	10554	0.037	1393862	4.897
		At the END of the Year	31–MAR–2016			1393862	4.897
2	EMERGING INDIA FOCUS FUNDS	At the beginning of the Year	1–APR–2015	315895	1.110	315895	1.110
		At the END of the Year	31–MAR–2016			315895	1.110
3	MACQUARIE EMERGING MARKETS ASIAN TRADING PTE. LTD.	At the beginning of the Year	1–APR–2015	0	0.000	0	0.000
		Increase	27–NOV–2015	254097	0.893	254097	0.893
		At the END of the Year	31–MAR–2016			254097	0.893
4	LIFE INSURANCE CORPORATION OF INDIA	At the beginning of the Year	1–APR–2015	194968	0.685	194968	0.685
		At the END of the Year	31–MAR–2016			194968	0.685
5	MANOJ J BAGADIA	At the beginning of the Year	1–APR–2015	85275	0.300	85275	0.300
		Increase	03–APR–2015	3476	0.012	88751	0.312
		Increase	10–APR–2015	306	0.001	89057	0.313
		Decrease	22–MAY–2015	2807	0.010	86250	0.303
		Decrease	29–MAY–2015	5250	0.018	81000	0.285
		Increase	12–JUN–2015	7171	0.025	88171	0.310

Sr. No.	Name	Remarks	Benpos Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
		Increase	19-JUN-2015	2031	0.007	90202	0.317
		Increase	03-JUL-2015	158	0.001	90360	0.317
		Increase	10-JUL-2015	3133	0.011	93493	0.328
		Increase	28-AUG-2015	1111	0.004	94604	0.332
		Increase	11-SEP-2015	105	0.000	94709	0.333
		Increase	20-NOV-2015	1164	0.004	95873	0.337
		Increase	27-NOV-2015	50	0.000	95923	0.337
		Increase	18-DEC-2015	766	0.003	96689	0.340
		Increase	22-JAN-2016	1935	0.007	98624	0.346
		Increase	29-JAN-2016	704	0.002	99328	0.349
		Increase	19-FEB-2016	1260	0.004	100588	0.353
		Increase	18-MAR-2016	1430	0.005	102018	0.358
		At the END of the Year	31-MAR-2016			102018	0.358
6	WIN SURE TRADE INVEST PRIVATE LIMITED	At the beginning of the Year	1-APR-2015	500	0.002	500	0.002
		Decrease	30-JUN-2015	500	0.002	0	0.000
		Increase	18-SEP-2015	100000	0.351	100000	0.351
		At the END of the Year	31-MAR-2016			100000	0.351
7	FINQUEST FINANCIAL SOLUTIONS PVT. LTD.	At the beginning of the Year	1-APR-2015	0	0.000	0	0.000
		Increase	31-MAR-2016	93459	0.328	93459	0.328
		At the END of the Year	31-MAR-2016			93459	0.328
8	UNITED INDIA INSURANCE COMPANY LIMITED	At the beginning of the Year	1-APR-2015	90100	0.317	90100	0.317
		At the END of the Year	31-MAR-2016			90100	0.317
9	ARUN KUMAR KHEMKA	At the beginning of the Year	1-APR-2015	76430	0.268	76430	0.268
		At the END of the Year	31-MAR-2016			76430	0.268
10	CYRUS KERSHASP BIRDY	At the beginning of the Year	1-APR-2015	68000	0.239	68000	0.239
		Increase	17-APR-2015	2000	0.007	70000	0.246
		Increase	08-MAY-2015	1198	0.004	71198	0.250
		Increase	15-MAY-2015	402	0.001	71600	0.252
		Increase	29-MAY-2015	1900	0.007	73500	0.258
		Increase	19-JUN-2015	1500	0.005	75000	0.263
		Decrease	24-JUL-2015	2000	0.007	73000	0.256
		At the END of the Year	31-MAR-2016			73000	0.256

Sr. No.	Name	Remarks	Benpos Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
11	K.A.INVESTMENTS CONSULTANCY LLP	At the beginning of the Year	1-APR-2015	100000	0.351	100000	0.351
		Decrease	11-SEP-2015	100000	0.351	0	0.000
		At the END of the Year	31-MAR-2016			0	0.000
12	GANDIV INVESTMENT PVT. LTD.	At the beginning of the Year	1-APR-2015	163649	0.575	163649	0.575
		Decrease	17-APR-2015	2490	0.009	161159	0.566
		Decrease	24-APR-2015	2700	0.009	158459	0.557
		Decrease	26-JUN-2015	50000	0.176	108459	0.381
		Decrease	07-AUG-2015	65000	0.228	43459	0.153
		Decrease	21-AUG-2015	43459	0.153	0	0.000
		At the END of the Year	31-MAR-2016			0	0.000
13	LEMAN DIVERSIFIED FUND	At the beginning of the Year	1-APR-2015	264960	0.931	264960	0.931
		Decrease	27-NOV-2015	264960	0.931	0	0.000
		At the END of the Year	31-MAR-2016	0	0.000	0	0.000

E) Shareholding of Directors and Key Managerial Personnel:

SN	Name	Remarks	Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Jangoo Dalal ¹ (Independent Director)	At the beginning of the Year	01-APR-2015	N.A	—	NIL	—
		At the END of the Year	31-MAR-2016	NIL	—	NIL	—
2	Manhar Mandaliya (Independent Director)	At the beginning of the Year	01-APR-2015	N.A	—	NIL	—
		At the END of the Year	31-MAR-2016	NIL	—	NIL	—
3	Sanjeev Verma ² (Whole-Time Director)	At the beginning of the Year	01-APR-2015	N.A	—	NIL	—
		At the END of the Year	31-MAR-2016	NIL	—	NIL	—
4	Shuva Mandal (Independent Director)	At the beginning of the Year	01-APR-2015	NIL	—	NIL	—
		At the END of the Year	31-MAR-2016	NIL	—	NIL	—
5	Sujay Sheth (Independent Director)	At the beginning of the Year	01-APR-2015	NIL	—	NIL	—
		At the END of the Year	31-MAR-2016	NIL	—	NIL	—

SN	Name	Remarks	Date	Shareholding at the beginning of the year		Cumulative shareholding during the year	
				No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
6	Sujaya Banerjee (Non-executive Director)	At the beginning of the Year	01-APR-2015	N.A	—	NIL	—
		At the END of the Year	31-MAR-2016	NIL	—	NIL	—
7	Amal Thakore (Chief Financial Officer)	At the beginning of the Year	01-APR-2015	200	0.0007	200	0.0007
		At the END of the Year	31-MAR-2016	—	—	200	0.0007
8	Pratik Bhanushali (Company Secretary)	At the beginning of the Year	01-APR-2015	NIL	—	NIL	—
		At the END of the Year	31-MAR-2016	NIL	—	NIL	—

Note: 1. Mr. Jangoo Dalal was appointed to the board w.e.f. 27th May, 2015.

2. Mr. Sanjeev Verma was re-designated as Whole-time Director of the Company w.e.f. 15th February, 2016.

V) INDEBTEDNESS -

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

₹/Cr.

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (01.04.2015)				
i) Principal Amount	134.92	1.22	—	136.14
ii) Interest due but not paid	0.94	—	—	0.94
iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	135.86	1.22	—	137.08
Change in Indebtedness during the financial year				
Addition	(0.03)	—	—	(0.03)
Reduction	(3.09)	1.22	—	(1.87)
Exchange Difference	—	—	—	—
Net Change	3.06	(1.22)	—	1.84
Indebtedness at the beginning of the financial year (31.03.2016)				
i) Principal Amount	138.01	—	—	138.01
ii) Interest due but not paid	0.91	—	—	0.91
iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	138.92	—	—	138.92

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

₹/Cr.

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Sanjeev Verma (Appointed w.e.f. 15 th February, 2016)	Anil Nair (Resigned w.e.f. 15 th February, 2016)	
1	Gross salary	NIL	0.73	0.73
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	—	0.66	0.66
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	—	0.07	0.07
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	—	—	—
2	Stock Option (In Numbers)	106,749 Options (Granted on 14.05.2015) 320,248 Options (Granted on 19.05.2016)	Not Applicable	426,997 options
3	Sweat Equity	—	—	—
4	Commission — as % of profit — others, specify...	—	—	—
5	Others, please specify	—	—	—
	Total	—	0.73	0.73
	Ceiling as per the Act	As per SH V part II of the Companies Act, 2013		

B. Remuneration to other directors

₹/Cr.

SN.	Particulars of Remuneration	Name of Directors				Total Amount
		Jangoo Dalal	Manhar Mandalia	Shuva Mandal	Sujay Sheth	
1	Independent Directors					
	Fee for attending board committee meetings	0.025	0.135	0.14	0.175	0.475
	Commission	—	—	—	—	—
	Others, please specify	—	—	—	—	—
	Total (1)	0.025	0.135	0.14	0.175	0.475
2	Other Non-Executive Directors	—	—	—	—	—
	Fee for attending board committee meetings	—	—	—	—	—
	Commission	—	—	—	—	—
	Others, please specify	—	—	—	—	—
	Total (2)	—	—	—	—	—
	Total (B)=(1+2)	0.025	0.135	0.14	0.175	0.475
	Total Managerial Remuneration	—	—	—	—	—
	Overall Ceiling as per the Act	—	—	—	—	—

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

₹/Cr.

SN	Particulars of Remuneration	Key Managerial Personnel		
		Pratik Bhanushali (Company Secretary)	Amal Thakore (CFO)	Total
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0.15	—	0.15
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.03	—	0.03
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	—	—	—
2	Stock Option	NIL	113865 Options (Granted on 14.05.2015)	113865 Options
3	Sweat Equity	—	—	—
4	Commission	—	—	—
	— as % of profit	—	—	—
	others, specify...			
5	Others, please specify	—	—	—
	Total	0.18	1.01	1.19

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

ANNEXURE IV TO DIRECTORS' REPORT

Policy for Evaluation of Performance of the Board of Directors of AGC NETWORKS LIMITED

1. INTRODUCTION

AGC NETWORKS LIMITED (hereinafter referred to as **"the Company"**) believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior, in consonance with the Company's Code of Conduct policy for its Board of Directors and Senior Management Personnel. The honesty, integrity and sound judgment and performance of the Directors and the Senior Management are key criteria for the success and for building a good reputation of the Company. Each Director and executive in the Senior Management is expected to comply with the letter and spirit of this Policy. Any actual or potential violation of this Code by the Board Directors would be the matter of serious concern for the Company.

Therefore, the Company has made this Policy to comply with various provisions under the clause 49 of the Listing Agreement entered into by the Company and Stock Exchanges in India as per the SEBI Regulations published vide its Circular No. CIR / CFD / POLICY CELL / 2 / 2014 dated April 17, 2014 as amended and published vide its Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014 and also the formal annual evaluation made by the Board of Directors of its own performance (self-appraisals) and that of its committees and individual Directors as mentioned under the clause (p) of sub-section (3) of Section 134 of the Companies Act, 2013. The Nomination & Remuneration Committee shall evaluate the performance of the each Board of Director as per subsection (2) of Section 178 and based on the functions of the Board of Directors as indicated under Schedule IV (as per section 149) annexed to the Companies Act, 2013 and the Rules made thereunder.

2. DEFINITIONS

"Act" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

"The Company" shall mean **AGC NETWORKS LIMITED**

"The Director" or **"the Board"** in relation to the Company shall mean and deemed to include the collective body of the Board of Directors of the Company including the Chairman of the Company.

"The Independent Director" shall mean an Independent Director as defined under section 2 (47) read with section 149 (6) of the Act.

"The Policy" or **"This Policy"** shall mean the Policy for Evaluation of performance of Board of Directors of the Company.

"The Committee" or **"This Committee"** shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of Companies Act, 2013.

3. OBJECTIVE

The Board is ultimately responsible for the sound and prudential management of the Company.

Performance evaluation is the process of both formally and informally providing feedback about an individual's implementation of his / her responsibilities. The Object of this policy is to formulate procedures and also to prescribe and lay down the criteria to evaluate the performance of the entire Board of the Company.

4. VARIOUS KINDS OF PERFORMANCE EVALUATION

A. EVALUATION OF THE PERFORMANCE

The Committee shall evaluate the performance of each Director and Senior Management of the Company on the basis of the criteria of Evaluation and rating of Performance as per clause 6 and 7 of this Policy.

Based on the performance evaluation of each and every Director and Senior Management of the Company, the Committee shall provide the ratings based on each criteria and sub-criteria. The detail process of evaluation and ratings thereon are mentioned in the clause 6 and 7 of this policy respectively.

Evaluation of Independent Director shall be carried on by the entire Board in the same way as it is done for the Executive Directors of the Company except the Director getting evaluated.

B. EFFECTIVENESS OF THE BOARD

Based on the ratings given by the Nomination & Remuneration Committee to each Director, the overall effectiveness of the Board shall be measured and accordingly the Board shall decide the Appointments, Re-appointments and Removal of the non-performing Directors of the Company.

5. SEPARATE MEETING FOR EVALUATION OF PERFORMANCE OF BOARD MEMBERS

Evaluation of the Executive Directors of the Company shall be carried out by entire Board except the Director being evaluated. The meeting for the purpose of evaluation of performance of Board Members shall be held at least once in a year and the Company shall disclose the criteria laid down by the Nomination and Remuneration Committee for performance evaluation on its web site for the reference and also in the Annual Report of the Company.

6. CRITERIA FOR EVALUATION OF PERFORMANCE

The Nomination and Remuneration Committee has laid down the criteria for evaluation of performance of Independent Directors and the Board specified in Annexure 1 (Board Member Feedback) as available on the website of the company.

7. PROCEDURE TO RATE THE PERFORMANCE

Based on evaluation criteria, the Nomination & Remuneration Committee and the Board shall rate the performance of each and every Director.

The performance rating shall be given within minimum 1 and maximum 10 categories, the rating 1 being least effective and 10 being most effective. Based on the rating of performance the Board can decide the strategy to extend or continue the term of appointment or to introduce new candidate as a member of the Board or Retirement of the member based on his/her performance rating as to create and maintain the most effective and powerful top level management of the Company for its future growth, expansion, diversification and also to maximize the returns on investments to the stakeholders of the Company.

8. AMENDMENTS

The Company reserves its right to amend or modify this Policy as may be considered appropriate at any time.

ANNEXURE V TO DIRECTORS' REPORT

Remuneration Policy for Directors, Key Managerial Personnel and other Employees of AGC NETWORKS LIMITED

Policy Name	Nomination & Remuneration Policy
Purpose	To provide guidelines and restrictions with regards to the appointment and compensation of Directors, Key Managerial Personnel and other senior employees for fulfillment of their employment obligations within AGC Networks Limited ("the Company")
Aims and Objectives	<p>This policy is intended to ensure that :</p> <ul style="list-style-type: none"> All Directors and Executives of the Company are recognized and rewarded for their performance in a fair and equitable manner; To ensure that remuneration paid to Directors and Executives is competitive, enabling the Company to attract and retain employees capable of meeting the Company's needs and service delivery obligations; and To reward Directors and Executives for achieving pre-determined Company, Departmental as well as personal/individual performance targets and goals.
Policy Custodian	Compliance Officer
Approving Authority	Recommended by Nomination and Remuneration Committee ("the Committee") and approved by the Board
Applicability	This policy applies to all the Directors, Key Managerial Personnel and other permanent senior employees as may be decided by the Committee.
Policy Benchmark and References	As required under section 178 of the Companies Act, 2013 ("the Act") and under clause 49 of the Listing Agreement entered into the Stock Exchanges where the securities of the Company are traded and listed.

PREFACE

AGC Networks Limited (hereinafter called and referred to as "the Company") believes in conducting its affairs in a fair and transparent manner by adopting highest standard of professionalism and good Corporate Governance Practices. The Company is committed to ensure that equitable remuneration is paid to all directors and employees of the Company. In order to attract and retain qualified and skilled directors and executives, to fill vacancies at all levels, it is the Company's aim to maintain fair and competitive remuneration consistent with industry practices and all necessary regulations.

APPLICABILITY OF THIS POLICY

Directors, Key Managerial Personnel and other Senior Employees as may be decided by the Committee or Board of the Company, subject to the approval of members in the General Meeting for their appointment wherever applicable and subject to the provisions of the Companies Act, 2013 shall be remunerated in line with the service agreement.

CATEGORIES OF EMPLOYEES COVERED UNDER THIS POLICY

- Directors which includes Whole Time or Executive Directors and Non-Executive or Independent Directors.
- Key Managerial Personnel as defined under Section 2 (51) of the Act.
- Senior Management i.e. the employees designated as Vice-President and above (normally include the first layer of the management below the Board level).

"key managerial personnel", in relation to a company, means—

- the Chief Executive Officer or the managing director or the manager;
- the company secretary;

- (iii) the whole-time director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed;

GENERAL POLICY STATEMENT

The role of the committee shall, inter-alia, include the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of Independent Directors and the Board;
3. Devising a policy on Board diversity;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.

The Nomination and Remuneration Committee shall ensure that—

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

Provided that such policy shall be disclosed in the Board's report.

The Nomination and Remuneration Policy of the Company is performance driven and is structured to motivate directors and employees, recognize their merits and achievements and promote excellence in their performance. Individual performance pay is determined by business performance and the performance of the individuals is measured through the annual appraisal process. Through compensation program, the Company endeavors to attract, retain, develop and motivate a high performance workforce that will ensure the long term sustainability of the Company and create a competitive advantage in the development field.

The remuneration of the Board members and the senior executives is based on the Company's size and global presence, its economic and financial position, industrial trends, compensation paid by the peer companies etc. Compensation reflects the Board members and executives responsibility and performance.

TERMS OF REFERENCE

- i. To identify persons who are qualified to become directors and who may be appointed in senior management level in accordance with the criteria laid down in Schedule I of this policy.
- ii. To recommend to the Board, appointment and removal of the directors and evaluation of every director's performance as laid down in Scheduled I of this policy.
- iii. To formulate the criteria for determining qualifications and positive attributes of the Directors.
- iv. To deal with the matters relating to the remuneration payable to Whole time Directors, Key Managerial Personnel and Senior Management Executives and commission, if any, to be paid to Non-Executive directors, apart from sitting fees.
- v. To review the overall compensation policy, service agreement and other employment conditions of Whole time Directors, Key Managerial Personnel and Senior Management Executives which include the employees designated as Vice-President and above (normally include the first layer of management below the Board level),
- vi. To deal with other matters as the Board may refer to the Nomination and Remuneration Committee ("the Committee") from time to time.

THE LEVEL AND COMPONENTS OF REMUNERATION

Remuneration of Whole-time Directors, Key Managerial Personnel and Senior Executives of the Company

Role and Type of Remuneration

The Company recognizes the competitive nature of the current professionally/ academically qualified work force and this requires to the Company to provide competitive remuneration offering to directors and employees to ensure that a high caliber of staff is attracted to the Company and retained. The Company further acknowledges that it can only excel in service delivery through the exceptional performance of its people and that the remuneration offering to the directors and employees plays a substantial motivational role when exceptional performance is compensated with exceptional rewards.

The Remuneration of Whole time Directors, Key Managerial Personnel and Senior Executives of the Company are decided based on criteria stated in Schedule I (as available on website of the company) of this policy and as per the recommendation of the Committee. The Company will pay remuneration to Whole time Directors, Key Managerial Personnel and Senior Executives by way of salary, retirement benefits perquisites, allowances (fixed component), incentives and commission (variable component) based on the recommendation of the Committee and approval of the Board of Directors and shareholders, if applicable.

Fixed Component of Remuneration

Whole Time Directors and Employees are receiving fixed of their Total package on a monthly basis. The total package includes in it guaranteed benefits such as employer's contribution to retirement funds i.e. provident fund and/or pension & gratuity and/or medical aid funds and/or group life insurance fund contribution etc. as applicable.

Variable Component of Remuneration

Annual performance linked incentive / increment for exceptional performance above the accepted standard and is variable. These rewards are based on individual, departmental or Company' performance relative to predefined targets. Performance is measured over a year's period.

The remuneration policy should accordingly be considered in the greater human resource context.

The Committee shall consult the Chairman and/or Managing Director about their proposals relating to the remuneration of other Whole time Directors, Key Managerial Personnel and Senior Executives.

Remuneration of Executive Directors

For deciding remuneration of the Executive Directors, the Committee shall consider the performance of the Company, the current trends in the industry, their experience, past performance and other relevant factors. The Committee shall regularly keep track of the market trends in terms of compensation levels and practices in relevant industries.

Remuneration of Non-Executive Directors

Non-Executive Directors are paid remuneration by way of sitting fees. The Company pays a sitting fee per meeting of the Board and the Committee (as may be decided from time to time) to the Non-Executive Directors for attending the meetings within the limit prescribed under the Act.

The remuneration by way of Annual Commission to the Non-Executive Directors shall be decided by the Board of Directors and will be paid to them based on their participation and contribution at the Board/Committee meetings and the time spent on matters other than at meetings.

An independent director may receive remuneration by way fees provided under sub-section (5) of Section 197 of the Act, reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members of the Company.

The Company shall disclose in the Board's report, the ratio of the remuneration of each director to the median employee's remuneration and such other details as may be prescribed under the Act.

Where any insurance is taken by a company on behalf of its managing director, whole-time director, manager, Chief Executive Officer, Chief Financial Officer or Company Secretary for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the company, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel:

Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

COST MANAGEMENT

The objective of remuneration cost management is the importance of the directors and employee's role, thereby reflecting their relative worth to the Company. Cost management does not necessarily imply a reduction of overall salary and bill but rather the correct allocation thereof. The Finance and Budget Department in conjunction with Human Resource Department should manage remuneration cost within budgetary constraints, while ensuring the remuneration levels of competent, exceptional performers and key employees are positioned competitively against the market.

As per Provisions of sub-section (9) of Section 197 of the Companies Act, 2013, if any director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limit prescribed by this section or without the prior sanction of the Central Government, where it is required, he shall refund such sums to the company and until such sum is refunded, hold it in trust for the company. The company shall not waive the recovery of any sum refundable to it, unless permitted by the Central Government.

The Board of Directors of the Company has power to reconstitute the Committee as and when think fit so or as may be required under the law.

ANNEXURE VI TO DIRECTORS' REPORT

[Pursuant to Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

- Ratio of the remuneration to each executive Director to the median remuneration of the employees of the Company for FY 2015–16:**
Mr. Anil Nair (MD & CEO from 1st April, 2015 to 15th February, 2016 – 4:1.
- % increase in remuneration Executive Directors, CFO and CS during the FY 2015–16:**
Directors – Not Applicable, CFO – Not Applicable as retirement was due, CS – 16%
- % increase in median remuneration of the employees for the FY 2015–16:** 7%
- Total permanent employees on role of AGC Networks Limited as on 31.3.2016:** 480 employees
- Relationship between average increase in remuneration and Company's performance:** The market trend was referred for a comparative study on the remuneration increase for FY 16–17. The company's performance has been a key attribute to determine the remuneration increase along with the parameter of employee performance. The average increase in the remuneration of individual employee is further guided by factors like customer facing roles, criticality of skills, retention and new / strategic business groups.
- Comparison of the remuneration of the KMPs against the performance of the Company:** Performance of the Company was duly considered while approving the variable pay and increase in remuneration of KMPs.
- The key parameters for any variable component of remuneration:** The variable component for FY 16–17 has been revised upward to enable greater earning potential in alignment with the company's objectives and achievements. Payment of variable component is linked to individual achievement of set targets and goals. The overall company performance is also factored in to fix the variable payout. It is hereby affirmed that the remuneration paid during the year is as per remuneration and incentive policy of the Company.

ANNEXURE VII TO DIRECTORS' REPORT

Disclosure relating to Research and Development (R&D) & Technology Absorption

RESEARCH & DEVELOPMENT :

- | | | |
|---|------------------|-------------|
| 1. Specific areas in which Development carried out by the Company | : | N.A. |
| 2. Benefits derived as a result | : | N.A. |
| 3. Future Plan on Development | : | N.A. |
| 4. Expenditure on Development (₹ in Crores) | | |
| | (a) Capital | N.A. |
| | (b) Recurring | N.A. |
| | Total | N.A. |
| | (c) % to Revenue | N.A. |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- | | | |
|---|---|------|
| 1. Efforts in brief, made towards, technology absorption, adaptation and innovation | : | N.A. |
| 2. Benefits derived as a result of the efforts e.g. product improvement, cost reduction, product development, import substitution, etc. | : | N.A. |
| 3. (i) Technology Imported | : | N.A. |
| (ii) Year of Import | : | N.A. |
| (iii) Has technology been fully absorbed | : | N.A. |
| (iv) If not fully absorbed, areas where this has not taken place, reasons thereof & future plan. | : | N.A. |

ANNEXURE VIII TO DIRECTORS' REPORT

Report on Corporate Social Responsibility (CSR)

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

- A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs** – The CSR policy of the Company, as approved by the Board is available on website of the Company at the link <http://www.agcnetworks.com/home/policies>.
- The Composition of the CSR Committee** – Please refer to the Corporate Governance Report for Composition of the CSR Committee

Item No.	Description	₹/Crores
3.	Average net profit (loss) of the company for last 3 financial years (after tax)	(60.72)
4.	Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)	NIL
5.	Details of CSR spent during the financial year 2015–16	
a)	Total amount to be spent for the financial year;	N.A.
b)	Total amount spent during the year	N.A.
c)	Amount unspent, if any;	NIL

c) Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub – heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto to the reporting period	Amount spent : Direct or through implementing agency*
	NOT APPLICABLE						

For and on behalf of the Board of Directors

Sanjeev Verma
Whole Time Director

Sujay Sheth
Chairman of the CSR Committee

Mumbai

August 12, 2016

For and on behalf of the Board of Directors

Sanjeev Verma
Whole Time Director

Sujaya Banerjee
Director

Mumbai

August 12, 2016

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

OVERVIEW

AGC Networks (AGC) is a **Global Solution Integrator** representing the world's best brands in **Unified Communications, Network Infrastructure & Data Center, Cyber Security (CYBER-i)** and **Enterprise Applications** to evolve the customer's digital landscape.

AGC's ability to tailor solutions across quadrants is strengthened through its delivery of seamless customer services.

AGC is a leader in Enterprise Communications in India and has a significant presence in Middle East, Africa, North America, Australia, New Zealand, Singapore, Philippines and UK. Your Company offers differentiated, domain-focused, flexible, customized solutions and seamless services to customers across the globe. Your Company, which is ISO 9001 and 27001 certified, currently serves more than 3000 customers worldwide, including Fortune 500 companies.

In collaboration with global technology leaders like Avaya, Intel Security, ShoreTel, Juniper, Cisco, HP, Verint and Polycom among others, AGC helps organizations align their technology decisions to business goals through customized solutions and services thereby accelerating customers' business.

AGC is positioned as the enterprise customer's trusted advisor, rendering consulting advice and support across the technology landscape.

TECHNOLOGY QUADRANTS

Technology is the backbone of the digital economy. The rate of change and the level of disruption driven by modern technology are exponential. Advancements in processing power, data storage, and chip design; the volume of bandwidth consumption; enterprise mobility; and many other developments have unfolded in recent years and are enabling opportunities that seemed once impossible, both technologically and economically. Technology is not only fueling major business transformation across industries but is also changing how technology enterprises sell their products and services, operate, and plan for future growth.

Technological innovations are transforming the way we live, work and communicate. Whether it is eCommerce via text messaging or the paper less era or the advent of social media or mobile devices being second nature are all indicators of the evolving digital space. Digital trends are shaping the future and guiding businesses like never before. Today, nearly 43% of the world is connected to the Internet, enabling people and organizations to talk, share and conduct business halfway across the globe.

With this as an opportunity on the horizon, the core business of your Company spans solution quadrants that are,

1. **Unified Communications**

AGC's solutions across verticals like BFSI, IT & ITES, Healthcare & Hospitality and Manufacturing & Government for over three decades through effective, relevant unified communication and collaboration platforms and offering varied technologies from global OEMs is the forte built in this space.

Unified Communication services can be on-premise, on-cloud or hosted systems. On-premise systems are getting to be less attractive than cloud-based/hosted unified communication. Cloud-based systems are faster, require low maintenance, and provide uninterrupted scaling abilities at lower costs.

Unified Communication systems help in the improvement of enterprises' efficiency and productivity. They enable enterprises to stay connected with employees, customers ensuring optimal operational agility and eventually delivering better customer-experience.

AGC's UC solutions suite comprises of:

IP Communications– Simplified communications with hybrid architecture for telephony that functionally enhances the user experience across management levels in an enterprise.

