Regd. Office: Annapoorna Bhawan,
Telephone Exchange Road, Kurji,
Patna-800 010
CIN No. U75230BR1985PLC002083

Security and Intelligence Services (India) Limited
A Market Leader in Security

Date: October 4, 2017

National Stock Exchange of India Limited
Exchange Plaza
C-1, Block G, Bandra Kurla Complex,
Bandra (E), Mumbai-400051

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400001

NSE Symbol: SIS

BSE Code: 540673

Dear Sir/Madam,

**Sub: Submission of Annual Report for FY 2016-17**

Pursuant to regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the copy of Annual Report for the financial year 2016-17.

Thanking you.

Yours Faithfully,
For **Security and Intelligence Services (India) Limited**

**Pushpalatha K**
**Company Secretary**

SECURITY SERVICES

CASH LOGISTICS

FACILITY MANAGEMENT

**Group Enterprises**

A Market Leader in Security, Cash Logistics & Facility Management

ANNUAL REPORT 2016-17

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INDIA'S LARGEST BUSINESS SERVICES ORGANISATION

2ND LARGEST AND FASTEST GROWING SECURITY SERVICES COMPANY IN INDIA

2ND LARGEST AND FASTEST GROWING CASH LOGISTICS COMPANY IN INDIA

4TH LARGEST AND FASTEST GROWING FACILITY MANAGEMENT COMPANY IN INDIA

MARKET LEADING POSITIONS IN THE FASTEST GROWING MARKET FOR SECURITY, CASH LOGISTICS AND FACILITY MANAGEMENT

SIS IS THE MOST ENTERPRISING PROXY FOR THE INDIAN SECURITY, FACILITY MANAGEMENT AND CASH LOGISTICS SECTORS

251
Branches

154,432
Employees

45,670
Revenues
(₹/million)

11,869
Sites

CHAIRMAN'S OVERVIEW

# BRAND SIS STARTS WITH A VISION.

# THE VISION OF THE MAN WHO FOUNDED THE COMPANY.

**As SIS Group** grows larger, we will not lose sight of what has brought us to this position – our employees and customers.

We finished a momentous 2016-17 at the SIS Group.

**During** the year, we crossed the milestone of 150,000 employees.

**We** started from a 200 sq. ft. office in 1974; today, we have reinforced our position as a sectoral pioneer, defining its multi-decade progress. We introduced a number of industry best practices, created industry associations and enhanced sectoral visibility through government collaboration. From CAPSI (Central Association of Private Security Industry) to PSARA (The Private Security Agencies (Regulation) Act, 2005), we have made the voice of the industry heard across various forums.

**During** the course of our journey, SIS Group was joined by dynamic managers leaders who have now become our backbone. These professionals have charted goals, embraced stretch targets, incorporated protocols and spurred our Group to a pre-eminent sectoral position. Each SIS employee typifies our operating culture: a service passion, risk-taking, humility and mutual respect.

**We** are proud to have created livelihood sources for thousands of individuals who carry the flag of SIS forward. Over the years, we diversified across two levels: we extended operations to Australia; we extended beyond security services to adjacent sectors (cash logistics and facility management). Thanks to our early-mover advantage, we have reached leadership positions in each. The idea that was germinated in a small Patna office is now an Asia-Pacific force to reckon with. Going ahead, we aim to emerge as the largest in all the segments in which we operate - security, facility, management and cash logistics.

**As** SIS Group grows larger, we will not lose sight of what has brought us to this position – our employees and customers. We will exhibit the same employee commitment leading to customer delight. Being a people's business, strategic recruitment, training and performance measurement will continue to translate into fulfilling careers.

**During the course** of the journey, SIS Group was joined by dynamic managers leaders who have now become our backbone.

**Even** as we continuously invest in technologies to manage our operations better, we seek to never lose the personal touch whether in managing our employees or retaining our customers. Besides, we will continue benchmarking operations around cutting-edge technologies.

**The** coming years will be important in the evolution of the Indian economy; SIS Group is confident of addressing growing requirements. Our aim is to retain our APAC leadership in the security and business support services space. This will require us to demonstrate our prevailing multi-decade standards of ethics, risk management, ambition, quality-consciousness and client concern.

**I** would like to take this opportunity to thank our employees and all our partners – customers, banks, vendors and advisors, among others - who have catalysed our journey.

**With** their continuing support, we are well-placed to venture forth with courage and confidence.

With my best wishes,

R.K. Sinha
*Chairman*

# WHAT MAKES THE SIS GROWTH STORY COMPELLING?

GROUP MANAGING DIRECTOR'S REVIEW

## THAT SIS IS A MARKET LEADER ACROSS THREE LUCRATIVE SEGMENTS UNDER COMMON OWNERSHIP IN THE FASTEST GROWING MAJOR MARKET IN THE WORLD.

"WE HAVE A VISION TO BECOME THE LARGEST COMPANY IN THE INDIAN SECURITY, CASH LOGISTICS AND FACILITY MANAGEMENT SPACE BY 2020 AND THIS CAN BE DONE ONLY BY SERVING OUR CUSTOMERS, INVESTORS AND EMPLOYEES WITH INTEGRITY, DEDICATION AND PASSION."

RITURAJ SINHA, GROUP MANAGING DIRECTOR

**Q.** What are the prospects of the security and business services sector in India?

India is the fastest growing major economy in the world. Our businesses will continue to ride on the back of this strong economic growth.

The security services sector is largely recession-resistant and predictable. This is visible in our continuous growth over the last decade and more: we continued to grow even during steep economic slowdowns. In the security services business, we are positioning ourselves for the future through our Tech SIS business that we incubated a few years ago that is now acquiring scale. We offer bundled man-tech solutions through Tech SIS, which is the future of the security industry.

Facility management is the next big opportunity and housekeeping duties are increasingly being outsourced to professional outfits, a trend likely to accelerate. Following are acquisition of DTSS, our DTSS + SMC + Terminix SIS represents a solid offering that offers unmatched pan-India coverage.

Cash logistics is a small part of our overall revenues and because of the JV with Prosegur, we enjoy access to the technical and business knowhow and also reduces the risk exposure of the SIS Group.

**We expect significant** PAT and EPS correction post deployment of IPO proceeds in reducing debt on books

The public sector is just waking up to outsourcing security and housekeeping duties, which represents a large growth opportunity. We believe that the 'Make-in-India', 'Swachh Bharat' and 'Skill India' initiatives will further catalyse our sectoral growth. SIS is ideally placed to capitalize on all these trends.

I am convinced that the Indian security and business services market is placed at an inflection point with the right mix of outsourcing growth and socio-economic factors.

**Q.** What role does Australia play in your overall portfolio?

Our Australia business is a unique asset that offers a high return on capital employed and generates significant cash that is utilized in India for organic and inorganic growth needs. However, due to the faster growth of the Indian business vis-à-vis Australia, the share of Australia in our overall revenues and profits is declining. In FY13, the share of Australia in our consolidated EBITDA was around 64% and in FY17 it was 49%, a trend we expect will continue.

**Q.** Are there any fiscal benefits available to the company?

In the Finance Bill 2016, the government extended the applicability of Section 80JJAA of the Income Tax Act to non-manufacturing companies. This provision is intended to spur employment creation. Under this clause, an additional deduction of 30% of the salaries paid to incremental employees hired during the year is available, provided the salary per month is less than ₹25,000 per month for each such individual and they have worked for more than 240 days in the year with the company. Besides,this benefit is available only for companies that are compliant with the Provident Fund requirement and pay their salaries through bank transfers or cheques. All these significantly benefit compliant players like SIS. Because of our massive employment creation, we benefited through this clause to the extent of ₹11.37 crores in FY17.

**Q.** Can you describe your acquisition strategy?

We have a strong Balance Sheet that provides us the flexibility for inorganic growth, a likelihood that will be strengthened by our proposed IPO. We will continue to seek opportunities; we possess a successful track record of acquiring companies compatible with our strategic vision that makes it possible to rapidly gain market leadership. I must indicate that we intend to stay disciplined and acquire only if that target is synergistic and value-accretive. We have an IRR hurdle rate of 25% for all our acquisitions and underpinning all our deals is a solid strategic rationale and synergy plan.

Over the years, we have invested considerably in target and market evaluation on the one hand and target integration on the other. The result is that we possess the financial and managerial competence to acquire and integrate companies to subsequently grow faster.

**Q.** How do you see life after your upcoming IPO?

The IPO will help us recapitalize our Balance Sheet and make us ready for the next phase of organic and inorganic growth. We will also reduce our debt and interest burden with the proceeds of the issue. This should increase our net profit and consequently our Return on Equity.

We will be the first in this space to go public and this will increase the visibility of SIS and also provide us with valuable currency for acquisitions and rewarding employees.

**Q.** What is your medium/long-term vision for the SIS Group?

We have charted out a Vision 2020 for the Group where we aim to be number one in each of our verticals – Security, Facility Management and Cash Logistics. Our Vision 2020 plan breaks down these goals into actionable points for each key pillar that makes up SIS - Customers, Shareholders and Employees. We monitor these regularly to ensure that we are on track to achieve our goals. We believe that our regular Vision documents give everyone within our organization a clear direction and sense of purpose, energising our employees.

**Q.** What are the key financial metrics that you track?

SIS is essentially a growth and returns story. We have always held a balanced view on both so that we do not compromise returns in the pursuit of growth. We constantly focus on Return on Capital Employed and Return on Net Worth; all our business leaders have KPIs linked to capital efficiency. In future, we will maintain the same capital efficiency discipline as we have done in the past, strengthening stakeholder value.


# THE SIS GROUP IS ENGAGED IN BUSINESSES CONSIDERED INCREASINGLY INDISPENSABLE. CATALYSING A MODERNISING INDIA.


- Multiple businesses.
- Multiple locations.
- Multiple brands.

Centred around a high standard of service quality, customer orientation and passion.

All what SIS is respected for.

Our key businesses

**Security services**

*01 India security services*

SIS is the second-largest and fastest-growing security services company in India.

More than 94,000 well-trained security personnel provide physical protection (security guards) and related services (fire squads, dog squads and bodyguards).

These services are offered to clients in sectors like banking and financial services, manufacturing, cement, chemical and industrial gases, construction, educational institutions, FMCG, food and beverages, healthcare, hospitality, real estate and townships, insurance, IT/ ITeS, media, retail and entertainment, telecom, airports, metals, mining and other heavy industries.

FINANCIAL HIGHLIGHTS, 2016-17

**45,670**
Turnover
[₹ million]

FINANCIAL HIGHLIGHTS, 2016-17

**2,223.5**
EBIDTA
[₹ million]

FINANCIAL HIGHLIGHTS, 2016-17

**906**
Net profit
[₹ million]

FINANCIAL HIGHLIGHTS, 2016-17

**25.21**
ROCE
[%]

*02 Australia security services*
MSS Security is the largest security service company in Australia with a presence in every state and one of only two nationwide players.

The SIS Group expanded operations beyond India in 2008 through the acquisition of Chubb Security Personnel Pty Ltd. which was renamed and rebranded MSS Security, post-acquisition. MSS Security is now the market leader in providing physical security solutions in Australia, 100% owned by the SIS Group.

The company employs more than 5,700 security officers, offering a range of services: static guarding, alarm response, first aid support, concierge support, VIP protection, aviation security, emergency response and rescue and paramedical services for remote mining sites.

The company services a variety of sectors (aviation, mining and resources, maritime (ports), construction, Defence, consumer, finance, healthcare, education, government establishments, industrials, transport, utilities, commercial facilities, healthcare, retail and major events including sporting events).

*03 Tech SIS*
The electronic security services division of SIS was spun off in 2010 into Tech SIS Limited, a 100%-subsidiary, to position it as an independent entity that focuses on technology changes galvanising the security services industry.

Tech SIS works in close association with strategic partners, reputed system integrators and installers to provide integrated and turnkey electronic security and surveillance solutions to a wide customer range. Tech SIS has pioneered man-tech solutions, integrating physical security with technology that makes it a one-stop end-to-end security services provider.

*04 VProtect*
VProtect, from SIS Prosegur Alarms (joint venture between SIS Group and Prosegur), is a first-of-its-kind alarm monitoring and response service for homes, offices and retail spaces.

*05 Consulting and investigation*
SIS' investigation division has been operating independently since 1998. It comprises a team of over 40 full-time investigators across several Indian cities. The division enjoys long-term strategic partnerships and alliances with internationally-renowned investigation companies in the US, Europe and Singapore. It provides a wide range of services - pre-employment verification, fraud investigation, due diligence, surveillance, infringement of patents and trademarks, corporate investigation and personal protection, among others.

**Facility management services**

*01 Facility operations and maintenance*
In 2008, the SIS Group entered the facility management business by obtaining an exclusive master franchise license from The ServiceMaster Corporation, the US, to operate the ServiceMaster Clean (SMC) brand in India. This collaboration provides SIS with the necessary technology and procedural knowledge for offering a wide variety of cleaning and janitorial services to customers operating in the commercial, hospital, institutional and industrial spaces. The company was spun off into a subsidiary in 2009 with a separate management and operating team.

In August 2016, we acquired 78.72% of Dusters Total Solutions Services Limited (DTSS), which has been among pioneering providers of facility management services, especially strong in Karnataka and Maharashtra. The acquired company possesses a strong and reputed client base comprising blue-chip Indian and international clients.

Together with DTSS, our facility management business has a national footprint with services close to 2,500 customer locations through a team of more than 37,000 employees. It focuses on segments where high standards of cleanliness are required including IT/ITeS, retail chains, large commercial spaces, hospitals, hotels, institutions and industries.

*02 Pest and termite control*
Terminix SIS was formed in September 2011 through a joint venture between the SIS Group and Terminix International Company, Memphis, the US, the world's largest pest management services company.

Terminix SIS offers a comprehensive range of pest and termite solutions for homes, businesses and industrial establishments where there is a need for affordable pest management services including for the termination of termites, cockroaches, rats, mosquitoes, flies and other common pests that are considered to be health hazards.

The company's key customer segments include restaurants, food processing, healthcare facilities, lodging and hospitality, manufacturing and warehouses, offices, educational facilities and residences.

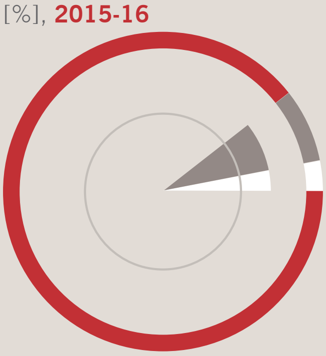
Revenue by geography [%], **2015-16**

- India 43
- Australia 57

Revenue by geography [%], **2016-17**

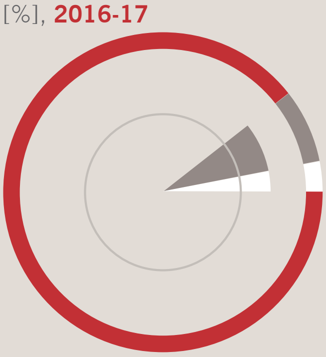
- India 48
- Australia 52

Revenue by business segment (India), [%], **2015-16**



- Security services 89.7%
- Cash logistics 7.5%
- Facility management 2.9%

Revenue by business segment (India), [%], **2016-17**



- Security services 87.7%
- Cash logistics 3.6%
- Facility management 8.7%

## Cash logistics

*SIS Prosegur and SISCO*

SIS Cash Services, a joint venture with Spain's Prosegur, is the fastest-growing cash logistics business and one of the top-two cash logistics companies in India.

The business offers a comprehensive range of secured cash and bullion transportation services, vaulting, processing and maintenance solutions for ATMs, currency, bullion and other valuables. It caters primarily to banks, financial institutions and the organised retail industry, jewellery processing units and other businesses that handle significant volumes of cash.

In 2014, the business acquired the cash and valuables services division of ISS SDB Security Services Private Limited, which had a strong presence in the Southern and Western parts of the country. This acquisition allowed SIS-Prosegur to emerge as the clear number two in the cash logistics market with a pan-India footprint.

In less than seven years since inception, the business has a presence in almost 400 cities across India and a network of close to 59 vaults and strong rooms. It also operates around 2,600 cash vans along 2,800 routes to service customers.

## OUR BUSINESSES

**Recession-resistant**

The security business, by its nature, is something that most would not compromise, making it recession-resistant. Besides, we work with a large number of customers from various industries, making us relatively immune to pockets of weaknesses.

These industries include mining, manufacturing, government and Defence, heavy industries, banking and financial services, automobile, real estate and construction, educational institutions, FMCG, food and beverages, healthcare and hospitality, IT/ITeS, retail, media and entertainment, telecom and airlines/airports, among others.

# BRAND SIS...

# ROBUST BUSINESS MODEL.

# TRANSLATING INTO SCALABLE AND PROFITABLE GROWTH.

**Strong compliance**

Though the industry has been historically marked by low entry barriers with minimal regulatory oversight, an increased emphasis has been laid on compliance through specific acts like Private Security Agencies [Regulation] Act and generic regulations like Provident Fund /ESI/ gratuity/ bonus, among others. Greater enforcement of these regulations has empowered large players to penetrate deeper and carve growth away from unorganised, localised or non-compliant players.

**Recruitment and training infrastructure**

SIS has established its reputation on the back of its vast recruitment and training infrastructure on the one hand and quick-sourcing and deployment capabilities on the other.

We currently operate 18 pan-India academies that train employees in security services, cash logistics and facility management businesses. A unique SIS strength is our graduate trainee officer (GTO) programme that provides instant access to a pipeline of qualified operational managers. The GTO programme represents the backbone of SIS; a large number of our branch and regional managers have been sourced from GTO cadre. We commissioned four training academies in Australia, providing ongoing training and development courses to security officers for a variety of security services and specialised security roles.

**Continuous investment in systems and processes**

SIS has been at the forefront of using technology and processes in an industry that historically lagged in leveraging IT support. We built our technology platform decades ago around our ERP (progressively strengthened). We invested in internet and cloud-based technology; we have deployed iOps (mobile-enabled security operations platform) and Sales Maxx (portable tablet sales kit) to enhance operational productivity.

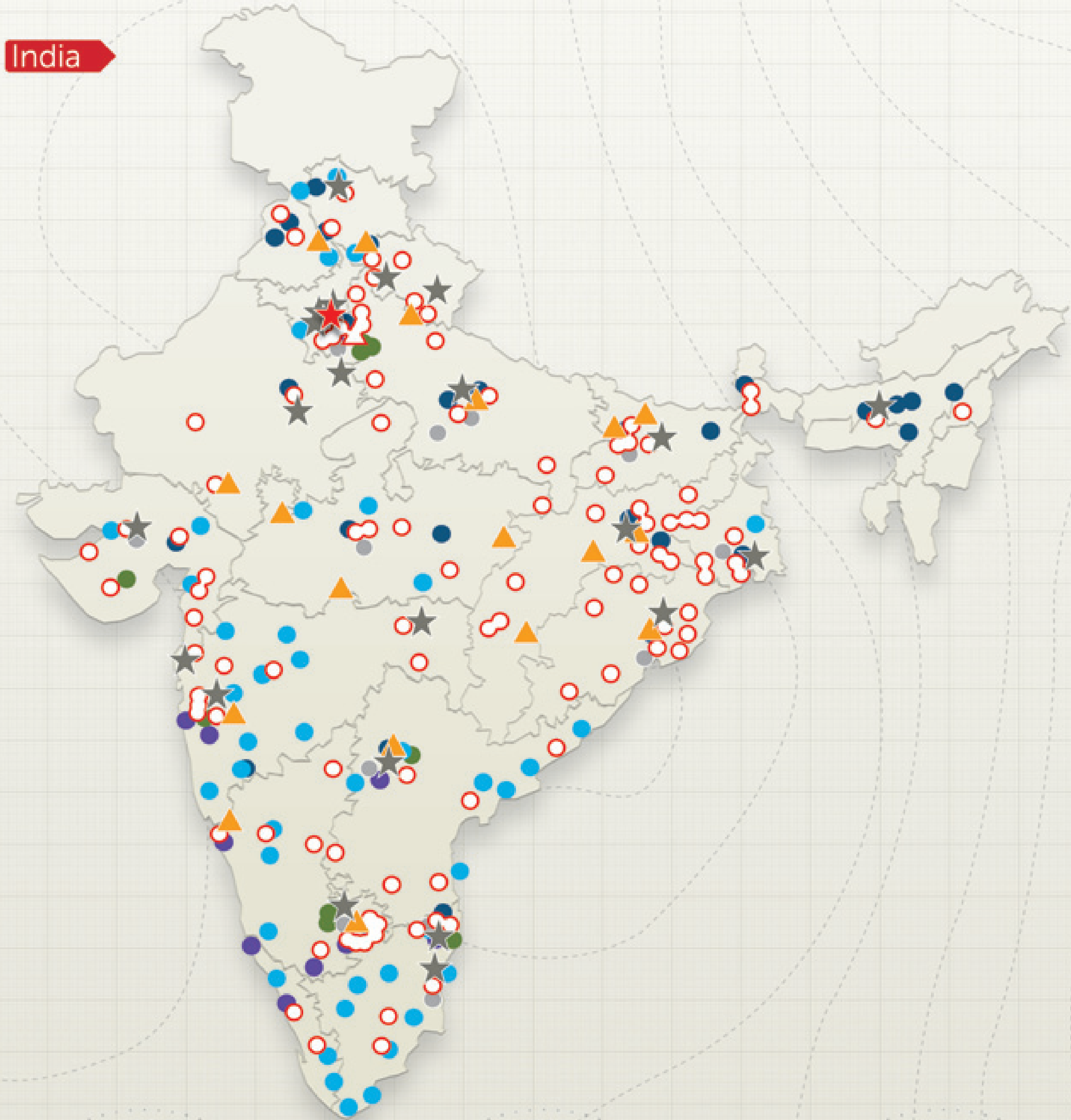
**Comprehensive business support services platform**

SIS has progressively widened its portfolio of offerings to include cash logistics, housekeeping, facility management and pest control. Our latest offering includes home alarms, resulting in a comprehensive suite of services.

**We currently operate** 18 pan-India academies that train employees in security services, cash logistics and facility management businesses.

Besides, our vast range of offerings and widening footprint make it possible to address the diverse requirements of businesses through the underlying thread of customer service, quality assurance and responsiveness.

# OUR NETWORK



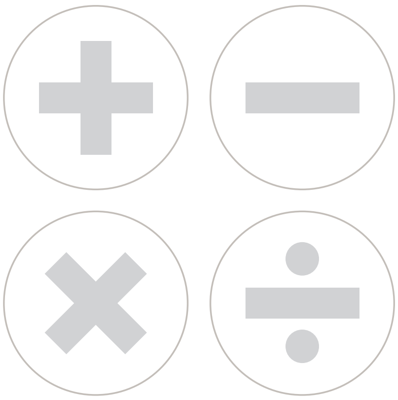

Branch offices
**251**

Regional offices
**20**

Training academies
**19**

- Corporate office
- Regional office
- Training academy
- SIS branches
- SMC branches
- Cash Logistics branches [SIS-Prosegur & SISCO]
- TerminixSIS branches
- Duster branches

# THIS IS HOW WE CONSISTENTLY DRIVE GROWTH



## Solid financial performance

### Revenues

**19%**

| 2015-16 | 2016-17 |
|---|---|
| ₹ 38,362 mn | ₹ 45,670 mn |

### EBITDA

**69.1%**

| 2015-16 | 2016-17 |
|---|---|
| ₹ 1,315.3 mn | ₹ 2,223.5 mn |

### PBT

**124%**

| 2015-16 | 2016-17 |
|---|---|
| ₹ 499.6 mn | ₹ 1,118.6 mn |

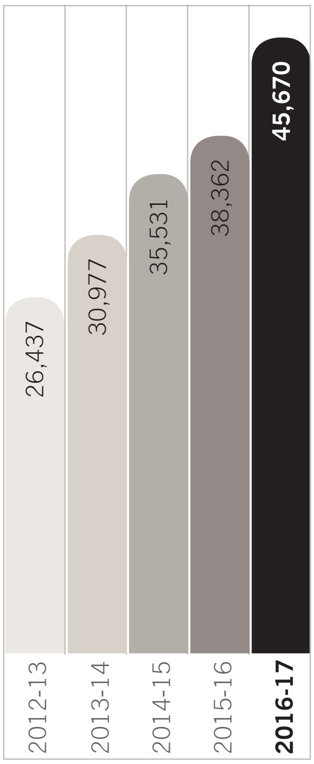
### ROCE

**820bps**

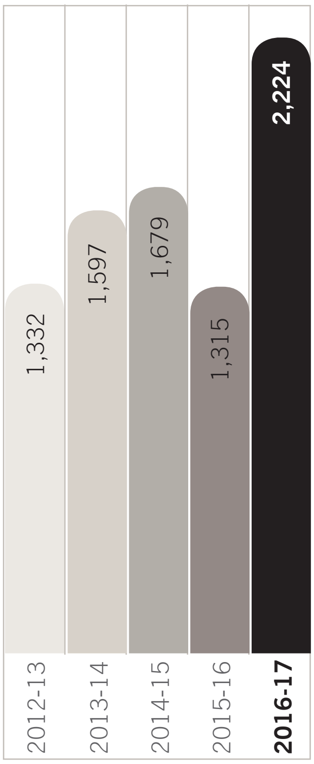
| 2015-16 | 2016-17 |
|---|---|
| 17% | 25.2% |

# Five-year progress

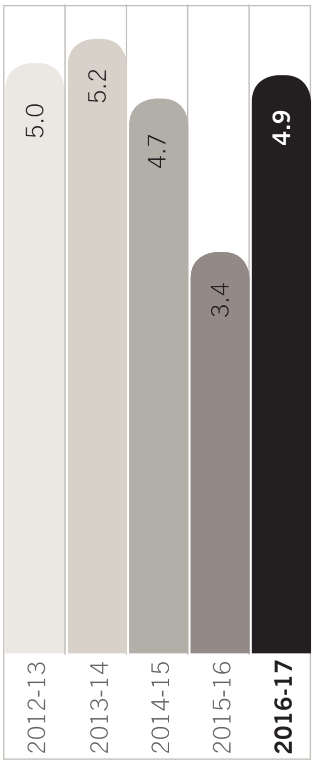
Income from operations
(₹ million)



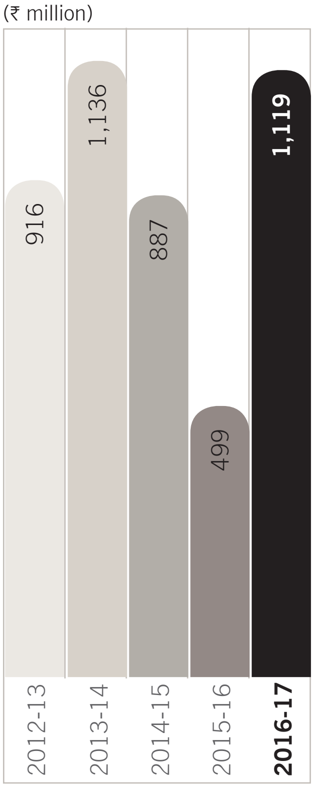

EBIDTA*
(₹ million)



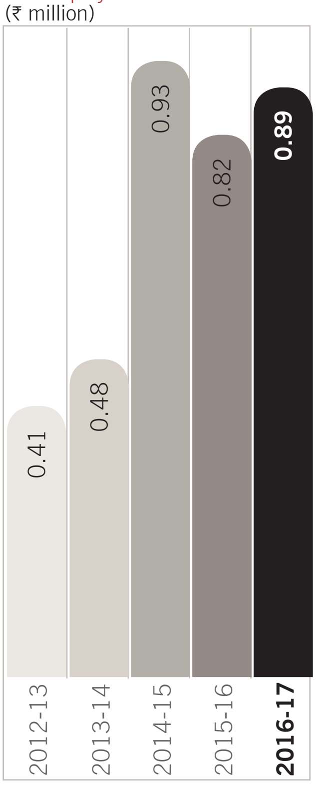

EBIDTA margin
(%)



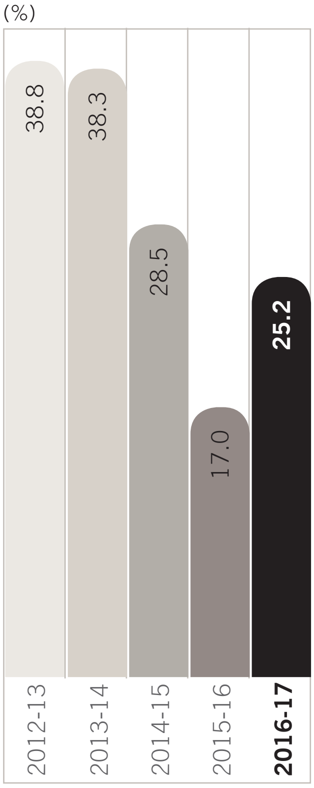

PBT
(₹ million)




Debt-equity ratio
(₹ million)




ROCE
(%)




BRAND SIS...

# PASSIONATE AND PROFESSIONAL. ATTRACTING GLOBAL ALLIANCE PARTNERS.

**Prosegur**
Prosegur is one of the largest international companies in the field of security services and cash logistics. Over the past 40 years, it has established a presence in 21 countries and built a team of over 160,000 employees. With revenues worth 3.9 billion euros, the company continues to be an innovator and thought leader in the field of security services.

**ServiceMaster Clean**
ServiceMaster Clean is a part of the ServiceMaster brand, a Fortune 1000 company with a major presence in the residential and commercial facility management space. ServiceMaster is one of the largest cleaning companies in the US with over 75,000 homes and offices being serviced through a national network of locally-owned and operated franchisees.

**Terminix**
Founded in 1927, Terminix is also a part of ServiceMaster and it provides advanced termite and pest control services in 22 countries through a team of 8,000 technicians. Currently, it is the largest pest control company in the United States.

BRAND SIS...

# ABLE TO TACKLE CHALLENGES AND HANDLE RISKS.

**Increased competition**

Historically, most unorganised players have priced services low while compromising regulatory compliance. Over the recent past, stringent enforcement has spurred sectoral organisation.

**Entry of foreign players following gradual FDI limit lifting**

The security services industry now permits FDI up to 74%. While this has increased competition from foreign brands, sectoral professionalism may increase. The reach, recall, sourcing ability and operational skills of SIS continue unmatched.

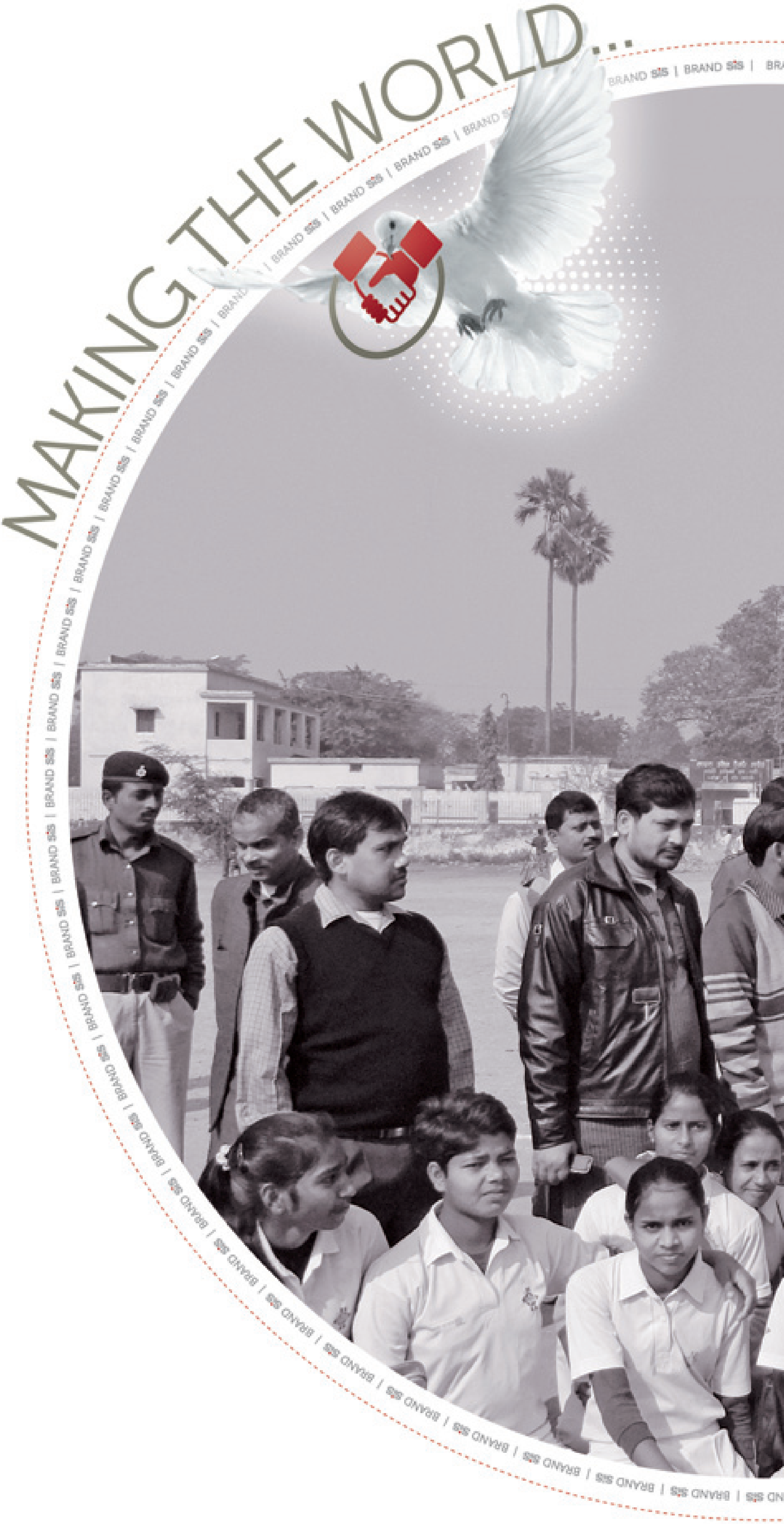
**Increased technology use can disrupt the security industry**

We believe that growing technology usage in security or even facility management are irreversible. Rather than viewing these as threats, we look at it as an opportunity to offer higher-valued services to discerning clients. We have been at the forefront of using technology in our services and operations.

**Moving towards a digital/ cash-less economy**

Global trends indicate a continued reliance on cash despite growing penetration of the digital economy. Increasing consolidation in this industry will also enhance the returns profile of the larger players with better synergies and route dynamics. SIS also diversified its business mix beyond ATMs to include the cash-in-transit (CIT) and doorstep banking (DSB) businesses.

# MAKING THE WORLD...

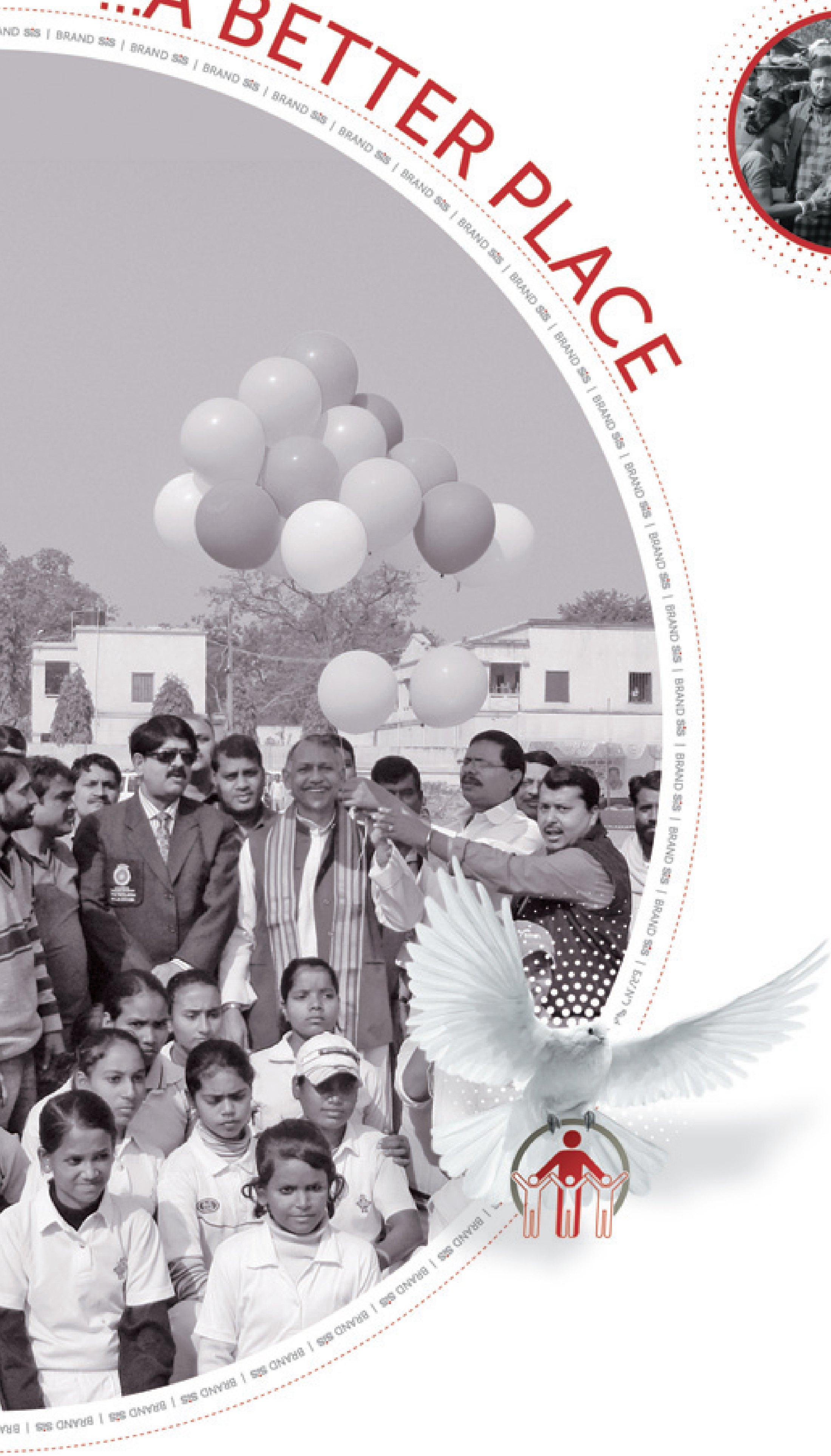



**At** the SIS Group, corporate social responsibility (CSR) does not comprise a token acceptance of regulatory requirements; it is integral to the company's existence. Our operations bring us in touch with people below the poverty line. Relevantly, the SIS vision has provided jobs to thousands and helped them escape poverty.

**We** have adopted a CSR policy in compliance with the requirements of the Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014 notified by Central Government. Our CSR activities are focused on initiatives relating to education, vocational training, drinking water, health and housing.