Collaboration – AGC looks at collaboration with a futuristic perspective with the objective of delivering the technology portfolio for our clients. We see video as a logical extension of voice where the voice of tomorrow is video enabled. With our extensive core experience in IP and converged communications, AGC enables delivery of collaboration solutions by managing the overall integrated experience.

Multimedia Integration – AGC equips enterprises with best-in-class board room, meeting rooms, and training solutions, effectively creating an environment that blends voice, video and information virtually, eliminating geographical boundaries through the power of Multimedia Integration.

AGC showcases its UC solutions through its state-of-the-art,

- Global Network Operations Center (G-NoC)
- Global Security Operations Center (G-SoC)
- Response Center (Call Center / Desk top support, monitoring and carrier management)
- Customer Experience Centre (CEC)

2. **Network Infrastructure & Data Center**

The network infrastructure solution portfolio of AGC has effective, holistic and flexible solutions using relevant and updated technologies. Our delivery of solutions is aligned to the expectations that enterprises may have from their network infrastructure through our strong alliances with global OEM brands. Our solution span includes the following:

Switching & Routing – Switching & Routing are the basic but most important elements in network infrastructure. We enable building of simplified, flexible, high performance networks that allow the rolling out of services with relative ease as opposed to detailed analysis of infrastructure readiness every time a need arises.

Wireless & Mobility – With the proliferation of smart handheld devices, enterprises are placing higher focus on mobility. At the same time, business demands availability of information anywhere, anytime and across platforms. Mobility solutions coupled with a tight security framework is how AGC addresses this. AGC has expertise in providing mobility solutions across verticals primarily comprising WLAN and SSL VPN solutions. With multiple devices being connected to enterprise networks to access information, the demands on a CIO are increasing.

Virtualization – Virtualization is the first step in building cloud ready infrastructure which reduces the hardware footprint and energy consumption too. AGC's expertise in design and implementation across multiple technologies has helped deliver large-scale, multi-location projects for clients globally. These solutions have helped customers improve productivity and run applications smoothly.

Data Center – As a global solution integrator, AGC provides computing, storage and virtualization solutions in the Data Center and virtualization space.

3. **CyberSecurity through CYBER-i, the Cyber Security division**

CYBER-i is the cyber security business division of AGC Networks Limited. With a team of highly skilled security resources, CYBER-i deploys the most advance Cyber Threat Defence platform using Intel Security as its anchor solution provider. Besides the G-SOC (Global Security Operations Center) services, CYBER-i also specializes in end-to-end cyber security services such as high-end consulting, advisory, management, certification, processes, audit, compliance and implementation. AGC's CYBER-i portfolio helps enterprises to be future-ready and continue to stay protected. These services are designed to align with the clients' risk management strategy to deliver a secure experience.

AGC has built a team of experienced professionals with preferred certifications like CISA, CISSP, CRISC, CEH, OSCP, and Lead Auditors for ISO 27001, ISO 20000, ISO 22301 and ISO 9001, ITILv3 in addition to its vast expertise in the GRC (Governance, Risk and Compliance) domain. This quadrant delivers on:

- Data Security
Advanced threat protection, Fraud Management, Mobile Device management information rights management etc
- Identity and Access
Identity management, Privilege identity management, Single sign on etc
- End Point security
Anti virus end point protection, Data leakage protection, Networks Access control.

- Applications Security
Web applications firewall, Database access management
- Network Security
Firewall, NG firewall IPS/IDS, etc
- Security monitoring
Security Incident and Event Management (SIEM)

The services rendered for this quadrant are:–

Certification – Specialization in Certification and Implementation for enterprises covering (but not limited to) a variety of standards like ISO 9001, ISO 20000, ISO 27001 and ISO 22301.

Compliance – Compliance services suite offerings include PCI DSS, HIPAA, SAS70 where AGC brings together principles that enable enterprises to build an effective governance and management framework, based on a holistic set of enablers that optimise information and technology investment and ultimately benefit stakeholders.

Implementation – Implementation services include offerings like DLP, NAC, Bandwidth Management & WAN Accelerator, GRC Tools, ITIL guidelines, etc.

Management – Compliance solutions and services for Vulnerability Management, IMS and implementation and management assistance.

Audit – Audit services include Database, Network, Internal IT Audits, Applications (SAP, ERP) and Code review audits for enterprises, combined with remediation options.

Managed Security Services –

- Security Solution monitoring
- Security Solution Management
- Managed Endpoint Security Services

4. Enterprise Applications

AGC offers business and customer experience applications to enterprises. With the philosophy of accelerating businesses, key applications are built and developed to enhance the experience of end customers. Key applications like social media analytics and customer self–service interfaces, Digital Engagement Solutions among others are applications that form an integral part of the customer care strategy of any enterprise, across verticals.

UC Applications – AGC's Unified Communication / digital applications integrate real–time enterprise communication services such as presence information, voice, gestures (including IP telephony), audio, web & video to maintain a consistent and instant experience across devices.

IoT – The flagship solution – Intelligent Plant Framework – integrates manufacturing floor machines and processes in Real Time which helps in improving Shop–floor Economics and Operational Performance. The uniqueness of this solution lies in capturing data directly from the machines, ERP, utility systems, Quality systems, operators and then convert it into impact analysis in terms of performance and profitability. This ensures that the data is authentic and reliable. Real time data helps in decisions that are based on data rather than intuition.

The solution has also received recognition from Gartner Inc., Deloitte, and McKinsey & Co. for our unique proposition, in global forums.

Digital Applications – AGC's Digital customer engagement solutions are tailored across digital devices of today and offer both push notifications and email to retain precious users. The digital applications enable a rich profile study through real–time analytics or through creating of contextual study, etc.

CRM & ERP Integration – CRM integration is a major challenge for organizations of all sizes. Companies have typically purchased and deployed ERP and CRM systems separately from each other, AGC enables integrating the two systems to reap substantial

benefits like time to market, improved cash flow and agility and in optimizing the business process as a whole. AGC's CRM space is focused on the contact center, campaign management, help desk, and self-service among other areas.

5. **Services portfolio**

AGC offers services across the lifecycle of a solution, spanning pre-implementation assessment, implementation, rollout, upgrades, AMC and enterprise integration and managed services. These include a network of owned and distributed delivery centres, a global talent pool with in-system expertise, and solution frameworks that greatly enhance productivity and reliability while reducing cost and risks.

Guardian Support Services – Uniquely focused on customer satisfaction to ensure complete on-site support.

Remote Maintenance of Infrastructure and Applications – AGC provides vendor agnostic IT maintenance services that reduce cost of management to ensure best of breed SLA based practices aligning to business needs. The customer's investment in technology infrastructure is maintained ranging from IP Phones, desktop to servers, network and security equipment and data center. This includes complete hardware coverage in warranty support, hardware replacements in post warranty support, and OEM agnostic upgrades or failures. The global talent pool available 24x7 help clients maintain their multivendor operating environment up and running at peak efficiency.

Managed Services – AGC's Managed services suite ensures that all systems across an enterprise are functioning efficiently with no downtime. AGC's Managed Services Engagement Framework is based on the ITIL Framework of AGC's Master Managed Services program.

Professional Services – AGC's Professional Services portfolio is delivered through various engagement models:

- **Consulting and Analysis** – covering domains like IT service management, business service management, IP networks, data centers, IP contact centers, and information security. These services enable clients to utilize our domain expertise for their complete business needs.
- **Deployment Services** –bringing together multiple stages of deployment under the project management framework and aligning them to production seamlessly. These involve staging, installation, integration, commissioning and testing, as required.
- **Customization and Integration** –AGC's vendor-agnostic, pragmatic approach helps build ICT applications and infrastructure to address critical business needs and meet desired business outcomes.
- **Audit and Review** – covers studying and analyzing business facts and carrying out IT infrastructure, data center, information security, service management and compliance audits and reviews using industry best practices.
- **Advanced Design Consultancy** – AGC consultants architect customized solutions based on collaboration, automation and integrated technology to help accelerate customer's business.

GLOBAL TECHNOLOGY OUTLOOK

The Gartner forecast for worldwide IT spending in U.S. dollar values is a decline of 0.5% in 2016 compared with 2015. This is compounded by the 6.0% decline in IT spending in 2015. The largest region for total IT spend in 2016 remains North America, with \$1.23 trillion. However, the fastest-growing region is Emerging Asia/Pacific, with 2016 constant-currency growth of 5.9% (unchanged from 4Q15). The next best region for growth is the sub-Saharan Africa, with 2016 constant-currency growth of 5.6%, down 0.6 percentage points from 4Q15. The remaining regions are facing anemic growth rates between negative 0.2% and 3.3%.

Grand View Research predicts that the global unified communication market size is expected to reach USD 75.81 bn by 2020, growing at a CAGR of 16.3% from 2014 to 2020. Increasing need for integrating various communication applications into a single universal entity and Unified Communication as a Service (UCaaS) applications across various industrial verticals is expected to drive growth over the forecast period.

The industry includes various communication models such as messaging, transaction, and information system along with collaboration and interactive systems. Availability of wireless connectivity and high-speed internet is expected to drive the global unified communication market.

The enterprise unified communication market is expected to emerge as a dominant sector in the global unified communication market. This can be attributed to increasing adoption of IT in enhancing business processes and providing benefits such as mobility and collaboration. Moreover, the education and healthcare sectors are some of the other promising sectors for the industry. Unified Communication application in the education sector is estimated to grow at a CAGR of over 16% from 2014 to 2020.

North America Unified Communication market is expected to dominate the global industry, contributing to over 35% of the overall revenue. This can be primarily attributed to the presence of sophisticated communications infrastructure in the region.

Increasing need for effective communications and collaboration along with cost savings is expected to drive the market in Asia Pacific. However, strict regulations in the regional telecom industry are expected to act as a barrier and restrict service providers to expand their business in the Asian countries.

The security market will continue to evolve alongside new requirements arising from the Internet of Things, cloud computing and sophisticated targeted attacks. Enterprise security providers can use these predictions to prepare for a market facing increasingly complex and focused assaults.

By 2019, total enterprise spending on security outsourcing services will be 80% of the spending on security software and hardware products, up from 50% in 2015.

The security outsourcing market (which includes managed security services and on-premises outsourcing) was \$12.3 billion in 2015 and constituted approximately 50% of the total enterprise spending on security software and hardware products. Gartner expects this number to grow to 80% by 2019.

Source : Gartner

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

At AGC, we place utmost importance on people and constantly work towards building and maintaining a progressive working environment. An organization's policies and practices are one of the most important factors to create a visible output of the business performance. Thereby, the HR policies have been set with the organization strategy to drive company values and culture. The policies and practices are continuously reviewed and refined in alignment with statutory requirements and relevance to the geo jurisdiction.

During the year, the Company initiated measures to optimize resource utilization with the objective to streamline costs, eliminate waste and improve profitability levels. Aligned to this agenda, Global Talent Exchange (GTEx) and Internal Job Postings (IJP) have been considered for fulfilling global resource requirements. This also provided individual growth and development opportunities to the employees.

Learning and development plays a pivotal role at AGC with varied interventions, customized for employees across career levels, skill and domains. Learning expertise is cultivated in-house, in the form of dedicated internal trainers and lab set ups. New learning and development methodologies have been launched to maximize individual capability and performance through individual assessment process and roll out of customised Sales and Service enablement programs. Maintaining highest levels of partnership with OEMs through external certification programs continue to be the focus and contribute positively towards maintaining business relationships.

Talent Management & Engagement is a key imperative to build employee connect through communication and employee interventions. We have established multiple channels to connect employees with leaders as well as peer groups that enable continuous and transparent communication. Forums, such as focus group meetings, interaction with CEO etc. are used for sharing information, voicing feedback and conferring reward and recognition. To facilitate a collaborative work culture and building camaraderie, we engage our employees through a range of activities encompassing celebrations & events like My Expressions— hobby initiatives, International Women's Day celebrations, Health & Wellness Programs etc. As a responsible corporate organization, AGC has been persistently working towards adding value to the society through some of its community initiatives such as Back to School— A donation drive held across geographies, Support Chennai flood victims— Donation drive etc.

RISKS

a) Geographical concentration

The world economy today is deeply interconnected with any surprises or shocks in one region quickly ricocheting to other economies. Though the Company has spread its portfolio worldwide, it still has to source for more and newer pools of clients to shield itself from the devastating impact of a downturn in connected regions.

b) Competition

The threat of competition is persistent and serious in the lucrative IT industry. The Company is motivated to stay ahead of competitors through continued research and innovation. Furthermore, it is key to stay updated on latest technology advancements to ensure the business model of the Company stays relevant with customer needs.

c) Foreign Currency Fluctuation

The spread of revenues around the globe increases the Company's exposure to currency risk. The Company performs due diligence by keeping up-to-date with current affairs in the regional and global economy. This enables the Company to take steadfast measures in hedging against currency volatility and protecting its revenues.

d) Employee Retention

The Company values its employees as its key capital and asset. Skilled employees who feel valued are better engaged with the goals of the Company and will deliver better performance. The Company thus emphasizes on skills upgrading through regular trainings and certifications to align employees skill sets to keep your company's customers ahead of the technology curve. Furthermore, the Company monitors the Employee Engagement Score to ensure all employees are constantly motivated and delivering performance.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

AGC Networks has an adequate system of internal controls to ensure that the assets are safeguarded, and protected against loss from unauthorized use of disposition, and that transactions are authorized, recorded and reported correctly.

The Company engages a detailed process of internal audits, reviews by management, and documented policies, guidelines and procedures to ensure that the financial records are relevant and reliable.

The Company has implemented an integrated SAP and SFDC business management system, providing system-based checks and controls. This results in increased efficiency and effectiveness of AGC Networks' internal control systems.

The Company management assessed the effectiveness of the Company's internal control over financial reporting (as defined in Clause 17 of SEBI Regulations 2015) as of March 31, 2016.

M/s. Walker Chandiok & Co LLP, the statutory auditors of the Company has audited the financial statements included in this annual report and has issued a report on our internal control over financial reporting (as defined in section 143 of Companies Act 2013).

The Company's internal audit systems independently oversee the operations of the organization regularly.

The top management and the Audit Committee of the Board review internal audit findings and recommendations. The Audit Committee is authorized by the Board to investigate any matter pertaining to the internal control and audit. The Committee also ensures compliance of internal control systems in addition to the quarterly, semi-annual and annual financial statements before submission to the Board.

REVENUE BREAK-UP

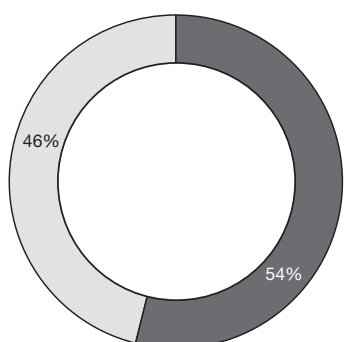
The break-up of the year's revenue is given below:

₹ / Cr.

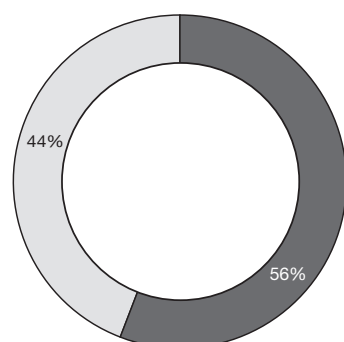
Solutions	India	India	India
	FY16	FY15	FY14
Products	168.3	183.83	183.38
Services	144.5	156.68	119.18
TOTAL	312.8	340.51	302.56

₹/Cr.

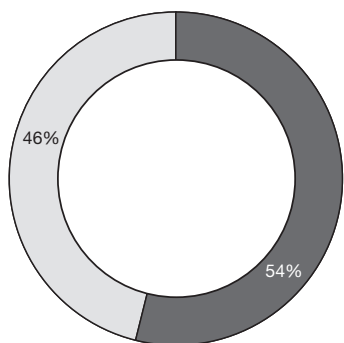
Solutions	Consolidated	Consolidated	Consolidated
	FY16	FY15	FY14
Products	462.0	465.19	461.27
Service	416.9	423.59	310.37
TOTAL	878.9	888.78	771.64

Performance by Solutions-FY16
(India)

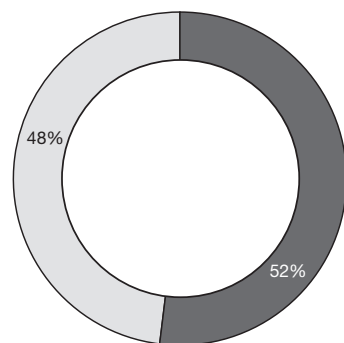
■ Products ■ Services

Performance by Solutions-FY16
(Consolidated)

■ Products ■ Services

Performance by Solutions-FY15
(India)

■ Products ■ Services

Performance by Solutions-FY15
(Consolidated)

■ Products ■ Services

SHARE CAPITAL

As on March 31, 2016, the Issued, Subscribed and Paid-up Equity share capital of the Company is ₹ 28,46,64,640/- (28466464 Equity shares having face value of ₹ 10/- each), and the Issued, Subscribed and Paid-up preference share capital of the Company is ₹ 15,00,00,000/- (15,00,000 preference shares having face value of ₹ 100/- each). The Company has not issued any other class of shares.

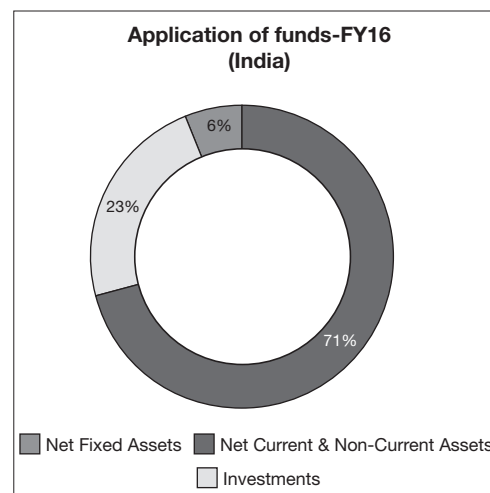
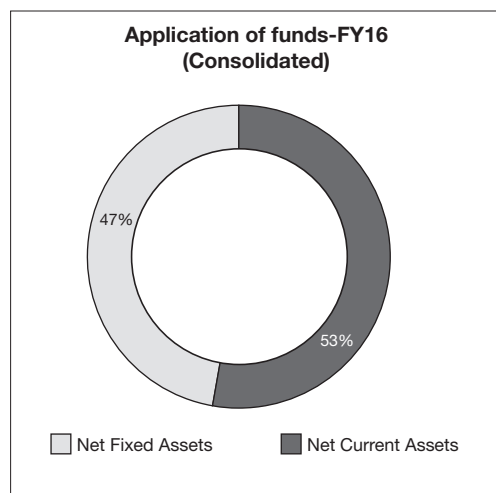
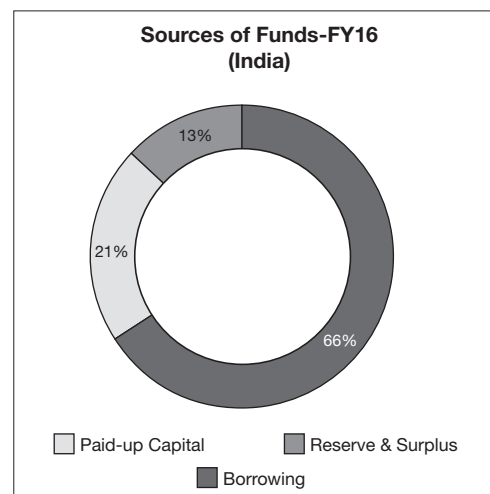
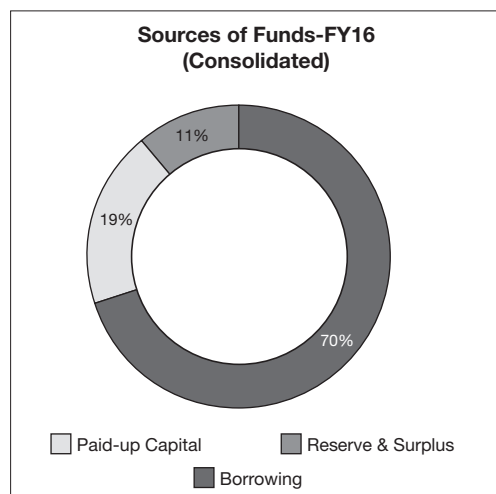
RESERVES AND SURPLUS

India:

Capital Reserve of the Company stands at ₹ 22.64 Crores. The General Reserve of the Company stands at ₹ 100.58 Crores.

Consolidated:

Capital Reserve of the Company stands at ₹ 38.04 Crores. The General Reserve of the Company stands at ₹ 100.58 Crores.



LOANS

India

The Company has secured loans of ₹ 138.01 Crores as on March 31, 2016, as against ₹ 136.14 Crores as on March 31, 2015 utilized for Working Capital requirements.

Consolidated

The Company has secured loans of ₹ 161.63 Crores as on March 31, 2016, as against ₹ 144.28 as on March 31, 2015 utilized for Working Capital requirements.

FIXED ASSETS

India

The fixed assets (net block including capital work-in-progress) have remained at ₹ 12.23 Crores as on March 31, 2016.

Consolidated

The fixed assets (net block including capital work-in-progress) is at ₹ 108.81 Crores as on March 31, 2016, which also includes Goodwill amounting to ₹ 85.39 Crores.

INVESTMENTS

India:

The total investment by the Company in subsidiaries as on March 31, 2016, is at ₹ 48.72 Crores.

Consolidated:

The total investment of the Company as on March 31, 2016, is NIL.

OPERATING RESULTS (CONSOLIDATED)

The Gross revenue for the financial year 2015–16, stood at ₹ 878.94 Crores, as against ₹ 888.78 Crores for the financial year ended March 31, 2015. The net loss is ₹ 34.59 Crores for the financial year ended March 31, 2016, as against the net profit of ₹ 14.77 Crores for the financial year ended March 31, 2015.

Employee cost constitutes 22.57% of the total income as against 21.46% in the previous period. The operating & administration expenses are at 34.08% of the total income as against 32.80% in the previous period.

Depreciation and amortization constituted 0.96% of the total income as against 2.06% in the previous period.

KEY RATIOS

Financial Performance	FY 2015–16		FY 2014–15	
	India	Consolidated	India	Consolidated
Gross Margin %	18.2	25.6	18.1	24.4
EBITDA %	–2.3%	1.5%	9.3%	7.0%
PBT/ Revenue %	–11.7%	–2.5%	0.7%	2.0%
PAT/ Revenue %	–11.7%	–3.9%	–0.1%	1.7%
PAT/Networth %	–51.0%	–50.4%	–0.4%	14.5%
Revenue per Employee (Rs/Cr)– Annualised	0.66	1.29	0.65	1.24
Head count	480	686	527	720
Income tax/PBT %	0.0%	–54.8%	116.8%	16.5%
Net working capital/Revenue %	40.7%	26.6%	48.2%	28.5%

CAUTIONARY STATEMENT

This report contains forward looking statements that involve risks and uncertainties including, but not limited to, risk inherent in the Company's growth strategy, acquisition plans, dependence on certain businesses, dependence on availability of qualified and trained manpower and other factors. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. This report should be read in conjunction with the financial statements included herein and the notes thereto.

CORPORATE GOVERNANCE REPORT

Corporate Governance is a systematic process having strong foundation by which Corporates are directed and controlled to enhance their wealth-generating capacity. It provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment. Governance is a mechanism for monitoring the actions, policies and decisions of corporations. Governance involves the alignment of interests among the stakeholders. Corporate governance is the system of structures, rights, duties, and obligations by which corporations are directed and controlled, keeping in mind long-term interest of stakeholders, which encourages and moves a viable and accessible financial reporting structure and which enables a transparent system. The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board of directors, employees, shareholders, creditors, auditors, regulators, and other stakeholders, and specifies the rules and procedures for making decisions in corporate affairs.

We, at AGC, are driven by the six major characteristics of Corporate Governance which are Transparency, Independence, Accountability, Responsibility, Fairness and Social Responsibility

CORPORATE GOVERNANCE AT AGC NETWORKS

The Company's philosophy of Corporate Governance is aimed at maximizing the shareholders' interest and protection of the interest of other stakeholders. The Company aims to achieve this through proper & full disclosure of material facts and achievement of the highest levels of transparency, accountability and equity in all facets of its operations.

Over the years, we have strengthened governance practices. These practices define the way business is conducted and value is generated. Stakeholders' interests are taken into account, before making any business decision.

We believe, Corporate Governance is not just a destination, but a journey to constantly improve sustainable value creation. It is an upward-moving target that we collectively strive towards achieving. Our multiple initiatives towards maintaining the highest standards of governance are detailed in the following pages.

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") the Company has executed fresh Listing Agreements with the Stock Exchanges.

The Company is in compliance with the requirements stipulated under Clause 49 of the Listing Agreements and regulation 17 to 27 read with Schedule V and clauses (b) to (i) of sub-regulation (2) of regulation 46 of SEBI Listing Regulations, as applicable, with regard to corporate governance.

BOARD OF DIRECTORS

As on March 31, 2016, the Board comprises 6 members and is responsible for management of the Company's Business. The composition of the Board is in conformity with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Companies Act, 2013. In addition to its primary role of monitoring corporate performance, the functions of the Board also include:

- Approving corporate philosophy and mission
- Participating in the formulation of strategic business plans
- Reviewing and approving financial plans and budgets
- Monitoring and reviewing corporate performance vis-à-vis the business plans
- Ensuring compliance of laws and regulations

The required details related to the Board as on 31st March, 2016 are listed below.

Name	Category	Designation	Directorship in other companies	Chairmanship in Committees of Boards of other companies	Membership in Committees of Boards of other companies
Mr. Sujay R. Sheth	Non-Executive & Independent	Non-Executive & Independent Director (Chairman)	3	2	2
Mr. Manhar Mandaliya	Non-Executive & Independent	Non-Executive & Independent Director	NIL	NIL	NIL
Mr. Jangoo Dalal	Non-Executive & Independent	Non-Executive & Independent Director	2	NIL	NIL
Mr. Shuva Mandal	Non-Executive & Independent	Non-Executive & Independent Director	14	NIL	NIL
Dr. (Mrs.) Sujaya Banerjee	Non-Executive & Non-Independent	Non-Executive & Non-Independent Director	1	NIL	NIL
Mr. Sanjeev Verma	Executive	Whole-time Director	1	NIL	NIL

The above information is presented as per the data in the annual disclosures submitted by the Directors as on 31st March, 2016.

During the F.Y. 2015-16, Eight (8) Board meetings were held, on the following dates:

14th May, 2015, 27th May, 2015, 25th June, 2015, 5th August, 2015, 12th October, 2015, 5th November, 2015, 11th February, 2016, 15th February, 2016.

The attendance of the directors at the board meeting held during the year is given below:

Name of the Director	Number of meetings Held during 2015-16	Number of meetings Attended	Attended Last AGM	Shareholding in the Company as of March 31, 2016 (no. of shares)
Sujay R. Sheth	8	8	Yes	NIL
Manhar Mandaliya	8	8	Yes	NIL
Jangoo Dalal	8	4	Yes	NIL
Shuva Mandal	8	8	Yes	NIL
Sujaya Banerjee	8	4	No	NIL
Sanjeev Verma ¹	8	8	Yes	NIL
Neeraj Gupta ²	8	1	No	NIL
Anil Nair ³	8	6	Yes	N.A.

- Note:
1. Mr. Sanjeev Verma was re-designated as Whole Time Director of the Company w.e.f 15th February, 2016
 2. Mr. Neeraj Gupta ceased to be Director of the Company w.e.f 1st December, 2015.
 3. Mr. Anil Nair ceased to be Director (MD and CEO) of the Company w.e.f 15th February, 2016

Details of Directors being re-appointed and appointed

One of the existing Directors who retire by rotation is proposed to be re-appointed as Directors at the ensuing Annual General Meeting. Details with regard to the same are provided in the notice of the ensuing Annual General Meeting.

Familiarization programmes for Board Members

The Board members are provided with necessary documents/brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices. Periodic presentations are made at the Board and Board Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved.

Quarterly updates on relevant statutory changes and landmark judicial pronouncements encompassing important laws are regularly circulated to the Directors.

Meetings of Independent Directors

The Company's Independent Directors meet at least once in every financial year without the presence of Executive Directors or management personnel. Such meetings are conducted to enable Independent Directors to discuss matters pertaining to the Company's affairs and put forth their views, to Review the performance of non-independent directors and the Board as a whole, to review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors and to assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties. A separate meeting of Independent Directors were held on 11th February, 2016.