**SEWA** (SIS Employee Welfare Association) is an integral part of our CSR activities. SEWA was formed as a trust to assist the company's employees. All Indian employees contribute ₹10 to ₹25 a month to this fund. This fund addresses emergency requirements of SIS employees in India; it is accessible to all employees for loans/grants/needs relating to marriage, and medical assistance, among others. Through a group accident insurance, it also provides financial assistance to families of those personnel who passed away while in active employment. Each subsidiary in India has its own Employee Welfare Association (in the form of a trust). These trusts perform the same functions as SEWA does for SIS. In Australia, we have a Workplace Giving

# ...A BETTER PLACE



Program whereby the staff can contribute each pay to a number of nominated charities. These employee contributions are matched by the company. Australia also has a funeral assistance program funded by the company.

**We** work with the Indian Public School (Dehradun, India) and Prem Tara Foundation to empower guards, supervisors and janitors to continue the education of their children (particularly girls). We also work with the Security Skills Council of India to train private security and allied professionals, enhancing the employability of young, educated and unwaged youth.

**Our** CSR projects comprise drinking water projects for local communities, domestic and community sanitation for rural and urban households and water conservation programmes in Delhi, Bihar and Uttar Pradesh. We organise health checks, blood donation, specific ailment camps in Delhi, build hospitals, clinics, diagnostic centres and associated infrastructure.

FROM THE GROUP CEO'S DESK

# I AM DELIGHTED TO ADDRESS YOU THROUGH THE PAGES OF THIS ANNUAL REPORT.

THE INDIAN PRIVATE SECURITY INDUSTRY HAS ASSUMED A CRITICAL ROLE IN SAFEGUARDING THE ASSETS OF OUR INDUSTRIES, COMMERCIAL ESTABLISHMENTS AND GOVERNMENT.

Following the exponential growth of the Indian economy in the last two decades, the need for adequate security arrangements in industrial complexes, offices, IT parks and other public infrastructure (airports, metro stations, shopping malls and public utilities) has grown manifold. To address this need, the industry has significantly scaled operations, resulting in enhanced safety and security of the assets of citizens and companies.

It is no wonder then that the private security industry in India is estimated to be worth ~₹45,000 crore. The industry directly employs millions of individuals, especially those drawn from below the poverty line. The sector is growing at around 20% annually, close to three times the Indian GDP growth rate.

Even as the security services sector appears to have grown and matured, the reality is that this is still a sunrise sector. The sector retains the potential to emerge as one of the largest employment and tax generators in the country. India is likely to figure among the top-10 security markets by 2020, evolving into a responsible law protective arm critical to 'infrastructure'.

Our recent businesses like facility management and cash logistics are maturing and reaching a stage where they


**The private security industry in India** is estimated to be worth ~₹45,000 crore. The industry directly employs millions of individuals, especially those drawn from below the poverty line.

can reap benefits derived from economies-of-scale. While the cash logistics business has been beset by industry-wide issues pertaining to pricing and deductions, the prospects of our facility management business have strengthened following our acquisition of DTSS in August 2016, adding to our market reach and potential.

**Fundamental growth drivers**

The Indian private security services market is estimated at ~₹45,000 crore and, interestingly, a significant part of this is accounted by small, localised, non-compliant players. The need for security has grown exponentially, especially with pan-India customers needing security coverage for their physical

CONTINUED ON THE NEXT PAGE

**India is likely to figure** among the top 10 security markets by 2020, evolving into a responsible law protective arm critical to 'infrastructure'.

assets. There exists a massive scope for frontline security services, which is being driven by the following:

- **Strict enforcement of regulations** such as minimum wages, Provident Fund norms, gratuity, insurance, among others.
- **Increase in private infrastructure** such as office complexes, industries and malls, among others, which require considerable manpower resources from a single agency.
- **Adequate training** is considered to be one of the key success factors in the industry. Large, organised players are better positioned to provide cost-effective training to their guards.

A more economic justification for engaging private security is that insurance companies, particularly fire insurance carriers, provide substantial discounts to sites as presence of security reduces the odds of an untoward incident.

We entered the facilities management space a few years ago and following the recent acquisition of DTSS we are the fourth-largest player in the Indian market.

Our ServiceMaster business has been one of the fastest-growing in the industry, albeit on a small base, and has established its reputation. According to Frost and Sullivan, the Indian cash services market is estimated at ₹2,900 crore (FY2015) and projected to grow at 18% a year across the foreseeable future. Some of the key drivers of the cash logistics industry growth include the following:

- **Increasing ATM installations:** Growth in ATM replenishment services is being driven by an increase in the ATM network. The number of ATMs in India was estimated at 193,000 (March 2015) and expected to grow at ~15% over the next few years, warranting an increase in cash replenishment services. Moreover, the penetration of ATMs per 100,000 adults in India is about 18 (global average 44), indicating untapped potential.
- **Growing bank branches:** To enhance financial inclusion, the RBI relaxed its branch authorisation policy, such that banks do not require prior permission to open branches in centres with a population of less than 1 lakh. This is likely to accelerate the rollout of bank branches beyond the historic one lakh-mark in 2015.
- **Growing penetration of debit cards:** An increase in the number of debit cards has led to increase in number of transactions to support debit card usage. India's penetration of debit cards per inhabitant at 0.29 is considerably lower than other emerging markets (2.67 in the UK and 2.68 in

the US), thereby suggesting significant potential for increase, going forward.

The electronic security services market is estimated at ₹60 billion and expected to grow at around 25% over the next few years. Electronic security systems include CCTVs, alarm systems, access control systems and other electronic equipment. As wage levels increase in line with the minimum wage hikes as announced by the Central Government, customers will increasingly start moving to output-based requirements which will involve a mix of human and technology interventions. The electronic security services market is driven by a sustained increase in emphasis being laid on timely threat perception and removal coupled with investments in both public and private infrastructure. This will contribute to increased demand for security and surveillance systems such as access turnstiles and CCTVs. India continues to be an attractive offshoring destination for global players, which is likely to see increased investments in commercial real estate such as in the IT/ITeS vertical, thereby leading to an increase in demand for top-notch security systems.

## SIS differentiators

In a business where scale is critical to success, SIS stands tall with a workforce of over 150,000 people. The business is people-intensive; the prudent management of this people resource is imperative to success, profitability and sustainability.

At the SIS Group, we possess the largest trained manpower supply chain in India with integrated capabilities in sourcing, training and deploying a large manpower base. We possess 18 training institutes in India, comprising state-of-the-art infrastructure providing up-to-date courses that make it possible to train more than 25,000 guards a year. Besides, SIS also possesses robust pan-India recruitment capabilities, ensuring access to an inexhaustible source of manpower. It is important to mention here that training plays a critical role in this regard as the guard starts recognising his role as a law-keeper more actively and values the respect accorded to him or her. This is starkly different from an average untrained guard who does not fully understand the gravity of his or her job.

Through our 24x7 dedicated call centre, we provide proactive and guaranteed grievance redressal. We have undertaken strong welfare activities like SEWA (loans),

CONTINUED ON THE NEXT PAGE

**At the SIS Group,** we possess the largest trained manpower supply chain in India with integrated capabilities in sourcing, training and deploying a large manpower base.

scholarships, health and accidental insurance that foster loyalty.

As a responsible corporate, SIS complies with all statutory obligations, including PF, gratuity, among others. The company has identified fixed days for salary disbursement, which not only ensures that the workforce can plan financial allocations better but also symbolises our sensitivity to the needs of grassroot workers. Earlier, the company had to rely almost entirely on working capital loans to pay salaries. However, a tightened working capital cycle and strong customer relationships have helped reduce our borrowings even as we seamlessly disburse salaries. This explains why, despite operating in a working capital-intensive industry, we are underleveraged. Most of our top customers have been associated for over a decade and their annual engagements are growing annually, validating the growing relevance of our services.

We are also among the few in the industry to be fully ERP-driven, resulting in decentralisation, quick decision-making, ease of information access and no systemic leaks. Our headquarters are linked with our branch and satellite office network, making it possible to track branch operational and financial metrics empowering us to treat each strategic business unit flexibly in line with their P&L statements.

While we are focused on our security services businesses in India and Australia, we are emerging as leaders in the business support services space. Venturing into these areas has been the outcome of our strategy to leverage capabilities in managing people-intensive businesses. These spaces offer us attractive growth scope on account of their under-penetration. In these businesses, we focus on enhancing our technological content to boost customer confidence and provide visible service differentiation. Though we seek to consolidate our presence in these businesses – cash logistics, facilities management and man-tech surveillance – we will continue to acquire entities that fit our profile or address crucial geographical or service gaps.

## Conclusion

**As a responsible corporate,** SIS complies with all statutory obligations, including PF, gratuity, among others.


Four realities excite me about our business.

**One,** a growing preference for larger national players localised non-compliant players; SIS Group has consistently outpaced industry growth by a significant margin.

**Two,** our customer engagements are sticky, based on high renewal rates. This ensures a level of predictability in our business that reduces execution risks and enhances income visibility.

**Three,** we filed a Draft Red Herring Prospectus with SEBI for our Initial Public Offering and received approvals from SEBI. We look forward to going public in FY17-18. This will make us the first platform of our nature to go public in India, increase visibility and strengthen our Balance Sheet.

**Four,** our competitive moat, comprising the sourcing, training, deployment and retention of a workforce of more than 150,000, is not easy to replicate.

With my best wishes,
**Uday Singh**
Group CEO

# ANNUAL CONFERENCE | THE SIS FAMILY

SEGMENT: **01**

# SECURITY SERVICES-INDIA

Security and Intelligence Services (India) Limited
A Market Leader in Security

TAPASH CHAUDHURI
PRESIDENT,
SECURITY SERVICES – INDIA

- One of the fastest-growing security services businesses in the country, reporting a five-year revenue CAGR of 29.6%
- Revenues, 2016-17: ₹15,874 million
- Over 94,000 employees servicing more than 9,300 customer locations
- The second-largest and one of the fastest-growing security services company in India

## Overview

SIS security services is the fastest growing in India among all major players. Steady investments in a well-integrated business and a visible shift in preference towards organised corporates have converged to brighten the long-term prospects of frontline players like SIS.

## Highlights, 2016-17

As a progressive and forward-looking enterprise, SIS introduced an e-recruitment system to ensure higher systemic control over its 94,000-strong workforce and leverage technology towards strengthening employee satisfaction. Besides, our ability to meet wage disbursements on fixed dates without deviation (through 100%-bank transfers) has reduced attrition to around 56% per annum (one of the lowest in the industry). Moreover, periodic branch-level reviews of at-risk units have allowed SIS to undertake proactive action to strengthen the security apparatus, enhancing customer satisfaction.

In one of the other significant corporate initiatives during the year under review, large and multi-locational contracts were brought directly under the umbrella of the centralised National Accounts Group (NAG) to ensure proactive customer service and greater speed and sensitivity in managing the expectations of large customers. Besides, ensuring the highest level of compliance with established norms helped enhance customer satisfaction and also had a positive bearing on unit-level efficiencies, both operationally and financially.

In our bid to reinforce customer value, more qualified professionals were inducted into the CRM (customer relationship management) team to boost MIS and dashboard management capabilities.

## Key trends shaping the operating landscape

- **Linkage with GDP growth:** The security services market has historically grown at 2.5-3x GDP growth rate. Hence, India, being the fastest-growing major economy in the world, offers significant opportunities for security services.
- **Low police-to-citizen ratio:** Rising security concerns arising out of increasing terror threats faced by countries, and a low police-to-citizen ratio, have rendered the system incapable of catering to the needs of a growing

## Key strengths

- SIS' security services business has been able to grow faster than the industry average due to a strong sense of cultural alignment, loyalty and bonding among employees, which represents a significant advantage in a service-oriented environment.
- Extensive soft-skills training have improved communication abilities and service-orientation of SIS employees, boosting customer retention.
- Largest in-house residential training infrastructure in India (a central training academy and 18 regional training academies located pan-India), capable of rolling-out more than 25,000 trained guards every year, securing our personnel pipeline and ensuring prompt deployment.
- Only security company to have graduate trainee officers (GTO) who form the backbone of the organisation; the unique GTO platform aims to create a pool of operating managers and officers and, concurrently, provide a career to these officers. This entails recruitment of young and talented graduates, training them in security operations and providing them with lucrative careers in the security services industry.
- We introduced our proprietary i-OPS platform in 2016, i-OPS improves operational efficiency by leveraging the Android platform (i-OPS) and a wide-area GPRS. This allows us to exert complete control over the movement of the operations teams and add value, across levels. This also improves our customer liaison abilities and allows incidents/complaints/grievances to be addressed immediately via the generation of instant MIS reports.

population. These factors, coupled with the nation's steady economic progress will drive the growth in demand for private security services, domestically and globally.

- **Growing infrastructure creation:** The Indian security services industry has grown rapidly in the last decade, leading to an increase in criminal and terrorist threats. The demand for security is inextricably linked with the creation of infrastructure such as airports, roads and telecom towers. Finally, the emergence of modern retail has bolstered the need for enhanced security.

## Major challenges

- Retaining resources and attracting talent continues to affect the security service sector, primarily due to the skewed wage patterns prevalent in the industry.
- Bagging contracts in the face of unhealthy under-bidding for tenders, leading to quality being compromised.
- Enhancing sales every month and ensuring minimal attrition in the face of stiff local, regional and national competition.

## Outlook

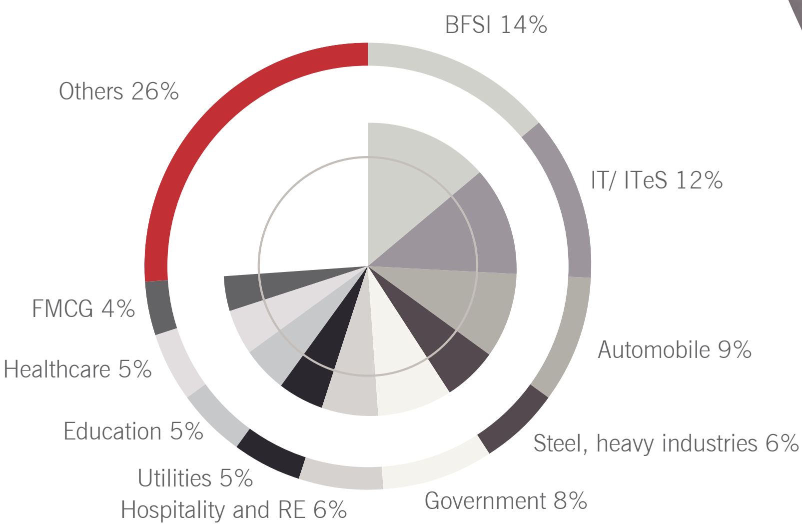
We recently deployed the latest SalesMaxx platform, which is a CRM and productivity improvement tool for our sales teams. This will help us manage personnel, map demand and address client concerns more effectively and accurately.

Improvements in terms of deportment and turnout will allow SIS to be highlighted as a professional yet friendly service provider.

The proposed GST implementation could bring about an immense shift in the way the industry operates. At SIS, we are geared for this development, a step towards greater formalization of the country's security industry.

**The security services** market growth is directly linked to the GDP growth of the country and has historically grown at 2.5-3x the GDP growth rate.

Sectoral revenue breakdown, 2016-17



SEGMENT: **01**

# SECURITY SERVICES-AUSTRALIA

MIKE MCKINNON
CEO, MSS SECURITY

- Largest security services company in Australia, reporting a five-year revenue CAGR of 7.7%
- Revenues, 2016-17: AUD 476 million
- 5,740 employees servicing over 240 customers

## Overview

MSS, a subsidiary of SIS, is the largest security services company in Australia with an 18% market share (Freedonia). MSS is one of the two national players with a presence in all of Australian states and an enviable blue chip clientele spread across multiple industry segments.

## Highlights, 2016-17

Despite market growth softening, MSS has grown its revenues by 4.5% ($21 million) in FY17.

MSS continues to maintain a high client retention rate of 97%. MSS won $40 million new contracts and also won the prestigious Melbourne Olympic Park projects.

Clients have been pushing cost and margin reductions, which have impacted MSS' direct contribution margins. However, the management's relentless pursuit of cost and waste minimisation led to EBITDA margin increasing slightly from 4.48% to 4.53%.

## People initiatives

There were quite a number of people initiatives undertaken by MSS in FY17. Our committment to the Federal Governments Indigenious Employment Parity Initiatives saw MSS employ 84 new indigenous people in the year. Our focus on employee safety resulted in a 30% production in lost time injuries.

We maintained our focus on recognizing years of service and service excellence through our State based functions held regularly throughout the country. We expanded the range of benefits available to our employees through our Employee Benefits Program.

Our Learning Management System was also enhanced to include a fully automated Talent Management System. Our recruitment process has also been fully automated.

From an Awards perspective we were successful in winning the Australian Business Awards for the 'Employer of Choice'. We were also a finalist in the Australian HR Awards for best diversity and inclusion program. As well as, we were a finalist in OSPA's for outstanding training.

## Key trends shaping the operating landscape

- The industry is becoming increasingly regulated. Competitors who are flouting employment and industrial relations laws are being censured by various regulatory agencies. This has led to several second-tier competitors exiting the industry over the past couple of years, and more pressure being exerted on the remaining ones to operate legitimately.
- Procurement departments continue to increase their influence and control in the tender selection and evaluation process.
- Facility management companies are assuming an increasingly vital role as many clients are choosing to concentrate exclusively on their core businesses. This has led to FM companies becoming longstanding clients rather than mere end-users of our services.

## Major challenges

- The Australian manufacturing industry continues to shrink. This, coupled with the end of the mining boom, has led to a reduction in these facilities requiring security services.
- This has had a trickledown impact on State and Federal Government revenues through the lowering of tax and royalty revenues, resulting in a tightening of governmental spending.

## Key strengths

- The management team within MSS is stable. The average tenure of the top 15 senior managers is 7.7 years. Consequently, the people are well-connected internally and respected by key clients.
- A strong value-based decision-making culture.
- One of the two security companies with a pan-Australian presence.
- Robust processes and systems with ongoing investments in people and on-field technology.

● The aviation sector is dominated by two airlines with Qantas being by far the largest. This sector continues to focus on cost reduction. This has reduced the demand for security services. In the last two years, MSS has seen AUD 6 million worth of service cuts in the aviation portfolio, including four airports ceasing security screening operations completely.

**Outlook**

Though the Australian GDP growth is expected to be sluggish over the near-term, the management is focused on pursuing every opportunity to ensure the company continues to grow faster than the market.

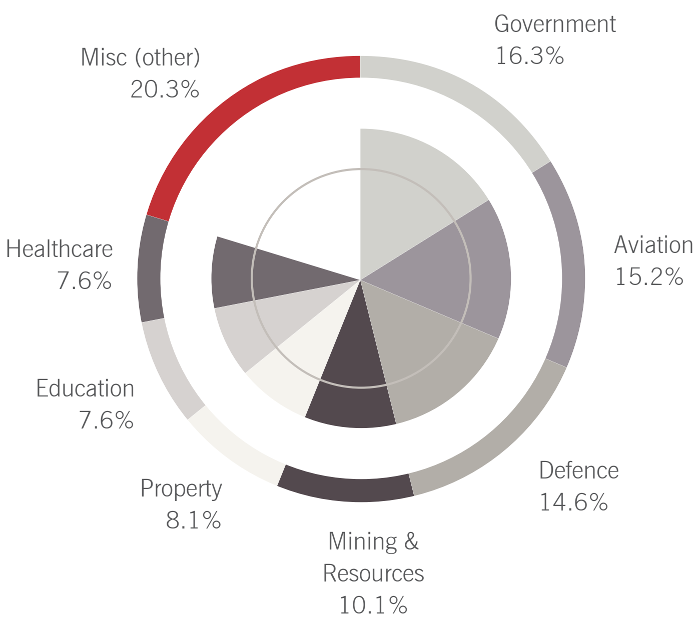
MSS is diversifying into associated areas through the development of strategic relationships such as SXP (alarm response and patrols), and in the areas of electronic security. This helps the company reach out to clients who wish to bundle all security services under one contract.