BOARD COMMITTEES:

As of March 31, 2016, the Company has following Board Committees.

1. Audit Committee
2. Nomination and Remuneration Committee
3. Ethics and Compliance Committee
4. Stakeholders Relationship Committee
5. Corporate Social Responsibility Committee
6. Risk Management Committee
7. Executive Committee

Meetings of Board Committees held during the year and Directors' attendance:

Board Committees	Audit Committee	Nomination and Remuneration Committee	Ethics and Compliance Committee	Stakeholders Relationship Committee	Corporate Social Responsibility Committee
Meetings held	6	11	4	4	1
Directors' attendance					
Sujay R. Sheth	6	11	4	4	1
Manhar Mandaliya	6	11	N.A.	N.A.	N.A.
Neeraj Gupta	0	N.A.	N.A.	N.A.	1
Shuva Mandal	6	10	4	N.A.	1
Anil Nair	N.A.	N.A.	N.A.	4	N.A.

Terms of Reference and other details of Board Committees:

Audit Committee

Constitution of the Audit Committee as on 31st March, 2016

Manhar Mandaliya	Non-Executive & Independent Director
Shuva Mandal	Non-Executive & Independent Director
Sujay R. Sheth	Non-Executive & Independent Director (Chairman)

The Committee's composition meets with requirements of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI Listing Regulations. . Members of the Audit Committee possess financial / accounting expertise / exposure.

Powers of the Audit Committee

- To investigate any activity within its terms of reference
- To seek information from any employee
- To obtain outside legal or other professional advice
- To secure attendance of outsiders with relevant expertise, if it considers necessary

Role of the Audit Committee, inter alia, includes the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- Recommending the appointment, remuneration and terms of appointment of statutory auditors including cost auditors of the Company Approving payment to statutory auditors, including cost auditors, for any other services rendered by them
- Reviewing with the management, the annual financial statements and auditors report thereon before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on the exercise of judgment by the management;
 - Significant adjustments made in financial statements arising out of audit findings;
 - Compliance with listing and other legal requirements relating to financial statements;
 - Disclosure of any related party transactions; and
 - Qualifications in draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
- Monitoring and reviewing with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter
- Reviewing and monitoring the auditors independence and performance, and effectiveness of audit process
- Approval or any subsequent modification of transactions of the Company with related parties
- Scrutiny of inter-corporate loans and investments
- Examination of the financial statement and the Auditors' report thereon.
- Valuation of undertakings or assets of the Company, wherever it is necessary
- Evaluation of internal financial controls and risk management systems
- Establish a vigil mechanism for Directors and Employees to report genuine concerns in such manner as may be prescribed.
- Reviewing, with the management, the performance of statutory auditors and internal auditors, adequacy of internal control systems
- Formulating the scope, functioning, periodicity and methodology for conducting the internal audit
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- Discussion with internal auditors of any significant findings and follow-up thereon
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern

- To look into the reasons for substantial defaults, if any, in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors
- To review the functioning of the Vigil Mechanism and Whistle Blower mechanism
- Approval of appointment of the CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing qualifications, experience and background, etc. of the candidate
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- Reviewing financial statements, in particular the investments made by the Company's unlisted subsidiaries
- Reviewing the following information:
 - The Management Discussion and Analysis of financial condition and results of operations;
 - Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
 - Management letters/letters of internal control weaknesses issued by the statutory auditors;
 - Internal audit reports relating to internal control weaknesses; and
 - Reviewing the appointment, removal and terms of remuneration of the Chief internal auditor / internal auditor(s).

Nomination and Remuneration Committee

Constitution of the Nomination and Remuneration Committee as on 31st March, 2016

Manhar Mandaliya	Non-Executive & Independent Director
Shuva Mandal	Non-Executive & Independent Director (Chairman)
Sujay R. Sheth	Non-Executive & Independent Director

The Committee's composition meets with requirements of Section 178 of the Companies Act, 2013, Regulation 19 of the SEBI Listing Regulations and (Share Based Employee Benefits) Regulations, 2014 as amended from time to time.

Terms of Reference of the Committee, inter alia, includes the following

- To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal
- To carry out evaluation of every Director's performance
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees
- To formulate the criteria for evaluation of Independent Directors and the Board
- To devise a policy on Board diversity
- To recommend/review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria
- To administer, monitor and formulate detailed terms and conditions of the Employees' Stock Option Scheme including:
 - the quantum of options to be granted under Employees' Stock Option Scheme per employee and in aggregate;
 - the conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
 - the exercise period within which the employee should exercise the option, and that the option would lapse on failure to exercise the option within the exercise period;
 - the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
 - the right of an employee to exercise all options vested in him at one time or various points of time within the exercise period;
 - the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions, such as rights issues, bonus issues, merger, sale of division and others;
 - the granting, vesting and exercising of options in case of employees who are on long leave; and
 - the procedure for cashless exercise of options.

The details in respect of the remuneration paid to the independent directors (sitting fees) during the period from 1st April 2015 to 31st March 2016 are as under:

Name	Designation	Amount (₹)
Mr. Jango Dalal	Non-Executive Independent Director	2,50,000
Mr. Manhar Mandaliya	Non-Executive Independent Director	13,50,000
Mr. Shuva Mandal	Non-Executive Independent Director	14,00,000
Mr. Sujay R. Sheth	Non-Executive Independent Director and Chairman	17,50,000

Remuneration to directors

The Company does not pay remuneration to any of its Non-Executive Directors barring sitting fees for attendance during the meeting(s). The details in respect of the remuneration paid to the Executive Directors during the period from 1st April 2015 to 31st March 2016 are as under:

Name	Designation	Amount (₹)*
Mr. Anil Nair	Managing Director & CEO (till 15.02.2016)	73,00,000
Total		73,00,000

* Break-up of the above remuneration is as under.

Particulars/Head	Anil Nair
Salary	73,00,000
Perquisites	—
Other Allowances	—
Contribution to Gratuity	—
Total	73,00,000

Note : Gratuity payable as per the rules of the Company at the end of tenure shall not be included in the computation of limits for the remuneration of perquisites

Ethics and Compliance Committee

Constitution of the Ethics and Compliance Committee as on 31st March, 2016

Shuva Mandal	Non-Executive & Independent Director (Chairman)
Sujay R. Sheth	Non-Executive & Independent Director

The Committee, at its meeting(s), sets forth the policies relating to and oversees the implementation of the 'Code of Conduct', adopted by the Board of Directors, at its meeting held on 23rd October, 2002, pursuant to the Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, takes on record the monthly status reports prepared by the Compliance Officer detailing the dealings in securities by the specified persons and decides penal action in respect of violation of the Regulations / the Code by any specified person. The Committee also overviews the 'Code of Conduct' of the Company and related matters (including review of complaints received under Whistle Blower Policy of the Company, any violations, penal actions, etc.).

Stakeholders Relationship Committee

Constitution of the Stakeholders Relationship Committee as on 31st March, 2016

Sanjeev Verma	Whole-time Director (W.e.f. 15.02.2016)
Sujay R. Sheth	Non-Executive & Independent Director (Chairman)

The Stakeholders Relationship Committee's composition and the terms of reference meet with the requirements of Regulation 20 of the SEBI Listing Regulations and section 178 of the Companies Act, 2013.

The Committee looks into redressing investors' grievances pertaining to Transfer of Shares, Dividends, De-materialization of Shares, Replacement of lost/stolen/mutilated share certificates, Non-receipt of right/bonus/split share certificates, Non Receipt of Annual Report and any other related issues

The Board has designated Mr. Pratik Bhanushali, Company Secretary, as the Compliance Officer.

The total number of correspondence (including complaints / queries) received and replied to the satisfaction of shareholders during the period April 01, 2015 to March 31, 2016, was 46. There was no outstanding complaint / query or request for transfer as on 31st March, 2016.

Corporate Social Responsibility Committee

Constitution of the Corporate Social Responsibility Committee as on 31st March, 2016

Sanjeev Verma	Whole-time Director (W.e.f. 15.02.2016)
Shuva Mandal	Non-Executive & Independent Director
Sujay R. Sheth	Non-Executive & Independent Director (Chairman)

The Committee's prime responsibility is to assist the Board in discharging its social responsibilities by way of formulating and monitoring implementation of the framework of 'corporate social responsibility policy', observe practices of Corporate Governance at all levels, and to suggest remedial measures wherever necessary. The Board has also empowered the Committee to look into matters related to sustainability and overall governance.

The Committee's constitution and terms of reference meet with the requirements of the Companies Act, 2013.

Terms of Reference of the Committee, *inter alia*, includes the following:

- To formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy indicating activities to be undertaken by the Company in compliance with provisions of the Companies Act, 2013 and rules made thereunder
- To recommend the amount of expenditure to be incurred on the CSR activities
- To monitor the implementation of the CSR Policy of the Company from time to time

Risk Management Committee

Constitution of the Risk Management Committee as on 31st March, 2016

Sujay Sheth	Non-Executive & Independent Director (Chairman)
Sanjeev Verma	Whole-time Director (W.e.f. 15.02.2016)
Amal Thakore	CFO

The Risk Management Committee (RM Committee) was constituted by the Board adhering to the requirements of the Companies Act, 2013 and Regulation 21 of the SEBI Listing Regulations. The Committee's prime responsibility is to implement and monitor the risk management plan and policy of the Company. The Committee's constitution meets with the requirements of Regulation 21 of the SEBI Listing Regulations.

Role and Responsibilities of the Committee includes the following:

- Framing of Risk Management Plan and Policy
- Overseeing implementation of Risk Management Plan and Policy
- Monitoring of Risk Management Plan and Policy
- Validating the process of risk management
- Validating the procedure for Risk Minimization
- Periodically reviewing and evaluating the Risk Management Policy and practices with respect to risk assessment and risk management processes
- Continually obtaining reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed
- Performing such other functions as may be necessary or appropriate for the performance of its oversight function

Executive Committee

Constitution of the Executive Committee as on 31st March, 2016

Sanjeev Verma	Whole-time Director (W.e.f. 15.02.2016)
Amal Thakore	CFO
Atul Khatavkar	VP & Global Head – Cyber Security
Mr. Animesh Shrivastava	VP & Head – India Business, Sales

The Board of Directors of the Company, at its meeting held on 15th November, 2010, constituted an 'Executive Committee'. This Committee would basically look into the operational matters relating to the Company including making recommendations to the Board on certain operational matters. The Executive Committee has been reconstituted on 15th February, 2016.

GENERAL BODY MEETINGS

The particulars of last three Annual General Meetings (AGM) of the Company are as under. The shareholders passed all the resolutions set out in the respective notices.

Date	Location	Time	No. of Special Resolution/s
6th August, 2015	Banquet Hall, Equinox Business Park, Off B.K.C, LBS Marg, Kurla West, Mumbai – 400070	11.00 AM	2
7th August, 2014	Rangaswar Hall, Chavan Center, General Jagannath Bhosale Marg, Mumbai – 400021	11.00 AM	7
27th August, 2013	Rangaswar Hall, Chavan Center, General Jagannath Bhosale Marg, Mumbai – 400021	11.00 AM	1

Resolution passed by Postal Ballot

During the year, following resolution was passed by way of postal ballot.

Effective Date	Description	Voting details
21st April, 2015	Grant of Employee Stock Options to the employees of the Company under AGC Network Employee Stock Option Scheme 2015	Passed by 99.99% majority on valid votes polled
	Grant of Employee Stock Options to the employees of the Subsidiary Companies of the Company under AGC Networks Employee Stock Option Scheme 2015	Passed by 99.99% majority on valid votes polled
	Grant of Options to issue securities equal to or exceeding one per cent but not exceeding four per cent of the issued Capital of the Company during any one financial year to identified employees under AGC Network Employee Stock Option Scheme 2015	Passed by 99.89% majority on valid votes polled

M/s. S. K. Jain Practicing Company Secretary, who was appointed as Scrutinizer for conducting the Postal Ballot process in fair and transparent manner submitted their Report to the Board of Directors of the Company, and based on the said Report, the Chairman of the Board of Directors declared Result of the Postal Ballot.

Disclosures

a. Disclosure of material financial and commercial transactions where management has personal interest that may have a potential conflict with the interest of the company at large.

During the year, there were no material financial and commercial transactions where management had personal interest that may have a potential conflict with the interest of the company at large. Details with regards to Related Party Transactions are provided under financial section of this report.

b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

None.

c. Disclosure of number of shares held by non-executive directors.

None of the directors of the Company (including executive director) hold any equity shares in the Company.

d. Disclosure relating to Whistle Blower Policy and affirmation that no personnel have been denied access to the audit committee.

The Company has implemented a Whistle Blower Policy in the Company and no personnel have been denied access to the audit committee of the Company.

e. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements.

The Company has complied with all the mandatory requirements as specified under the SEBI Listing Regulations. Further, the Company has adopted the following non-mandatory requirements:

(i) Separate personnel are appointed to the post of Chairman and Managing Director/CEO, (ii) Company strives to move towards a regime of unqualified financial statements, and (ii) Internal Auditor of the Company reports directly to Audit Committee of the Company.

Means of Communication

The quarterly results (including half-yearly and annual results) are usually published in "Freepress Journal" (English Daily) and 'Nav Shakti' (Marathi Daily). The results are also promptly forwarded to the Bombay Stock Exchange and National Stock Exchange where the scrip of the Company is listed. The Company has developed a section dedicated for Investors on the Company's website (www.agcnetworks.com) to display latest annual, half-yearly & quarterly results. The official news releases and the presentations made to the Investors / Analysts are also displayed on the website. The Management Discussion and Analysis Report is attached to and forms part of the Annual Report.

General Shareholder information

Annual General Meeting (AGM)

The AGM of the Company for the financial year ended 31st March, 2016 shall be held on Wednesday, 28th September, 2016 at 11.00 A.M. at Banquet Hall, Equinox Business Park, Off B.K.C, LBS Marg, Kurla West, Mumbai 400070

Following are the other general shareholder information.

Financial Year	April 1 to March 31
Dates of Book Closure	22.09.2016 (Thursday) to 28.09.2016 (Wednesday) (Both days inclusive)
Dividend Payment Date	No dividend is recommended by Directors of the Company
Listing on Stock Exchanges	Bombay Stock Exchange (BSE) & National Stock Exchange (NSE)
Stock Code / Symbol	BSE – 500463
	NSE – AGCNET
Demat ISIN Numbers in NSDL & CDSL for Equity Shares	ISIN – INE676A01019
Market price Data : High, Low during each month in the financial year 2015– 2016 and stock performance comparison with BSE Sensex and BSE-IT	See Table No.1 below

Registrar and Share Transfer Agents	Datamatics Financial Services Limited, Plot No. B-5, MIDC, Part B Cross Lane, Andheri (East), Mumbai – 400 093 to whom the authority has been delegated by the Board to attend share transfer formalities etc.
Share Transfer System	Share Transfers are registered and returned within the specified period from the date of receipt, if the documents are clear in all respects
Distribution of shareholding & Category-wise distribution	See Table No. 2 & 3
Dematerialization of shares and liquidity	See Table No. 4
Plant Location	Shed No, A – 78/4/3, A – 78/4/4, A – 78/5/3, A – 78/5/5, A – 78/3/4, A – 78/4/6, GIDC Electronics Estate, Sector No. 25, Gandhinagar, Gujarat (Gujarat)
Address for correspondence	Registered Office : Equinox Business Park (Peninsula Techno Park), Off Bandra Kurla Complex, LBS Marg, Kurla West, Mumbai – 400 070

Table No. 1 – Market price Data – High, Low during each month in the financial year 2015–2016 and stock performance comparison with BSE Sensex

Month	BSE		NSE	
	High	Low	High	Low
April 2015	116.00	90.50	121.30	91.10
May 2015	157.90	96.00	157.50	97.00
June 2015	128.00	99.00	128.70	99.05
July 2015	155.00	99.70	155.00	100.50
August 2015	144.00	86.70	144.00	84.50
September 2015	104.80	87.50	107.00	85.35
October 2015	107.70	94.00	108.00	92.60
November 2015	102.00	82.15	100.50	82.70
December 2015	104.40	87.00	101.95	86.80
January 2016	97.60	75.10	99.40	71.60
February 2016	82.45	56.60	83.35	54.50
March 2016	86.10	60.00	85.80	61.00

Stock performance comparison with BSE Sensex

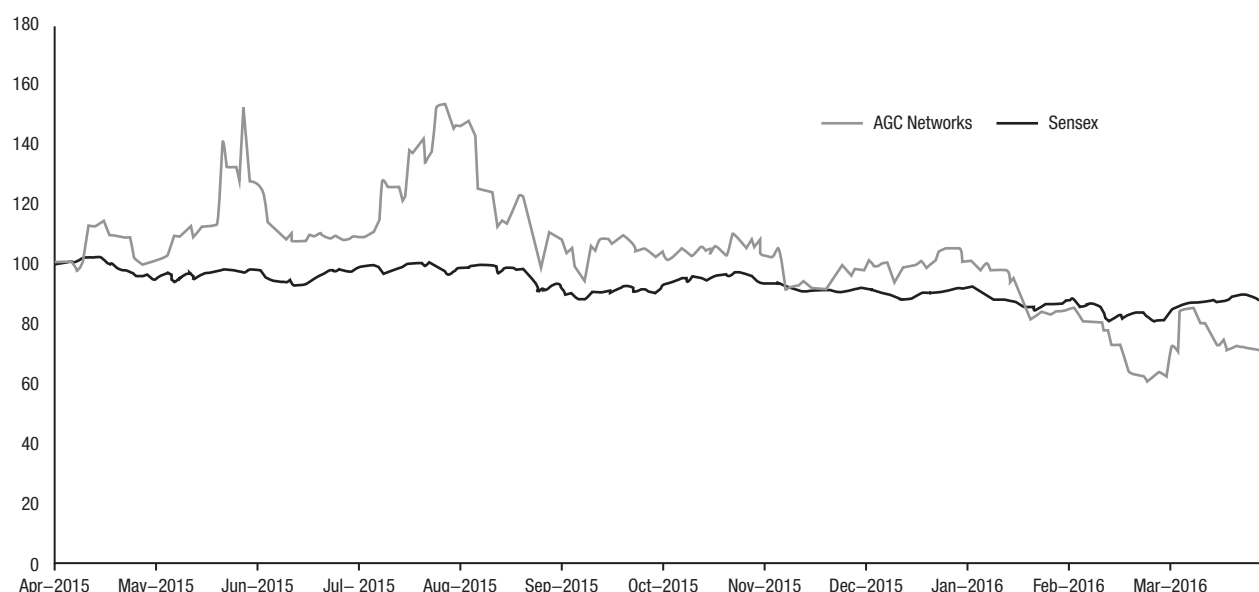
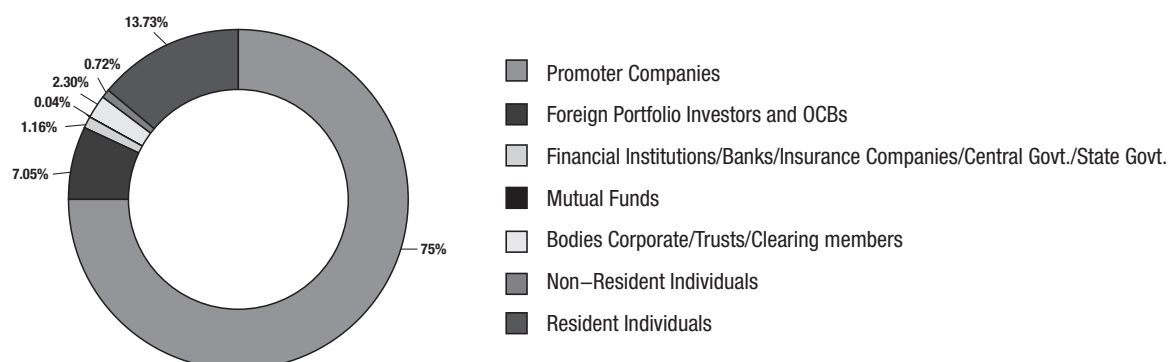


Table No. 2 – Distribution of shareholding as on 31st March, 2016

Sr. No.	Shares Range		No. of Shares held	% of total shares	No. of Holders	% of total Shareholders
	From	To				
1	1	100	222969	0.78	4378	40.54
2	101	500	1312658	4.61	4915	45.51
3	501	1000	704941	2.48	981	9.08
4	1001	5000	870344	3.06	428	3.96
5	5001	10000	272315	0.96	38	0.35
6	10001	100000	1472549	5.17	54	0.50
7	100001 & Above		23610688	82.94	6	0.06
	TOTAL		28466464	100	10800	100

Table No. 3 – Category-wise distribution as on 31st March, 2016

Sr. No.	Name of Security Holders	No. of	No. of	% to
		Shareholders	Shares held	Capital
1	Promoter Companies	1	21349848	75.00
2	Foreign Portfolio Investors and OCBs	10	2007611	7.05
3	Financial Institutions/Banks/Insurance Companies/Central Govt./State Govt.	10	329834	1.16
4	Mutual Funds	11	10228	0.04
5	Bodies Corporate/Trusts/Clearing members	253	654089	2.30
6	Non-Resident Individuals	200	206537	0.72
7	Resident Individuals	10315	3908317	13.73
	Total	10800	28466464	100.00

Shareholding pattern as on 31st March, 2016**Table No. 4 – Dematerialization of shares and liquidity**

Mode	No. of Shares	% of Total Shares	No. of Shareholders	% of Total Shareholders
Physical	559963	1.97	1869	17.31
Electronic	27906501	98.03	8931	82.69
Total	28466464	100.00	10800	100.00

Sanjeev Verma
 Whole-time Director
AGC Networks Limited

August 12, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of AGC Networks Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of AGC Networks Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act; safeguarding the assets of the Company; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the standalone financial statements.

Basis for Qualified Opinion

8. As stated in Note 28 (b) to the Standalone financial statements, during the year ended 31 March 2015 the Company had recognized sale of properties having aggregate carrying value of ₹ 1.09 crores and profit on such sale amounting to ₹ 46.04 crores (net of incidental selling expenses amounting to ₹ 3.39 crores) under 'exceptional items'. In our opinion, as the significant risks and rewards for the said properties had not been transferred, recognition of such sale was not in accordance with the principles laid under Accounting Standard (AS) 9 Revenue Recognition and the sale should have been reversed during the year ended 31 March 2016. Had the Company followed principles of AS 9 and reversed the sale

transaction during the year ended 31 March 2016, the prior period items and loss before tax would have been higher by ₹ 46.04 crores each. (March 2015: Exceptional items and profit before tax would have been lower by ₹ 46.04 crores each). Tax expense for the year ended 31 March 2016 would have been lower by ₹ 3.27 crores (March 2015: ₹ 3.27 crores). Long-term loans and advances and carrying value of tangible assets as at 31 March 2016 would have been higher by ₹ 3.27 crores (March 2015: ₹ 3.27 crores) and ₹ 1.09 crores (March 2015: ₹ 1.09 crores) respectively; reserves and surplus, other current assets and other current liabilities as at that date would have been lower by ₹ 42.77 crores (March 2015: ₹ 42.77 crores), ₹ 47.32 crores (net of ₹ 3.20 crores received during the year) (March 2015: ₹ 50.52 crores) and ₹ 0.19 crores (March 2015: ₹ 3.39 crores), respectively. Our audit opinion on the financial statements for the year ended 31 March 2015 was qualified in respect of this matter.

Qualified Opinion

9. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016, and its loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. As required by Section 143(3) of the Act, we report that:
 - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. the standalone financial statements dealt with by this report are in agreement with the books of account;
 - d. except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
 - e. the matter described in Basis for Qualified Opinion paragraph in our opinion, may have an adverse effect on the functioning of the Company;
 - f. on the basis of the written representations received from the directors as on 31 March 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164(2) of the Act;
 - g. the qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph;
 - h. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as at 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 19 May 2016 as per Annexure II expressed a qualified opinion.

- i. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. as detailed in Note 37 to the standalone financial statements, the Company has disclosed the impact of pending litigations on its standalone financial position;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Adi P. Sethna**
Partner
Membership No.: 108840

Place : Mumbai
Date : 19 May 2016

Annexure I to the Independent Auditor's Report of even date to the members of AGC Networks Limited, on the standalone financial statements for the year ended 31 March 2016

Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The title deed of an immovable property is held in the name of the Company.
- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms, limited liability partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act during the year. Accordingly, the provision of clauses (a) of the Order is not applicable
- (b) The principal and the interest for the loan granted to foreign subsidiary in an earlier year was repayable on demand and the entire amount of loan has been repaid during the year as stipulated.
- (c) There is no overdue amount in respect of loan granted to foreign subsidiary. Accordingly, the provisions of clause (c) of the Order is not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable to the Company.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products / services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) The dues outstanding in respect of income-tax, sales-tax, and service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Annexure I to the Independent Auditor's Report of even date to the members of AGC Networks Limited, on the standalone financial statements for the year ended 31 March 2016

Name of the statute	Nature of dues	Amount (₹ in Crore)	Amount Paid Under Protest (₹ in Crore)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Demand on account of incorrect duty credit/short payment	0.47	0.04	1991-92 to 1996-97	Customs Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service tax demand on RTU activation and penalty thereon	0.50	0.05	2006-07, 2007-08 & 2011-12	Commissioner of Central Excise and Service Tax – Appeals
Finance Act, 1994	Service tax demand on RTU activation and penalty thereon	4.17	0.35	2003-04 to 2006-07	Customs Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service tax demand on Royalty payment	0.74	–	2004-05 to 2006-07	Commissioner of Central Excise and Service Tax – Appeals
Finance Act, 1994	Excise Duty on CT 3 Clearance and Incorrect Input Tax Credit of Service Tax paid on Foreign Service Provider	4.73	0.05	2003-04 to 2007-08	Customs Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service tax demand along with penalty on excess cenvat utilization	7.04	0.50	2004-05 to 2007-08	Commissioner of Central Excise and Service Tax – Appeals
The Customs Act, 1962	Demand for the payment of custom duty on Royalty Payments	6.60	–	Various Financial Years	Customs Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Interest and penalty on Service tax payable under reverse charge as a recipient of foreign service	0.06	0.03	2005-06	Commissioner of Central Excise and Service Tax – Appeals
West Bengal Sales Tax, 1994	Interest on Works Contract tax / Sales tax	0.03	–	2003-04, 2005-06 & 2006-07	Assistant Commissioner of Commercial Taxes, West Bengal
Kerala Value added Tax act, 2003	Differential VAT rate demand	0.08	–	2008-09	Kerala VAT Tribunal
Uttar Pradesh Value Added Tax Act, 2008	VAT and interest payable on the basis of regular assessment	0.28	0.08	2008-09	Additional Commissioner Appeals
Maharashtra Value Added Tax Act, 2002	Demand on account of disallowance of Works Contract Tax, TDS credit and applicability of VAT on service tax	0.09	0.02	2009-10	Joint Commissioner of Sales Tax Appeals
Kerala Value Added Tax Act, 2003	Non-submissions of F-forms	0.05	0.02	2011-12	Assistant Commissioner Appeals
Kerala Value Added Tax Act, 2003	Non-submissions of F-forms	0.03	0.01	2009-10	Assistant Commissioner Appeals
Maharashtra Value Added Tax Act, 2002	Demand on account of disallowance of Works Contract Tax, TDS credit and applicability of VAT and service tax	0.54	0.20	2008-09	Joint Commissioner of Sales Tax Appeals
Maharashtra Value Added Tax Act, 2002	Demand on account of disallowance of Works contract Tax, TDS credit and applicability of VAT and service tax	0.13	0.08	2010-11	Joint Commissioner of Sales Tax Appeals
Maharashtra Value Added Tax Act, 2002	Demand on account of disallowance of Works contract Tax, TDS credit and applicability of VAT and service tax	0.18	–	2011-12	Joint Commissioner of Sales Tax Appeals
Gujarat Value added tax act, 2003	Demand on Non-receipt of statutory forms	0.74	–	2011-12	Gujarat VAT Tribunal
Income Tax Act, 1961	Reopening of assessment u/s 147	0.62	0.62	2003-04	Income tax Appellant Tribunal (ITAT)
Income Tax Act, 1961	Tax and penalty on deferred revenue treated as revenue	13.01	13.01	2004-05	Income tax Appellant Tribunal (ITAT)
Income Tax Act, 1961	Tax and penalty on deferred revenue treated as revenue	2.13	2.13	2005-06	Income tax Appellant Tribunal (ITAT)
Income Tax Act, 1961	Tax and penalty on deferred revenue treated as revenue	5.12	5.12	2006-07	Income tax Appellant Tribunal (ITAT)

Annexure I to the Independent Auditor's Report of even date to the members of AGC Networks Limited, on the standalone financial statements for the year ended 31 March 2016

Name of the statute	Nature of dues	Amount (₹ in Crore)	Amount Paid Under Protest (₹ in Crore)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Penalty levied on concealment of Income u/s 271(1)(C)	0.28	0.28	2007–08	Commissioner of Income tax (Appeal)
Income Tax Act, 1961	Tax and penalty on deferred revenue treated as revenue	5.53	5.53	2009–10	Commissioner of Income tax (Appeal)
Income Tax Act, 1961	Tax and penalty on deferred revenue treated as revenue	5.00	–	2011–12	Dispute Resolution Panel
Income Tax Act, 1961	Penalty levied on concealment of Income u/s 271(1)(C)	1.89	–	2008–09	Commissioner of Income tax (Appeal)

- (viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution or government during the year. The Company did not have any outstanding debentures during the year.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). The Company did not raise any term loan during the year. Accordingly provisions of clauses 3(ix) of the Order are not applicable to the Company.
- (x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration for the year ended 31 March 2016 has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, the provisions of clause 3(xii) of the Order are not applicable to the Company.
- (xiii) In our opinion, all transactions with the related parties are in compliance with sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements, etc., as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partially convertible debentures.
- (xv) In our opinion, the Company has not entered into any non–cash transactions with directors or persons connected with them.
- (xvi) The Company is not required to be registered under section 45–IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Adi P. Sethna**
Partner
Membership No.: 108840

Place : Mumbai
Date : 19 May 2016

Annexure II to the Independent Auditor's Report of even date to the members of AGC Networks Limited, on the standalone financial statements for the year ended 31 March 2016

Annexure II

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the standalone financial statements of AGC Networks Limited ("the Company") as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company as of that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Annexure II to the Independent Auditor's Report of even date to the members of AGC Networks Limited, on the standalone financial statements for the year ended 31 March 2016

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis of Qualified Opinion

8. In our opinion, according to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's IFCoFR as at 31 March 2016:

The Company's internal financial control over evaluation of accounting of non-routine transactions was not operating effectively. This has, during the year, resulted in non-reversal of transaction for sale of properties recorded in the previous year due to inappropriate evaluation of timing of transfer of risk and reward. This has led to misstatements of long-term loans and advances, tangible assets, other current assets, other current liabilities, prior period items, tax expense and resultant impact on the loss before tax and the reserves and surplus as at and for the year ended 31 March 2016.

9. A 'material weakness' is a deficiency or a combination of deficiencies in IFCoFR, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Qualified Opinion

10. In our opinion, the Company has, in all material respects, maintained adequate IFCoFR as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance note, and except for the effects of the material weakness described above in the Basis for Qualified Opinion paragraph, the Company's IFCoFR were operating effectively as at 31 March 2016.
11. We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit test applied in our audit of the 31 March 2016 standalone financial statements of the Company and the material weakness has affected our opinion on the standalone financial statements of the Company and we have issued a qualified opinion on the standalone financial statements.

For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
 Chartered Accountants
 Firm's Registration No.: 001076N/N500013

per **Adi P. Sethna**
 Partner
 Membership No.: 108840

Place : Mumbai
 Date : 19 May 2016

BALANCE SHEET as at 31 March 2016

	Notes	As at 31 March 2016 ₹ in Crore	As at 31 March 2015 ₹ in Crore
Equity and liabilities			
Shareholders' funds			
Share capital	3	43.47	43.47
Reserves and surplus	4	28.54	65.04
		72.01	108.51
Non-current liabilities			
Long-term borrowings	5.1	—	—
Other long-term liabilities	6	6.18	1.65
Long-term provisions	7	6.56	5.88
		12.74	7.53
Current liabilities			
Short-term borrowings	5.2	138.01	136.14
Trade payables – total outstanding dues of –	8		
– Micro and small enterprises		2.40	1.93
– Creditors other than micro and small enterprises		90.66	93.06
			110.61
Other current liabilities	9	56.73	57.73
Short-term provisions	7	0.59	0.52
		288.39	306.93
Total		373.14	422.97
Assets			
Non-current assets			
Fixed assets			
Tangible assets	10	9.54	10.61
Intangible assets	11	2.69	1.60
Non-current investments	12	48.72	48.72
Deferred tax assets (net)	13	—	—
Long-term loans and advances	14	87.47	73.20
Long-term trade receivables	17	1.29	2.09
Other non-current assets	15	2.31	6.79
		152.02	143.01
Current assets			
Inventories	16	13.76	18.09
Trade receivables	17	104.17	124.19
Cash and bank balances	18	12.15	4.75
Short-term loans and advances	14	13.82	67.37
Other current assets	15	77.22	65.56
		221.12	279.96
Total		373.14	422.97

Notes 1 to 47 form an integral part of the financial statements.
This is the balance sheet referred to in our report of even date

For Walker Chandiok & Co LLP
(Formerly known as Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No.: 001076N/N500013

ADI P. SETHNA
Partner

Place : Mumbai
Date : 19 May 2016

**For and on behalf of the Board of Directors of
AGC Networks Limited**

SANJEEV VERMA
Whole-time Director
DIN – 6871685

PRATIK BHANUSHALI
Company Secretary

Place : Mumbai
Date : 19 May 2016

SUJAYA BANERJEE
Non-executive Director
DIN – 6814544

AMAL THAKORE
Chief Financial Officer

STATEMENT OF PROFIT AND LOSS for the year ended 31 March 2016

	Notes	31 March 2016	31 March 2015
		₹ in Crore	₹ in Crore
Income			
Revenue from operations (gross)	19	314.57	341.27
Less: excise duty	19	1.38	1.15
Revenue from operations (net)		313.19	340.12
Other income	20	6.85	10.71
Total revenue (I)		320.04	350.83
Expenses			
Cost of materials and components consumed	21	8.51	5.63
Purchase of stock-in-trade		138.22	103.94
Decrease in inventories of work-in-progress and stock-in-trade	22	3.29	38.27
Service charges		77.03	90.15
Employee benefits expense (net)	23	45.83	57.82
Finance costs	24	24.10	24.17
Depreciation and amortisation expense	25	5.23	5.13
Other expenses	26	56.18	57.08
Prior period items	27	—	1.66
Total expenses (II)		358.39	383.85
Profit / (Loss) before exceptional items and tax (I–II)		(38.35)	(33.02)
Exceptional items	28	1.64	35.35
Profit / (Loss) before tax		(36.71)	2.33
Tax expenses / (credits)			
Current tax		—	3.27
Short/(excess) provision of tax for earlier years		—	(0.56)
Total tax expense / (credits)		—	2.71
Profit / (Loss) for the year		(36.71)	(0.38)
Earnings per equity share [nominal value of share ₹ 10 (31 March 2015 : ₹ 10)]	29		
Basic (in ₹)		(12.90)	(0.13)
Diluted (in ₹)		(12.90)	(0.13)

Notes 1 to 47 form an integral part of the financial statements.

This is the statement of profit and loss referred to in our report of even date

For Walker Chandiok & Co LLP
(Formerly known as Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No.: 001076N/N500013

ADI P. SETHNA
Partner

Place : Mumbai
Date : 19 May 2016

For and on behalf of the Board of Directors of AGC Networks Limited

SANJEEV VERMA
Whole-time Director
DIN – 6871685

PRATIK BHANUSHALI
Company Secretary

Place : Mumbai
Date : 19 May 2016

SUJAYA BANERJEE
Non-executive Director
DIN – 6814544

AMAL THAKORE
Chief Financial Officer

CASH FLOW STATEMENT for the year ended 31 March 2016

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Cash flow from operating activities		
Profit / (Loss) before tax	(36.71)	2.33
Adjustments for:		
Depreciation and amortisation	5.23	5.13
Loss / (profit) on sale of fixed assets	0.05	(0.02)
Provision for warranties	0.05	(0.10)
Provision for doubtful debts and advances	3.29	5.35
Liabilities for earlier years no longer required written back	(1.79)	(0.76)
Unrealised foreign exchange loss / (gain)	(1.72)	(2.60)
Corporate Guarantee Commission	(2.06)	(2.92)
Finance cost	24.10	24.17
Interest income	(2.14)	(5.12)
Exceptional items (refer note 28)	(1.64)	(35.35)
Operating profit before working capital changes	(13.34)	(9.89)
Movements in working capital		
Decrease / (Increase) in trade receivables	19.51	39.31
Decrease / (Increase) in inventory	4.33	39.51
Decrease / (Increase) in Loans, advances and other assets	(3.13)	15.47
Increase / (Decrease) in Trade payables	(17.27)	(61.34)
Increase / (Decrease) in Other liabilities and provisions	8.15	(58.83)
Cash generated from / (used in) operations	(1.75)	(35.77)
Direct taxes paid (net of refunds)	(5.03)	(0.41)
Net cash flow – operating activities (A)	(6.78)	(36.18)
Cash flows from investing activities		
Purchase of fixed assets	(8.29)	(1.08)
Proceeds from sale of fixed assets (refer note 28(b))	3.21	0.32
Interest on bank deposits & others	0.14	7.48
Loan to subsidiary	–	(43.25)
Repayment of loan by subsidiary	37.87	22.47
Margin money and term deposits with bank	0.07	66.73
Net cash flow – investing activities (B)	33.00	52.67
Cash flows from financing activities		
Proceeds from issuance of preference share capital	–	15.00
Proceeds / (Repayment) from long-term borrowings	–	(1.22)
Proceeds / (Repayment) from short-term borrowings	1.11	(9.65)
Finance cost paid	(24.13)	(22.40)
Net cash flow – financing activities (C)	(23.02)	(18.27)

CASH FLOW STATEMENT for the year ended 31 March 2016

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Net increase / (decrease) in cash and cash equivalents (A + B + C)	3.20	(1.78)
Cash and cash equivalents at the beginning of the year	1.40	3.18
Cash and cash equivalents at the end of the year (refer note 18)	4.60	1.40
Components of cash and cash equivalents		
Cash on hand	0.02	0.06
Cheques / drafts on hand	0.05	0.35
With banks – in current account	4.53	0.99
Total cash and cash equivalents (refer note 18)	4.60	1.40

This is the statement of cash flow referred to in our report of even date

For Walker Chandiok & Co LLP
(Formerly known as Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No. : 001076N/N500013

**For and on behalf of the Board of Directors of
AGC Networks Limited**

ADI P. SETHNA
Partner

SANJEEV VERMA
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DIN – 6871685

SUJAYA BANERJEE
Non-executive Director
DIN – 6814544

PRATIK BHANUSHALI
Company Secretary

AMAL THAKORE
Chief Financial Officer

Place : Mumbai
Date : 19 May 2016

Place : Mumbai
Date : 19 May 2016

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2016

1. Corporate Information

AGC Networks Limited ('the Company') or 'AGC' is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company, along with its foreign subsidiaries, is a global information, communications technology (ICT) solutions provider and integrator seamlessly delivering technology based solutions across global markets and verticals layered with a spectrum of applications and services. The Company is the leader in Enterprise Communications in India with global footprint in locations spanning India, Middle East/Africa, North America and Australia/New Zealand.

2. Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in India (Indian GAAP). The financial statements have been prepared to comply in all material respects with the accounting standards specified under section 133 of the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014 and guidelines issued by the Securities and Exchange Board of India (SEBI). The financial statements are prepared under the historical cost convention, on an accrual basis of accounting. The accounting policies applied are consistent with those used in the previous year.

All assets and liabilities are classified as current if they are expected to be realised or settled within the operating cycle, which is generally up to 12 months.

2.1 Summary of significant accounting policies

(a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities at the end of reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring adjustments to the carrying amount of assets and liabilities in future periods, which are recognised in the period in which they are determined.

(b) Tangible assets

Tangible assets are stated at cost of acquisition or construction, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is disposed.

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2016

(c) Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on straight-line basis over the useful life estimated by the management, based on a technical evaluation or those prescribed under Schedule II of the Companies Act, 2013, whichever is higher. The Company depreciates its assets over the useful lives different from schedule II as detailed below:

Assets	No. of Years
Plant and Equipment	3 to 5 years
Furniture and Fixtures	5 years
Office Equipment	3 to 5 years
Computers & Servers	3 to 4 years
Electrical Installations	5 years

Cost of leasehold land is amortised over the period of lease.

Assets purchased specifically for projects are depreciated over the life of the projects.

Depreciation on addition to fixed assets or on sale / disposal of fixed assets is calculated pro-rata from the date of such addition, or up to the date of such sale / disposal as the case may be.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are amortised on a straight line basis over the estimated useful economic life. The amortisation period and the amortisation method are reviewed at least at each financial year end. Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

A summary of amortisation policies applied to the Company's intangible assets is as below:

Assets	No. of years
Computer Softwares	4 years

Assets purchased specifically for projects are depreciated over the life of the projects.

(e) Impairment of tangible and intangible assets

The carrying amounts of tangible and intangible assets are reviewed at each reporting date if there is any indication of impairment based on internal and external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(f) Investments

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2016

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of these investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

(g) Inventories

Inventories of materials and components, work-in-progress and stock-in-trade are valued at cost or net realisable value, whichever is lower. The cost is determined on weighted average basis, and includes all costs incurred in bringing the inventories to their present location and condition. In the case of work-in-progress, cost also includes costs of conversion.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Further, inventory contains service spares which are used as replacement stocks by the Company for servicing the customers' repairs and maintenance requirements during the service period. Adequate allowances are recognised as a measure of consumption over their expected life based on their usage.

(h) Provisions

A provision is recognised when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Provision for warranties

Provisions for warranty-related costs are recognized when the product is sold or service provided. Provision is based on historical experience. The estimate of such warranty-related costs is reviewed annually.

(i) Foreign currency translation

Foreign currency transactions and balances

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2016

(ii) Conversion

Foreign currency monetary items are restated using the exchange rate prevailing at the reporting date. Non-monetary items which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

Exchange differences arising on translation/settlement of foreign currency monetary items are recognized as income or as expenses in the period in which they arise.

(j) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Revenue from sale of product is recognized when the significant risk and rewards of ownership and title of the product is transferred to the buyer which generally coincides with acknowledgement of delivery pending which the sale is disclosed as unearned revenue. Sales include excise duty but excludes sales tax.

The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Income from Services

1. Revenue from implementation services (including installation and commissioning) related to products supplied or on a standalone basis, are recognized based on proportionate completion method where revenue is recognized proportionately with the degree of completion of services.
2. Revenue from maintenance contracts are recognized on a straight line basis over the contract term or on performance of the services as specified in the contract.
3. Service Income of a periodic nature which is billed but has not accrued during the year is disclosed as Unearned Revenue.
4. The Company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "Other income" in the statement of profit and loss.

Other Income

Other income is accounted on accrual basis except where receipt of income is uncertain.

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2016

(k) Taxes on Income

Tax expense comprises of current and deferred tax. Current income tax is measured as the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Tax rates and tax laws used to compute the amount are those that are enacted for the reporting period. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there can be realised against future taxable profits.

At each reporting date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(l) Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

(m) Employee benefits

Salaries, wages etc. which are defined as short-term benefits, are recognised as expenses on an undiscounted basis, in the statement of profit and loss of the period in which the related service is rendered.

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.

The Company operates one defined benefit plan for its employees, viz., Gratuity. The costs of providing benefit under this plan is determined on the basis of an actuarial valuation at each year-end. Actuarial valuation is carried out using the projected unit credit method to determine the present value of the obligation. The fair value of the plan assets is reduced from the gross obligation to recognise the same on a net basis. Actuarial gains and losses for defined benefit plan are recognized in full in the period in which they arise in the statement of profit and loss.

Summary of the significant accounting policies and other explanatory information for the year ended 31 March 2016

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are recognised in the statement of profit and loss during the period in which they arise.

(n) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(o) Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less which are available for use.

(p) Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(r) Share-based payments

The Company accounts for equity settled stock options as per the accounting treatment prescribed by Security and Exchange Board of India (share-based employees benefits) Regulations, 2014 and the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India using the intrinsic value method. The compensation cost is amortised on straight line basis over the vesting period.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

3. Share capital

Authorized shares

45,000,000 (31 March 2015: 45,000,000) equity shares of ₹ 10/- each

10,000,000 (31 March 2015: 10,000,000) 1% Non-cumulative, Non-convertible, redeemable preference shares of ₹ 100/- each

Issued, subscribed and fully paid-up shares

28,466,464 (31 March 2015: 28,466,464) equity shares of ₹ 10/- each

1,500,000 (31 March 2015: 1,500,000) 1% Non-cumulative, Non-convertible, redeemable preference shares of ₹ 100/- each

Total issued, subscribed and fully paid-up share capital

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Authorized shares		
45,000,000 (31 March 2015: 45,000,000) equity shares of ₹ 10/- each	45.00	45.00
10,000,000 (31 March 2015: 10,000,000) 1% Non-cumulative, Non-convertible, redeemable preference shares of ₹ 100/- each	100.00	100.00
Issued, subscribed and fully paid-up shares		
28,466,464 (31 March 2015: 28,466,464) equity shares of ₹ 10/- each	28.47	28.47
1,500,000 (31 March 2015: 1,500,000) 1% Non-cumulative, Non-convertible, redeemable preference shares of ₹ 100/- each	15.00	15.00
Total issued, subscribed and fully paid-up share capital	43.47	43.47

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

	31 March 2016		31 March 2015	
	No. of shares	₹ in Crore	No. of shares	₹ in Crore
At the beginning of the year	28,466,464	28.47	28,466,464	28.47
Issued during the year	—	—	—	—
Outstanding at the end of the year	28,466,464	28.47	28,466,464	28.47

1% non-cumulative, non-convertible, redeemable preference shares

	31 March 2016		31 March 2015	
	No. of shares	₹ in Crore	No. of shares	₹ in Crore
At the beginning of the year	1,500,000	15.00	—	—
Issued during the year	—	—	1,500,000	15.00
Outstanding at the end of the year	1,500,000	15.00	1,500,000	15.00

During the previous year the Company issued 1,500,000 1% Non-cumulative, Non-convertible, redeemable preference shares having face value of ₹ 100 at par for a total consideration of ₹ 15.00 Crore to Essar Information Technology Limited.

(b) Right, preference and restriction on shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend if proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

The Company has one class of preference shares i.e. 1% non-cumulative, non-convertible, redeemable preference shares. The preference shares have preferred right on payment of dividend and repayment of capital over equity shareholders. As per Companies Act, 2013 the preference shareholders has right to vote on all resolution place before the Company if preference dividend is not paid for a period of 2 years or more.

The preference shares shall be redeemed at the option of Investor in one or more tranches at any time between 5th year from the date of allotment and before expiry of 7th year from the date of allotment and the shares shall be redeemed at par. If the option is not exercised by the investor these shares will be automatically redeemed at par at the end of the 7th year from the date of allotment.

(c) Shares held by holding Company

Out of equity shares issued by the Company, shares held by its holding Company are as below:

Name of Shareholder	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Essar Telecom Limited		
21,349,848 (31 March 2015 : 21,349,848) equity shares of ₹ 10 each fully paid	21.35	21.35

(d) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date:

14,233,232 Equity shares allotted as fully paid bonus shares by capitalization of securities premium during the year ended 31 March 2013.

(e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31 March 2016		As at 31 March 2015	
	No. of shares	% holding in the class	No. of shares	% holding in the class
<i>Equity shares of ₹ 10 each fully paid</i>				
– Essar Telecom Limited	21,349,848	75.00%	21,349,848	75.00%
<i>Preference shares of ₹ 100 each fully paid</i>				
– Essar Information Technology Limited	1,500,000	100.00%	1,500,000	100.00%

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

4. Reserves and surplus

Capital reserve

As at the beginning of the year
As at the end of the year

Securities premium account

As at the beginning of the year
As at the end of the year

Stock option outstanding

As at the beginning of the year
Addition during the year
As at the end of the year

General reserve

As at the beginning of the year
As at the end of the year

Surplus / (deficit) in the statement of profit and loss (refer note 28(b))

As at the beginning of the year
Profit / (Loss) for the year
Depreciation on assets where remaining useful life on 1 April, 2014 was Nil
As at the end of the year

Total reserves and surplus

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
22.64	22.64
22.64	22.64
32.10	32.10
32.10	32.10
—	—
0.21	—
0.21	—
100.58	100.58
100.58	100.58
(90.28)	(89.90)
(36.71)	(0.38)
—	0.00
(126.99)	(90.28)
28.54	65.04

5.1 Long-term borrowings

	Non-current portion		Current maturities	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Loan from Cisco Systems Capital (I) Private Ltd (Unsecured) (refer footnote)	—	—	—	0.92
	—	—	—	0.92
Amount disclosed under the head “other current liabilities” (refer note 9)	—	—	—	(0.92)
Net amount	—	—	—	—

Footnote:

Interest free loan from Cisco Systems Capital (I) Private Ltd. was repayable in 12 quarterly installments of ₹ 0.30 Crore each which started from 14 February 2013 and was fully paid on 14 February 2016

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

5.2 Short-term borrowings

Working capital loan from bank (Secured)
(refer footnote 1)

Loans repayable on demand

Cash credits from banks (Secured) (refer footnote 2)

Buyers credit from banks (Secured) (refer footnote 3)

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
39.55	45.00
88.96	91.14
9.50	—
138.01	136.14

Footnotes:

- Working capital loan from bank is secured against first pari-passu charge on Lease hold land, Free hold land and buildings situated at Gandhinagar, Gujarat, second pari-passu charge on entire current assets (present and future) including stocks of materials and components, work-in-progress, stock-in-trade, trade receivables, etc. and corporate guarantee from a fellow subsidiary. During the previous year, the Company transferred its Gandhinagar properties vide deed of assignment (refer note 28 (b)). However, the loan is considered as secured since all properties have not been discharged as securities by the lender and continuance of the other assets as security.

As per the original payment schedule loan is repayable in 14 quarterly installments starting from 9 February, 2016. 6 installments of ₹ 2.25 Crore each, 4 installments of ₹ 3.375 Crore each and 4 installments of ₹ 4.50 Crore each. The same has been classified under "Short-term borrowings" in view of the intention of the Company to expire the borrowing either by way of assignment to the buyer of the aforesaid properties or by way of repayment of the loan from the sale consideration. The effective rate of interest is the base rate of the lending bank which ranges from 10.25% to 10.75% p.a. (31 March 2015 10.75% p.a.) plus spread 1.5%. Hence current effective rate range is 11.75% to 12.25% p.a. (31 March, 2015 12.25%).

During the year ended 31 March 2016, the Company has additionally paid ₹ 3.20 Crore in addition to the above repayment schedule as the amount of consideration (in part) received from sale of one of the property, forming part of the security.

- Cash credits from banks are secured by first pari-passu charge on entire current assets of the Company (present and future) including stocks of materials and components, work-in-progress, stock-in-trade, trade receivables, insurances, etc. and by second pari-passu charge on all moveable fixed assets of the Company, and corporate guarantee from a fellow subsidiary.
- Buyers credits from banks are secured by first exclusive pari-pasu charge on entire current assets of the Company (present and future) including stocks of materials and components, work-in-progress, stock-in-trade, trade receivables, insurances, etc. and by second pari-pasu charge on all moveable fixed assets of the Company, and corporate guarantee from a fellow subsidiary.

6. Other long-term liabilities

Unearned revenue

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
6.18	1.65
6.18	1.65

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

7. Provisions

	Long-term		Short-term	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Provision for employee benefits				
Provision for gratuity (refer note 30)	4.71	4.12	—	—
Provision for compensated absences	1.85	1.76	0.16	0.14
	6.56	5.88	0.16	0.14
Other provisions				
Provision for warranties	—	—	0.43	0.38
	—	—	0.43	0.38
	6.56	5.88	0.59	0.52

Provision for warranties

A provision is recognized for expected warranty claims on products sold during the last one year, based on past experience of the level of repairs and returns. It is expected that significant portion of these costs will be incurred in the next financial year and all will have been incurred within a year after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the one-year warranty period for all products sold. The table below gives information about movement in warranty provisions.

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
At the beginning of the year	0.38	0.48
Recognised during the year	0.43	0.38
Utilised during the year	—	—
Unused amounts reversed	(0.38)	(0.48)
At the end of the year	0.43	0.38

8. Trade payables

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Dues to micro and small enterprises (refer note no 39)	2.40	1.93
<u>Dues to others</u>		
– for product	76.47	89.05
– for services and others	14.19	21.56
	93.06	112.54

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

9 Other current liabilities

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Current maturities of long-term borrowings (note 5.1)	—	0.92
Interest accrued but not due on borrowings	0.91	0.94
Employee related payables	6.13	5.40
Payables for expenses	5.49	9.52
Unearned revenue	19.48	21.74
Capital creditors	0.65	3.62
Unpaid dividend	0.29	0.34
Advances from customers	8.48	4.04
Statutory dues payable	3.49	3.80
Payable to a related party *	5.45	—
Other current liabilities (refer note 28(b))	6.36	7.41
	56.73	57.73

*Expenses / payments incurred / made by a related party on behalf of the Company.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

10 Tangible assets

₹ in Crore

	Leasehold Land *	Freehold Land *	Buildings *	Plant and Equipment #	Computers and Servers	Electrical Installations	Furniture and Fixtures	Office Equipment	Vehicles	Total
Cost										
At 01 April 2014	0.40	0.10	3.19	45.60	8.26	2.24	4.27	13.01	0.20	77.27
Additions	-	-	-	6.57	0.04	0.01	-	0.19	-	6.81
Disposals / adjustments	0.40	0.10	2.62	18.38	0.05	0.09	-	0.03	0.13	21.80
At 31 March 2015	-	-	0.57	33.79	8.25	2.16	4.27	13.17	0.07	62.28
Additions	-	-	-	0.48	2.65	0.00	0.02	0.11	-	3.26
Disposals	-	-	-	9.75	0.88	0.63	0.89	1.76	-	13.91
At 31 March 2016	-	-	0.57	24.52	10.02	1.53	3.40	11.52	0.07	51.63
Depreciation										
At 01 April 2014	0.10	-	2.29	34.55	7.53	1.73	2.98	11.91	0.13	61.22
Charge for the year	-	-	0.10	2.64	0.41	0.23	0.55	0.51	-	4.44
Disposals / adjustments	0.10	-	1.90	11.70	0.04	0.09	-	0.03	0.13	13.99
At 31 March 2015	-	-	0.49	25.49	7.90	1.87	3.53	12.39	-	51.67
Charge for the year	-	-	0.02	2.45	0.53	0.21	0.56	0.50	-	4.27
Disposals	-	-	-	9.75	0.88	0.59	0.87	1.76	-	13.85
At 31 March 2016	-	-	0.51	18.19	7.55	1.49	3.22	11.13	-	42.09
Net Block										
At 31 March 2015	-	-	0.08	8.30	0.35	0.29	0.74	0.78	0.07	10.61
At 31 March 2016	-	-	0.06	6.33	2.47	0.04	0.18	0.39	0.07	9.54

Building includes those constructed on leasehold land.