The dedicated national sales team that we started two years back is focusing on developing relationships with target opportunities. We are now seeing these opportunities reaching fruition with several new tenders coming to market.

On the back of all these measures, we are confident of retaining our leadership in Australia.

**There were** several people initiatives that were undertaken by MSS in FY16. These include gender diversity and mental health awareness activities.


**Sectoral breakdown - FY2016-17**



SEGMENT: **01**

# TECH SIS

CHANDER GUJRAL
PRESIDENT,
TECH SIS

- Five-year revenue CAGR: 28.1%
- Revenues, 2016-17: ₹233 million

## Overview

The Indian electronic security services market was estimated at ₹24.3 billion in 2011 and recorded a 25.6% CAGR to touch ₹60.5 billion in 2015.

The electronic security services market is driven by a growing threat from anti-social elements, growing awareness about safety and increasing investments towards security in both public and private establishments. Private commercial real estate such as offices, banks and IT/ITeS sectors are the largest end-users of these services. Lately, government infrastructure such as metro and railway stations have also adopted advanced electronic security protocols.

Moreover, a surge in the number of residential projects coupled with the government's ambitious 'Smart City' initiative will also lend a boost to industry. The Central Government has pledged an investment of ₹1 lakh crore towards the development of ports as 'engines of growth'. Besides, with the development of inland waterways imminent, additional avenues like cargo handling and implementation of CCTVs on public vehicles and areas bode well for the company.

## Core highlights, 2016-17

- Revenue grew at over 75% YoY with large orders from GAIL, and Haryana Roadways.
- Tech SIS generated net profit for the first time, a recognition of efforts into devising man-tech solutions.
- The milestone GAIL order was executed completely by in-house tallent. This was a multifaceted man-tech offering with 800+ manpower, 231 cameras, 139 network video recorders, 98 android-enabled mobile devices, 10 vehicles and 37 solar panels. Spread across seven States, the GAIL solution is a demonstration of SIS capabilities to offer complex solutions that outline the future of the security industry.
- The company consolidated its presence across different aspects of electronic security like CCTV, fire alarm, home automation and entry automation technology installation, among others. Customer-centric units were established in Southern and Western India to provide after-sales services.

## People initiatives

- More than 60% of the employees were promoted during the year under report and performance-based incentives were offered as well.
- Various training programmes were also initiated to enhance technological awareness, augment skills and boost motivation.

Periodic out-bound activities were arranged to bolster team bonding, hone skills and catalyse development.

## Key trends shaping the operating landscape

- Increasing crimes and threat perception: Increasing crime rates have catalysed the demand for electronic surveillance. There is a growing need for round-the-clock monitoring of premises and properties to evade and confront threats. Electronic security not only helps identify culprits but also creates a sense of security for the occupants of buildings or residents of a locality.

## Key strengths

- The Company forged longstanding ties with reputed players in the real estate segment. These clients are coming up with large projects, thereby maximising opportunities for the company.
- An efficient sales team ensures customer loyalty and enhances prospects of repeat business.
- Enduring relations with OEMs allows the company to get qualified leads and convert them with their support.
- A pan-India network enables the business to offer prompt service that widen and deepen its marketing footprint.
- The company's competent technical manpower team can provide tailor-made solutions based on available budgets and specific demands.
- Being a part of the SIS Group allows the division to mine existing accounts from the huge customer base of the Group as a whole.

● Increasing awareness and willingness to invest in electronic security: Customers are becoming increasingly aware of the benefits of electronic security and are opting to reduce dependence on manual monitoring. Declining prices of electronic security systems has made it easier for end-users to adopt these new technologies.

● Increasing investments in buildings and infrastructure: Increasing economic activity has led to increased investments in buildings and infrastructure projects. The increased governmental emphasis on augmenting public infrastructure such as roads, railways, metros and airports has increased the demand for electronic security mechanisms. Propelled by this high demand, these solutions are becoming more affordable and retrofitted.

## Major challenges facing the business

● An overt dependence on IT solutions with high obsolescence and costly requirements. In the face of this, Tech SIS is updating its IT platform and tying up with best-in-class players to leverage their sectoral expertise.

● Cash flow and financial management is vital for sustainable growth. Tech SIS exerted firm control over working capital management.

● High competitive intensity from unorganised players. Tech SIS intends to upgrade the skills of its employees to take up more high-value projects.

● Dependence on common OEMs and lack of exclusive partners motivated Tech SIS to explore relationships with exclusive partners and improving relationships with existing OEMs.

**The company's** competent technical manpower team can provide tailor-made solutions based on available budgets and specific demands.

● Tech SIS is undertaking decisive measures to hone skills and improve attitudes in the face of sweeping changes across the industry.

## Outlook

Tech SIS intends to come up with new service locations across India and leverage the rapid growth exhibited by the building infrastructure business. The company will focus on making inroads into government verticals and enter into more exclusive tie-ups with OEMs. It is seeking opportunities for product distribution to enhance volumes, widen reach and become self-sufficient. As a means to this end, it has already set up an online support system and is on the verge of installing high-end software to address varied customer needs.

**Sectoral revenue breakdown [%], 2016-17**

● Banks 26 ● Builders 11 ● Oil & Gas 7 ● Industrial 5 ● Transportation 5 ● Others 16

SEGMENT: **02**

FACILITY MANAGEMENT

# FACILITY OPERATIONS & MAINTENANCE

SHAMSHER PURI
JT. MANAGING DIRECTOR, DTSS

JASMER PURI
JT. MANAGING DIRECTOR, DTSS

- Five-year revenue CAGR: 84.6%
- Revenues, 2016-17: ₹3,869 million
- EBITDA (including Service Master and DTSS for 8 months effective from August 1, 2016)
- Over 37,000 employees servicing more than 2,479 customer locations

## Overview

India's facility management (FM) market has grown at a 16% CAGR over the last five years. Of this, the hard services market space accounts for a 40% share while the remaining emanates from soft services (as of 2015).

The cleaning services market in India contributes around 50% of the total soft FM services market, followed by pest control and other soft FM services with 20% and 30% shares, respectively. Other soft FM services include business support services like office and help desk support, gardening and landscaping and laundry and guest house management, among others.

The SIS Group operates in facility management through two brands:

**ServiceMaster Clean:** In operation for the past eight years.

**DTSS:** Acquired in August 2016. DTSS has a strong geographical presence in Karnataka and Maharashtra with a strong brand name among Indian and multinational companies.

## Highlights, 2016-17

- Revenues grew on an organic basis by around 42% and by around 300% with inclusion of DTSS revenues (for 8 months)
- EBITDA went up from ₹0.1 crores in FY15-16 to ₹18.6 cr in FY16-17
- Expanded facility management footprint pan-India with the acquisition of DTSS; currently serves close to 2,500 facilities with a 37,000-strong workforce.
- Presence in healthcare and IT industry bolstered through the acquisition of DTSS
- Seamless integration of DTSS into the SIS umbrella – DTSS has already moved its reporting, review and budgeting process to SIS systems. Similarly, SMC is benefiting from some of the best practices imbibed from DTSS.
- Cross-pollination between ServiceMaster Clean and DTSS is working well and poised to benefit from the national presence in facility management
- Continued to focus on training janitors and supervisors to improve customer satisfaction and invited customers during reward and recognition programs to showcase employee engagement and improve customer interaction and engagement.

## Key trends shaping the operating landscape

- FM is now viewed as a strategic cost centre where costs, quality and time can be controlled by outsourcing responsibilities to a third-party service provider. Customers are increasingly becoming aware of the benefits of outsourcing in order to reduce operating costs of the facilities/buildings and to focus on core business activities. Outsourcing not only enriches working conditions in the facility but also provides a safer, cleaner and healthier environment for occupants. It also conserves energy and augments the lifecycle of the equipment through efficient maintenance. The willingness to outsource among customers/end-users is expected to have a positive impact on the market.

## Key strengths

- A pan-India presence and proven ability and demonstrated track record to offer the full range of services allows the company to cater to large, multi-locational and discerning customers.
- Increased government business including the railways/Swachh Bharat Mission, among others.
- The business is reaching a scale where it can exploit operating leverage to drive better margins.

- Growth in commercial and residential construction is leading to the increased adoption of hard FM and cleaning services in India. Introduction of smart/green building design concepts and installation of advanced engineering systems is encouraging the involvement of professional maintenance services, thus enhancing the lifespan of assets and properties.
- Introduction of new technologies and solutions have improved service delivery. This increased efficiency has enabled organised cleaning service providers to scale their operations and offer services linked to service level agreements (SLAs) and key performance indicators (KPIs).
- Large FM suppliers are offering top-notch services in hard and soft FM categories. The quality of services has constantly improved and allowed them to compete successfully with specialists in different segments. In order to gain a strong foothold in the market, FM companies are meeting quality, environmental, health and safety (ISO 9001 & 14001 and OHSAS 180001) standards stringently.
- Several major MNCs and domestic companies have started investing in India and looking for FM services that match global standards. This has created more opportunities for organised FM companies to introduce and push integrated FM services among customers/end-users.

**Major challenges facing the business**

- Recruiting and retaining top-quality sales and operational personnel across India.
- Managing cash flows and generating margins in what will be an aggressive growth phase for ServiceMaster Clean.
- Increasing growth in volatile segments such as retail, real estate, healthcare and education segments.
- Growing competition forcing customers to reduce costs through manpower reduction.

**Outlook**

Automation of wage disbursement through fixed payment plans will be undertaken to improve employee satisfaction. Besides, implementation of biometric attendance systems at units will improve billing accuracy while cutting down on turnaround times. The implementation of an app-based customer feedback system will also help measure and improve customer satisfaction.

We have already extended hiring in ServiceMaster Clean through automated kiosks that have worked well for us in SIS Security, to improve hiring efficiencies and capture data more accurately. Expert teams will be created to develop operational excellence and make the most of the emerging opportunities that the healthcare and railway segments offer.

We will also pursue a larger number of B2G business opportunities more aggressively. Regional business teams will be empowered through measured de-centralisation of operational decision-making and potential janitors will be identified and developed to take up greater responsibilities through farsighted career planning measures.

DTSS will continue to focus on the core areas of West and South India, increasing penetration among key clientele while leveraging SIS' platform to spur business growth.

EDWARD D'SOUZA
PRESIDENT,
SERVICEMASTER
CLEAN LIMITED

**Sectoral revenue breakdown [%], 2016-17**

● IT/ITeS 40 ● Pharma 10 ● Hospital 10
● Manufacturing 10 ● Corporate 20 ● Hotels 6 ● Others 4

SEGMENT: **02**

FACILITY MANAGEMENT

# PEST & TERMITE CONTROL

ANIL DIAS
PRESIDENT,
TERMINIX SIS

- Five-year revenue CAGR: 64.8%
- Revenues, 2016-17: ₹80.3 million
- Over 340 employees

## Overview

Terminix SIS, a joint venture between the SIS Group and Terminix (the world's largest pest management service provider), was created with the objective of providing world-class, safe and hygienic pest control services to restaurants, food processing units, healthcare facilities, offices and residences, among others.

Terminix SIS is primarily focused on the non-food commercial segments with more than 94% of the revenues coming from route-based and on-site commercial businesses.

## Highlights, 2016-17

- Expanded to Eastern India
- Created a strong Key Account Management team
- Institutionalised an in-house ERP platform to ensure seamless control and bolster efficiency and transparency.
- The company also organised several client awareness training programmes and developed new KPIs with a view to monitor and improve response times and reduce instances of repeat complaints.
- The organisational structure and employee orientation was fine-tuned towards servicing large, pan-India accounts efficiently and cost-effectively.

## People initiatives

During the fiscal gone by, Terminix SIS established a dedicated helpline to address employee grievances promptly and institutionalised Catalyst, an in-house ERP. This will help address the operational and financial needs of the business and improve overall efficiency by reducing paperwork and enhancing customer engagement.

## Key trends shaping the operating landscape

- Demand for pest control services is growing consistently with awareness among end-users on health and safety issues increasing followed by recent major disease outbreaks. Demand for professional management services to control pests and rodents will drive growth for the pest control services market in India.
- Tropical South Asia's climate is conducive to year-round pest activity. This climate offers ideal breeding conditions for many types of pests including rodents, flies, bed bugs, mosquitoes, termites, ants and spiders. Climate change has induced the spread of the Asian Tiger mosquito that is found throughout the tropics of South East Asia.

## Key strengths

- The JV with Terminix, the world's largest pest management services company, has enabled a ready access to top-notch technical expertise.
- A team of committed professionals, from within and outside the industry, works relentlessly to ensure that Terminix SIS always stays a step ahead of competition.
- The company has cemented its reputation as a provider of innovative and cost-effective pest management solutions, tailored around specific customer needs.
- The company's emphasis on transparency has been vindicated by its professional documentation protocols which are especially useful during client audits.

### Major challenges facing the business

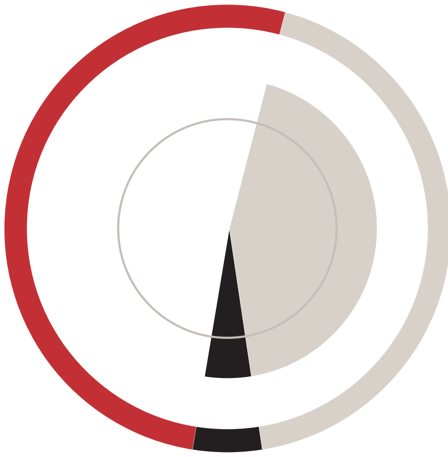
- Growing competition from unorganised players.
- Absence of industry regulation.
- Lack of government support in introducing newly advanced/effective chemicals the market.
- Improving Terminix margins to make it self-sustaining.

### Outlook

The market for outsourced pest control services in India was estimated at ₹12,000 million in 2015. Rising economic activity, growing urbanisation, increasing middle-class population and growing awareness of hygiene and sanitation among end-users have increased the demand for pest control services. The increasing middle-class population in India has shown a growing intolerance for pests and associated diseases. The Indian market for pest control services could grow at a 12% CAGR to reach ₹21,140 million by 2020. In addition to the real estate segment, food processing companies are also required to comply with food safety standards laid down by AIB International and British Retail Consortium (BRC) and undergo periodic third-party audits.

Many small pest control companies in India are not able to meet the stringent requirements of these compliances. In India, the demand for higher hygiene standards continues to rise in public areas and workplaces in line with the Swachh Bharat Mission.

Sectoral revenue breakdown [%], **2016-17**



- Residential 5%
- Route-based commercial 51%
- Onsite 43%

**The company's** emphasis on transparency has been vindicated by its professional documentation protocols, which are especially useful during client audits.

SEGMENT: **03**

# CASH LOGISTICS DIVISION

AVINASH KUMAR
PRESIDENT,
SIS CASH SERVICES

- Five-year revenue CAGR: 23.2%
- Revenues, 2016-17: ₹1,651 million
- Over 11,400 employees with 2,600 cash vans and 59 vaults

## Overview

In 2011, the SIS Group entered into a JV with Prosegur, a global leader in cash-based logistics services. With the acquisition of the cash services division of ISS SDB in December 2014, SIS Prosegur emerged as the second largest cash services business in India with a market share of around 11%. The business has also emerged as the fastest growing cash logistics network in the country.

SIS Prosegur offers a comprehensive suite of ATM replenishment, secured cash transportation, cash pickup and delivery, bullion transportation and vaulting and processing solutions for currency, bullion and other precious cargo. The company is credited with the successful launch of end-to-end video monitoring of processes, counterfeit note verification, cash sorting and specialised packaging, among others.

Pricing pressures continues in the sector due to sub-optimal contracts entered into by the MSPs (managed service providers) with the banks, which has led to profitability erosion for all players. Over the last three years, some CRAs (cash replacement agencies) have already gone out of business or have sold out, the industry poised for further consolidation. On the brighter side, new opportunities in terms of door-step banking and cash vaulting have come up and are witnessing strong levels of growth.

## Highlights, 2016-17

- During the year, Cash Logistics grew at 7.6% and showed resilience despite the demonetisation of specified notes.
- The cash logistics team showed commitment and passion during demonetization (November 2016 to February 2017) which was a moment of national crisis. Everyone in the SIS team extended beyond the normal call of duty, working tirelessly round the clock in evacuating cash, recalibrating ATMs and replenishing cash. From the management's side, we regularly coordinated efforts with Reserve Bank of India, Ministry of Finance and commercial banks to ensure that public inconvenience was minimized.
- As on 31 March 2017, our cash logistics division enjoyed a gross margin of 20%. SIS Prosegur is being increasingly perceived as a thought-leader in its space. Although, SG&A expenses to revenue declined by 0.7%, the impact on profitability was muted due to higher deductions on account of SLA penalties and differences in reconciliations.
- One of the big moves in FY17 was the acquisition of certain specified business contracts belonging to Scientific Security Management Services (SSMS). This acquisition added over 4800 ATMs to our network, and increased the number of ATM routes from 1,062 in March 2016 to 1,315 in March 2017. This acquisition was done at an attractive value on a post-synergy basis. Our route density also saw a good jump following this acquisition.
- A robust collections plan was designed and executed successfully, which resulted in a reduction in DSOs from 123 days in March 2016 to 99 days in March 2017.
- Cash in transit (CIT) and Door Step Banking (DSB) monthly review meetings with customers were held to generate feedback on operations and dedicated key account managers were deployed at critical locations. Besides, an online system allowed MIS information to be uploaded to the banks instantly and reduced instances of manual errors which could have led to delay-induced penalties.
- The introduction of a best-in-class vendor management system ushered better control over cash flows and ensured rigorous monitoring of vendor bills. Besides, automation of the billing process led to a faster submission of error-free bills to customers, thereby ensuring timely payments.

## Key trends shaping the operating landscape

- ATM growth has been slow and revenue per ATM has shrunk over the last few years due to pricing pressures from banks.
- Banks have come up with stringent qualification criteria for CIT/DSB businesses.
- Entry barriers for new players remain low while bullion movement (domestic) has dipped on account of higher import duties levied on gold.
- As the market moves from an outsourced to an integrated model for the CA/

CP business, frontline players can approach large banks for business.

- The industry is being steadily consolidated and this should improve the bargaining power vis-à-vis MSPs and banks.

**Major challenges facing the business**

- Revenue growth hasn't been able to keep pace with the increase in direct costs. We are focusing on bagging and managing those ATMs that offer better revenue projections.
- Customers are levying heavy penalties for SLAs on CRAs as well as delaying payments due to cash flow-related issues. Hence, pertinent SOPs are being put in place to ensure regular reconnaissance and proactive recovery. Furthermore, the business needs to be de-risked through technologically-robust audits and reconnaissance processes.

**Outlook**

The company's biggest objective will be to reduce deductions, de-risk the business and get closer to regional teams.