Above assets are given as security for borrowings (refer note 5.2)

Refer footnote under note 16

* Refer note 28(b)

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

11 Intangible assets

	₹ in Crore	
	Computer Software	Total
Cost		
At 01 April 2014	12.00	12.00
Additions	—	—
Disposals	1.20	1.20
At 31 March 2015	10.80	10.80
Additions	2.05	2.05
Disposals	—	—
At 31 March 2016	12.85	12.85
Amortisation		
At 01 April 2014	9.49	9.49
Charge for the year	0.69	0.69
Disposals	0.98	0.98
At 31 March 2015	9.20	9.20
Charge for the year	0.96	0.96
Disposals	—	—
At 31 March 2016	10.16	10.16
Net Block		
At 31 March 2015	1.60	1.60
At 31 March 2016	2.69	2.69

12 Non-current investments

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Long-term trade investments (valued at cost unless stated otherwise)		
Unquoted equity shares (fully paid up)		
Investment in subsidiaries		
100 (31 March 2015: 100) equity shares of SGD 1 each, 4 (31 March 2015 : 4) equity shares of SGD 481,111 each, 10 (31 March 2015 : 10) equity shares of SGD 607,870 each in AGC Networks Pte. Ltd.	34.22	34.22
4,224,993 (31 March 2015: 4,224,993) equity shares of AUD 1 each in AGC Networks Australia Pty. Limited	14.50	14.50
	48.72	48.72

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

13 Deferred tax assets (net)

The Company does not have any deferred tax liability as at 31 March 2016 and as at 31 March 2015. The Company has not recognised deferred tax assets in the absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

14 Loans and advances

	Non-current		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Unsecured, considered good				
Capital advances	0.01	0.00	—	—
Deposits	4.42	4.64	1.27	2.01
Deposits with a related party	8.49	—	—	2.70
Loan and advances to related parties	—	—	3.36	46.52
Advances to vendors – others	4.53	3.61	3.56	9.19
Advance income–tax (net of provision for taxation ₹ 123.21 Crores) (31 March 2015: ₹ 123.21 Crores)	69.48	64.45	—	—
Prepaid expenses	0.54	0.50	2.64	2.99
Balances with statutory / government authorities	—	—	2.99	3.96
	87.47	73.20	13.82	67.37

Disclosure as per regulation 34(3) and 53(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

Name of subsidiary	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
AGC Networks Pte Ltd		
Loan outstanding	—	37.87
Maximum amount outstanding during the year	37.87	61.07

Disclosure of Section 186(4) of the Companies Act, 2013

Name of subsidiary	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
AGC Networks Pte Ltd		
Loan outstanding	—	37.87
The loan was given for business purposes and was repayable on demand and carries interest of 7% per annum.		
Guarantee given / Security provided	119.40	112.66
The guarantee is given for the loan availed by subsidiary and a guarantee commission @ 1.75% per annum is charged thereon.		

For investments in subsidiaries refer note 12.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

15 Other assets

	Non-current		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Unsecured, considered good				
Margin money deposits with banks *	0.41	4.68	—	—
Others				
Interest accrued on fixed deposits	—	—	2.68	0.68
Excess remuneration recoverable from Managing Director (refer note 36(b))	—	—	—	1.34
Other receivables from related parties	—	—	6.04	3.72
Receivable against sale of fixed assets (refer note 28(b))	—	—	47.32	50.52
Deferred cost for maintenance contracts	1.90	2.11	21.18	9.30
	1.90	2.11	77.22	65.56
	2.31	6.79	77.22	65.56

* Lien against bank guarantees issued.

16 Inventories (valued at lower of cost and net realisable value)

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Materials and components (includes in transit ₹ 0.05 Crore (31 March 2015 ₹ Nil)) (refer note 21)	0.19	0.16
Work-in-progress (refer note 22)	1.70	2.31
Stock-in-trade (includes in transit ₹ 0.44 Crore (31 March 2015 ₹ 0.53 Crore)) (refer note 22)	6.70	9.38
Stores and spares	5.17	* 6.24
	13.76	18.09

*** Footnote:**

“Disposal / adjustments” under plant and equipment relate to re-classification of spares utilised for servicing maintenance contracts with customers, to inventory. The management believes this to be a more appropriate classification owing to the nature of its usage.

Accordingly, the net carrying value as at 1 April 2014 amounting to ₹ 6.68 Crore has been transferred to inventory and the amount consumed during the year ended 31 March 2015 amounting to ₹ 2.83 Crore, has been disclosed under “Consumption of stores and spares” (as a part of “Other Expenses”), which was disclosed under “Depreciation and amortisation expense” till the year ended 31 March 2014. There is no impact of the same on the statement of profit and loss account for the year ended 31 March 2015.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

17 Trade receivables

Non-current (Long-term)

Unsecured, considered good

Current

Receivables outstanding for a period exceeding six months from the due date for payment

Unsecured, considered good

Unsecured, considered doubtful

Less: Provision for doubtful receivables

Others

Unsecured, considered good

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
1.29	2.09
1.29	2.09
35.04	31.81
41.58	39.10
76.62	70.91
41.58	39.10
35.04	31.81
69.13	92.38
104.17	124.19

18 Cash and bank balances

Cash and cash equivalents

Balances with banks:

– In current accounts

Cheques / drafts on hand

Cash on hand

Other bank balances

Margin money deposits with maturity of more than 3 months and less than 12 months *

Unpaid dividend accounts

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
4.53	0.99
0.05	0.35
0.02	0.06
4.60	1.40
7.26	2.95
0.29	0.40
7.55	3.35
12.15	4.75

* As lien against bank guarantees issued.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

19. Revenue from operations

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Revenue from operations		
Sale of products		
– Finished goods*	12.99	13.52
– Traded goods*	155.28	170.31
Sale of services	144.51	156.68
	312.78	340.51
Less : Excise Duty#	1.38	1.15
	311.40	339.36
Other operating revenue		
Liabilities for earlier years no longer required written back	1.79	0.76
Revenue from operations (net)	313.19	340.12

Excise duty on sales amounting to ₹ 1.38 Crore (31 March 2015 : ₹ 1.15 Crore) has been reduced from sales in the statement of profit and loss and excise duty on increase/decrease in stock amounting to ₹ (0.04) Crore (31 March 2015 : ₹ 0.16 Crore) has been considered as expense in the statement of profit and loss.

* The Company is a global ICT solution provider and integrator operating in various quadrants and the solutions sold to customers are configured as per specific customer requirements. The heterogeneous mix of components in solutions offered to customers makes it difficult to establish a meaningful/homogenous relationship for providing breakup of goods purchased/sold during the year and the stock position. Consequently, it is neither feasible nor meaningful to give the category-wise details of goods purchased and sold during the year and stock position for all its product solutions.

Detail of services rendered

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Maintenance services	67.46	78.08
Implementation services	77.05	78.60
	144.51	156.68

20. Other income

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Interest income on		
Bank deposits	0.68	1.40
Income tax refund	1.13	2.65
Interest on loan to subsidiary	1.21	3.19
Others	0.25	0.53
Corporate Guarantee commission	2.06	2.92
Exchange differences (net)	0.38	–
Misc Income	1.14	–
Surplus on disposal of fixed assets	–	0.02
	6.85	10.71

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

21. Cost of material and components consumed

Inventory at the beginning of the year	
Add: Purchases	
Less: Inventory at the end of the year	
Cost of material and components consumed	

Details of material and components consumed

Printed circuit boards
Static converters
Cabinet
Peripherals
Others

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
0.16	0.96
8.54	4.83
8.70	5.79
0.19	0.16
8.51	5.63

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
3.78	2.81
0.33	0.20
3.22	2.24
0.25	0.32
0.93	0.06
8.51	5.63

22. (Increase) / decrease in inventories

Inventories at the end of the year
Stock-in-trade
Work-in-progress

Inventories at the beginning of the year
Stock-in-trade
Work-in-progress

Less: Exceptional items disclosed separately (refer note 28(a))

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
6.70	9.38
1.70	2.31
8.40	11.69
9.38	55.53
2.31	5.12
11.69	60.65
3.29	48.96
—	(10.69)
3.29	38.27

Note: The Company is a global ICT solution provider and integrator operating in various quadrants and the solutions sold to customers are configured as per specific customer requirements. The heterogeneous mix of components in solutions are offered to customers makes it difficult to establish a meaningful / homogenous relationship for providing breakup of goods purchased / sold during the year and the stock position. Consequently, it is neither feasible nor meaningful to give the category-wise details of goods purchased and sold during the year and stock position for all its product solutions.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

23. Employee benefits expenses (net) (refer note 30 and 36)

(Net of reimbursements)

Salaries, wages and bonus
Contribution to provident and other funds
Staff welfare expenses

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
42.79	55.25
0.96	0.89
2.08	1.68
45.83	57.82

24. Finance costs

Interest on loans
Guarantee commission
Others

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
20.78	21.21
2.39	1.91
0.93	1.05
24.10	24.17

25. Depreciation and amortisation expense

Depreciation of tangible assets
Amortisation of intangible assets

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
4.27	* 4.44
0.96	0.69
5.23	5.13

*Refer footnote under note 16

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

26. Other expenses

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Consumption of stores and spares (indigenous)	2.83	2.87
Power and water charges	2.27	2.30
Rent	11.75	11.59
Rates and taxes	2.02	2.07
Insurance	0.47	0.67
Repairs and maintenance – others	4.54	4.64
Travelling and conveyance	9.83	8.73
Telephone, telex and fax	2.15	2.11
Printing and stationery	0.26	0.23
Legal and professional fees	9.04	3.34
Advertisement and sales promotion	0.87	1.20
Outward freight, clearing and forwarding charges	1.43	1.78
Commission to others	0.21	0.21
Directors' sitting fees	0.48	0.25
Payments to auditors (refer details below)	0.93	0.66
Exchange differences (net)	–	0.75
Provision for doubtful debts and advances	3.29	5.35
Bad debts written of (Net of provision in earlier years ₹ 0.81 Crore, 31 March 2015 ₹ 1.84 Crore)	–	–
Loss on sale of fixed assets (net)	0.05	–
Loss on contract cancellation	0.28	2.78
Excise duty	(0.04)	0.16
Other expenses	3.52	5.39
	56.18	57.08

Payment to auditor (including service tax)

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
As auditors:		
Audit fee and limited review	0.88	0.63
Other services (certification fees)	0.01	0.02
Reimbursement of expenses	0.04	0.01
	0.93	0.66

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

27. Prior period Items

Commission
Rent

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
—	1.40
—	0.26
—	1.66

28. Exceptional items

- (i) Obsolete/non—moving inventory (refer note a below)
(ii) Profit on sale of fixed assets (refer note b below)
(iii) Interest on receivable against sale of fixed assets

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
—	(10.69)
—	46.04
1.64	—
1.64	35.35

Notes:

- a) The Company has made provision for identified obsolete/slow moving/non—moving inventories aggregating ₹ Nil (previous year ₹ 10.69 Crore)
- b) During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of ₹ 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in—principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of ₹ 46.04 Crores (net of incidental expenses ₹ 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of ₹ 5.89 Crores and also realised part consideration of ₹ 3.20 Crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

29. Earnings per share (EPS)

The following reflects the profit / (loss) used in the computation of basic EPS:

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Profit / (Loss) for the year	(36.71)	(0.38)
Weighted average number of equity shares in calculating basic EPS	28,466,464	28,466,464
Basic earnings per share (in ₹)	(12.90)	(0.13)
Nominal Value per share (in ₹)	10.00	10.00

The following reflects the profit/(loss) used in the computation of dilutive EPS:

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Profit / (Loss) for the year	(36.71)	(0.38)
Weighted average number of equity shares in calculating dilutive EPS *	28,466,464	28,466,464
Diluted earnings per share (in ₹)	(12.90)	(0.13)
Nominal Value per share (in ₹)	10.00	10.00

* The effect of 492,469 potential equity shares granted during the year relating to share options awards under the ESOP Scheme 2015 on the attributable loss for the year is anti-dilutive and thus these share are not considered in determining diluted loss per share.

30. Employee benefits plan

- (a) Defined contribution plan – The Company has recognised the following amount in the statement of profit and loss for the year ended:

Particulars	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Contribution to provident fund	0.96	0.89

Above amount has been included in the line item 'Contribution to provident and other funds' in note 23 to the financial statements.

- (b) Defined benefit plan – The Company has one defined plan, i.e. Gratuity, for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

	Gratuity	
	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Current service cost	0.58	0.65
Interest cost on benefit obligation	0.34	0.36
Expected return on plan assets	(0.02)	(0.06)
Net actuarial (gain) / loss recognized in the year	(0.27)	0.15
Adjustments	—	0.16
Net benefit expense	0.63	1.26

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

Balance sheet

Benefit asset / liability

Present value of defined benefit obligation

Fair value of plan assets

Funded status [surplus/(deficit)]

Plan asset / (liability)

Changes in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation

Current service cost

Interest cost

Benefits paid *

Acquisition / business combination cost

Actuarial (gains) / losses on obligation

Closing defined benefit obligation

* Included benefits payments made directly by Company.

Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets

Adjustment

Expected return

Contributions by employer

Benefits paid

Actuarial gains / (losses)

Closing fair value of plan assets

The Company expects to contribute ₹ Nil to gratuity in the next year (31 March 2015 : ₹ Nil).

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Investments with insurer

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
4.73	4.41
0.02	0.29
(4.71)	(4.12)
(4.71)	(4.12)

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
4.41	4.47
0.58	0.65
0.34	0.36
(0.33)	(1.17)
—	—
(0.27)	0.10
4.73	4.41

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
0.29	0.95
(0.07)	(0.16)
0.02	0.06
—	—
(0.22)	(0.51)
(0.00)	(0.05)
0.02	0.29

Gratuity

31 March 2016	31 March 2015
100%	100%

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

Following are the principal assumptions used as at the Balance Sheet date:

	Gratuity	
	31 March 2016	31 March 2015
Discount rate	8.00%	7.90%
Expected rate of return on assets	8.50%	8.50%
Salary escalation rate	7.00%	7.00%
Mortality rate	Indian Assured Lives Mortality (2006–08) (modified) Ultimate	Indian Assured Lives Mortality (2006–08) (modified) Ultimate
Withdrawal rate	Upto age 26 years 5% Upto age 27–34 years 12% Upto age 35–44 years 5% Above age 44 years 1%	Upto age 26 years 5% Upto age 27–34 years 12% Upto age 35–44 years 5% Above age 44 years 1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to change in the market scenario.

Amounts for the current and previous four periods are as follows:

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Gratuity	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Defined benefit obligation	4.73	4.41	4.47	5.82	4.80
Plan assets	0.02	0.29	0.95	2.77	3.60
Deficit/(surplus)	4.71	4.12	3.52	3.05	1.20
Present value of unfunded obligations	4.71	4.12	3.52	3.05	1.20
Experience adjustments on plan liabilities	0.22	0.41	0.42	(0.70)	(1.00)
Experience adjustments on plan assets	(0.00)	(0.05)	0.02	–	0.10
Actuarial gain / (loss) due to change in assumptions	0.05	(0.51)	0.24	(0.10)	–

- (c) Compensated absences:– Eligible employees can carry forward and encash leave on superannuation, death, permanent disablement and resignation subject to maximum accumulation as per the Company policy. Benefit would be paid at the time of separation based on the last drawn basic salary. Amount recognised as an expenses in respect of compensated absences is ₹ 0.57 Crore (previous year ₹ 1.46 Crore).

31. Employees Stock Option

The Company provides share based payment schemes to its employees. During the year ended 31 March 2016 an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below.

On 14 May, 2015 the Board of Directors approved the equity settled ESOP scheme for issue of stock options to the key employees and directors of the company setting aside 1,004,866 options under this scheme. According to the scheme, the employees selected by the remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising vesting period and exercise period) of options granted is 6.12 years. The other relevant terms of the grant are as below:

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

Grant Date	14-May-15
Vesting period	3 years
Exercise period	2 years
Exercise price (₹)	80
Market price on the date of grant (₹)	104.15

The details of activity under the ESOP scheme 2015 are summarized below:

Particulars

Outstanding at the beginning of the year
Granted during the year
Cancelled during the year
Exercised during the year
Outstanding at the end of the year
Exercisable at the end of the year

31 March 2016	
No. of options	* WAEP (₹)
—	—
1,004,866	80
512,397	80
—	—
492,469	80
—	—

* WAEP denotes weighted average exercise price of the option

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2016 is 6.12 Years.

The weighted average fair value of stock options granted during the year – ₹ 32.85

The Black Scholes valuation model has been used for computing weighted average fair value considering the following inputs:

Particulars

Dividend yield (%)	14-May-15 9.60%
Expected volatility (%)	54.42 – 57.57%
Risk-free interest rate (%)	7.77 – 7.82%
Weighted average share price	104.15
Exercise price	80
Expected life of options granted in years	4 – 6.01

The expected life of options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life of the options is indicative of future trends, which may differ from the actual.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

The company measures the cost of ESOP using intrinsic value method. Had the company used the fair value model to determine compensation, its profit / (loss) after tax and earnings per share as reported would have changed to amounts indicated below.

Particulars	Year ended 31 March 2016
Profit/(loss) after tax attributable to equity shareholders	(36.71)
Add: ESOP cost using Intrinsic Value method	0.21
Less: ESOP cost using Fair Value method	0.61
Proforma profit/(loss) after tax	(37.11)
Earnings per share	
Basic	
As reported	(12.90)
Proforma	(13.04)
Diluted	
As reported	(12.90)
Proforma	(13.04)

The Company incurred ₹ 0.21 Crore (31 March 2015 – ₹ Nil) towards employees stock compensation plan during the year.

32. Leases

Operating lease: Company as lessee

The Company has entered into various leasing agreements classified as operating leases for residential, office and warehouse premises which are renewable by mutual consent on mutually agreeable terms. These agreements generally range between 11 months to 6 years. Company does not have sub-leasing agreements or any contingent arrangements. Lease payments are recognised in the statement of profit and loss under 'Rent' in note 26.

The future minimum lease payments under non-cancellable operating leases are:–

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Within one year	10.33	5.22
After one year but not more than five years	29.51	1.62
More than five years	0.04	–

33. Segment information

The Company is a ICT solution provider and integrator delivering technology based solutions accross verticals layered with a spectrum of applications and services. All these solutions fall with in a single (primary) business segment of Enterprise Communication Solutions and Integration. All the fixed assets are lying in India and the Company's operations are restricted to India, hence there is one geographical segment viz. India. However, segment information for the group has been reported as a part of consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

34. Related party disclosures

Names of related parties and related party relationships

Related parties where control exists

Holding company	Essar Telecom Limited
Ultimate holding company	Essar Global Fund Limited
Subsidiaries	
(including step down subsidiaries)	AGC Networks Australia Pty. Limited AGC Networks Pte. Ltd. AGC Networks Philippines, Inc. (w.e.f. 3 March 2015) AGC Networks Inc.

Related parties with whom transactions have taken place

Fellow subsidiaries	Aegis Limited Equinox Business Parks Pvt Limited Essar Bulk Terminal (Salaya) Limited Essar Oil Limited Essar Oil UK Limited Essar Power Transmission Company Limited Essar Projects (India) Limited Essar Shipping Limited Essar Steel India Limited Essar Telecom Kenya Limited The Mobile Store Limited Vadinar Oil Terminal Limited Vadinar Ports & Terminals Limited
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Key managerial personnel

Managing / Whole-time Directors

Mr. S. K. Jha, Managing Director (upto 22 April 2014)
Mr. Anil Nair, Managing Director and CEO (w.e.f. 16 June, 2014 to 15 February, 2016)
Mr. Sanjeev Verma, Whole-time Director (w.e.f. 15 May 2014 to 19 October, 2014) and (w.e.f. 15 February, 2016) *

Others (as per Companies Act, 2013)

Mr. Amal Thakore, Chief financial officer (w.e.f. 16 June, 2014)
Mr. Srinivasa Raghavan, Chief financial officer (Upto 11 May, 2014)
Mr. Pratik Bhanushali, Company secretary

* Appointment as whole time director of the company subject to shareholders approval at the ensuing Annual General Meeting. On obtaining such approval, the company will seek approval of the central government since the whole-time director was not resident in India on the date of his appointment.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

During the year, 220,614 equity shares options are granted to key managerial personnel.

a. Remuneration to key managerial personnel

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Mr. S.K. Jha		
Salary, bonus and contribution to P.F. (Expenses)	—	0.26
Payable as at year end	—	—
Mr. Anil Nair		
Salary, bonus and contribution to P.F. (Expenses)	0.73	0.67
Excess remuneration recoverable as at year end (refer note 36(b))	—	1.34
426,997 options granted and cancelled during the year	—	—
Mr. Sanjeev Verma		
Salary, bonus and contribution to P.F. (refer note 36(a))	—	1.07
Excess remuneration paid in previous year recovered during the year (refer note 36(a))	(0.55)	—
106,749 options granted during the year	0.05	—
Payable as at year end	0.19	0.25
Others		
Salary, bonus and contribution to P.F.	1.20	0.87
113,865 options granted during the year	0.05	—
Payable as at year end	0.29	0.14

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

₹ in Crore

b. Transactions with Related Parties

	Year ended	Sale of goods*	Sale of services*	Purchase of traded goods	Purchase of capital goods	Services received	Interest received/receivable	Expenses reimbursement received	Expenses reimbursement paid	Guarantees for loan taken by Company	Commission received on guarantee	Commission paid on guarantee	On behalf collections (including trade advances taken during the year)	On behalf payments (including trade advances given during the year)	Loans given during the year	Loans repaid by borrower during the year
Subsidiaries																
AGC Networks Australia Pty. Limited	31 March 16 31 March 15	— 0.02	0.45 0.50	— —	— —	— —	— —	0.63 0.55	— —	— —	— —	— —	— —	— —	— —	— —
AGC Networks Pte. Ltd.	31 March 16 31 March 15	0.00 0.15	0.24 0.02	0.04 0.28	— —	— —	1.21 3.19	15.80 13.26	— —	— —	2.06 2.92	— —	8.92 —	2.10 —	— 43.25	37.87 22.47
AGC Networks Philippines, Inc.	31 March 16 31 March 15	— —	0.14 —	— —	— —	0.08 —	— —	0.53 —	— —	— —	— —	— —	— —	— —	— —	— —
AGC Networks Inc.	31 March 16 31 March 15	— 0.06	0.56 1.06	0.01 0.06	— —	0.13 0.48	— —	0.22 1.07	0.73 0.48	— —	— —	— —	— —	0.35 —	— —	— —
Fellow subsidiaries																
Aegis Limited	31 March 16 31 March 15	13.74 0.98	3.35 0.83	0.06 0.16	— 3.53	1.08 2.86	— —	— —	— —	— 100.50	— —	1.91 1.21	0.25 —	— —	— —	— —
Equinox Business Parks Pvt Limited	31 March 16 31 March 15	— —	— 0.13	— —	— —	8.05 7.66	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —
Essar Oil Limited	31 March 16 31 March 15	— 0.00	0.01 —	— —	— —	— —	— —	— —	— —	— —	— —	— —	1.00 —	— —	— —	— —
Essar Bulk Terminal (Salaya) Limited	31 March 16 31 March 15	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	0.12 —	— —	— —	— —
Essar Projects (India) Limited	31 March 16 31 March 15	— 0.06	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —
Essar Steel India Limited	31 March 16 31 March 15	— —	— 0.35	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —
Essar Oil UK Limited	31 March 16 31 March 15	— —	1.00 —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —
Essar Shipping Limited	31 March 16 31 March 15	— —	0.14 —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —
The Mobile Store Limited	31 March 16 31 March 15	— —	0.12 —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	2.00 —	— —	— —
Vadinar Oil Terminal Limited	31 March 16 31 March 15	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	0.06 —	— —	— —	— —
Vadinar Ports & Terminals Limited	31 March 16 31 March 15	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	— —	0.06 —	— —	— —	— —

*These amounts represent invoices raised during the year which includes invoices where revenue recognition has been deferred. Foreign currency transactions are reported at the exchange rate on the transaction date.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

c. Balance with Related parties							₹ in Crore
	Year ended	Guarantees given outstanding as at year end	Guarantees taken outstanding as at year end	Advances and other recoverables	Loans & Inter-Corporate Deposits given	Trade receivables	Amount owed to related parties**
Subsidiaries	31 March 16	–	–	0.02	–	–	–
	31 March 15	–	–	0.35	–	0.45	–
AGC Networks Australia Pty. Limited	31 March 16	119.40	–	5.47	–	0.24	5.45
	31 March 15	112.66	–	3.72	37.87	0.08	2.47
AGC Networks Philippines, Inc.	31 March 16	–	–	0.03	–	–	–
	31 March 15	–	–	–	–	–	–
AGC Networks Inc.	31 March 16	–	–	0.52	–	1.26	–
	31 March 15	–	–	1.15	–	0.57	–
Fellow subsidiaries							
	31 March 16	–	100.50	–	–	–	2.96
Aegis Limited	31 March 15	–	100.50	–	–	1.00	8.84
	31 March 16	–	–	8.49	–	0.10	6.76
Equinox Business Parks Pvt Limited	31 March 15	–	–	8.49	–	0.10	2.75
	31 March 16	–	–	–	–	–	0.80
Essar Oil Limited	31 March 15	–	–	–	–	0.20	0.01
	31 March 16	–	–	–	–	–	0.12
Essar Bulk Terminal (Salaya) Limited	31 March 15	–	–	–	–	0.06	–
	31 March 16	–	–	–	–	–	–
Essar Power Transmission Company Limited	31 March 15	–	–	–	–	0.00	–
	31 March 16	–	–	1.36	–	0.78	–
Essar Projects (India) Limited	31 March 15	–	–	1.36	–	0.78	–
	31 March 16	–	–	–	–	0.24	–
Essar Steel India Limited	31 March 15	–	–	–	–	0.24	–
	31 March 16	–	–	–	–	0.00	–
Essar Telecom Kenya Limited	31 March 15	–	–	–	–	0.00	–
	31 March 16	–	–	–	–	0.11	–
Essar Shipping Limited	31 March 15	–	–	–	–	–	–
	31 March 16	–	–	2.00	–	–	–
The Mobile Store Limited	31 March 15	–	–	–	–	–	–
	31 March 16	–	–	–	–	–	0.06
Vadinar Oil Terminal Limited	31 March 15	–	–	–	–	–	–
	31 March 16	–	–	–	–	–	0.06
Vadinar Ports & Terminals Limited	31 March 15	–	–	–	–	–	–
	31 March 16	–	–	–	–	–	–

*This amount represent invoices raised during the year of which includes invoices where revenue recognition has been deferred.
Foreign currency balance are restated at year end rates

** These amounts includes trade payables, other liabilities and advance from customers.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

35. Capital and other commitments

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 0.03 Crore (31 March 2015: Nil)
- (b) For commitments relating to lease arrangements, refer note 32.

36. Employee benefit expense for the year ended 31 March 2015 includes

- (a) ₹ 1.07 Crore towards remuneration payable by the Company to its erstwhile Whole-time Director for a part of the financial year 2014–15, as per the shareholders' sanction, which exceeded the limits specified under Schedule V to the Companies Act, 2013 by ₹ 0.70 Crore and against which the Company paid ₹ 0.82 Crore. In absence of profits, the Company filed an application with the Central Government seeking approval for such excess and the Central Government during the current year has approved the remuneration of ₹ 0.37 Crore. Accordingly, during the current year, the excess amount of ₹ 0.45 Crore has been recovered.
- (b) ₹ 0.67 Crore towards remuneration payable to the erstwhile Managing Director for a part of the financial year 2014–15. The remuneration payable as per the shareholders' sanction was ₹ 3.19 Crore against which the Company paid ₹ 2.01 Crore during the year 2014–15. In absence of profits, the Company filed an application with the Central Government seeking approval for remuneration sanctioned by the shareholders, which exceeds the limits specified under Schedule V to the Companies Act, 2013. However, it has received an approval, subsequent to the year ended 31 March 2015 for ₹ 0.84 Crore per annum. In view of the same, the excess amount has been reversed and recovered.

37. Contingent liabilities

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Contingent liabilities		
I) In respect of disputed demands in respect of matters under appeal with		
(a) Income tax authorities	33.59	30.62
(b) Excise, service tax and customs authorities	24.31	24.21
(c) Sales tax authorities	2.98	2.15
The Company is contesting all of the above demands in respect of Income tax, Excise duty, Service tax, Custom duty and Sales tax and the management, believes that its positions are likely be upheld at the appellate stage. No expense has been accrued in the financial statements for the aforesaid demands. The management believes that the ultimate outcome of these proceedings are not expected to have a material adverse effect on the Company's financial position and results of operations and hence no provision has been made, in this regard.		
II) Corporate Guarantee	119.40	112.66

The Company has given a corporate guarantee of USD 1.8 Crore, equivalent to ₹ 119.40 Crore (31 March 2015: USD 1.8 Crore, equivalent to ₹ 112.66 Crore) towards the financial obligation of AGC Networks Pte. Ltd., Singapore.

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

37 Unhedged foreign currency exposure

Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows:

	Amounts in Crore			
	31 March 2016		31 March 2015	
	Foreign Currency	₹	Foreign Currency	₹
Trade Payables	0.38 USD	24.93	0.74 USD	46.18
	0.00 EUR	0.06	—	—
Current Liabilities	0.07 USD	4.37	—	—
Bank Balances	0.05 USD	3.11	0.00 USD	0.00
	1.72 KES	1.12	—	—
Trade Receivables	0.09 USD	5.82	0.09 USD	5.39
			0.01 AED	0.15
Short-term borrowings	0.14 USD	9.49	—	—
Other receivables from related parties	0.09 USD	6.06	0.69 USD	43.09
Interest payable	0.00 USD	0.02	—	—
Guarantees given	1.80 USD	119.40	1.80 USD	112.66

39. Details of dues to micro, small and medium enterprises as defined under the MSMED Act, 2006

Sundry creditors include –

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Total outstanding dues of micro and small enterprises	2.40	1.93

Details of amounts due under the Micro, Small and Medium Enterprises Development Act, 2006 are as under:–

		31 March 2016	31 March 2015
		₹ in Crore	₹ in Crore
1)	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.		
	a. Principal	2.28	1.83
	b. Interest	0.12	0.10
	Total	2.40	1.93
2)	The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.		
	a. Principal	1.35	1.28
	b. Interest	—	—
	Total	1.35	1.28
3)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	—	—
4)	The amount of interest accrued and remaining unpaid at the end of the year.		
	a. Total Interest accrued	0.02	0.02
	b. Total Interest unpaid	0.02	0.02

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

Included in S. No. 4(b) above is ₹ 0.02 Crore (31 March 2015 ₹ 0.02 Crore) being interest on amounts outstanding as at the beginning of the accounting year.

The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small Enterprises" on the basis of information available with the Company.

40. Value of imports calculated on CIF basis

Materials and components
Stock-in-trade
Capital goods

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
6.73	3.85
66.10	59.55
—	0.07
72.83	63.47

41. Expenditure in foreign currency (accrual basis)

Training and software support upgrades
Maintenance services
Travelling expenses
Interest
Other matters

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
5.74	9.88
8.33	8.74
1.29	1.28
0.03	0.00
0.15	0.01
15.54	19.91

42. Earnings in foreign currency (accrual basis)

Sale of goods and services
(Including sale from overseas branch and to Export Oriented Units)
Interest and commission income

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
7.37	11.03
3.27	6.11
10.64	17.14

NOTES TO FINANCIAL STATEMENTS for the year ended 31 March 2016

43. Imported and indigenous materials and components consumed

	31 March 2016		31 March 2015	
	% of total consumption	Value ₹ in Crore	% of total consumption	Value ₹ in Crore
Imported	94	8.01	98	5.52
Indigenous	6	0.50	2	0.11
	100	8.51	100	5.63

44. As per the transfer pricing rules, the Company is examining domestic and international transactions and documentation in respect thereof to ensure compliance with the said rules. The management does not anticipate any material adjustments with regard to the transactions involved.

45. Corporate social responsibility

As per section 135 of the Company Act, 2013, a corporate social responsibility (CSR) Committee has been formed by the Company. The Company has average net loss for the last 3 financials years so the amount of CSR expenditure required as per the Companies Act is Nil and the Company has not undertaken any CSR activity during the year.

46. Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

47. All amounts are in Rupees (in Crore) except otherwise stated specifically and "0.00" denotes amounts less than fifty thousand Rupees.

For Walker Chandiok & Co LLP
(Formerly known as Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
AGC Networks Limited

ADI P. SETHNA
Partner

SANJEEV VERMA
Whole-time Director
DIN – 6871685

SUJAYA BANERJEE
Non-executive Director
DIN – 6814544

PRATIK BHANUSHALI
Company Secretary

AMAL THAKORE
Chief Financial Officer

Place : Mumbai
Date : 19 May 2016

Place : Mumbai
Date : 19 May 2016

AOC – 1

Statement regarding Subsidiary Companies pursuant to Section 129(3) of the Companies Act, 2013

Sr. no.	Name of Subsidiary Company	Reporting Period	Reporting currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investments (excluding investment in subsidiaries)	Turnover	₹ in Crore					
											Profit/ (loss) before Taxation	Provision For Taxation	Profit/ (loss) After Taxation	Proposed Dividend	% of shareholding	Country
1	AGC NETWORKS AUSTRALIA PTY LTD	Same	AUD	49.84	14.50	3.52	35.71	17.69	—	55.09	4.57	1.21	3.36	—	100%	AUSTRALIA
2	AGC NETWORKS PTE LTD	Same	USD	66.33	34.22	11.45	160.55	114.88	—	238.55	7.23	10.56	(3.33)	—	100%	SINGAPORE
3	AGC NETWORKS INC. USA	Same	USD	66.33	54.29	(18.23)	187.79	151.73	—	268.69	2.71	0.47	2.24	—	100%	USA
4	AGC NETWORKS PHILIPPINES, INC.	Same	PHP	1.44	1.26	(0.12)	6.20	5.06	—	15.53	(0.15)	—	(0.15)	—	100%	PHILIPPINES

NOTE: The Indian rupee equivalents of the figures given in the foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rate as on 31 March 2016.

For and on behalf of the Board of Directors of AGC Networks Limited

SANJEEV VERMA
Whole-time Director
DIN – 6871685

SUJAYA BANERJEE
Non-executive Director
DIN – 6814544

PRATIK BHANUSHALI
Company Secretary

AMAL THAKORE
Chief Financial Officer

Place : Mumbai
Date : 19 May 2016

Additional information, as required under Schedule III to the Companies Act, 2013 of enterprises Consolidated as Subsidiary

Name of the Entity	Net Assets i.e. total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets	₹ in crore	As % of consolidated profit or loss	₹ in crore
Parent				
AGC Networks Limited	105%	72.01	106%	(36.71)
Foreign Subsidiaries				
AGC Networks Pte Ltd	17%	11.45	10%	(3.33)
AGC Networks Australia Pty Ltd	5%	3.52	–10%	3.36
AGC Networks Inc.	–27%	(18.23)	–6%	2.24
AGC Networks Philippines, Inc.	0%	(0.12)	0%	(0.15)
Consolidated numbers		68.63		(34.59)

CEO / CFO CERTIFICATE

To
The Board of Directors of
AGC Networks Limited

Dear Sirs,

Sub: CEO / CFO Certificate

[Issued accordance with provisions of Regulation 17(8) of SEBI (LODR) Regulations, 2015]

We, Sanjeev Verma, Whole Time Director and Amal Thakore, Chief Financial Officer certify that:

- a) We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2016 and to the best of our knowledge and belief :
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2016 are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
 - i) There has not been any significant change in internal control over financial reporting during the year under reference;
 - ii) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Yours sincerely,

Sanjeev Verma
Whole Time Director
AGC Networks Limited

Amal Thakore
Chief Financial Officer
AGC Networks Limited

Place: Mumbai
Date : 19 May 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of AGC Networks Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of AGC Networks Limited, ("the Holding Company" or "the Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2016, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors, and the respective Board of Directors/management of the subsidiaries included in the Group, are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms with the provisions of the Act, the respective Board of Directors of the Holding Company and its subsidiaries (which are incorporated outside India) are responsible for maintenance of adequate accounting records; safeguarding the assets; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the auditor's report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.
7. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified opinion on the consolidated financial statements.

Basis for Qualified Opinion

8. As stated in Note 26 (b) to the Statement, during the year ended 31 March 2015 the Company had recognized sale of properties having aggregate carrying value of ₹ 1.09 crores and profit on such sale amounting to ₹ 46.04 crores (net of incidental selling expenses amounting to ₹ 3.39 crores) under 'exceptional items'. In our opinion, as the significant risks and rewards for the said properties had not been transferred, recognition of such sale was not in accordance with the principles laid under Accounting Standard (AS) 9 Revenue Recognition and the sale should have been reversed during the year ended 31 March 2016. Had the Company followed principles of AS 9 and reversed the sale transaction during the year ended 31 March 2016, the prior period items and loss before tax would have been higher by ₹ 46.04 crores each. (March 2015: Exceptional items and profit before tax would have been lower by ₹ 46.04 crores each). Tax expense for the year ended 31 March 2016 would have been lower by ₹ 3.27 crores (March 2015: ₹ 3.27 crores). Long-term loans and advances and carrying value of tangible assets as at 31 March 2016 would have been higher by ₹ 3.27 crores (March 2015: ₹ 3.27 crores) and ₹ 1.09 crores (March 2015: ₹ 1.09 crores) respectively; reserves and surplus, other current assets and other current liabilities as at that date would have been lower by ₹ 42.77 crores (March 2015: ₹ 42.77 crores), ₹ 47.32 crores (net of ₹ 3.20 crores received during the year) (March 2015: ₹ 50.52 crores) and ₹ 0.19 crores (March 2015: ₹ 3.39 crores), respectively. Our audit opinion on the financial statements for the year ended 31 March 2015 was qualified in respect of this matter.

Qualified Opinion

9. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2016, their consolidated loss and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
 - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
 - b) except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books;
 - c) the consolidated financial statements dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
 - d) except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
 - e) The matter described under the Basis for Qualified Opinion paragraph, in our opinion, may have an adverse effect on the functioning of the Group.
 - f) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2016 taken on record by the Board of Directors of the Holding Company none of the directors of the Holding Company is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
 - g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph;

- h) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company as at 31 March 2016, in conjunction with our audit of the consolidated financial statements of the group for the year ended on that date and our report dated 19 May 2016 as per Annexure I expressed a qualified opinion;
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) as detailed in Note 36, the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group;
 - (ii) the Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - (iii) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.

For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
 Chartered Accountants
 Firm's Registration No.: 001076N/N500013

per **Adi P. Sethna**
 Partner
 Membership No.: 108840

Place : Mumbai
 Date : 19 May 2016

Annexure I to the Independent Auditor's Report of even date to the members of AGC Networks Limited, on the consolidated financial statements for the year ended 31 March 2016

Annexure I

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the consolidated financial statements of the AGC Networks Limited ("the Holding Company" or "the Company") and its subsidiaries, (the Holding Company and its foreign subsidiaries together referred to as "the Group"), as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company, incorporated in India as of that date.

Management's Responsibility for Internal Financial Controls

2. The Board of Directors of the Holding Company are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of the company's assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note"), issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the IFCoFR of the Holding Company as aforesaid.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Annexure I to the Independent Auditor's Report of even date to the members of AGC Networks Limited, on the consolidated financial statements for the year ended 31 March 2016

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for Qualified Opinion

8. In our opinion, according to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Holding Company's IFCoFR as at March 31, 2016:

The Holding Company's internal financial control over evaluation of accounting of non-routine transactions was not operating effectively. This has, during the year, resulted in non-reversal of transaction of sale of properties recorded in the previous year due to inappropriate evaluation of timing of transfer of risk and reward. This has led to misstatements of long-term loans and advances, tangible assets, other current assets, other current liabilities, prior period items, tax expense and resultant impact on the loss before tax and the reserves and surplus as at and for the year ended 31 March 2016.

9. A 'material weakness' is a deficiency or a combination of deficiencies in IFCoFR, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Qualified Opinion

10. In our opinion, the Holding Company has, in all material respects, maintained adequate IFCoFR as at 31 March 2016, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance note, and except for the effects of the material weakness described above in the Basis for Qualified Opinion paragraph, the Holding Company's IFCoFR were operating effectively as at 31 March 2016.
11. We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit test applied in our audit of the 31 March 2016 consolidated financial statements of the Group and the material weakness has affected our opinion on the consolidated financial statements of the Group and we have issued a qualified opinion on the consolidated financial statements.

For **Walker Chandiok & Co LLP**
(Formerly Walker, Chandiok & Co)
 Chartered Accountants
 Firm's Registration No.: 001076N/N500013

per **Adi P. Sethna**
 Partner
 Membership No.: 108840

Place : Mumbai
 Date : 19 May 2016

CONSOLIDATED BALANCE SHEET as at 31 March 2016

	Notes	As at 31 March 2016 ₹ in Crore	As at 31 March 2015 ₹ in Crore
Equity and liabilities			
Shareholders' funds			
Share capital	3	43.47	43.47
Reserves and surplus	4	25.16	58.16
		68.63	101.63
Non-current liabilities			
Long-term borrowings	5.1	—	—
Deferred tax liability	6	—	—
Other long-term liabilities	7	14.84	8.29
Long-term provisions	8	8.23	7.06
		23.07	15.35
Current liabilities			
Short-term borrowings	5.2	161.63	144.28
Trade payables – total outstanding dues of –	9		
– Micro and small enterprises		2.40	1.93
– Creditors other than micro and small enterprises		185.46	192.49
Other current liabilities	10	178.07	171.93
Short-term provisions	8	6.03	5.15
		533.59	515.78
Total		625.29	632.76
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	17.25	18.42
Intangible assets	12	91.56	71.28
Deferred tax assets (net)	6	—	—
Long-term loans and advances	13	89.44	80.87
Long-term trade receivables	16	1.29	2.09
Other non-current assets	14	3.13	8.35
		202.67	181.01
Current assets			
Inventories	15	23.54	26.48
Trade receivables	16	216.28	246.66
Cash and bank balances	17	36.35	33.70
Short-term loans and advances	13	27.55	49.39
Other current assets	14	118.90	95.52
		422.62	451.75
Total		625.29	632.76

Notes 1 to 46 form an integral part of the consolidated financial statements.
This is the consolidated balance sheet referred to in our report of even date

For Walker Chandiok & Co LLP
(Formerly known as Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No.: 001076N/N500013

ADI P. SETHNA
Partner

**For and on behalf of the Board of Directors of
AGC Networks Limited**

SANJEEV VERMA
Whole-time Director
DIN – 6871685

PRATIK BHANUSHALI
Company Secretary

SUJAYA BANERJEE
Non-executive Director
DIN – 6814544

AMAL THAKORE
Chief Financial Officer

Place : Mumbai
Date : 19 May 2016

Place : Mumbai
Date : 19 May 2016

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended 31 March 2016

	Notes	31 March 2016	31 March 2015
		₹ in Crore	₹ in Crore
Income			
Revenue from operations (gross)	18	882.76	892.04
Less: excise duty	18	1.38	1.15
Revenue from operations (net)		881.38	890.89
Other income	19	5.51	6.28
Total revenue (I)		886.89	897.17
Expenses			
Cost of materials and components consumed	20	8.51	5.63
Purchase of stock-in-trade		362.84	307.17
Decrease in inventories of work-in-progress and stock-in-trade	21	1.90	67.18
Service charges		200.92	204.32
Employee benefits expense	22	200.18	192.49
Finance costs	23	26.68	25.92
Depreciation and amortisation expense	24	8.50	18.44
Other expenses	25	101.35	89.93
Prior period items	27	—	1.66
Total expenses (II)		910.88	912.74
(Loss) before exceptional items and tax (I-II)		(23.99)	(15.57)
Exceptional items	26	1.64	33.25
(Loss) / Profit before tax		(22.35)	17.68
Tax expenses			
Current tax		4.66	3.47
Short / (excess) provision of tax for earlier years (refer note 42)		7.58	(0.56)
Total tax expense		12.24	2.91
(Loss) / profit for the year		(34.59)	14.77
Earnings per equity share [nominal value of share ₹ 10 (31 March 2015 : ₹ 10)]	28		
Basic (in ₹)		(12.15)	5.19
Diluted (in ₹)		(12.15)	5.19

Notes 1 to 46 form an integral part of the consolidated financial statements.
This is the consolidated statement of profit and loss referred to in our report of even date

For Walker Chandiok & Co LLP
(Formerly known as Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No.: 001076N/N500013

ADI P. SETHNA
Partner

Place : Mumbai
Date : 19 May 2016

**For and on behalf of the Board of Directors of
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SANJEEV VERMA
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DIN – 6871685

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Company Secretary

Place : Mumbai
Date : 19 May 2016

SUJAYA BANERJEE
Non-executive Director
DIN – 6814544

AMAL THAKORE
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2016

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Cash flow from operating activities		
(Loss) / profit before tax	(22.35)	17.68
Adjustments for:		
Depreciation and amortization	8.50	18.44
(Profit) on sale of fixed assets (net)	(0.02)	(0.03)
Employees stock compensation expenses	0.21	—
Provision for warranties	0.05	(0.06)
Provision for doubtful debts and advances (net)	4.85	(0.08)
Liabilities for earlier years no longer required written back	(3.82)	(3.18)
Unrealized foreign exchange (gain) (net)	(4.15)	0.46
Finance costs	26.68	25.92
Interest income	(2.24)	(4.57)
Exceptional items (refer note 26)	(1.64)	(33.25)
Operating profit before working capital changes	6.07	21.33
Movements in working capital :		
Decrease in trade receivables	30.31	44.39
Decrease in inventories	3.44	68.24
(Increase) / decrease in loans, advances and others	(10.13)	28.43
Decrease in trade payables	(8.88)	(85.04)
Increase / (decrease) in other liabilities and provisions	9.85	(51.70)
Effect of exchange rate on translation of working capital changes	4.33	0.75
Cash generated from operations	34.99	26.40
Direct taxes paid (net of refunds)	(6.94)	1.56
Net cash flow – operating activities (A)	28.05	27.96
Cash flows from investing activities		
Acquisition of business, net of cash acquired (refer note 39)	(3.08)	—
Purchase of fixed assets	(11.65)	(4.53)
Proceeds from sale of fixed assets (refer note 26(b))	0.92	0.92
Margin money and term deposits with bank	0.09	77.63
Interest on receivable from sale of fixed assets	1.64	—
Interest on bank deposits and others	(0.89)	7.53
Effect of exchange rate on translation of fixed assets	(5.19)	(3.77)
Net cash flow – investing activities (B)	(18.16)	77.78

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2016

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Cash flows from financing activities		
Proceeds from issuance of equity share capital	–	15.00
Repayments from long-term borrowings	(1.76)	(2.42)
Proceeds / (Repayments) from short-term borrowings (net)	17.51	(89.53)
Finance costs paid	(26.65)	(25.00)
Effect of exchange rate on translation of borrowings	0.91	2.41
Net cash flow – financing activities (C)	(9.99)	(99.54)
Net (decrease)/increase in cash and cash equivalents (A + B + C)	(0.10)	6.20
Cash and cash equivalents at the beginning of the year	27.75	22.47
Effect of exchange rate on translation cash and cash equivalents	(1.43)	(0.92)
Cash and cash equivalents at the end of the year (refer note 17)	26.22	27.75

This is the statement of consolidated cash flow referred to in our report of even date

For Walker Chandiok & Co LLP
(Formerly known as Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No. : 001076N/N500013

ADI P. SETHNA
Partner

Place : Mumbai
Date : 19 May 2016

**For and on behalf of the Board of Directors of
AGC Networks Limited**

SANJEEV VERMA
Whole-time Director
DIN – 6871685

PRATIK BHANUSHALI
Company Secretary

Place : Mumbai
Date : 19 May 2016

SUJAYA BANERJEE
Non-executive Director
DIN – 6814544

AMAL THAKORE
Chief Financial Officer

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

1. Corporate information

AGC Networks Limited ('the Company') or 'AGC' is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company, along with its foreign subsidiaries, is a global information, communications technology (ICT) solutions provider and Integrator seamlessly delivering technology based solutions across global markets and verticals layered with a spectrum of applications and services. The Company is the leader in Enterprise Communications in India with global footprint in locations spanning India, Middle East/Africa, North America and Australia/New Zealand.

2. Basis of preparation of financial statements

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in India (Indian GAAP). The consolidated financial statements have been prepared to comply in all material respects with the accounting standards specified under section 133 of the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014 and guidelines issued by the Securities and Exchange Board of India (SEBI). The consolidated financial statements are prepared under the historical cost convention, on an accrual basis of accounting. The accounting policies applied are consistent with those used in the previous year.

All assets and liabilities are classified as current if they are expected to be realised or settled within the operating cycle, which is generally upto 12 months.

2.1 Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements have been prepared in accordance with Accounting Standard (AS) 21 on 'Consolidated Financial Statements' and on the basis of the separate audited financial statements of AGC Networks Limited and its subsidiaries. Reference in the notes to 'the Company' shall mean to include AGC Networks Limited and 'Group' shall include AGC Networks Limited and its subsidiaries consolidated in these financial statements unless otherwise stated.

The consolidated financial statements of the Group are combined on a line by line basis by adding together book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with AS-21.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, have been made in consolidated financial statements.

Foreign subsidiaries considered in the consolidated financial statements

Name of the subsidiary	Country of incorporation	% holding as at 31 March 2016	% holding as at 31 March 2015
AGC Networks Australia Pty Limited*	Australia	100%	100%
AGC Networks Pte Ltd.**	Singapore	100%	100%
AGC Networks Inc.*** (wholly owned subsidiary of AGC Networks Pte. Ltd.)	U.S.A.	100%	100%
AGC Networks Philippines, Inc. **** (wholly owned subsidiary of AGC Networks Pte. Ltd.)	Philippines	100%	100%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

* Incorporated on September 03, 2004 under the Corporation Act, 2001, Australia.

** Acquisition on May 01, 2011, the Company incorporated in Singapore.

*** Incorporated on February 22, 2012, the Company registered in Delaware, U.S.A.

**** Incorporated on March 03, 2015 under Corporation Code of the Philippines.

Foreign currency translation:

The consolidated financial statements are prepared in Indian Rupees which is the reporting currency for the Company. However, AUD is the reporting currency for its foreign subsidiary located in Australia, PHP is the reporting currency for its foreign subsidiary located in Philippines and USD is the reporting currency for its foreign subsidiaries located in Singapore and U.S.A.. The translation of the reporting currency of the foreign subsidiaries into the reporting currency is performed:

- (a) for assets and liabilities – using the exchange rate in effect at the balance sheet date
- (b) for revenues, costs and expenses – using average rate prevailing during the reporting period and
- (c) for share capital – using the exchange rate at the date of transaction.

The resultant translation exchange gain/loss has been disclosed as “Foreign Currency Translation Reserve” under Reserves and Surplus.

(b) Use of estimates

The preparation of consolidated financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities at the end of reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring adjustments to the carrying amount of assets and liabilities in future periods, which are recognised in the period in which they are determined.

(c) Tangible assets

Tangible assets are stated at cost of acquisition or construction, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

(d) Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on straight-line basis over the useful life estimated by the management, based on a technical evaluation or those prescribed under Schedule II of the Companies Act, 2013, whichever is higher. The Group depreciates its assets over the useful lives different from schedule II as detailed below:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

Assets	No. of Years
Leasehold improvements *	6 years
Plant and Equipment	3 to 5 years
Furniture and Fixtures	5 years
Office Equipment	3 to 5 years
Computers and Servers	3 to 4 years
Electrical Installations	5 years

Cost of leasehold land is amortised over the period of lease

* Leasehold improvements are depreciated over the above referred lives or over the period of the lease, whichever is lower.

Assets purchased specifically for projects are depreciated over the life of the projects.

Depreciation on addition to fixed assets or on sale / disposal of fixed assets is calculated pro-rata from the date of such addition, or up to the date of such sale / disposal as the case may be.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are amortized on a straight line basis over the estimated useful economic life. The amortization period and the amortization method are reviewed at least at each financial year end. Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

A summary of amortization policies applied to the group's intangible assets is as below:

Assets	No. of Years
Computer Softwares	4 years

Assets purchased specifically for projects are depreciated over the life of the projects.

The group has a policy of not amortising goodwill on business acquisition but test the same for impairment if there is any indication.

(f) Impairment of tangible and intangible assets

The carrying amounts of tangible and intangible assets are reviewed at each reporting date if there is any indication of impairment based on internal and external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(g) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

Current investments are carried in the consolidated financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of these investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

(h) Inventories

Inventories of materials and components, work-in-progress, stock-in-trade are valued at cost or net realisable value, whichever is lower. The cost is determined on weighted average basis, and includes all costs incurred in bringing the inventories to their present location and condition. In the case of work-in-progress, cost also includes costs of conversion.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Further, inventory contains service spares which are used as replacement stocks by the Company for servicing the customers repairs and maintenance requirements during the service period. Adequate allowances are recognised as a measure of consumption over their expected life based on their usage.

(i) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Provision for warranties

Provisions for warranty-related costs are recognized when the product is sold or service provided. Provision is based on historical experience. The estimate of such warranty-related costs is reviewed annually.

(j) Foreign currency translation

Foreign currency transactions and balances

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are restated using the exchange rate prevailing at the reporting date. Non-monetary items which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

Exchange differences arising on translation / settlement of foreign currency monetary items are recognised as income or as expenses in the period in which they arise

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

(k) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Revenue from sale of product is recognized when the significant risk and rewards of ownership and title of the product is transferred to the buyer which generally coincides with acknowledgement of delivery pending which the sale is disclosed as unearned revenue. Sales include excise duty but excludes sales tax.

The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Income from Services

1. Revenue from implementation services (including installation and commissioning) related to products supplied or on a standalone basis is recognized based on proportionate completion method, where revenue is recognized proportionately with the degree of completion of services.
2. Revenue from maintenance contracts is recognized on a straight line basis over the contract term or on performance of the services as specified in the contract.
3. Service Income of a periodic nature which is billed but has not accrued during the year is disclosed as Unearned Revenue.
4. The Company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "Other income" in the statement of profit and Loss.

Other Income

Other income is accounted on accrual basis except where receipt of income is uncertain.

(l) Taxes on Income

Tax expense comprises of current and deferred tax. Current income tax is measured as the amount expected to be paid to the tax authorities in accordance with the tax laws prevailing in the respective regions where the Company is operating. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that these can be realised against future taxable profits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

At each reporting date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(m) Leases

Where the company is lessee

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset based on technical evaluation or the useful life prescribed in Schedule II to the Companies Act, 2013, whichever is lower. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life prescribed in Schedule II to the Companies Act, 2013.

(n) Employee benefits

Salaries, wages etc. which are defined as short-term benefits, are recognised as expenses on an undiscounted basis, in the statement of profit and loss of the period in which the related service is rendered.

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.

The Company operates one defined benefit plan for its employees, viz., Gratuity. The costs of providing benefit under this plan is determined on the basis of an actuarial valuation at each year-end. Actuarial valuation is carried out using the projected unit credit method to determine the present value of the obligation. The fair value of the plan assets is reduced from the gross obligation to recognise the same on a net basis. Actuarial gains and losses for defined benefit plan are recognized in full in the period in which they arise in the statement of profit and loss. AGC Networks Pte Limited has accrued gratuity liability on arithmetic basis and not based on actuarial valuation, since the impact is not considered to be material.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are recognised in the statement of profit and loss.

AGC Networks Inc. and AGC Networks Australia Pty Limited has accrued leave encashment liability on actual arithmetic basis and not based on actuarial valuation, since the impact is not considered to be material.

(o) Deferred cost

Contractual obligations benefits of which will be consumed in subsequent years have been disclosed as deferred cost under the head other assets.

(p) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(q) Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less, which are available for use.

(r) Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(t) Share-based payments

The group accounts for equity settled stock options as per the accounting treatment prescribed by Security and Exchange Board of India (share-based employees benefits) Regulations, 2014 and the Guidance Note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India using the intrinsic value method. The compensation cost is amortised on straight line basis over the vesting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

3. Share capital

Authorized shares

45,000,000 (31 March 2015: 45,000,000) equity shares of ₹ 10/- each

10,000,000 (31 March 2015: 10,000,000) 1% Non-cumulative, Non-convertible, redeemable preference shares of ₹ 100/- each

Issued, subscribed and fully paid-up shares

28,466,464 (31 March 2015 : 28,466,464) equity shares of ₹ 10/- each

1,500,000 (31 March 2015: 1,500,000) 1% Non-cumulative, Non-convertible, redeemable preference shares of ₹ 100/- each

Total issued, subscribed and fully paid-up share capital

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
45.00	45.00
100.00	100.00
28.47	28.47
15.00	15.00
43.47	43.47

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

	31 March 2016		31 March 2015	
	No. of shares	₹ in Crore	No. of shares	₹ in Crore
At the beginning of the period	28,466,464	28.47	28,466,464	28.47
Issued during the period	—	—	—	—
Outstanding at the end of the period	28,466,464	28.47	28,466,464	28.47

1% non-cumulative, non-convertible, redeemable preference shares

	31 March 2016		31 March 2015	
	No. of shares	₹ in Crore	No. of shares	₹ in Crore
At the beginning of the period	1,500,000	15.00	—	—
Issued during the period	—	—	1,500,000	15.00
Outstanding at the end of the period	1,500,000	15.00	1,500,000	15.00

During the previous year, the Company allotted 1,500,000 1% Non-cumulative, Non-convertible, redeemable preference shares having face value of ₹ 100 per share at par for a total consideration of ₹ 15 Crore to Essar Information Technology Limited.

(b) Rights, preference and restriction on shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend if proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets remaining after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

The Company has one class of preference shares i.e. 1% non-cumulative, non-convertible, redeemable preference shares. The preference shares have preferred right on payment of dividend and repayment of capital over equity shareholders. As per Companies Act, 2013 the preference shareholders has right to vote on all resolution place before the Company if preference dividend is not paid for a period of 2 years or more.