Opportunities in emerging areas like doorstep banking as well as a focus on non-banking sectors (telecom, retail, oil and clustered commercial hubs) increased during the fiscal.Operationally, the company will look into optimising CIT/DSB/ATM routes and comprehensively deploy cutting-edge technologies.

Furthermore, the company will differentiate itself and penetrate deeper into the marketplace by installing cash dispensing machines as well as facilitating integrated end-to-end international bullion movement. The deployment of two-wheelers can also help contain costs and boost profitability.

We intend to focus on the following opportunities with a view to grow the business profitably:

**Increase** ATM penetration while keeping the route density relatively unchanged to enhance the productivity of inefficient routes.

**Approach** banks for gaining a toehold in the DSB/CACP businesses.

**Make** efforts to augment the CIT (cash-in-transit) business, since it has already achieved a critical mass in terms of payments and collections.

**Utilise** the best-in-class technology for DSBs and aggressively automate ATM operations.

**Capitalise** on the international bullion segment to generate end-to-end businesses.

**Control** SOP projects to fine-tune processes and realign manpower training in line with emerging trends.

**Cash vans**

| March 2016 | March 2017 |
|---|---|
| 2,315 | 2,618 |

NEW SEGMENT

# VPROTECT

SHANKAR SUBRAMANIAN
PRESIDENT,
VPROTECT

## Overview

Despite being in a state of infancy in India, a surge in the real estate market, economic growth and increasing labour costs have brightened the long-term prospects of the alarm monitoring market.

Alarm monitoring emerged as a logical extension of physical security services and responded to the need for an automated protection system which required minimal human intervention. Initially, aggregators started offering this service as a means of merely detecting human movement and protecting their main doors. Soon, certain players started selling the whole alarm equipment package with auto-dialing and a host of other ancillary features.

Alarm monitoring is being projected as a full-fledged security service that needs to be manned by qualified officers. Remote monitoring services allow a monitoring station officer to take action proactively in case an untoward event occurs.

Today, alarm monitoring has evolved from being an impulsive purchase into an indispensable utility in many countries and this trend will gain currency in India in the coming years.

## VProtect

We launched our alarm monitoring and response solution – VProtect, in the fourth quarter of FY17. VProtect was launched by SIS Prosegur Alarms (a JV between the SIS Group and Prosegur) and targeted at homes, offices and retail spaces. We are backed by a private emergency response fleet and are also India's first video-verified and integrated security response service provider. The business is being piloted in Gurgaon and parts of Delhi and to ensure a faster scale-up, we are working on two key areas.

Firstly, being a customer-centric organisation by using state-of-the-art technology and a customer-friendly interface. Second, by enhancing employee engagement through competency mapping, capability building and training and development exercises.

By utilising existing platforms of other Group members like Prosegur and cloud computing and mobile application technologies, the company intends to minimise upfront investments and secure the highest levels of efficiency. As a means to this end, it has started offering the product with a full-fledged app. This empowers the customer to undertake basic management tasks on the go. Besides, a reliance on wireless systems enables the company to troubleshoot glitches in connectivity promptly while an intelligent panel keeps a check on the network strength and battery power.

## Key trends shaping the operating landscape

- Video surveillance allows false alarms to be detected early and reduce the number of response team visits and the liability of sending the police and other civic authorities.
- Besides, fully-automated transactions mean there are no hassles involved in terms of managing documents and cash.
- Incidentally, the percentage of false alarms is astronomically high (in the range of 99%), leading to customer dissatisfaction and unnecessary site visits by civic authorities. Spurred by these trends, the industry is moving towards video verification and home automation. Video verification uses a low frame-rate video feed to allow an operator to verify an alarm signal so as to validate the threat posed by an event and take corrective action.
- Alarm monitoring companies are providing home energy management solutions as a part of their service portfolios. Remote monitoring services are being increasingly perceived as a positive experience (saving money on energy bills) rather than a negative one (preventing burglary and theft).

EXCELLENCE DRIVER

# SYSTEMS & PROCESSES

**Overview**

The SIS Group employs more than 1.5 lac people and has over 250 branches across the country. Running an organisation of this size requires robust systems and process. Over the years, we have instituted technology into every aspect of our daily operations and reached a stage where every part of our value chain - from recruitment to operations to performance measurement - has strong technological linkages.

- **ARK (Automated recruitment kiosk)** - We operationalised this system in FY16 to automate our recruitment processes so that there is greater quality and consistency in terms of the people we hire. The ARK has helped us build a strong database of all the parameters used for recruiting – physical, education, references, among others. This would allow us to offer premium services in sync with incipient requirements.
- **Digitised training methodology** - Our training content is continuously being enriched to make sure that our personnel are capable of meeting the latest security needs. Our digital training content enables us to train more candidates without undergoing a corresponding increasing in physical infrastructure.
- **Sales Maxx** - Extensive development work has been done over the past 2 years to launch our Sales Maxx platform, a tablet-based sales force management tool that enables our on-field sales force to close leads and manage all sales-related aspects. This was launched in February 2017.
- **iOPS** - A first-in-the-industry initiative, this mobile-enabled security services operations platform enables us to manage field operations, render detailed data analytics, enable workflow automation and generate infographic dashboards. This was launched in the first half of FY17.
- **7 Finger Model** - The 7 Finger Model forms the bedrock of our financial and operational measurement and analysis. It focuses on four aspects to achieve business and operational targets - new sales, quality service delivery, manpower management and receivables in order to enhance sales revenues, reduce total costs and improve profit margins.
- **PMP process** - The culmination of all our operations is the performance management process which is handled through our PMP portal that gives details of each individual employee's performance through the year and serves as a quantitative tool, reducing subjectivity in the appraisal process.

Central to all of these is our ERP system that takes inputs and also feeds many of the above processes. We feel that our strong systems, which are unique to the industry we operate in, will provide us with significant benefits and boost our operating leverage, over time. We are also proud that all our systems are fully 'Made in India', reducing development costs and adding to the valuable intellectual property of our Group.

# RISK MANAGEMENT

**The** SIS Group, as an industry leader, realises that it is imperative to assess the risks that we face and mitigate them effectively. The Group analyses, evaluates and keeps an eye on all relevant factors that may affect our short- and long-term interests. This allows us to safeguard our assets and protect stakeholder interests.

**Through** our focused comprehensive risk management programme, we carry out ongoing analyses of all business processes to detect, evaluate and manage risks.

**We** are aware of the positive impact that this has on our services and invest considerable time and resources towards this. Our operations are subject to ongoing audits, both in onsite and remote modes.


### Financial risk

**The key objective is to minimise possible adverse effects stemming from financial uncertainties.** While we are subject to variations in financial performance due to currency movements of the AUD with respect to the INR, each of our businesses is an independent entity with no dependence in terms of operations and business on each other. Thus, currency movements do not impact absolute profits in our respective markets. They do, however, impact consolidated results positively or negatively, depending on the direction of the currency movement.

As far as credit risks are concerned, the company has a varied set of largely blue-chip clients. Furthermore, given the well-diversified client base, the credit or business risks associated with a particular client or industry is also significantly mitigated. This, as well as the strong collection system and debt monitoring, have reduced bad debts. This has also resulted in SIS being able to manage and maintain healthy liquidity ratios. Coupled with our strong returns and cash generation, we were able to maintain negative net debt (net cash) during the year.

### People risk

**We provide people-based services.** The quality of our manpower defines the quality of our service. We do have a significant people risk: from the availability of trained manpower, to the quality of service delivered by our security personnel, as well as the fact that no two guards will be identical in all respects. We have attempted to minimise the risk related to the availability of trained manpower and


service quality by building a superior training infrastructure and an automated recruitment system (a first-in-the-industry initiative), to monitor quality and verify employee backgrounds.

We have been able to build a unique multi-layered security management team across all levels in India. This means that our group management is supported by zonal and regional management, which comprises professionals who have been in the industry for over 15 years.

This has ensured that while we have been growing, we have managers on the ground to meet customer requirements and deliver superior services.

Being present in a labour-intensive industry, the Group adheres tenaciously to the stringent labour laws and regulations of the countries in which our companies operate, both in letter and spirit. We are committed to embracing good practices in the areas of PF, gratuity and leave regulations, among others.

### Operational risk

**Security threats**

Being in the security industry, we are often the first line of resistance during untoward incidents and security breaches. Consequently, we have come up with detailed operating procedures and emergency responses. We have ensured coordination with governmental security agencies and are better placed than most competitors by implementing better processes and technologies in our operations. We have insured our people, vaults and assets to ensure that this risk impact is minimised.

### Competition risk

**As with most service industries,** the security industry faces significant competitive pressure. Businesses such as security services, facilities management and pest control have almost no barriers to entry, allowing any number of players.

We have been able to differentiate ourselves by offering a better quality of service, scaling capabilities steadily and responding proactively to ever-changing customer needs.

### Reputation risk

**We possess a comprehensive code of ethics and conduct,** which governs our relationship with the employees, investors and other stakeholders. We have also in place a Whistleblower Policy for bringing to attention any inappropriate conduct so that they can be immediately remedied.

The Group also employs IT specialists at all levels and has in place mandatory minimum security controls. Moreover, a regular penetration testing of networks and systems ensured that key systems remain robust.

At SIS, we consider essential to implement best practices in terms of governance to guarantee the Group's sustainable success.

The fact that some of the company's senior managers own a significant part of the Group equity capital ensures that they stay committed to the smooth running of the organisation, thereby aligning their interests with those of the shareholders.

# THE SIS BOARD PROFILE


SIS' Board consists of a mix of Independent Directors, Promoter Directors and full-time Directors. The team is led by Mr. Ravindra Kishore Sinha, Group Chairman. The members of the Board have wide-ranging and extensive experience in various facets of business operations and their role is to supervise the functioning of the Group management directly and various committees apart from approving the overall strategy and direction of the SIS Group's businesses.

**01 Mr. R.K. Sinha**

*Founder, Chairman*

Mr. R.K. Sinha ('RK' to all) is a first generation entrepreneur and founder of SIS Group, which started with a team of two from a small rented office in 1974. Today, the SIS Group is recognised as one of the leaders in security and business support services business in the Asia Pacific with over 150,000 permanent employees. Mr. Sinha's next big goal is to get SIS listed on the Indian stock exchanges.

**02 Mrs. Rita Kishore Sinha**

An MA, LLB by qualification, Mrs. Sinha is a Senior Advocate in the Supreme Court of India.

**03 Mr. Rituraj Sinha**

Mr. Sinha is the Group Managing Director. He is an alumnus of the Doon School and Leeds University Business School, UK. He joined the SIS Group in 2002 after a brief stint in the banking sector in the UK. Over the years, he has built a reputation for himself in the global security and business support services industry by forging partnerships with global market leaders and orchestrating game-changing acquisitions. He is active on various industry forums and champions the cause of the private security industry at various government forums and industry associations.

**04 Mr. Uday Singh**

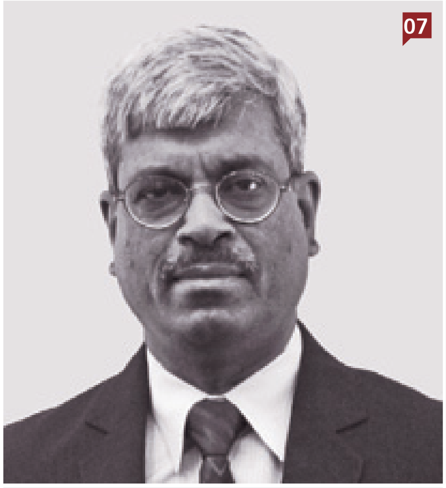
An engineering graduate and an MBA with wide-ranging experience of having worked for both Indian and multinational companies in steel, chemical, power and other manufacturing sectors. Besides, he has longstanding experience in design and consultancy services before joining SIS Group in 2002. He has also held senior management positions in organisations like SAIL, MECON, Jindal Vijaynagar Steel (now JSW) and Praxair before taking over as Group CEO of SIS Group Enterprise.

**05 Mr. TCA Ranganathan**

He has over 38 years of experience in banking field and has, in the past, held various positions with Export Import Bank of India as the Chairman, with State Bank of Bikaner and Jaipur as the Managing Director and with State Bank of India as the General Manager of Gujarat operations.

**06 Mr. A.K Mattoo**

A mechanical engineer by qualification who has held









prominent positions in several companies including Tata Steel and BHEL.

**07 Mr. Arvind Prasad**
Mr. Prasad is the CFO for SIS's Indian operations since 2007. Mr. Prasad has been a part of the company's top management since 1985. He has been instrumental in pioneering the cost plus method of pricing as well as payroll processing using in-house software, some of the firsts in the Indian security industry. Mr. Prasad also designed and implemented the ERP system for SIS India.

**08 Mr. Jayanta Basu**
Mr. Basu, an MBA from IIM, Ahmedabad, is one of the founding Partners at CX Partners. Prior to this, he was a director with Citi Venture Capital International (CVCI) and was with Citi's private equity business for eight years. During his tenure with CVCI, he worked to identify and invest, manage and exit a large number of companies across a wide spectrum of industries including, ITeS, financial services, automobiles, metals and mining, infrastructure, pharma and specialty chemicals, oil & gas services, media and textiles. He also has several years of experience in the realms of corporate and investment banking with Citibank. Mr. Basu currently serves on the boards of Sutures India and Matrix Cellular.

**09 Mr. A.P Verma**
Mr. A.P. Verma completed his masters' in liberal arts from Patna University in 1975 and is a former deputy managing director at State Bank of India, India's largest commercial bank. During his long career with SBI spanning 35 years, he held several senior positions including general manager in the International Banking Group, deputy managing director at GE Mid Corporate Group and managing director and CEO at SBI Capital Markets Limited.

**10 Dr. Ajay Kumar**
Dr. Ajay Kumar has been the Member of Parliament from Jamshedpur since 2011 and the CEO at Max Neumann International, a drug research KPO, since 2005. Prior to this, he was the president, operations, at Apollo Hospitals. A former IPS officer of 1986 batch, Dr. Ajay Kumar served as the Superintendent of Police in Jamshedpur after which he left the police service and moved to the corporate world. He has over 22 years of experience in managing large business operations with over 12 years in senior managerial positions with Cummins Diesel and Tata Sons.

**11 Mr. Arun Batra**
A chartered accountant by profession, Mr. Batra has held top positions in several MNCs like Group4 Securicor, India, and Eternit Everest Ltd (EEI), Belgium, and Nestle India. He was also a Council Member and Treasurer of the European Business Group in New Delhi for over six years.

**12 Mr. Devdas Apte**
A former Rajya Sabha member and eminent social worker.

SIS
# GROUP MANAGEMENT COMMITTEE

**The SIS Group's** business and operations are managed by a Group Management Committee (GMC) led by the Group Chief Executive Officer who operates under the supervision and control of the Board of Directors. All members of the Group Management committee are professional managers who have extensive experience in their respective areas of expertise and operations. The Group Management Committee is responsible for creating the business and operating strategy for the Group and formulating policies and the overall frameworks of the businesses under the aegis of the Group.










**01 Mr. Uday Singh**
*Group Chief Executive Officer*

**02 Mr. Rituraj Kishore Sinha**
*Group Managing Director*

**03 Mr. Arvind Prasad**
*Director Finance*

**04 Mr. Mike McKinnon**
*CEO, MSS Security, Australia*

**05 Mr. Dhiraj Singh**
*CEO (Facility Management and Emerging Businesses)*

**06 Mr. Devesh Desai**
*Chief Financial Officer (International Business)*

**07 Mr. Tapash Chaudhuri**
*COO, (India Security)*

**08 Mr. Brajesh Kumar**
*Executive Director (F&A)*

**09 Mr. Vamshidhar Guthikonda**
*President – M&A*

# CORPORATE INFORMATION

**Board of Directors :**
Ravindra Kishore Sinha – *Chairman*
Rituraj Kishore Sinha – *Managing Director*
Rita Kishore Sinha – *Non-Executive Director*
Uday Singh – *Wholetime Director and Chief Executive Officer*
Arvind Prasad – *Director (Finance)*
A K Mattoo – *Independent Director*
Arun Batra – *Independent Director*
Amrendra Prasad Verma – *Independent Director*
Dr. Ajoy Kumar – *Independent Director*
Jayanta Kumar Basu – *Non-Executive Director*
T C A Ranganathan – *Independent Director*
Devdas Apte – *Additional Director*

**Company Secretary :**
Pushpalatha Katkuri

**Bankers :**
State Bank of India
IDBI Bank Limited
Axis Bank Limited
ICICI Bank Limited
Yes Bank Limited
Kotak Mahindra Limited
Standard Chartered Bank
IDFC Bank Limited

**Group Management :**
Uday Singh
Rituraj Kishore Sinha
Arvind Prasad
Devesh Desai
Dhiraj Singh
Mike McKinnon
Brajesh Kumar
Tapash Chaudhri
Vamshidhar Guthikonda

**Auditors :**
M/s. A Mitra and Associates
Chartered Accountants

**Registered Office :**
Annapoorna Bhawan
Telephone Exchange Road, Kurji
Patna – 800 010

**Corporate Centre :**
A-28 & 29 Okhla Industrial Area, Phase-1
New Delhi – 110 020

**Corporate Identification No :**
U75230BR1985PLC002083

**Website :** www.sisindia.com

# Directors' report

**TO THE MEMBERS,**

Your Directors have pleasure in presenting the Thirty Third Annual Report on the business and operations of the Company together with the audited accounts for the year ended March 31, 2017.

RESULTS

The Company's operations during the year ended March 31, 2017 are summarized in the table below:

₹ mn

| | STANDALONE | | CONSOLIDATED | |
|---|---|---|---|---|
| | 2016-17 | 2015-16 | 2016-17 | 2015-16 |
| Net Revenue | 16,147.6 | 12,736.8 | 45,670.9 | 38,362.2 |
| Revenue Growth % | 26.8% | 9.31% | 19.0% | 7.38% |
| Earnings before financial charges, depreciation & amortisation and taxes (EBITDA) | 948.5 | 445.2 | 2,223.5 | 1,299.7 |
| Depreciation & Amortisation | 237.0 | 210.3 | 456.5 | 431.6 |
| Financial charges | 528.6 | 206.6 | 748.8 | 523.1 |
| Earnings/Profit before taxes (PBT) | 234.5 | 164.7 | 1,118.6 | 499.6 |
| Provision for taxes | (-)27.6 | 40.9 | 219.9 | 194.0 |
| Minority Interest | - | - | (-)7.4 | (-)19.8 |
| Impact of adjustments on account of conversion of a subsidiary to a joint venture | - | - | - | 107.5 |
| Net Earnings/Profit after tax (PAT) | 262.1 | 123.8 | 906.1 | 432.8 |

The Company's revenues, at ₹16,147.59 mn during the year under review, increased by 26.8% over the previous year. EBITDA, at ₹948.53 mn, increased by 113.0 compared to the previous year. Your Company continues to grow at a fast pace and its revenue growth over the last 5 years (CAGR) has averaged 25.9%.

On a consolidated basis, the SIS Group (consisting of SIS and all its subsidiaries, associates and joint ventures) earned net revenues of ₹45.67 billion (previous year - ₹38.36 billion) and an EBITDA of ₹2.22 billion (previous year - ₹1.30 billion). The SIS Group is amongst the largest security and facility management services companies in the Asia-Pacific region with revenues continuing to grow at a rate far in excess of the industry growth rate.

## OPERATIONS AND BUSINESS PERFORMANCE

### Security services – India

The continued growth of the Indian economy underpins the performance of the security services industry. The growth in the Indian security business was led by a strong growth in the number of staff deployed, by 15.4% from March 2016 to March 2017. Significant operational improvements leveraging technology based solutions have contributed to growth in operating profits during the year under review. These improvements led to a significantly lower growth in indirect staff whilst still maintaining revenue and direct manpower growth in line with previous years. Our direct staff attrition levels have decreased from 57.8% in the previous year to 55.8% during the year under review.

### Security services – Australia

The company's business and operations in Australia, where it provides security services through its wholly owned subsidiary, MSS Security Pty Ltd., recorded revenues of AUD 477 mn during the year under review against AUD 455 mn in the previous year. This is a growth of 4.83% which is noteworthy considering that the Australian industry is a fairly developed and stable market and its economy is growing at around 2.3%. New permanent contracts of AUD 40 mn were won during the year and an overall retention rate of 97% was achieved, which is a strong indicator or the high levels of operational excellence in our Australia business. Staff attrition was also kept steady at 20%.

### Cash Logistics (a joint venture with Prosegur)

Our Cash Logistics business, which is a joint venture with Prosegur, continues to be the fastest growing cash logistics business in India and has grown to become the second largest operator in the industry.

On a consolidated basis, the cash logistics business' revenues grew by 7.5% over the previous year. We now operate over 2,600 cash vans and 58 vaults and strong rooms across the country.

The cash logistics business has been able to weather the demonetization exercise notified by the Government of India in November 2016, and played a major role during the period immediately following this notification. In the areas of cash evacuation from ATMs, recalibration of ATMs and new cash replenishment into the ATMs. Our cash logistics team with the support of the group management worked tirelessly to meet the demands of the banks, customers and regulators in this time of crisis.

In December 2016 we acquired, by business transfer by way of slump sale, certain specified business contracts, assets, employees from Scientific Security Management Services Private Limited (SSMS). This acquisition is expected to enhance our route density, yield significant synergies and boost the operating margins of the cash logistics business.

### Facility Management

The Group's facility management business, operated by its subsidiary, Service Master Clean Limited, reported another year of strong growth. The company's services continue to gain traction in the market, with the company registering a healthy growth during the year. Revenues were up 41.7% from ₹1,014.8 mn in FY 2015-16 to ₹1,437.9 mn in FY 2016-17. EBITDA witnessed a growth from ₹1.2 mn to ₹30.8 mn for the year under review.

During the year, effective August 1, 2016, we acquired 78.72% of Dusters Total Solutions Services Private Limited (DTSS or Dusters) for a consideration of ₹1,169 mn. In addition, the share purchase agreement provides for acquisition of 100% of the outstanding equity shares, by August 2019, in one or more tranches, and at a price to be determined according to a pre-agreed valuation formula. Dusters is the fourth largest facility management company in India and, with this acquisition, our facility management vertical comprising Service Master Clean and Dusters will be our second largest business employing over 35,000 people and a significant player in the facility management space in India.

The year under review was the fifth full year of operations of the pest control business which is undertaken by Terminix SIS, a joint venture with Terminix, and the Directors are pleased to report that the business has recorded another year of high growth in revenues of 35.2%

### Electronic Security Solutions

The electronic security business of Tech SIS recorded a revenue of ₹233.4 mn during the year under review, which represented a 76.4% growth over the revenues of ₹132.3 mn in the previous year. The growth was achieved by increasing focus on banking, industrial and Government/ PSU clients. EBITDA grew almost four times compared to the previous year.

During the year under review, your company commenced commercial operations for the alarm monitoring and response service, branded as VProtect, through a company formed as joint venture with Prosegur in 2016.

## SIGNIFICANT DEVELOPMENTS

### Acquisition of Dusters Total Solutions Services Private Limited ("Dusters")

Effective August 1, 2016, we acquired 78.72% of the outstanding equity shares of Dusters for an aggregate acquisition cost of ₹1,169.03 million.

In addition, the share purchase agreement provides for acquisition of the remaining outstanding equity shares of Dusters, by August 2019, in one or more tranches, and at a price to be determined according to a pre-agreed valuation formula. Dusters is the fourth largest facility management service provider in India

**Acquisition of a part of the cash logistics business of Scientific Security Management Services Private Limited ("SSMS")**

Our subsidiaries, SIS Cash and SIS Prosegur, entered into a business transfer agreement dated October 20, 2016, to acquire specified business contracts, vendor contracts, licensed properties, employees and related assets from SSMS, effective December 10, 2016. As part of the agreement, we acquired specified business contracts, vendor contracts, licensed properties, employees and related assets from Scientific Security, for an aggregate consideration of up to ₹180.00 million, subject to certain conditions

**Acquisition of Lotus Learning Private Limited**

On May 19, 2016, one of the subsidiaries in the Group acquired 100% of the outstanding equity shares of Lotus Learning Private Limited ("Lotus") for an aggregate consideration of ₹180.00 million pursuant to which Lotus became a subsidiary in the Group.

**Demerger Scheme**

As more fully explained in Note 13 under Note 28 – Other Notes to Accounts, the board of directors have, by resolutions dated September 20, 2016, November 11, 2016 and December 16, 2016, approved a composite scheme of arrangement under sections 391 to 394 of the Companies Act, 1956 between the Company ("SIS"), Service Master Clean Limited ("SMC"), SIS Asset Management Private Limited ("SIS Asset Management") (formerly known as Tech SIS Access Management System Private Limited) and their respective shareholders and creditors ("Demerger Scheme"). The Demerger Scheme contemplates the demerger, transfer and vesting of

(a) the consultancy and investigation business of the Parent, including all related assets, properties, identified investments (direct, or through nominees), liabilities and provisions, employees, business contracts and movable and immovable properties, as well as certain compulsorily convertible shares allotted or deemed to be allotted pursuant to the Demerger Scheme ("SIS Demerging Business"), and

(b) the payroll outsourcing business of SMC, including all related assets, properties, identified investments (direct, or through nominees), liabilities and provisions, employees, business contracts and movable and immovable properties ("SMC Demerging Business") to SIS Asset Management Private Limited, on a going concern basis (such transaction, the "Proposed Demerger").

Subsequently, our Company, SMC and SIS Asset Management, on January 11, 2017, jointly filed the Demerger Scheme with the National Company Law Tribunal (Kolkata bench) ("NCLT"), and through an application under Rule 3 of the Companies Amalgamation Rules, sought dispensation of the meetings of shareholders and creditors of us, SMC and SIS Asset Management for approving the Demerger Scheme. By orders dated May 26, 2017 and May 31, 2017, the NCLT had, among other directions, (a) convened meetings of equity shareholders and creditors of our Company and the creditors of SMC on July 24, 2017 to approve the Demerger Scheme; (b) dispensed with meetings of shareholders of SMC and SIS Asset Management; and (c) directed that the Demerger Scheme and other relevant documents be served on the Regional Director (Eastern region), MCA, the Registrar of Companies ("RoC"), SEBI, concerned stock exchanges, the Income Tax Department and Official Liquidator having jurisdiction over the transferor and transferee companies. These meetings were subsequently conducted on July 24, 2017, at which, the Demerger Scheme was approved by the shareholders and creditors of our Company and creditors of SMC.

Accordingly, the Demerger Scheme remains subject to (a) the approval of the NCLT, (b) certified copies of the orders of the NCLT being filed with the RoC, and (c) compliance with any other conditions as may be imposed by the NCLT.

## OUTLOOK

The industries we operate in are closely linked to the overall economic growth of the country. India is currently one of the fastest growing major economies in the world according to IMF/ World Bank

Strong underlying GDP growth coupled with sound demand drivers augur well for the Indian security services industry in the near future. Frost & Sullivan has forecast the Indian security services industry to grow at a CAGR of 20% over the period 2015-2020 as compared to a CAGR of 18% over the period 2010-2015. We have historically grown at over 1.5 times the industry growth and we believe that we are well placed to continue to outperform the industry in the future too.

This growth comes on the back of continued urbanization, higher threat perception, inadequate police force and shift from noncompliant local players to compliant national players. All this is supported by good growth for all the underlying sectors that we service. Recent events and changes like demonetization, implementation of GST, better enforcement of PSARA are all going to accelerate the formalization of this industry. We have significantly increased our security services branch network over the past few years to reach 151 branches and, with this vast reach, we believe that we are well placed to capitalize on this demand expansion.

Our Australian operations, through MSS, continue to be the leader in Australia with strong YoY growth, that is consistently higher than competition. This has been achieved on the back of consistent margins. Freedonia has estimated the market to grow at 5.4% over the next 5 years and, with our strong brand name and continuous investments in people and technology, we will strive to continue to maintain our market leadership position.

The facility management and pest control industry is still largely dominated by unorganised players with localized operations. There continues to be a steady shift from the unorganized to the organized players and this market is expected to grow at around 20%. While IT/ITES have been the first users, we see an increasing shift towards outsourcing by hotels, hospitals, retail, airports, metros, commercial outlets and small retail or F&B outlets as well. The trend towards outsourcing non-critical operations (FMS being prime among them) continues to be strong and as the market and industry expands, the scope of service offerings will expand, bringing in more revenue for the industry. The "Swachh Bharat" initiative by Government of India is expected to provide a major boost to facility management and cleaning services.

The cash logistics industry has seen slower growth over the past years due to slowdown in ATM expansion and also poor contracting practices adopted by the managed service providers. Post demonetization, the industry has got better recognition from the regulators who realize the criticality of the cash logistics industry in keeping the wheels of the economy moving. We believe that the ecosystem for cash logistics is taking a turn for the better with active support of banks and regulators. We believe that consolidation in the industry will also help us achieve the necessary level of operational density to drive margin expansion.

We are seeing increasing requirements from customers who intend to invest in electronic security systems. At the same time, there is an increasing segment of consumers who are adopting electronic security as a service ("ESAS"). This presents a huge opportunity for players such as SIS, who can provide man-tech solutions which provide integrated security solution to the customers.

Our focus remains to drive strong organic growth and at the same time continuously look to expand on our service offerings by acquiring businesses. We believe that by continuously investing in systems, processes, training and recruiting the best personnel and managers, we would be able to continue to deliver superior services to customers.

## MATERIAL CHANGES & COMMITMENT IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY FROM THE END OF FINANCIAL YEAR TILL THE DATE OF THE REPORT.

**Acquisition of Southern Cross Protection Pty Ltd by way of increase in the shareholding and voting rights**

Effective July 1, 2017, the Company, through its 100% subsidiary, SIS Australia Group Pty Ltd. ("SIS Australia Group"), acquired 51% equity in Andwills Pty Limited ( "Andwills"), the ultimate holding company of Southern Cross Protection Pty Ltd. ("SXP"), one of our current Associates, in which 10% of the equity share capital and voting rights are directly held by SIS Australia Group. This acquisition resulted in the Company, indirectly and directly, controlling 51% of the equity share capital and voting rights in SXP, which is an increase from the existing 10% of the equity share capital and voting rights in SXP directly held by it, through its 100% subsidiary, SIS Australia Group. Further, the share purchase agreement provides a right to SIS to increase its shareholding in Andwills to 100% after three years, and, as a result, indirectly and directly control 100% of the equity share capital and voting rights in SXP, at a price to be calculated in accordance with an agreed valuation formula.

**Initial Public Offering ("IPO")**

During the year under review, the Company filed a Draft Red Herring Prospectus ("DRHP") with Securities and Exchange Board of India on September 27, 2016 in connection with an Initial Public Offering ("IPO") of the equity shares of the Company. The IPO was concluded successfully and the Company has made an application to the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE") to list the equity shares of the Company.

## DIVIDEND AND TRANSFER TO RESERVES

The Directors have not recommended any dividend for the financial year ended March 31, 2017.

No amount was transferred to reserves during the financial year ended March 31, 2017.

## SHARE CAPITAL

The authorised capital of the Company is ₹1,350,000,000 (Rupees one thousand three hundred and fifty million only) divided into 135,000,000 (One hundred and thirty five million) Equity shares of ₹10/- each.

During the year under review, the Company allotted 62,457,240 fully paid-up bonus equity shares of face value of ₹10 each to the shareholders of the Company in the proportion of 10 equity shares for every 1 equity share held on the record date, September 15, 2016, 40,565 equity shares of ₹10 each by way of preferential allotment and 5,000 equity shares of ₹10 each pursuant to exercise of options under Employee Stock Option Plans. Consequently, the paid-up share capital of the Company increased from ₹62,001,590 to ₹687,029,640 at the end of the financial year under review.

Our Company successfully completed an Initial public offering consisting of 9,565,404 Equity Shares for cash at a price of ₹815 per Equity Share (including a share premium of ₹ 805 per Equity Share) aggregating to ₹7,795.80 million, comprising of a fresh issue of 4,444,785 Equity Shares aggregating to ₹3,622.50 million by our Company and an Offer for Sale of 5,120,619 equity shares aggregating to ₹4,173.30 million by certain existing shareholders. The allotment of these shares was completed on August 8, 2017 and the Company has made an application to the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE") to list the equity shares of the Company.

The paid-up share capital of the Company as on the date of this report is ₹731,590,350 consisting of 73,159,035 equity shares of ₹10 each.

## LOANS, GUARANTEES AND INVESTMENTS

The particulars of Loans, Guarantees and Investments made during the year, as required under the provisions of Section 186 of the Companies Act, 2013 ("Act"), are given in Notes 10, 12 and 17 to the standalone financial statements..

## PUBLIC DEPOSITS

The Company has not accepted any deposits during the year under review, from the public/members, under Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

## CORPORATE GOVERNANCE

The SIS Group's business and operations are managed by professional managers led by the Group Managing Director and Group Chief Executive Officer under the supervision and control of the Board of Directors. The Company is committed to maintain the highest standards of Corporate Governance and adheres to the Corporate Governance requirements as stipulated by Securities and Exchange Board of India (SEBI).

The report on Corporate Governance as prescribed in Schedule V(C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms an integral part of this Annual Report.

In order to draw on the expertise of the experienced members of the Board and to assist the Board and the Chairman in carrying out its duties, the Board has constituted various committees in compliance with the provisions of the Companies Act, 2013 and SEBI Listing Regulations viz., Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate

Social Responsibility Committee. While some of these committees are mandatorily required to be constituted, the Board felt it useful and necessary to constitute additional committees like Finance Committee in order to delegate the functions and to help in the business operations by providing guidance and advice on a more frequent and regular basis.

Details of the role and composition of the Committees, including the number of meetings held during the financial year and attendance at meetings, are provided in the Corporate Governance Section of the Annual Report.

## CORPORATE SOCIAL RESPONSIBILITY POLICY ("CSR POLICY")

The SIS Group comprising Security and Intelligence Services (India) limited and its subsidiaries and joint ventures ("SIS"), has been at the forefront of bringing social change in the lives of thousands of people in India. It employs more than 1,50,000 people, of which a large majority come from the less privileged sections of society with limited means for education, development and livelihood. SIS has been instrumental in improving lives of these people through training, development and providing them employment opportunities.

Our Board of Directors, our Management and all of our employees subscribe to the philosophy of compassionate care. We believe that a business has to give back to society and to the environment and community in which they operate such that it helps in building a secure, healthy, knowledgeable, and sustainable society and business. Corporate Social Responsibility (CSR) has been an integral part of the way that the SIS group does its business since inception. The SIS Group set up the SEWA trust for the betterment of lives of the employees. The Group has engaged in various activities in the communities that our employees live in, which has benefited thousands of people over the years. The company has also been at the forefront in imparting and encouraging skills based training to people from backward and less developed communities across the country.

This CSR Policy of the Company has been formalized based on the vision on the vision and principles of the SIS Group. The main objective of this CSR Policy is to lay down guidelines to make CSR a key business process for sustainable and beneficial engagement with the society and the environment in which the Group operates. It aims at enhancing welfare measures of the society based on the immediate and long term social and environment consequences of the Group's activities. This Policy specifies the projects and programmes that can be undertaken, directly or indirectly, the modalities of execution and the monitoring thereof.

The scope of the Policy has been kept as wide as possible, so as to allow the SIS Group to respond to changing and immediate societal needs and maintain flexibility, but at the same time focus on a specific set of activities that bring long term benefit to society.

One of the internal objectives of the CSR Policy is to seek an active participation of employees of the Company at all the locations. Employees will be encouraged to volunteer their time and effort in respect of SIS sponsored programme or on their initiatives. The Company will recognize the efforts put in by employees in CSR activities. A widespread awareness of the CSR initiatives of SIS will be conducted and the Group seeks and active and wide participation from employees and encourages any suggestions and project ideas from them.

The Annual Report on Corporate Social Responsibility (CSR) Activities is enclosed as Annexure I.

## DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The Company is committed to provide safe and conducive work environment to its employees and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. During the year under review, three complaints were reported as per the Sexual Harassment of Women at Workplace (Prevention Prohibition & Redressal) Act, 2013. As on March 31, 2017, investigation process of one complaint is under way.

## NOMINATION AND REMUNERATION POLICY

**Directors and their Appointment**

The Nomination & Remuneration Committee of the Board has approved the criteria for determining qualifications, positive attributes and independence of Directors in terms of the Act and the Rules thereunder, both in respect of Independent Directors and other Directors as applicable. This policy, inter alia, requires that Non-Executive Directors, including Independent Directors, be drawn from amongst eminent professionals with experience in business / finance / law / public administration & enterprises. It endeavours to create a broad-basing in the composition of the Board to make available the right balance of skills, experience and diversity of perspectives appropriate to the Company. The Articles of Association of the Company provide that the strength of the Board shall not be fewer than three nor more than fifteen. Directors are generally appointed / re-appointed with the approval of the members for a period of three to five years or a shorter duration, in accordance with any arrangements and/or guidelines as determined by the Board from time to time. The initial appointment of Executive Directors is normally made in consultation with the members of the Board and the Chairman. All Directors, other than Independent Directors, are liable to retire by rotation, unless otherwise approved by the members or provided under any statute or arrangement. One-third of the Directors who are liable to retire by rotation, retire every year and are eligible for re-election. The Independent Directors of your Company have confirmed that they meet the criteria of independence as prescribed under Section 149(6) of the Act.

**Remuneration Policy**

The Company's Remuneration Policy is designed to attract and retain high quality talent, that gives each of its businesses a unique competitive advantage and enables the Company achieve its objectives. This policy is a key and integral component of the strategy of the Company and, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow. The policy is designed:

i. To ensure that its remuneration practices support and encourage meritocracy.

ii. To leverage Remuneration as an effective instrument to enhance performance and therefore, to link a varying component of remuneration to both individual and collective performance outcomes.

iii. To design Remuneration practices such that they reinforce SIS' values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

The Company's Policy relating to remuneration of Directors, Key Managerial Personnel and other employees is provided in Annexure II.

## RELATED PARTY TRANSACTIONS

All contracts or arrangements with related parties, entered into or modified during the financial year, were on an arm's length basis and in the ordinary course of business. All such contracts or arrangements have been approved by the Audit Committee. No material contracts or arrangements with related parties were entered into during the year under review.

Since all the contracts/arrangements/transactions with related parties, during the year under review, were in the ordinary course of business and at arm's-length and were not material, disclosure in Form AOC-2 under Section 134(3)(h) of the Act, read with the Companies (Accounts of Companies) Rules, 2014, is not applicable. The details of contracts and arrangement with related parties for the financial year ended March 31, 2017, are given Note 1 under Note 24 – Other Notes to Accounts forming part of this Annual Report.