The preference shares shall be redeemed at the option of Investor in one or more tranches at any time between 5th year from the date of allotment and before expiry of 7th year from the date of allotment and the shares shall be redeemed at par. If the option is not exercised by the investor these shares will be automatically redeemed at par at the end of the 7th year from the date of allotment.

(c) Shares held by holding Company

Out of equity shares issued by the Company, shares held by its holding Company are as below:

Name of Shareholder	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Essar Telecom Limited		
21,349,848 (31 March 2015 : 21,349,848) equity shares of ₹ 10 each fully paid	21.35	21.35

(d) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date:

14,233,232 Equity shares allotted as fully paid bonus shares by capitalization of securities premium during the year ended 31 March 2013.

(e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31 March 2016		As at 31 March 2015	
	No. of shares	% holding in the class	No. of shares	% holding in the class
<i>Equity shares of ₹ 10 each fully paid</i>				
– Essar Telecom Limited	21,349,848	75.00%	21,349,848	75.00%
<i>Preference shares of ₹ 100 each fully paid</i>				
– Essar Information Technology Limited	1,500,000	100.00%	1,500,000	100.00%

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

4. Reserves and surplus

Capital reserve

As at the beginning of the year

As at the end of the year

Securities premium account

As at the beginning of the year

As at the end of the year

Stock option outstanding

As at the beginning of the year

Additions/(deletion) during the year

As at the end of the year

Foreign currency translation reserve

As at the beginning of the year

Additions/(deletion) during the year

As at the end of the year

General reserve

As at the beginning of the year

As at the end of the year

(Deficit) / surplus in the statement of profit and loss (refer note 26(b))

As at the beginning of the year

(Loss) / profit for the year

Depreciation on assets where remaining useful life on 1 April 2014 was Nil

As at the end of the year

Total reserves and surplus

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Capital reserve		
As at the beginning of the year	38.04	38.04
As at the end of the year	38.04	38.04
Securities premium account		
As at the beginning of the year	32.10	32.10
As at the end of the year	32.10	32.10
Stock option outstanding		
As at the beginning of the year	—	—
Additions/(deletion) during the year	0.21	—
As at the end of the year	0.21	—
Foreign currency translation reserve		
As at the beginning of the year	21.56	23.09
Additions/(deletion) during the year	1.38	(1.53)
As at the end of the year	22.94	21.56
General reserve		
As at the beginning of the year	100.58	100.58
As at the end of the year	100.58	100.58
(Deficit) / surplus in the statement of profit and loss (refer note 26(b))		
As at the beginning of the year	(134.12)	(148.30)
(Loss) / profit for the year	(34.59)	14.77
Depreciation on assets where remaining useful life on 1 April 2014 was Nil	—	0.59
As at the end of the year	(168.71)	(134.12)
Total reserves and surplus	25.16	58.16

5.1 Long-term borrowings

	Non-current portion		Current maturities	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Loan from Cisco Systems Capital (I) Private Ltd (unsecured) (refer footnote 1)	—	—	—	0.92
Finance lease obligation (secured) (refer footnote 2)	—	—	—	0.84
	—	—	—	1.76
Amount disclosed under the head "other current liabilities" (refer note 10)	—	—	—	(1.76)
Net amount	—	—	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

Footnotes:

1. Interest free loan from Cisco Systems Capital (I) Private Ltd. was repayable in 12 quarterly installments of ₹ 0.30 Crore each which started from 14 February 2013 and was fully paid on 14 February 2016.
2. Finance lease obligation was secured by fixed assets taken on lease. The interest rate implicit in the lease is 8% p.a. The gross investment in lease, i.e., lease obligation plus interest, was payable in 37 monthly installments of ₹ 0.08 Crore each and was fully paid during the year.

5.2 Short-term borrowings

Working capital loan from bank (Secured)
(refer footnote 1)

Loans repayable on demand

Cash credits from banks (Secured) (refer footnote 2)

Buyers credit from banks (Secured) (refer footnote 3)

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
39.55	45.00
112.58	99.28
9.50	—
161.63	144.28

Footnotes:

1. Working capital loan from bank is secured against first pari-passu charge on Lease hold land, Free hold land and buildings situated at Gandhinagar, Gujarat, second pari-passu charge on entire current assets (present and future) including stocks of materials and components, work-in-progress, stock-in-trade, trade receivables, etc. and corporate guarantee from a fellow subsidiary. During the previous year, the Company transferred its Gandhinagar properties vide deed of assignment (refer note 26 (b)). However, the loan is considered as secured since all properties have not been discharged as securities by the lender and continuance of the other assets as security.

As per the original payment schedule loan is repayable in 14 quarterly installments starting from 9 February, 2016. 6 installments of ₹ 2.25 Crore each 4 installments of ₹ 3.375 Crore each and 4 installments of ₹ 4.50 Crore each. The same has been classified under "Short-term borrowings" in view of the intention of the Company to expire the borrowing either by way of assignment to the buyer of the aforesaid properties or by way of repayment of the loan from the sale consideration. The effective rate of interest is the base rate of the lending bank which ranges from 10.25% to 10.75% p.a. (31 March 2015 10.75% p.a.) plus spread 1.5%. Hence current effective rate range is 11.75% to 12.25% p.a. (31 March, 2015 12.25% p.a.).

During the year ended 31 March 2016, the Company has additionally paid ₹ 3.20 Crores in addition to the above repayment schedule as the amount of consideration (in part) received from sale of one of the property, forming part of the security.

2. For AGC Networks Limited, Cash credits from banks of ₹ 88.96 Crore (₹ 91.14 Crore as at 31 March 2015) are secured by first pari-passu charge on entire current assets of the Company (present and future) including stocks of materials and components, work-in-progress, stock-in-trade, trade receivables, insurances, etc. and by second pari-passu charge on all moveable fixed assets of the Company, and corporate guarantee from a fellow subsidiary.

For AGC Networks Pte Ltd, Cash credits from banks of ₹ 13.87 Crore (₹ 8.14 Crore as at 31 March 2015) are secured by stocks and receivables.

For AGC Networks Inc., Cash credits from banks of ₹ 9.75 Crore (₹ Nil Crore as at 31 March 2015) are secured by all present and future assets of the Company.

3. For AGC Networks Limited, buyers credits from banks of ₹ 9.50 Crores (₹ Nil as at 31 March 2015) are secured by first exclusive pari-passu charge on entire current assets of the Company (present and future) including stocks of materials and components, work-in-progress, stock-in-trade, trade receivables, insurances, etc., by second pari-passu charge on all moveable fixed assets of the Company, and corporate guarantee from a fellow subsidiary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

6. Deferred tax

The Group does not have any deferred tax liability as at 31 March 2016 and as at 31 March 2015. The Group has not recognised deferred tax assets in the absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

7. Other long-term liabilities

Unearned revenue

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
14.84	8.29
14.84	8.29

8. Provisions

	Long-term		Short-term	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Provision for employee benefits				
Provision for gratuity	5.29	4.61	—	—
Provision for compensated absences	2.23	1.76	4.63	3.85
	7.52	6.37	4.63	3.85
Other provisions				
Provision for warranties	—	—	1.40	1.30
Provision for tax (net of advance taxes of ₹ Nil)	0.71	0.69	—	—
	0.71	0.69	1.40	1.30
	8.23	7.06	6.03	5.15

Provision for warranties

A provision is recognized for expected warranty claims on products sold during the last one year, based on past experience of the level of repairs and returns. It is expected that significant portion of these costs will be incurred in the next financial year and all will have been incurred within a year after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the one-year warranty period for all products sold. The table below gives information about movement in warranty provisions.

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
At the beginning of the year	1.30	1.36
Recognised during the year	1.40	0.42
Utilised during the year	—	—
Unused amounts reversed	(1.30)	(0.48)
At the end of the year	1.40	1.30

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

9. Trade payables

Dues to micro and small enterprises (refer note no 38)

Dues to others

– for product

– for services and others

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
2.40	1.93
169.97	170.07
15.49	22.42
187.86	194.42

10 Other current liabilities

Current maturities of long-term borrowings (note 5.1)

Interest accrued but not due on borrowings

Employee related payables

Payables for expenses

Unearned revenue

Capital creditors

Unpaid dividend

Advances from customers

Statutory dues payable

Other current liabilities (refer note 26(b))

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
—	1.76
0.97	0.94
8.03	6.56
20.66	31.52
108.92	97.09
2.80	4.04
0.29	0.34
19.86	13.98
5.05	6.22
11.49	9.48
178.07	171.93

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

11. Tangible assets

	₹ in Crore										
	Leasehold Land*	Freehold Land*	Leasehold Improvement	Buildings*	Plant and Equipment #	Computers	Electrical Installations	Furniture and Fixtures	Office Equipment	Vehicles	Total
Cost											
At 1 April 2014	0.40	0.10	7.20	3.20	54.70	24.70	2.30	7.90	32.60	0.30	133.40
Additions	-	-	0.45	-	6.57	0.53	0.01	0.02	2.67	-	10.25
Disposals / adjustments @	0.40	0.10	7.50	2.62	28.48	0.40	0.09	2.59	3.88	0.17	46.23
Exchange differences	-	-	0.31	-	0.40	0.47	(0.01)	0.10	0.56	-	1.83
At 31 March 2015	-	-	0.46	0.58	33.19	25.30	2.21	5.43	31.95	0.13	99.25
Additions	-	-	0.05	-	0.76	4.64	0.06	0.39	0.37	-	6.27
Disposals	-	-	-	-	9.91	1.74	0.70	0.89	7.19	-	20.43
Exchange differences	-	-	0.03	-	-	1.78	0.01	0.73	0.56	-	3.11
At 31 March 2016	-	-	0.54	0.58	24.04	29.98	1.58	5.66	25.69	0.13	88.20
Depreciation											
At 1 April 2014	0.10	-	0.80	2.30	34.60	19.28	1.70	3.90	23.50	0.10	86.28
Charge for the year	-	-	1.26	0.10	6.25	4.09	0.23	1.20	4.12	0.02	17.27
Disposals / adjustments @	0.10	-	1.92	1.90	15.36	(0.50)	0.09	1.25	3.32	0.17	23.61
Exchange differences	-	-	0.06	-	0.09	0.41	(0.01)	0.04	0.30	-	0.89
At 31 March 2015	-	-	0.20	0.50	25.58	24.28	1.83	3.89	24.60	(0.05)	80.83
Charge for the year	-	-	0.18	0.02	2.46	1.09	0.22	1.98	1.14	-	7.09
Disposals	-	-	0.08	-	9.75	1.68	0.66	0.87	6.49	-	19.53
Exchange differences	-	-	0.02	-	0.05	1.69	-	0.38	0.37	0.05	2.56
At 31 March 2016	-	-	0.32	0.52	18.34	25.38	1.39	5.38	19.62	-	70.95
Net Block											
At 31 March 2015	-	-	0.26	0.08	7.61	1.02	0.38	1.54	7.35	0.18	18.42
At 31 March 2016	-	-	0.22	0.06	5.70	4.60	0.19	0.28	6.07	0.13	17.25

Building includes those constructed on leasehold land.

Above assets include those offered as security for borrowings availed by the Company (Refer Note 5.1 and 5.2)

Refer footnote under note 15

* Refer note 26 (b)

@ Refer note 41

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

12 Intangible assets

			₹ in Crore
	Goodwill #	Computer Software	Total
Cost			
At 1 April 2014	84.05	13.68	97.73
Additions	—	—	—
Disposals	—	2.32	2.32
Exchange differences	3.48	0.08	3.56
At 31 March 2015	87.53	11.44	98.97
Additions (refer note 39)	11.51	5.54	17.05
Disposals	—	0.02	0.02
Exchange differences	6.30	0.09	6.39
At 31 March 2016	105.34	17.05	122.39
Amortization			
At 1 April 2014	17.50	9.98	27.48
Charge for the year	—	1.17	1.17
Disposals	—	1.69	1.69
Exchange differences	0.70	0.03	0.73
At 31 March 2015	18.20	9.49	27.69
Charge for the year #	—	1.41	1.41
Disposals	—	0.02	0.02
Exchange differences	1.75	—	1.75
At 31 March 2016	19.95	10.88	30.83
Net Block			
At 31 March 2015	69.33	1.95	71.28
At 31 March 2016	85.39	6.17	91.56
# Refer note 40			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

13 Loans and advances

	Non-current		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Unsecured, considered good				
Capital advances	0.01	0.00	—	—
Deposits	5.46	5.64	1.27	2.01
Deposits with related party	8.49	—	—	2.70
Loan and advances to related parties	—	—	3.62	7.16
Advances to vendors	4.86	3.61	12.81	26.51
Advance income—tax (net of provision for taxation ₹ 123.21 Crores) (31 March 2015: ₹ 123.21 Crores)	70.04	70.94	—	—
Prepaid expenses	0.58	0.68	6.86	7.05
Balances with statutory / government authorities	—	—	2.99	3.96
	89.44	80.87	27.55	49.39

14 Other assets

	Non-current		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Unsecured, considered good				
Margin money deposits with bank *	0.41	4.68	—	—
Others				
Interest accrued on fixed deposits	—	—	2.68	0.68
Excess managerial remuneration recoverable from Managing Director (refer note 35(b))	—	—	—	1.34
Receivable against sale of fixed assets (refer note 26(b))	—	—	62.52	64.88
Deferred cost for maintenance contracts	2.72	3.67	51.32	28.62
Unbilled revenue	—	—	2.38	—
	3.13	8.35	118.90	95.52

*Lien against bank guarantees issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

15 Inventories (valued at lower of cost and net realisable value)

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Materials and components (includes in transit ₹ 0.05 Crore (31 March 2015 ₹ Nil)) (refer note 20)	0.19	0.16
Work-in-progress (refer note 21)	1.70	2.31
Stock-in-trade (includes in transit ₹ 0.44 Crore (31 March 2015 ₹ 0.53 Crore)) (refer note 21)	16.48	17.77
Stores and spares	5.17	* 6.24
	23.54	26.48

*** Footnote:**

“Disposal / adjustments” under plant and equipment relate to re-classification of spares utilised for servicing maintenance contracts with customers, to inventory. The management believes this to be a more appropriate classification owing to the nature of its usage.

Accordingly, the net carrying value as at 1 April 2014 amounting to ₹ 6.68 Crore has been transferred to inventory and the amount consumed during the year ended 31 March 2015 amounting to ₹ 2.83 Crore, has been disclosed under “Consumption of stores and spares” (as a part of “Other Expenses”), which was disclosed under “Depreciation and amortization expense” till the earlier year (₹ 3.16 Crore for the year ended 31 March 2014). There is no impact of the same on the statement of profit and loss account for the year ended 31 March 2015.

16 Trade receivables

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Non-current (Long-term)		
Unsecured, considered good	1.29	2.09
	1.29	2.09
Current		
Receivables outstanding for a period exceeding six months from the due date for payment		
Unsecured, considered good	61.64	58.44
Unsecured, considered doubtful	109.55	101.04
	171.19	159.48
Less: Provision for doubtful receivables	109.55	101.04
	61.64	58.44
Others		
Unsecured, considered good	154.64	188.22
	216.28	246.66

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

17 Cash and bank balance

Cash equivalents

Balances with banks:

– In current accounts

Cheques / drafts on hand

Cash on hand

Other bank balances

Margin money deposits with maturity of more than 3 months and less than 12 months *

Unpaid dividend account

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
26.12	27.33
0.05	0.35
0.05	0.07
26.22	27.75
9.84	5.55
0.29	0.40
10.13	5.95
36.35	33.70

*Lien against bank guarantees issued.

18. Revenue from operations

Revenue from operations

Sale of products

Finished goods*

Traded goods*

Sale of services

Less : Excise Duty#

Other operating revenue

Liabilities for earlier years no longer required written back

Reversal of bad debt provision

Revenue from operations (net)

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
12.99	13.52
476.75	451.67
389.20	423.59
878.94	888.78
1.38	1.15
877.56	887.63
3.82	3.18
—	0.08
881.38	890.89

Excise duty on sales amounting to ₹ 1.38 Crore (31 March 2015 : ₹ 1.15 Crore) has been reduced from sales in the statement of profit and loss and excise duty on increase/decrease in stock amounting to ₹ (0.04) Crore (31 March 2015 : ₹ 0.16 Crore) has been considered as expense in the statement of profit and loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

* The Group is a global ICT solution provider and integrator operating in various quadrants and the solutions sold to customers configured as per specific customer requirements. The heterogeneous mix of components in solutions offered to customers makes it difficult to establish a meaningful/homogenous relationship for providing breakup of goods purchased/sold during the year and the stock position. Consequently, it is neither feasible nor meaningful to give the category-wise details of goods purchased and sold during the year and stock position for all its product solutions.

Detail of services rendered

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Maintenance services	291.64	341.73
Implementation services	97.56	81.86
	389.20	423.59

19. Other income

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Interest income on		
Bank deposits	0.68	1.40
Income tax refund	1.13	2.65
Others	0.43	0.52
Misc Income	1.96	—
Surplus on disposal of fixed assets	0.09	0.03
Exchange differences (net)	1.22	1.68
	5.51	6.28

20. Cost of materials and components consumed

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Inventory at the beginning of the year	0.16	0.96
Add: Purchases	8.54	4.83
	8.70	5.79
Less: Inventory at the end of the year	0.19	0.16
Cost of material and components consumed	8.51	5.63

Details of raw material and components consumed

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Printed circuit boards	3.78	2.81
Static converters	0.33	0.20
Cabinet	3.22	2.24
Peripherals	0.25	0.32
Others	0.93	0.06
	8.51	5.63

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

21. Decrease in inventories

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Inventories at the end of the year		
Stock-in-trade	16.48	17.77
Work-in-progress	1.70	2.31
	18.18	20.08
Inventories at the beginning of the year		
Stock-in-trade	17.77	94.93
Work-in-progress	2.31	5.12
	20.08	100.05
	1.90	79.97
Less: Exceptional items disclosed separately (refer note 28(a))	—	(12.79)
	1.90	67.18

Note: The Group is a global ICT solution provider and integrator operating in various quadrants and the solutions sold to customers are configured as per specific customer requirements. The heterogeneous mix of components in solutions offered to customers makes it difficult to establish a meaningful/homogenous relationship for providing breakup of goods purchased/sold during the year and the stock position. Consequently, it is neither feasible nor meaningful to give the category-wise details of goods purchased and sold during the year and stock position for all its product solutions.

22. Employee benefits expense (refer note 35 for managerial remuneration)

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Salaries, wages and bonus	193.21	186.56
Contribution to provident and other funds	0.96	0.89
Staff welfare expenses	6.01	5.04
	200.18	192.49

23. Finance costs

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Interest on loans	23.36	22.96
Guarantee commission	2.39	1.91
Others	0.93	1.05
	26.68	25.92

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

24. Depreciation and amortisation expense

Depreciation of tangible assets
Amortisation of intangible assets

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
7.09	17.27
1.41	1.17
8.50	18.44

25. Other expenses

Consumption of stores and spares (indigenous)
Power and water charges
Rent
Rates and taxes
Insurance
Repairs and maintenance – Others
Travelling and conveyance
Telephone, telex and fax
Printing and stationery
Legal and professional fees
Advertisement and sales promotion
Outward freight, clearing and forwarding charges
Commission to others
Directors' sitting fees
Exchange differences (net)
Provision for doubtful debts and advances (net)
Bad debts written off (Net of provision in earlier year ₹ 0.81 Crore, 31 March 2015 ₹ 1.84 Crore)
Loss on contract cancellation
Loss on sale of fixed assets (net)
Excise duty
Other expenses

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
2.83	2.87
2.73	2.80
23.73	19.76
2.50	2.30
2.35	2.21
5.74	6.14
16.06	13.76
7.83	7.26
0.42	0.42
17.43	10.63
2.72	2.44
2.21	3.99
0.35	0.49
0.48	0.25
–	0.75
4.85	–
–	–
0.28	2.78
0.07	–
(0.04)	0.16
8.81	10.92
101.35	89.93

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

26. Exceptional items

- (i) Obsolete/non-moving inventory (refer note (a) below)
- (ii) Profit on sale of fixed assets (refer note (b) below)
- (iii) Interest on receivable from sale of fixed assets

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
—	(12.79)
—	46.04
1.64	—
1.64	33.25

Notes:

- a) The Group made provision for identified obsolete/slow moving/non-moving Inventories aggregating ₹ Nil (previous year ₹ 12.79 Crore).
- b) During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of ₹ 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of ₹ 46.04 Crores (net of incidental expenses ₹ 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of ₹ 5.89 Crores and also realised part consideration of ₹ 3.20 Crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date.

27. Prior period Items

- Commission
- Rent

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
—	1.40
—	0.26
—	1.66

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

28. Earnings per share (EPS)

The following reflects the profit/(loss) used in the basic EPS:

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
(Loss) / profit for the year	(34.59)	14.77
Weighted average number of equity shares in calculating basic and diluted EPS	28,466,464	28,466,464
Basic earnings per share (in ₹)	(12.15)	5.19
Nominal Value per share (in ₹)	10.00	10.00

The following reflects the profit/(loss) used in the computation of dilutive EPS:

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
(Loss) / profit for the year	(34.59)	14.77
Weighted average number of equity shares in calculating basic and diluted EPS*	28,466,464	28,466,464
Diluted earnings per share (in ₹)	(12.15)	5.19
Nominal Value per share (in ₹)	10.00	10.00

* The effect of 492,469 potential equity shares granted during the year relating to share options awards under the ESOP Scheme 2015 on the attributable loss for the year is anti-dilutive and thus these share are not considered in determining diluted loss per share.

29. Employee benefits plan

- (a) Defined contribution plan – The Group has recognised the following amount in the statement of profit and loss for the year ended:

Particulars	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Contribution to provident fund (for the Company)	0.96	0.89

Above amount has been included in the line item 'Contribution to provident and other funds' in note 22 to the consolidated financial statements.

- (b) Defined benefit plan – The company has one defined plan, i.e. Gratuity, for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

	Gratuity	
	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Current service cost	0.58	0.65
Interest cost on benefit obligation	0.34	0.36
Expected return on plan assets	(0.02)	(0.06)
Net actuarial (gain) / loss recognized in the year	(0.27)	0.15
Adjustments	—	0.16
Net benefit expense	0.63	1.26

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

Balance sheet

Benefit asset / liability

Present value of defined benefit obligation

Fair value of plan assets

Funded status [surplus/(deficit)]

Plan asset / (liability)

Changes in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation

Current service cost

Interest cost

Benefits paid *

Actuarial (gains) / losses on obligation

Closing defined benefit obligation

* Included benefits paid directly by the Company.

Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets

Adjustment

Expected return

Contributions by employer

Benefits paid

Actuarial gains / (losses)

Closing fair value of plan assets

The Company expects to contribute ₹ Nil to gratuity in the next year (31 March 2015 : ₹ Nil).

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Investments with insurer

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
4.73	4.41
0.02	0.29
(4.71)	(4.12)
(4.71)	(4.12)

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
4.41	4.47
0.58	0.65
0.34	0.36
(0.33)	(1.17)
(0.27)	0.10
4.73	4.41

31 March 2016	31 March 2015
₹ in Crore	₹ in Crore
0.29	0.95
(0.07)	(0.16)
0.02	0.06
—	—
(0.22)	(0.51)
—	(0.05)
0.02	0.29

Gratuity

31 March 2016	31 March 2015
100%	100%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

Following are the principal assumptions used as at the Balance Sheet date:

	Gratuity	
	31 March 2016	31 March 2015
Discount rate	8.00%	7.90%
Expected rate of return on assets	8.50%	8.50%
Salary escalation rate	7.00%	7.00%
Mortality rate	Indian Assured Lives Mortality (2006–08) (modified) Ultimate	Indian Assured Lives Mortality (2006–08) (modified) Ultimate
Withdrawal rate	Upto age 26 years 5% Upto age 27–34 years 12% Upto age 35–44 years 5% Above age 44 years 1%	Upto age 26 years 5% Upto age 27–34 years 12% Upto age 35–44 years 5% Above age 44 years 1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to change in the market scenario.

Amounts for the current and previous four periods are as follows:

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Gratuity					
Defined benefit obligation	4.73	4.41	4.47	5.82	4.80
Plan assets	0.02	0.29	0.95	2.77	3.60
Deficit/(surplus)	4.71	4.12	3.52	3.05	1.20
Present value of unfunded obligations	4.71	4.12	3.52	3.05	1.20
Experience adjustments on plan liabilities	0.22	0.41	0.42	(0.70)	(1.00)
Experience adjustments on plan assets	(0.00)	(0.05)	0.02	–	0.10
Actuarial gain / (loss) due to change in assumptions	0.05	(0.51)	0.24	(0.10)	–

- (c) Compensated absences:– Eligible employees can carry forward and encash leave on superannuation, death, permanent disablement and resignation subject to maximum accumulation as per the Group policy. Benefit would be paid at the time of separation based on the last drawn basic salary. Amount recognised as an expenses in respect of compensated absence is ₹ 1.25 Crore (previous year ₹ 1.73 Crore)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

30. Employees Stock Option

The Company provides share based payment schemes to its employees. During the year ended 31 March 2016 an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below.

On 14 May, 2015 the Board Of Directors approved the equity settled ESOP scheme for issue of stock options to the key employees and directors of the company setting aside 1,004,866 options under this scheme. According to the scheme, the employees selected by the remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising vesting period and exercise period) of options granted is 6.12 years. The other relevant terms of the grant are as below:

Grant Date	14-May-15
Vesting period	3 years
Exercise period	2 years
Exercise price (₹)	80
Market price on the date of grant (₹)	104.15

The details of activity under the scheme are summarized below:

Particulars

	31 March 2016	
	No. of options	* WAEP (₹)
Outstanding at the beginning of the year	—	—
Granted during the year	1,004,866	80
Cancelled during the year	512,397	80
Exercised during the year	—	—
Outstanding at the end of the year	492,469	80
Exercisable at the end of the year	—	—

* WAEP denotes weighted average exercise price of the option

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2016 is 6.12 Years.

The weighted average fair value of stock options granted during the year – ₹ 32.85

The Black Scholes valuation model has been used for computing weighted average fair value considering the following inputs:

Particulars	14-May-15
Dividend yield (%)	9.60%
Expected volatility (%)	54.42 – 57.57%
Risk-free interest rate (%)	7.77 – 7.82%
Weighted average share price	104.15
Exercise price	80
Expected life of options granted in years	4 – 6.01

The expected life of options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life of the options is indicative of future trends, which may differ from the actual.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

The Company measures the cost of ESOP using intrinsic value method. Had the company used the fair value model to determine compensation, its profit / (loss) after tax and earnings per share as reported would have changed to amounts indicated below.

Particulars

(Loss) after tax attributable to equity shareholders
Add: ESOP cost using Intrinsic Value method
Less: ESOP cost using Fair Value method

Proforma (loss) after tax

Earnings per share

Basic

As reported

Proforma

Diluted

As reported

Proforma

Year ended 31 March 2016

(34.59)

0.21

0.61

(34.99)

(12.15)

(12.29)

(12.15)

(12.29)

The Company incurred ₹ 0.21 Crore (31 March 2015 – ₹ Nil) towards employees stock compensation plan during the year.

31. Leases

Operating lease: Company as lessee

The Group has entered into various leasing agreements classified as operating leases for residential, office and warehouse premises which are renewable by mutual consent on mutually agreeable terms. These agreement generally range between 11 months to 6 years. The Group does not have sub-leasing agreements or any contingent arrangements. Lease payments are recognised in the statement of profit and loss under 'Rent' in note 25.

The future minimum lease payments under non-cancellable operating leases are:–

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Within one year	16.69	8.63
After one year but not more than five years	41.72	6.63
More than five years	0.04	–

Finance lease: Group as lessee

The Group has finance leases for certain items of computer equipment. These leases have bargain purchase option at end of the term.

Future minimum lease payments (MLP) under finance leases together with the present value of the net MLP are as follows:

	31 March 2016		31 March 2015	
	Minimum payments	Present value of MLP	Minimum payments	Present value of MLP
	₹ in Crore	₹ in Crore	₹ in Crore	₹ in Crore
Within one year	–	–	0.84	0.80
After one year but not more than five years	–	–	–	–
Total minimum lease payments	–	–	0.84	0.80
Less: amounts representing finance charges	–	–	0.07	–
Present value of minimum lease payments	–	–	0.77	0.80

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

32. Segment information

(a) Primary Segment

The Company is a ICT solution provider and integrator delivering technology based solutions accross verticals layered with a spectrum of applications and services. All these solutions fall with in a single (primary) business segment of Enterprise Communication Solutions and Integration.