## RISK MANAGEMENT

Risk management is the process of identification, assessment and prioritization of risks followed by coordinated efforts to minimize, monitor and mitigate/control the probability and/or impact of unfortunate events to of maximize the realization of opportunities. The company has initiated the process of preparing a comprehensive risk Assessment and minimization procedure. These procedures are meant to ensure that executive management controls risk through means of a properly defined framework. The major risks are being identified by the company and its mitigation process/measures being formulated in areas of operations, recruitment, financial processes and reporting, human resources and statutory compliance.

## INTERNAL FINANCIAL CONTROLS

Our rapid growth, while a matter of great satisfaction, continues to put pressure on our internal systems and processes. It is important that we work to ensure that these continue to keep pace with the business growth and that our policies remain current and relevant in the rapidly changing business landscape. Information systems are being continuously evaluated and revamped in order to deliver timely and relevant information to various stakeholders so as to arm them with the necessary information and tools to enable them to compete in a tough market and environment. We believe that IT and information systems are critical in today's world and we have several dedicated groups of people constantly working to continuously evolve and improve these systems to keep abreast of the fast changing environment.

The Company's system of continuous internal audits ensures that laid down processes and practices are followed and complied with and that quality processes are strictly adhered to. Financial discipline is emphasised at all levels of the business and adherence to quality systems and focus on customer satisfaction are critical for the Company to retain and attract customers and business and these are followed rigorously.

An Audit Committee comprising independent members of the Board has been constituted which plans and monitors the various Internal Audit programmes and reviews the reports and action plans arising therefrom. The Chief Executive Officer, Managing Director and the Chief Financial Officer are invitees to the meetings of the Committee.

The Internal Auditors, who are an independent function within the Group, reporting to the Audit Committee, review the adequacy and efficacy of the key internal controls. The scope of the audit activity is guided by the annual audit plan, which is approved by the Audit Committee of the Board. We also appoint professional and reputed audit firms from time to time to conduct internal audits of the larger and more critical operations of the Group.

Besides the financial audits, quality management system procedures are continuously audited by internal and external auditors to ensure that company's business practices conform to requirements of customers.

The directors believe that the Company has in place adequate internal financial controls with reference to financial statements. The Company's internal control systems are commensurate with the nature, size and complexity of its business and ensure proper safeguarding of assets, maintaining proper accounting records and providing reliable financial information. Internal Audit team of the company, evaluates the functioning and quality of internal controls and reports its adequacy and effectiveness through periodic reporting. During the year under review, such controls were tested and no reportable material weakness in the design or operation were observed.

### Subsidiaries/ Associates and Joint Ventures

During the year under review, the following changes have taken place with respect to Subsidiary Companies:

a. SIS Business Support Services and Solutions Private Limited was incorporated as a 100% subsidiary of the Company on July 21, 2016.

b. The Company has acquired 78.72% shareholding of Dusters Total Solutions Services Private Limited effective August 1, 2016.

c. A subsidiary of the Company has acquired 100% shareholding of Lotus Learning Private Limited effective May 19, 2016.

d. SISCO Security Services Private Limited was incorporated as a 100% subsidiary of the Company on November 21, 2016.

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013, a statement containing the salient features of the financial statements of our Subsidiaries and Associates and Joint Ventures forms part of financial statements. The statement provides the details of performance, financial position of each of the Subsidiaries, Associates and Joint Ventures.

The Company has formulated a Policy for determining material subsidiaries, which is uploaded on the website of the Company i.e. www.sisindia.com.

### People and Training

Your Company's foundation and core of its philosophy is its commitment to its Human Resources. We continue to improve and develop tools and processes to recognise and reward employees at all levels and we value their contribution to the Company's financial performance over the years. We continue to invest in the training and development of all our employees. Our competency-based systems have recently undergone a transformational change and we implemented a new Performance Management Process ("PMP") in the Company. We have now rolled out the new PMP to other subsidiaries, associates and joint ventures in the Group. The new PMP is designed to scientifically measure and track the performance of employees at all levels and we believe this will help us to recognise and reward performance, and also retain, reward, attract and sustain talent and to have a common platform of performance management across the Group. The total employees in the SIS Group at the end of the year under review were 151,917.

## PARTICULARS OF EMPLOYEES.

The information required under Section 197(12) of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in the Annexure III, which is forming part of this Report.

The information as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 will be provided upon any request by any member of the Company. In terms of Section 136(1) of the Companies Act, 2013, the Report and the Accounts are being sent to the members excluding the said Annexure. Any member interested in obtaining copy of the same may write to the Company Secretary at the Registered Office of the Company.

## EMPLOYEE STOCK OPTION PLAN (ESOP)

a) ESOP 2008

The information pursuant to the provisions of Section 62(1) (b) of the Companies Act, 2013 read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are as follows:

| | |
|---|---|
| (a) Options granted (as at March 31, 2017) | 125,096 |
| (b) Options vested (as at March 31, 2017) | 109,006 |
| (c) Options exercised (as at March 31, 2017) | 97,474 |
| (d) The total number of shares arising as a result of exercise of option | 97,349 |
| (e) Options lapsed | 11,532 |
| (f) The exercise price | ₹10 |
| (g) Variation of terms of options | No |
| (h) Money realized by exercise of options till date | 973,490 |
| (i) Total number of options in force | 16,090 |
| (j) Employee wise details of options granted to | |
| (i) Key managerial personnel; | N.A |
| (ii) Any other employee who receives a grant of options in any one year of option amounting to (5) five percent or more of options granted during that year. | N.A |
| (iii) Identified employees who were granted option, during any one year, equal to or exceeding 1 (one) percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant. | N.A |

**b) ESOP 2016**

During the year under review, the Company instituted an employee stock option scheme, namely, ESOP 2016. ESOP 2016 envisages the grant of such number of options (together with exercised options) enabling the eligible employee stock option holders the right to apply for Equity Shares not exceeding 5% of the issued and paid up equity share capital of our Company as on the first day of the financial year in which options are granted. Under ESOP 2016, the Company had granted 1,216,000 options.

The information pursuant to the provisions of Section 62(1) (b) of the Companies Act, 2013 read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are as follows:

| | | | |
|---|---|---|---|
| (a) | Options granted (as at March 31, 2017) | | 1,216,000 |
| (b) | Options vested (as at March 31, 2017) | | - |
| (c) | Options exercised (as at March 31, 2017) | | - |
| (d) | The total number of shares arising as a result of exercise of options | | - |
| (e) | Options lapsed | | 11,850 |
| (f) | The exercise price | | ₹10 |
| (g) | Variation of terms of options | | No |
| (h) | Money realized by exercise of options till date | | - |
| (i) | Total number of options in force | | 1,204,150 |
| (j) | Employee wise details of options granted to | | |
| | (i) | Key managerial personnel; | 87,350 |
| | (ii) | Any other employee who receives a grant of options in any one year of option amounting to (5) five percent or more of options granted during that year. | N.A |
| | (iii) | Identified employees who were granted option, during any one year, equal to or exceeding 1 (one) percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant. | N.A |

## DIRECTORS AND KEY MANAGERIAL PERSONNEL ("KMP")

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Articles of Association of the Company, Mrs. Rita Kishore Sinha, Director, retires by rotation at the ensuing Annual General Meeting and, being eligible, offer herself for reappointment.

During the year under review, the following changes have taken place with respect to Directors and KMPs:

a. Mr. Ajay Relan resigned as a director of the company effective September 20, 2016. The Board places on record its sincere appreciation for the valuable contribution made by Mr. Relan during his tenure as Director of the Company.

b. Mr. Tirumalai Cunnavakaum Anandanpillai Ranganathan was appointed as an Independent Director of the Company effective July 30, 2016.

c. Mr. Arvind Kumar Prasad, Chief Financial Officer and Mr. Devesh Desai, Chief Financial Officer (International Business) have been designated as Key Managerial Personnel of the Company.

d. Ms. Pushpalatha Katkuri was appointed as Company Secretary effective August 22, 2016 in place of Mr. Sanjiva Kumar Kaddu.

Mr. Ravindra Kishore Sinha has resigned from the position of Managing Director of the Company effective April 24, 2017. However, he continues to be the Chairman of the Company.

Mr. Rituraj Kishore Sinha has been appointed as the Managing Director of the Company effective April 24, 2017.

Effective April 24, 2017, Mr. Arvind Kumar Prasad, has been appointed to the board and designated as Director Finance.

Mr. Devdas Apte has resigned as a Director with effect from April 25, 2017. The Board places on record its sincere appreciation for the valuable contribution made by Mr. Apte during his tenure as Director of the Company. Effective July 4, 2017, Mr. Devdas Apte has been appointed as an Additional Director (Independent) of the Company to hold office up to the date of the ensuing Annual General Meeting.

The Company has received a notice under Section 160 of the Companies Act, 2013, from a member signifying an intention to propose Mr. Devdas Apte as a candidate for the office of Director at the forthcoming Annual General Meeting.

The term of appointment of the Independent Directors of the Company, Mr. Arun Kumar Batra, Mr. Ashok Kumar Mattoo and Mr. Amrendra Prasad Verma is valid upto September 28, 2017. Mr. Arun Kumar Batra, Mr. Ashok Kumar Mattoo and Mr. Amrendra Prasad Verma have confirmed that they met the criteria of Independence as prescribed for continuing as Independent Directors under the Companies Act and SEBI Listing Regulations.

Based on the performance evaluation of these Directors and after reviewing the declarations submitted by Mr. Arun Kumar Batra, Mr. Ashok Kumar Mattoo and Mr. Amrendra Prasad Verma, the Board of Directors were of the opinion that Mr. Arun Kumar Batra, Mr. Ashok Kumar Mattoo and Mr. Amrendra Prasad Verma continue to meet with the criteria of independence and are also independent of the management and accordingly have proposed their re-appointment as Independent Directors of the Company, for a term of 5 consecutive years, subject to the members approval.

The Company has received a notice under Section 160 of the Companies Act, 2013, from member(s) signifying the intention to propose Mr. Arun Kumar Batra, Mr. Ashok Kumar Mattoo and Mr. Amrendra Prasad Verma, for the office of Director at the forthcoming Annual General Meeting.

The other Independent Director of the Company viz., Mr. TCA Ranganathan and Dr. Ajoy Kumar has confirmed that he meets the criteria of independence.

A brief profile of the directors seeking appointment/re-appointment has been given in the Explanatory Statement to the Notice of the ensuing Annual General Meeting.

## NUMBER OF BOARD MEETINGS

During the year ended March 31, 2017, 14 (fourteen) meetings of Board were held and the maximum time gap between any two consecutive meetings did not exceed one hundred and twenty days.

| Sl. No. | Date of the Board Meeting |
|---|---|
| 1. | 30-Apr-2016 |
| 2. | 30-Jun-2016 |
| 3. | 27-July-2016 |
| 4. | 30-July-2016 |
| 5. | 02-Aug-2016 |
| 6. | 22-Aug-2016 |
| 7. | 01-Sep-2016 |
| 8. | 12-Sep-2016 |
| 9. | 20-Sep-2016 |
| 10. | 21-Sep-2016 |
| 11. | 26-Sep-2016 |
| 12. | 29-Sep-2016 |
| 13. | 11-Nov-2016 |
| 14. | 16-Dec-2016 |
| 15. | 14-Jan-2017 |
| 16. | 31-Mar-2017 |

## FAMILIARIZATION PROGRAMMES FOR INDEPENDENT DIRECTORS

In compliance with the requirements of SEBI Listing Regulations, the Company has put in place a familiarization programme for Independent Directors to familiarize them with their role, rights and responsibility as Directors, the operations of the Company, business overview etc.

The details of the familiarization programme are available on the website of the Company www.sisindia.com

## PERFORMANCE EVALUATION

Pursuant to the provisions of Section 134 of the Companies Act, annual performance evaluation of the Directors as well as the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee has been carried out.

The performance evaluation of the Independent Directors was carried out by the entire Board and the performance evaluation of the Chairman and Non-Independent Directors was carried out by the Independent Directors.

## INDEPENDENT DIRECTORS MEETING

During the year under review, the Independent Directors of the Company met on September 12, 2016, inter-alia, to discuss:

a. Evaluation of performance of Non-Independent Directors and the Board of Directors of the Company as a whole.

b. Evaluation of performance of the Chairman of the Company, taking into views of Executive and Non-Executive Directors.

c. Evaluation of the quality, content and timelines of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

## AUDITORS

Pursuant to the provisions of section 139 of the Act and recommendation of the Audit Committee, the Board of Directors have recommended the appointment of Saxena and Saxena, Chartered Accountants (Firm Registration No.006103N) as the statutory auditors of the Company to hold office from the conclusion of the ensuing annual general meeting till the conclusion of the annual general meeting to be held in the year 2022, subject to ratification of their appointment at every intervening annual general meeting and at such remuneration as may be mutually agreed between Board of Directors of the Company and the Auditors.

A confirmation has been received from Saxena and Saxena that their appointment, if confirmed by the members in the forthcoming general meeting, would be within the limits specified in Section 141(3)(g) of the Companies Act, 2013.

## SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. Suryakant Kumar, Company Secretary in Practice (Membership Number-27610 and holding a Certificate of practice Number-10207) to undertake the Secretarial Audit of the Company for the Financial Year 2016-17. The Secretarial Audit Report is given as Annexure IV forming part of this Report.

## CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION

Considering the nature of activities of the Company, the provisions of Section 134(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 relating to conservation of energy, Research and Development, Technology Absorption do not apply to the Company.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

The relevant information appears in the Notes to the Accounts.

## EXTRACT OF ANNUAL RETURN

The information required under Section 134 of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014, is annexed as Annexure V.

## SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS/COURTS, IF ANY

There were no significant and material orders passed by the Regulators or Courts or Tribunals during the year impacting the going concern status and the Company's operations in future.

## VIGIL MECHANISM POLICY:

The Company has a vigil mechanism policy to deal with instances of fraud and mismanagement, if any. The vigil mechanism policy is uploaded on the website of the Company www.sisindia.com

## DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of Section 134 (5) of the Companies Act, 2013 the board of directors the Directors of your Company confirms that:

- In the preparation of the Accounts for the year ended March 31, 2017 the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit and Loss of the Company for the year;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the Annual Accounts on a going concern basis.
- The company being unlisted for the year under review, sub clause (e) of section 134 (3) of the Companies Act, 2013 pertaining to laying down internal financial controls is not applicable to the company
- 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.

## APPRECIATION/ACKNOWLEDGEMENT

Your Directors place on record their gratitude to the Central Government, various State Governments and Company's Bankers and advisors for the valuable advice, guidance, assistance, co-operation and encouragement they have extended to the SIS Group from time to time. The Directors also take this opportunity to thank the Company's customers, suppliers and shareholders for their consistent support to the Company.

Last but not the least, the Directors also sincerely acknowledge the significant contributions made by all the employees for their dedicated services to the Company.

## CAUTIONARY STATEMENT

Statements in this Board's Report describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied.

For and on Behalf of the Board of Directors

New Delhi
August 8, 2017

Ravindra Kishore Sinha
Chairman

# Annexure I

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

**1.** 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:

### A. BRIEF OUTLINE OF CSR POLICY:

This Corporate Social Responsibility (CSR) Policy of the Company has been formalized based on the vision on the vision and principles of the SIS Group. The main objective of this CSR Policy is to lay down guidelines to make CSR a key business process for sustainable and beneficial engagement with the society and the environment in which the Group operates. It aims at enhancing welfare measures of the society based on the immediate and long term social and environment consequences of the Group's activities. This Policy specifies the projects and programmes that can be undertaken, directly or indirectly, the modalities of execution and the monitoring thereof.

### B. ROLE OF THE CSR COMMITTEE:

- The Committee shall formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013.
- The Committee shall recommend the amount of expenditure to be incurred on the activities (referred in clause (a) of sub-section (3) of Section 135 of the Companies Act, 2013.
- The Committee shall monitor the Corporate Social Responsibility Policy of the Company from time to time

### C. PROGRAMMES / PROJECTS:

The CSR activities of SIS will focus on projects and activities in the following focus areas but not necessarily in that order of priority and may also include and extend to other specific projects/ programs as permitted under the law from time to time. The Company's stakeholder representation is varied, calling for an integrated approach to development comprising several layers of interventions which are summarised below:

i. **Education:** I institutions and full student sponsorship, Promoting and sponsoring girl education at all levels, Women education and self-employment training and Other educational projects.

ii. **Vocational Training / Education and Livelihood Enhancement:** Vocational training in security, cleaning, gardening, plumbing, electricals, and other specialities/vocations, Government Programs under the skill development sector, Computer literacy training, Building training schools and facilities for vocational skills, Local community camps for skill developments in various specialities, Other vocational training initiatives.

iii. **Sanitation and drinking water:** Drinking water projects for local communities, Domestic bathroom and sanitation for rural and urban households, Community bathroom and sanitation in urban and rural areas, Women sanitation projects, and other water conservation and sanitation programs.

iv. **Health:** Local community health check camps, Building hospitals, clinics, diagnostic centres and associated infrastructure, Blood donation camps and other specific ailment camps, Other programs towards betterment of health and nutrition.

v. **Others:** Promoting local artisans, craftsmen and protecting traditional arts, Promotion of sports in athletics, swimming, archery, shooting, Protection of national heritage, Programs for the benefit of the benefit of armed forces veterans and their dependents, planting of trees and protection of indigenous flora and fauna

**2.** Composition of the CSR Committee: CSR Committee comprises of the following Directors:

i) Mr. Ravindra Kishore Sinha;

ii) Dr. Ajoy Kumar; and

iii) Mr. Devdas Apte.

**3. Average net profit of the Company for last three Financial Years**: ₹353,399,029.

**4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above):** ₹7,067,981

**5. Details of CSR spent during the Financial Year**:

(a) Total amount spent for the Financial Year: ₹16,918,079

(b) Amount unspent, if any: Nil

(c) Manner in which the amount spent during the Financial Year is detailed below:

(c) Manner in which the amount spent during the Financial Year is detailed below:

| Sl. No. | CSR Project or activity Identified | Sector in which the Project is covered | Projects or Programs (1) Local area or other (2) State or district where Projects or Programs was undertaken | Amount outlay (budget) Project or Program wise | Amount spent on the Projects or Programs | | Cumulative expenditure up to the reporting period | Amount spent: Direct or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| | | | | | Direct exp. | Overheads | | |
| 1. | Local community health check camps, Building hospitals, clinics, diagnostic centres and associated infrastructure, Blood donation camps and other specific ailment camps. | Health | **Bihar:** Bhagalpur.<br>**Uttar Pradesh:** Ghaziabad. | 300,000 | 300,000 | NIL | 300,000 | Direct |
| 2. | Promoting education to children including primary, secondary and university education, Building schools, colleges and training institutions including provision for full time residential institutions and full student sponsorship, Promoting and sponsoring girl education at all levels, Women education and self-employment training, Other educational projects. | Education | **Delhi:** Delhi.<br>**Uttar Pradesh:** Lucknow, Ghaziabad, Noida.<br>**Bihar:** Gaya, Patna, Airwal, Muzaffarpur, Ara.<br>**Karnataka:** Bangalore, Madhavnagar.<br>**Uttarkhand:** Dehradun.<br>**Tamil Nadu:** Vellore, Chennai.<br>**West Bengal:** Purba Medinipur.<br>**Jharkhand:** Dhanbad, Ranchi.<br>**Goa:** Panjim.<br>**Punjab:** Longowal.<br>**Maharashtra:** Mumbai.<br>**Madhya Pradesh:** Bhopal.<br>**Haryana:** Gurgaon.<br>**Chhattisgarh:** Raipur. | 11,397,079 | 11,397,079 | NIL | 11,397,079 | Direct |
| 3. | Promoting local artisans, craftsmen and protecting traditional arts, Promotion of sports in athletics, swimming, archery, shooting, Protection of national heritage, Programs for the benefit of the benefit of armed forces veterans and their dependents, Planting of trees and protection of indigenous flora and fauna. | Others | **Delhi:** Delhi.<br>**Rajasthan:** Chittorgarh.<br>**Bihar:** Patna. | 5,221,000 | 5,221,000 | NIL | 5,221,000 | Direct |
| | **Total** | | | **16,918,079** | **16,918,079** | | **16,918,079** | **Direct** |

The CSR committee confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

(Chief Executive Officer and Whole time Director)
Chairman of the Company and Chairman, CSR Committee

# Annexure II

REMUNERATION OF DIRECTORS, KMP AND OTHER EMPLOYEES

## REMUNERATION POLICY

SIS' Remuneration Policy is designed to attract and retain high quality talent, that gives each of its businesses a unique competitive advantage and enables the Company achieve its objectives. This policy is a key and integral component of the strategy of the Company and, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow. The policy is designed:

i. To ensure that its remuneration practices support and encourage meritocracy.

ii. To leverage Remuneration as an effective instrument to enhance performance and therefore, to link a varying component of remuneration to both individual and collective performance outcomes.

iii. To design Remuneration practices such that they reinforce SIS' values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

## REMUNERATION OF DIRECTORS/ MANAGING DIRECTOR/ WHOLE-TIME DIRECTOR OR MANAGER

1. The remuneration / compensation / commission to the Directors/ Managing Director/ Whole-time Director or Manager will be determined by the committee and recommended to the Board for approval.