(b) Secondary Segment: Geographical segments

The Group's secondary segments are based on the geographic distribution of activities. Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets. The following tables present revenue, expenditure and certain asset information regarding the company's geographical segments:

Year ended 31 March 2016

₹ in Crore

	India	Singapore	USA	UAE	Australia	Others	Eliminations	Total
Revenue								
External sales	388.59	8.81	276.55	60.80	54.18	90.01	—	878.94
Inter segment sales	1.22	1.88	1.90	—	—	4.67	9.67	—
Total revenue	389.81	10.69	278.45	60.80	54.18	94.68	9.67	878.94
Segment assets	387.11	100.10	193.67	15.12	35.59	27.41	133.71	625.29
Total assets	387.11	100.10	193.67	15.12	35.59	27.41	133.71	625.29
Other segment information								
Capital expenditure:								
Tangible assets	3.26	0.01	0.36	—	0.64	2.00	—	6.27
Intangible assets	2.05	—	13.84	—	—	1.16	—	17.05

Year ended 31 March 2015

₹ in Crore

	India	Singapore	USA	UAE	Australia	Others	Eliminations	Total
Revenue								
External sales	440.74	4.96	264.55	21.81	48.26	108.46	—	888.78
Inter segment sales	1.66	2.27	—	—	—	—	3.93	—
Total revenue	442.40	7.23	264.55	21.81	48.26	108.46	3.93	888.78
Segment assets	448.96	95.29	163.92	9.28	11.34	60.88	156.91	632.76
Total assets	448.96	95.29	163.92	9.28	11.34	60.88	156.91	632.76
Other segment information								
Capital expenditure:								
Tangible assets	6.81	—	2.80	—	—	0.64	—	10.25
Intangible assets	—	—	—	—	—	—	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

33. Related party disclosures

Names of related parties and related party relationships

Related parties where control exists

Holding company	Essar Telecom Limited
Ultimate holding company	Essar Global Fund Limited

Related parties with whom transactions have taken place

Fellow subsidiaries	Aegis Americas Inc.
	Aegis Global Services FZ LLC
	Aegis Limited
	Aegis Outsourcing South Africa (Pty) Limited
	Aegis Outsourcing UK Limited
	Aegis Services Australia Pty Limited
	Contact Centre Company
	Equinox Business Parks Pvt Limited
	Essar Bulk Terminal (Salaya) Limited
	Essar Global Services FZE
	Essar Global Services Limited
	Essar Oil (Uk) Limited
	Essar Oil Limited
	Essar Power Transmission Company Limited
	Essar Project (India) Limited
	Essar Project Limited
	Essar Projects Mauritania–SARL
	Essar Projects Middle East FZE
	Essar Projects Singapore Pte Limited
	Essar Services (Mauritius)
	Essar Shipping Limited
	Essar Steel India Limited
	Essar Telecom Kenya Limited
	The Mobile Store Limited
	Vadinar Oil Terminal Limited
	Vadinar Ports & Terminals Limited

Key managerial personnel

Managing / Whole–time Directors

Mr. S. K. Jha, Managing Director (upto 22 April 2014)
 Mr. Anil Nair, Managing Director and CEO (w.e.f. 16 June, 2014 to 15 February, 2016)
 Mr. Sanjeev Verma, Whole–time Director (w.e.f. 15 May 2014 to 19 October, 2014)
 and (w.e.f. 15 February, 2016) *

Others (as per Companies Act, 2013)

Mr. Amal Thakore, Chief financial officer (w.e.f. 16 June, 2014)
 Mr. Srinivasa Raghavan, Chief financial officer (Upto 11 May, 2014)
 Mr. Pratik Bhanushali, Company secretary

* Appointment as whole time director of the company subject to shareholders approval at the ensuing Annual General Meeting. On obtaining such approval, the company will seek approval of the central government since the whole–time director was not resident in India on the date of his appointment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

During the year, 220,614 equity shares options are granted to key managerial personnel.

a. Remuneration to key managerial personnel

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Mr. S.K. Jha		
Salary, bonus and contribution to P.F. (Expenses)	—	0.26
Payable as at year end	—	—
Mr. Anil Nair		
Salary, bonus and contribution to P.F. (Expenses)	0.73	0.67
Excess remuneration recoverable as at year end (refer note 35(b))	—	1.34
426,997 options granted and cancelled during the year	—	—
Mr. Sanjeev Verma		
Salary, bonus and contribution to P.F.	—	1.07
Excess remuneration paid in previous year recovered during the year (refer note 35(a))	(0.55)	—
106,749 options granted during the year	0.05	—
Payable as at year end	0.19	0.25
Others		
Salary, bonus and contribution to P.F.	1.20	0.87
113,865 options granted during the year	0.05	—
Payable as at year end	0.29	0.14

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

b. Transactions with Related Parties

	Year ended	Sale of goods *	Sale of services *	Purchase of traded goods	Purchase of capital goods	Services received	Interest received/receivable	Expenses reimbursement received	Guarantees for loan taken by Group	Commission paid on guarantee	Trade advances taken during the year	Trade advance given during the year
Fellow subsidiaries												
Aegis Limited	31 March 16	13.74	3.35	0.06	—	2.06	—	—	—	1.91	0.25	—
	31 March 15	8.55	2.09	0.16	3.53	7.52	—	—	100.50	1.21	—	—
Aegis Services Australia Pty Ltd	31 March 16	—	0.24	—	—	—	—	—	—	—	—	—
	31 March 15	—	—	—	—	—	—	—	—	—	—	—
Aegis Outsourcing South Africa (Pty) Ltd	31 March 16	—	—	—	—	0.13	—	—	—	—	—	—
	31 March 15	—	—	—	—	0.21	—	—	—	—	—	—
Aegis Outsourcing UK Ltd	31 March 16	—	0.49	—	—	—	—	—	—	—	—	—
	31 March 15	—	—	—	—	—	—	—	—	—	—	—
Equinox Business Parks Pvt Limited	31 March 16	—	—	—	—	8.05	—	—	—	—	—	—
	31 March 15	—	0.13	—	—	7.66	—	—	—	—	—	—
Essar Oil Limited	31 March 16	—	0.01	—	—	—	—	—	—	—	1.00	—
	31 March 15	0.08	—	—	—	—	—	—	—	—	—	—
Essar Project Limited	31 March 16	—	—	—	—	—	—	0.26	—	—	—	—
	31 March 15	—	—	—	—	—	—	—	—	—	—	—
Essar Project (India) Limited	31 March 16	—	—	—	—	—	—	—	—	—	—	—
	31 March 15	0.07	—	—	—	—	—	—	—	—	—	—
Essar Projects Singapore Pte Ltd	31 March 16	—	—	—	—	—	—	—	—	—	—	—
	31 March 15	—	—	—	—	—	—	—	—	—	—	—
Essar Steel India Limited	31 March 16	—	—	—	—	—	—	—	—	—	—	—
	31 March 15	—	0.35	—	—	—	—	—	—	—	—	—
Essar Global Services FZE	31 March 16	—	—	—	—	—	—	—	—	—	—	—
	31 March 15	0.06	—	—	—	—	—	—	—	—	—	—
Essar Telecom Kenya Limited	31 March 16	—	—	—	—	—	—	—	—	—	—	—
	31 March 15	—	—	—	—	0.07	—	—	—	—	—	—
Essar Projects Mauritania-SARL	31 March 16	—	—	—	—	—	—	—	—	—	—	—
	31 March 15	0.32	—	—	—	—	—	—	—	—	—	—
Essar Projects Middle East FZE	31 March 16	—	—	—	—	—	—	—	—	—	—	—
	31 March 15	0.10	—	—	—	—	—	—	—	—	—	—
Essar Oil (Uk) Limited	31 March 16	—	1.00	—	—	—	—	—	—	—	—	—
	31 March 15	—	—	—	—	—	—	—	—	—	—	—
Essar Bulk Terminal (Salaya) Limited	31 March 16	—	—	—	—	—	—	—	—	—	0.12	—
	31 March 15	—	—	—	—	—	—	—	—	—	—	—
Essar Shipping Limited	31 March 16	—	0.14	—	—	—	—	—	—	—	—	—
	31 March 15	—	—	—	—	—	—	—	—	—	—	—
Contact Centre Company	31 March 16	13.20	8.88	—	—	2.65	—	—	—	—	—	—
	31 March 15	13.46	2.74	—	—	1.66	—	—	—	—	—	—
Aegis Americas Inc.	31 March 16	—	—	—	—	—	—	1.02	—	—	—	—
	31 March 15	—	0.09	—	—	—	—	0.65	—	—	—	—
The Mobile Store Limited	31 March 16	—	0.12	—	—	—	—	—	—	—	—	2.00
	31 March 15	—	—	—	—	—	—	—	—	—	—	—
Vadinar Oil Terminal Limited	31 March 16	—	—	—	—	—	—	—	—	—	0.06	—
	31 March 15	—	—	—	—	—	—	—	—	—	—	—
Vadinar Ports & Terminals Limited	31 March 16	—	—	—	—	—	—	—	—	—	0.06	—
	31 March 15	—	—	—	—	—	—	—	—	—	—	—

* These amounts represent invoices raised during the year which includes invoices where revenue recognition has been deferred. Foreign currency transactions of the company are reported at the exchange rate on the transaction date. Transactions of the foreign subsidiaries with related parties are reported at average exchange rate of the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

c. Balances with Related Parties		₹ in Crore				
	Year ended	Guarantees taken outstanding as at year end	Loans & advances and other recoverables	Trade receivables	Amount owed to related parties*	
Fellow subsidiaries						
Aegis Limited	31 March 16	100.50	—	0.40	3.49	
	31 March 15	100.50	—	7.47	11.39	
Aegis Services Australia Pty Ltd	31 March 16	—	—	0.01	0.00	
	31 March 15	—	—	—	0.02	
Aegis Outsourcing South Africa (Pty) Ltd **	31 March 16	—	—	0.74	0.19	
	31 March 15	—	—	0.70	0.05	
Aegis Global Services FZ LLC	31 March 16	—	—	—	—	
	31 March 15	—	—	2.45	1.62	
Equinox Business Parks Pvt Limited	31 March 16	—	8.49	0.10	6.76	
	31 March 15	—	8.49	0.10	2.75	
Essar Services (Mauritius)	31 March 16	—	—	—	—	
	31 March 15	—	—	—	2.27	
Essar Shipping Limited	31 March 16	—	—	0.11	—	
	31 March 15	—	—	—	—	
Essar Oil Limited	31 March 16	—	—	0.08	0.80	
	31 March 15	—	0.01	0.28	0.01	
Essar Power Transmission Company Limited	31 March 16	—	—	—	—	
	31 March 15	—	—	0.00	—	
Essar Project Limited	31 March 16	—	0.26	0.00	—	
	31 March 15	—	—	—	—	
Essar Project (India) Limited	31 March 16	—	1.36	0.78	—	
	31 March 15	—	1.36	0.78	—	
Essar Projects Singapore Pte Limited	31 March 16	—	—	0.00	—	
	31 March 15	—	—	0.00	—	
Essar Bulk Terminal (Salaya) Limited	31 March 16	—	—	—	0.12	
	31 March 15	—	—	0.06	—	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

c. Balances with Related Parties		₹ in Crore				
	Year ended	Guarantees taken outstanding as at year end	Loans & advances and other recoverables	Trade receivables	Amount owed to related parties*	
Essar Steel India Limited	31 March 16	—	—	0.24	—	
	31 March 15	—	—	0.24	—	
Essar Global Services Limited	31 March 16	—	—	—	—	
	31 March 15	—	—	—	0.02	
Essar Telecom Kenya Limited	31 March 16	—	—	0.00	0.20	
	31 March 15	—	—	0.00	0.20	
Contact Centre Company	31 March 16	—	—	5.25	0.85	
	31 March 15	—	—	5.64	3.33	
Aegis Americas Inc.	31 March 16	—	—	0.30	—	
	31 March 15	—	—	1.43	—	
The Mobile Store Limited	31 March 16	—	2.00	—	—	
	31 March 15	—	—	—	—	
Vadinar Oil Terminal Limited	31 March 16	—	—	—	0.06	
	31 March 15	—	—	—	—	
Vadinar Ports & Terminals Limited	31 March 16	—	—	—	0.06	
	31 March 15	—	—	—	—	

* These amounts includes trade payables, other liabilities and advance from customers.

** During the previous year the group has written off receivable of ₹ 4.21 Crore from Aegis Outsourcing South Africa (Pty) Ltd.
Foreign currency balances are restated at year end rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

34. Capital and other commitments

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 0.28 Crore (31 March 2015: ₹ Nil Crore)
- (b) For commitments relating to lease arrangements, please refer note 31.

35. Employee benefit expense for the year ended 31 March 2015 includes:—

- (a) ₹ 1.07 Crore towards remuneration payable by the Company to its erstwhile Whole-time Director for a part of the financial year 2014–15, as per the shareholders' sanction, which exceeded the limits specified under Schedule V to the Companies Act, 2013 by ₹ 0.70 Crore and against which the Company paid ₹ 0.82 Crore. In absence of profits, the Company filed an application with the Central Government seeking approval for such excess and the Central Government during the current year has approved the remuneration of ₹ 0.37 Crore. Accordingly, during the current year, the excess amount of ₹ 0.45 Crore has been recovered.
- (b) ₹ 0.67 Crore towards remuneration payable to the erstwhile Managing Director for a part of the financial year 2014–15. The remuneration payable as per the shareholders' sanction was ₹ 3.19 Crore against which the Company paid ₹ 2.01 Crore during the year 2014–15. In absence of profits, the Company filed an application with the Central Government seeking approval for remuneration sanctioned by the shareholders, which exceeds the limits specified under Schedule V to the Companies Act, 2013. However, it has received an approval, subsequent to the year ended 31 March 2015 for ₹ 0.84 Crore per annum. In view of the same, the excess amount has been reversed and recovered.

36. Contingent liabilities

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Contingent liabilities		
In respect of disputed demands in respect of matters under appeal with		
(a) Income tax authorities	33.59	30.62
(b) Excise, service tax and customs authorities	24.31	24.21
(c) Sales tax authorities	2.98	2.15

The Company is contesting all of the above demands in respect of Income tax, Excise duty, Service tax, Custom duty and Sales tax and the management, believes that its positions are likely to be upheld at the appellate stage. No expense has been accrued in the financial statements for the aforesaid demands. The management believes that the ultimate outcome of these proceedings are not expected to have a material adverse effect on the Company's financial position and results of operations and hence no provision has been made, in this regard.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

37 Unhedged foreign currency exposure

Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows:

	Amounts in Crore			
	31 March 2016		31 March 2015	
	Foreign Currency	₹	Foreign Currency	₹
Trade payables	0.89 USD	58.77	0.76 USD	47.65
	—	—	0.00 GBP	0.04
	0.00 EUR	0.13	0.01 EUR	0.68
	0.16 SAR	2.81	0.23 SAR	3.76
	—	—	0.00 SGD	0.20
	0.00 HKD	0.03	0.00 HKD	0.02
	0.00 NZD	0.03	0.00 NZD	0.04
	0.14 AED	2.46	0.19 AED	3.27
	0.33 KES	0.21	0.14 KES	0.10
	—	—	0.00 AUD	0.00
	0.06 PHP	0.09	—	—
Bank balances	0.07 USD	4.88	0.04 USD	2.22
	0.28 AED	5.03	0.14 AED	2.32
	0.08 PHP	0.11	0.92 PHP	1.29
	1.72 KES	1.12	—	—
Trade receivables	1.35 USD	89.31	0.09 USD	5.40
	0.08 SAR	1.50	0.12 SAR	2.02
Short-term borrowings	0.14 USD	9.49	—	—
Interest payable	0.00 USD	0.02	—	—

38. Details of dues to micro, small and medium enterprises as defined under the MSMED Act, 2006

Sundry creditors include –

	31 March 2016	31 March 2015
	₹ in Crore	₹ in Crore
Total outstanding dues of micro and small enterprises	2.40	1.93

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

Details of amounts due under the Micro, Small and Medium Enterprises Development Act, 2006 are as under:–

		31 March 2016	31 March 2015
		₹ in Crore	₹ in Crore
1) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	a. Principal	2.28	1.83
	b. Interest	0.12	0.10
	Total	2.40	1.93
2) The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.	a. Principal	1.35	1.28
	b. Interest	–	–
	Total	1.35	1.28
3) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.		–	–
4) The amount of interest accrued and remaining unpaid at the end of the year.	a. Total Interest accrued	0.02	0.02
	b. Total Interest unpaid	0.02	0.02

The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

Included in S. No. 4(b) above is ₹ 0.02 Crore (31 March 2015 ₹ 0.02 Crore) being interest on amounts outstanding as at the beginning of the accounting year.

The information has been given in respect of such vendors to the extent they could be identified as “Micro and Small Enterprises” on the basis of information available with the Company.

39. During the year, on 01 June 2015, the Group acquired business of Ensource Limited, USA.

The details of the acquisition date financial information are as provided below:

Particulars	31 March 2016
	₹ in Crore
Assets	
Fixed assets	0.16
Inventories	0.50
Trade receivables	2.00
Cash and bank balances	0.01
Other assets	1.20
Total Assets	3.87
Liabilities	
Trade payables	(5.72)
Other current liabilities	(6.57)
Total Liabilities	(12.29)
Net Liabilities acquired	(8.42)
Purchase consideration paid	3.09
Goodwill on acquisition	11.51

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2016

- 40.** During the previous year, the Company's subsidiary, AGC Networks Inc. has decided not to amortise goodwill on purchase of business of Transcend United Technologies, LLC, USA (TUT business) in view of estimated period of benefits based on the future projections of the said business. Goodwill which was earlier amortised over a period of 5 years, will now be tested for impairment effective 1 April, 2014.
- 41.** During the year ended 31 March 2015 AGC Networks Inc. had entered into an Asset Transfer Agreement to sell its entire fixed assets to a party with which it entered into a Master Service Agreement for use of the same / similar assets to support its operations. The Company believes this arrangement would enable it to obtain significant advantages in the nature of maintenance / capacity enhancement of such assets and reduction in technology risk while focusing on its core business of providing networking solutions to its customers.
- 42.** Represents provision for with-holding tax credits for earlier years relating to the Singapore entity adjusted during the year.
- 43.** As per the transfer pricing rules, the Group is examining domestic and international transactions and documentation in respect thereof to ensure compliance with the said rules. The management does not anticipate any material adjustments with regard to the transactions involved.
- 44. Corporate social responsibility**
- As per section 135 of the Company Act, 2013, a corporate social responsibility (CSR) Committee has been formed by the Company. The Company has average net loss for the last 3 financials years so the amount of CSR expenditure required as per the Companies Act is Nil and the Company has not undertaken any CSR activity during the year.
- 45.** Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.
- 46.** All amounts are in Rupees (in Crore) except otherwise stated specifically and "0.00" denotes amounts less than fifty thousand Rupees.

For Walker Chandiok & Co LLP
(Formerly known as Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No. : 001076N/N500013

ADI P. SETHNA
Partner

Place : Mumbai
Date : 19 May 2016

**For and on behalf of the Board of Directors of
AGC Networks Limited**

SANJEEV VERMA
Whole-time Director
DIN – 6871685

PRATIK BHANUSHALI
Company Secretary

Place : Mumbai
Date : 19 May 2016

SUJAYA BANERJEE
Non-executive Director
DIN – 6814544

AMAL THAKORE
Chief Financial Officer

FINANCIAL HIGHLIGHTS – CONSOLIDATED

	₹ in Crore									
	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Fixed Assets (Net) and Investment	108.8	89.7	119.8	129.2	115.8	102.6	21.7	19.9	27.2	26.4
Net Current Assets	309.3	156.2	189.7	495.6	328.3	146.3	219.1	193.7	173.9	164.2
Total Capital Employed	68.6	101.6	74.0	305.6	322.5	262.7	253.0	225.7	215.4	204.0
Shareholders' Funds										
I. Equity	43.5	43.5	28.5	28.5	14.2	14.2	14.2	14.2	14.2	14.2
II. Reserves and Surplus	25.2	58.2	45.5	277.1	308.3	248.5	238.8	211.5	201.0	189.2
Total	68.6	101.6	74.0	305.6	322.5	262.7	253.0	225.7	215.2	203.4
Sales (including excise)	882.8	892.0	775.8	1,061.2	997.6	325.5	540.4	558.4	637.2	924.7
Other Income	5.5	6.3	19.6	51.5	12.9	3.1	10.3	4.2	3.4	8.3
Profit before tax	(22.3)	17.7	(274.1)	(9.9)	86.3	19.2	52.4	23.2	28.6	69.0
Provision for Tax										
I. Current Tax	4.7	3.5	0.3	7.0	21.7	7.6	17.8	5.1	10.8	28.2
II. Deferred Tax	7.6	(0.6)	(2.7)	5.0	1.1	(1.6)	–	2.1	(0.9)	(3.6)
III. Fringe Benefit Tax	–	–	–	–	–	–	–	0.5	1.2	1.7
Profit After Tax	(34.6)	14.8	(271.6)	(21.9)	63.5	13.2	34.6	15.5	17.5	42.7
Dividend (%)	–	–	–	–	150	23	45	35	35	68
Debt Equity Ratio	2.36	1.42	3.18	1.04	0.40	–	–	–	–	–
Earning per share (₹)	(12.15)	5.19	(95.41)	(7.69)	22.32	9	24	11	12	30
Cash Earning per share (₹)	(0.92)	1.17	(81.21)	(1.98)	52.85	11.94	29.79	18.13	20.80	42.29
Book Value per share (₹)	2.41	3.57	48.50	107.22	226.63	184.57	177.78	158.60	151.21	142.91

AGC NETWORKS LIMITED

Regd. Office: Equinox Business Park, (Peninsula Techno Park) Off.
Bandra Kurla Complex, LBS Marg, Kurla West. Mumbai – 400070
Website – www.agcnetworks.com | CIN L32200MH1986PLC040652

ATTENDANCE SLIP

ANNUAL GENERAL MEETING - SEPTEMBER 28, 2016 AT 11.00 A.M

REGD. FOLIO NO. CLIENT ID:
DP ID NO: NO. OF SHARES:
NAME & ADDRESS OF REGISTERED SHARE HOLDER:

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the THIRTIETH ANNUAL GENERAL MEETING of the Company at Banquet Hall, Equinox Business Park, Off B.K.C., LBS Marg, Kurla West, Mumbai 400070 on Wednesday, September 28, 2016.

NAME OF THE SHAREHOLDER (IN BLOCK CAPITALS)	SIGNATURE OF THE SHAREHOLDER OR PROXY

Note: Please complete this and hand it over at the entrance of the hall.

AGC NETWORKS LIMITED

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PROXY FORM

ANNUAL GENERAL MEETING SEPTEMBER 28, 2016 AT 11.00 A.M

I/We of
in the district ofbeing a member/members of AGC NETWORKS LIMITED hereby appoint
..... of in the district of
.....or failing himofin the district ofas my/
our proxy to vote for me/us on my/our behalf at the THIRTIETH ANNUAL GENERAL MEETING of the Company to be held
at Banquet Hall, Equinox Business Park, Off B.K.C., LBS Marg, Kurla West, Mumbai 400070 on Wednesday, September 28,
2016 and at any adjournment thereof.

Signed this day of 2016.

Reg. Folio/Client ID No.:

DP ID No.:

No. of Shares:

Signature of the Proxy Holder: Signature of the Member:.....

Affix a
1 Rupee
Revenue
Stamp

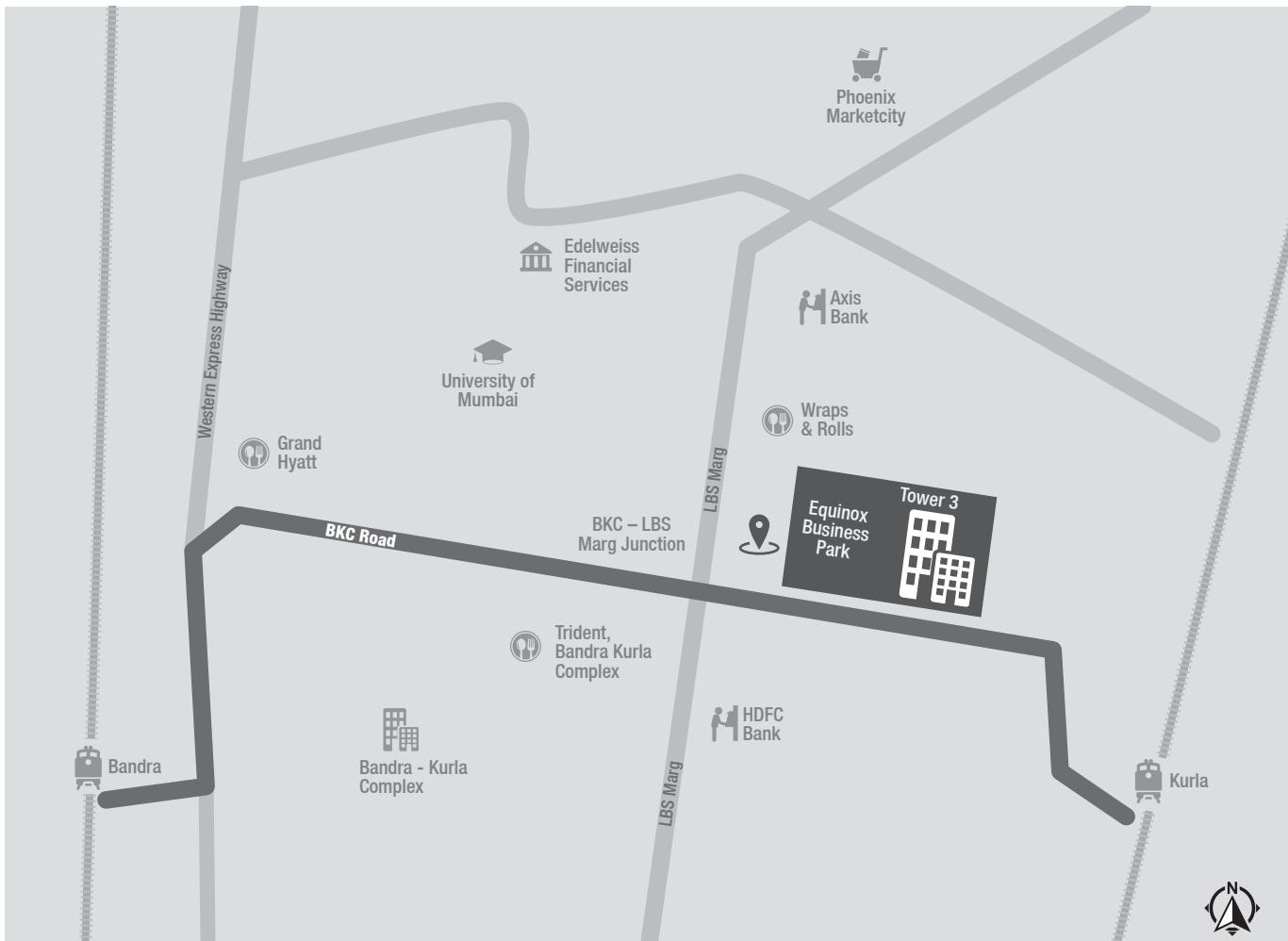
This form is to be used * In favour of the resolution. Unless otherwise instructed, the proxy will act as he/she thinks fit.
* against

* Strike out which ever not desired

- Note:
1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
 2. E-Voting instructions and details are as mentioned in the notice of THIRTIETH ANNUAL GENERAL MEETING.

Route Map to AGC Networks Limited

Venue: Equinox Business Park, Tower 3, Off B.K.C, LBS Marg,
Kurla West, Mumbai 400070, Maharashtra, India



Landmark: BKC – LBS Marg Junction

Distance from Kurla Station: 0.8 km

Distance from Bandra Station: 1.75 km



Registered Office

AGC Networks Limited, Equinox Business Park, Tower 1 (Peninsula Techno Park),
Off. BKC, LBS Marg, Kurla West, Mumbai 400070, India. | T: + 91 22 6661 7272
F: +91 22 6704 5858 | E: info@agcnetworks.com

CIN L32200MH1986PLC040652

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Download the report here
<http://www.agcnetworks.com/AR-2016>

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