2. The remuneration and commission to be paid to the Directors/ Managing Director/ Whole-time Director or Manager shall be in accordance with the provisions of the Companies Act, 2013, and the rules made thereunder.

3. Increments to the existing remuneration/ compensation structure of Directors/ Managing Director/ Whole-time Director or Manager, shall be recommended by the committee to the Board, and shall be subject to approval by the shareholders and subject to such other approvals as may be required from time to time.

4. If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director, Whole-time Director or Manager in accordance with the provisions of Schedule V of the Companies Act, 2013 or, if it is not able to comply with such provisions, with the prior approval of the Central Government.

## REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTORS

1. All the remuneration of the Non- Executive / Independent Directors shall be subject to the ceiling/ limits as provided under Companies Act, 2013 and the rules made there under or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.

2. The Non-executive and Independent Directors will receive remuneration by way of fees for attending meetings of the Board or Committee thereof, provided that such fees shall not exceed the maximum amount as provided in the Companies Act, 2013 and the rules made thereunder, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

3. Independent directors shall not be entitled to any stock options in the Company.

## REMUNERATION OF KMPS AND OTHER EMPLOYEES

The Key Managerial Personnel, Senior Management Personnel and other employees shall be paid remuneration as per the Annual Compensation Review and Restructuring of Bands Policy of the Company as conducted through the Annual Performance Management process from time to time. Apart from fixed elements of remuneration and benefits / perquisites, Whole-time Directors, Key Managerial Personnel and Senior Management and other managers at middle and senior levels are also eligible for Performance Bonus and Employee Stock Options that are linked to their individual performance and potential, with benefits vesting in phases over a period of time, and the overall performance of the Company. These elements of compensation design, facilitate alignment of the priorities of Executive Directors, Key Managerial Personnel and Senior Management with the long-term interests of stakeholders.

## INSURANCE

Where any insurance is taken by the Company on behalf of its Directors, KMP's and any other employees for indemnifying them against any liability, 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.

# Annexure IV

**FORM MR-3**
**SECRETARIAL AUDIT REPORT**
**FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017**
**[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]**

To,
**The Members,**
Security and Intelligence Services (India) Limited
Annapoorna Bhawan, Telephone Exchange Road,
Kurji, Patna-800010, Bihar.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Security and Intelligence Services (India) 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 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 March 31, 2017 complied with the statutory provisions listed hereunder and also 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 for the financial year ended on March 31, 2017 according to the provisions of:

i) The Companies Act, 2013 ('the Act') and the rules made there under;

ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

iii) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.

iv) 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 (Issue of Capital and Disclosure Requirements) Regulations, 2009.

vi) Other laws applicable specifically to the Company namely:

a) The Private Security Agencies (Regulation) 2005 and the rules made thereunder

I have also examined compliance with the applicable clauses of the Secretarial Standards issued by the Institute of Company Secretaries of India.

I report that, during the period under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines and Standards mentioned above.

I further report that, there were no events/actions in pursuance of:

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

e) 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;

f) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.

requiring compliance thereof by the Company during the Audit period.
I further report that:

(a) 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.

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

(c) As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

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

I further report that during the audit period except as below, there were no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc., referred to above.

(a) The Company filed a Draft Red Herring Prospectus ("DRHP") with Securities and Exchange Board of India on September 27, 2016 in connection with an Initial Public Offering ("IPO") of the equity shares of the Company. The IPO was concluded successfully and the Company has made an application to the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE") to list the equity shares of the Company.

Signature:
**SURYAKANT KUMAR**
*Practicing Company Secretary*
Membership No: 27610,
C.P. No: 10207

Place: Patna
Dated: August 8, 2017

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

# 'Annexure A'

To,
The Members,
Security and Intelligence Services (India) Limited
Annapoorna Bhawan, Telephone Exchange Road,
Kurji, Patna-800010, Bihar.

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

1. Maintenance of records are the responsibility of the management of the company. My responsibility is to be express an opinion on these records based on our audit.

2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, we 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 happenings of events etc.

5. The compliance of the provisions of corporate and other applicable laws, rules, regulations and standards is the responsibility of the management. My examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**Suryakant Kumar**
*Practicing Company Secretary*
Membership No- 27610, CP No - 10207

Date: August 8, 2017
Place: Patna

# ANNEXURE V

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
For the financial year ended on March 31, 2017
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

## I. REGISTRATION AND OTHER DETAILS:

| | | |
|---|---|---|
| (i) | CIN: | U75230BR1985PLC002083 |
| (ii) | Registration Date: | January 2, 1985 |
| (iii) | Name of the Company: | Security and Intelligence Services (India) Limited |
| (iv) | Category / Sub-Category of the Company: | Company Limited by Shares/ Indian Non-Government Company |
| (v) | Address of the Registered office and contact details: | Annapoorna Bhawan, Telephone Exchange Road, Kurji, Patna-800010, Bihar<br>Ph.:- +91 612 226 6666, Fax: +91 612 226 3948<br>Email: investorrelations@sisindia.com |
| (vi) | Whether listed company | No |
| (vii) | Name, Address and Contact details of Registrar and Transfer Agent, if any | Pushpalatha K<br>106, Ramanashree Arcade, 18 MG Road, Bangalore-560001.<br>Ph.: +91-80-25590801, Fax:+91-80-25590804<br>Email: pushpalatha.k@sisindia.com |

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

**(Contributing 10 % or more of the total turnover of the company)**

| Sl. No. | Name and Description of main products / services | NIC Code of the | % to total turnover of the company |
|---|---|---|---|
| 1 | Private security activities | 801 | 99.30% |

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sl. No. | Name and Address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares Held | Applicable Section |
|---|---|---|---|---|---|
| 1. | Terminix SIS India Private Limited<br>Annapurna Bhawan, Telephone Exchange Road, Kurji, Patna-800010, Bihar | U75300BR2010PLC015484 | Subsidiary | 100% | 2 (87) |
| 2. | SIS International Holdings Ltd.<br>Marcy Building, 2nd Floor Purcell Estate<br>P.O. Box 2416, Road Town, Tortola, British Virgin Islands | U93000BR2011PTC017532 | Subsidiary | 50.01% | 2 (87) |
| 3. | SIS International Holdings Ltd.<br>Marcy Building, 2nd Floor Purcell Estate<br>P.O. Box 2416, Road Town, Tortola, British Virgin Islands | NA | Subsidiary | 100% | 2 (87) |
| 4. | SIS Asia Pacific Holdings Ltd.<br>Level 1, Blue Harbour Business Centre, Ta' Xbiex Yacht Marina, Ta' Xbiex XBX 1027, Malta | NA | Wholly owned subsidiary of SIS International Holdings Ltd. referred to in Sl. No. 3 | - | 2 (87) |
| 5. | SIS Australia Holdings Pty Ltd.<br>Level 2, 63-79 Parramatta Road<br>Silverwater NSW 2128\| | NA | Wholly owned subsidiary of SIS Asia Pacific Holdings Ltd. referred to in Sl. No. 4 | - | 2 (87) |
| 6. | SIS Group International Holdings Pty Ltd.<br>Level 2, 63-79 Parramatta Road<br>Silverwater NSW 2128 | NA | Wholly owned subsidiary of SIS Australia holdings Pty Ltd referred to in Sl. No. 5 | - | 2 (87) |
| 7. | SIS Australia Group Pty Ltd.<br>Level 2, 63-79 Parramatta Road<br>Silverwater NSW 2128 | NA | Subsidiary of SIS Australia Holdings Pty Ltd. referred to in Sl. No. 5 with 95% holding. | 5% | 2 (87) |
| 8. | MSS Strategic Medical & Rescue Pty Ltd.<br>Level 2, 63-79 Parramatta Road<br>Silverwater NSW 2128 | NA | Wholly owned subsidiary of SIS Australia Group Pty Ltd. referred to in Sl. No. 7 | - | 2 (87) |

| Sl. No. | Name and Address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares Held | Applicable Section |
|---|---|---|---|---|---|
| 9. | SIS MSS Security Holdings Pty Ltd.<br>Level 2, 63-79 Parramatta Road<br>Silverwater NSW 2128 | NA | Wholly owned subsidiary of SIS Australia Group Pty Ltd. referred to in Sl. No. 7 | - | 2 (87) |
| 10. | MSS Security Pty Ltd.<br>Level 2, 63-79 Parramatta Road<br>Silverwater NSW 2128 | NA | Wholly owned subsidiary of SIS MSS Security Holdings Pty Ltd. referred to in Sl. No. 9 | - | 2 (87) |
| 11. | Australian Security Connections Pty Ltd<br>Level 2, 63-79 Parramatta Road<br>Silverwater NSW 2128 | NA | Wholly owned subsidiary of SIS MSS Security Holdings Pty Ltd. referred to in Sl. No. 9 | - | 2 (87) |
| 12. | Service Master Clean Limited<br>Annapurna Bhawan, Patliputra Telephone Exchange Road, Patna, Bihar-800010 | U90001BR2009PLC014332 | Subsidiary (Remaining 41% is held by SIS Group International Holdings Pty Ltd. referred in Sl. No. 6) | 59% | 2 (87) |
| 13. | Sunrays Overseas Private Limited<br>A-29, Okhla Industrial Area, Phase-1, New Delhi-110020, Delhi. | U74899DL1994PTC061257 | Wholly owned Subsidiary of Service Master Clean Ltd. referred to in Sl. No. 12 | - | 2 (87) |
| 14. | Vardan Overseas Private Limited<br>A-28, Okhla Industrial Area, Phase-1, New Delhi-110020, Delhi. | U74899DL1994PTC059023 | Wholly owned Subsidiary of Service Master Clean Ltd. referred to in Sl. No. 12 | - | 2 (87) |
| 15. | Dusters Total Solutions Services Private Limited<br># 50, Zatakia House, 4th Floor, 100 ft. Road, Indiranagar, Bangalore-560038. | U74999KA2007PTC042734 | Subsidiary | 78.72% | 2 (87) |
| 16. | Lotus Learning Private Limited<br>1301 & 1401, Le Papeyon co-op Hsg Soc Ltd Mount Mary Road, Mumbai, Mumbai City-400050. | U80900MH1984PTC033737 | Subsidiary<br>Wholly owned Subsidiary of Service Master Clean Ltd. referred to in Sl. No. 12 | - | 2 (87) |
| 17. | SIS Business Support Services and Solutions Private Limited<br>Annapoorna Bhawan, Patliputra Telephone Exchange Road, Patna -800013. | U74999BR2016PTC032083 | Subsidiary | 100% | 2 (87) |
| 18. | SISCO Security Services Private Limited.<br>Annapurna Bhawan, Telephone Exchange Road, Kurji, Patna-800013. | U74999BR2016PTC032917 | Subsidiary | 100% | 2 (87) |
| 19. | SIS Cash Services Private Limited<br>Annapurna Bhawan,<br>Telephone Exchange Road, Kurji, Patna-800001, Bihar | U74140BR2011PTC017533 | Joint Venture<br>(39.31% is held by Security and Intelligence Services (India) Limited and 9.69% by Service Master Clean Limited as referred in Sl. No. 12) | 49% | 2 (6) |
| 20. | SIS Prosegur Holdings Private Limited<br>Annapoorna Bhawan, Patliputra Telephone Exchange Road, Patna – 800013. | U74910BR2014PTC022583 | Joint Venture | - | 2 (6) |
| 21. | SIS Prosegur Alarm Monitoring and Response Services Private Limited<br>Annapoorna Bhawan, Patliputra Telephone Exchange Road, Patna-800013 | U74140BR2015PTC024604 | Joint Venture | - | 2 (6) |
| 22. | SIS Prosegur Cash Logistics Private Limited<br>Annapoorna Bhawan, Patliputra Telephone Exchange Road, Patna-800013 | U74140BR2015PTC024309 | Joint Venture | - | 2 (6) |

## IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

### i) Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| A. PROMOTER | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/HUF | 3,249,060 | 1,256 | 3,250,316 | 52.42 | 35,651,781 | 0 | 35,651,781 | 51.89 | -0.53 |
| b) Central Govt. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c) State Govt.(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) Bodies Corp. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| f) Any Other.... | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Sub-total (A) (1):- | 3,249,060 | 1,256 | 3,250,316 | 52.42 | 35,651,781 | 0 | 35,651,781 | 51.89 | -0.53 |
| (2) Foreign | | | | | | | | | |
| a) NRIs – Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b) Other – Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c) Bodies Corp. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) Any Other.... | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Sub-total (A) (2):- | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Total shareholding of Promoter (A) = (A)(1)+(A)(2) | 3,249,060 | 1,256 | 3,250,316 | 52.42 | 35,651,781 | 0 | 35,651,781 | 51.89 | -0.53 |
| B. Public Shareholding | | | | | | | | | |
| (1) Institutions | | | | | | | | | |
| a) Mutual Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b) Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c) Central Govt. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) State Govt. (s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| f) Insurance Companies | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| g) FIIs | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| h) Foreign Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| i) Others (specify) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Sub-total (B) (1):- | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (2) Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| i) Indian | 0 | 230,966 | 230,966 | 3.73 | 2,540,626 | 0 | 2,540,626 | 3.70 | -0.03 |
| ii) Overseas | 949,070 | 0 | 949,070 | 15.31 | 10,439,770 | 0 | 10,439,770 | 15.20 | -0.11 |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital up to ₹1 lakh | 11,175 | 62,781 | 73,956 | 1.19 | 265,879 | 128,768 | 394,647 | 0.57 | -0.62 |

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh | 1,174,700 | 218,980 | 1,393,680 | 22.48 | 16,254,559 | 97,700 | 16,352,259 | 23.80 | 1.32 |
| c) Others (specify) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Foreign -Individuals | 0 | 283,000 | 283,000 | 4.56 | 0 | 3,113,000 | 3,113,000 | 4.53 | -0.03 |
| Trust | 19,171 | 0 | 19,171 | 0.31 | 210,881 | 0 | 210,881 | 0.31 | 0.00 |
| **Sub-total (B)(2):-** | **2,154,116** | **795,727** | **2,949,843** | **47.58** | 29,711,715 | 3,339,468 | **33,051,183** | **48.11** | **0.53** |
| **Total Public Shareholding (B)=(B)(1)+ (B)(2)** | **2,154,116** | **795,727** | **2,949,843** | **47.58** | 29,711,715 | 3,339,468 | **33,051,183** | **48.11** | **0.53** |
| C. Shares held by Custodian for GDRs & ADRs | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0 |
| **Grand Total (A+B+C)** | **5,403,176** | **796,983** | **6,200,159** | **100.00** | 65,363,496 | 3,339,468 | **68,702,964** | **100.00** | |

ii) Shareholding of Promoters

| Sl. NO. | 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 | Ravindra Kishore Sinha | 2,596,808 | 41.88 | 0.00 | 28,564,888 | 41.58 | 0.00 | -0.31 |
| 2 | Rituraj Kishore Sinha | 653,508 | 10.54 | 0.00 | 7,086,893 | 10.32 | 0.00 | -0.22 |
| | Total | 3,250,316 | 52.42 | 0.00 | 35,651,781 | 51.89 | 0.00 | -0.53 |

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

| S. No. | Name of the Promoter | 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. | Ravindra Kishore Sinha | | | | |
| | At the beginning of the year | 2,596,808 | 41.88 | 2,596,808 | 41.88 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 2,596,808 | 41.87 |
| | Allotment-12/09/2016 | 0 | 0.00 | 2,596,808 | 41.58 |
| | Allotment-21/09/2016 | 25,968,080 | 37.80 | 28,564,888 | 41.58 |
| | At the End of the year | 28,564,888 | 41.58 | 28,564,888 | 41.58 |
| 2. | Rituraj Kishore Sinha | | | | |
| | At the beginning of the year | 653,508 | 10.54 | 653,508 | 10.54 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | - | 0.00 | 653,508 | 10.54 |
| | Allotment-12/09/2016 | - | 0.00 | 653,508 | 10.46 |
| | Sale-12/9/2016 | 125 | 0.00 | 653,383 | 10.46 |

| S. No. | Name of the Promoter | 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 |
| | Allotment-21/09/2016 | 6,533,830 | 9.51 | 7,187,213 | 10.46 |
| | Sale-23/9/2016 | 27,489 | 0.04 | 7,159,724 | 10.42 |
| | Sale-25/11/2016 | 13,739 | 0.02 | 7,145,985 | 10.40 |
| | Sale-28/11/2016 | 3,432 | 0.00 | 7,142,553 | 10.40 |
| | Sale-29/11/2016 | 40,546 | 0.06 | 7,102,007 | 10.34 |
| | Sale-2/12/2016 | 4,807 | 0.01 | 7,097,200 | 10.33 |
| | Sale-13/12/2016 | 3,432 | 0.00 | 7,093,768 | 10.33 |
| | Sale-15/12/2016 | 6,875 | 0.01 | 7,086,893 | 10.32 |
| | At the End of the year | 7,086,893 | 10.32 | 7,086,893 | 10.32 |

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

| S. No. | For Each of the Top 10 Shareholders | 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 | Theano Private Limited | | | | |
| | At the beginning of the year | 949,070 | 15.31 | 949,070 | 15.31 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 949,070 | 15.30 |
| | Allotment-12/7/2016 | 0 | 0.00 | 949,070 | 15.20 |
| | Allotment-21/09/2016 | 9,490,700 | 13.81 | 10,439,770 | 15.20 |
| | At the End of the year | 10,439,770 | 15.20 | 10,439,770 | 15.20 |
| 2 | Vocational Skills Council India Private Limited | | | | |
| | At the beginning of the year | 230,966 | 3.73 | 230,966 | 3.73 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 230,966 | 3.72 |
| | Allotment-12/7/2016 | 0 | 0.00 | 230,966 | 3.70 |
| | Allotment-21/09/2016 | 2,309,660 | 3.36 | 2,540,626 | 3.70 |
| | At the End of the year | 2,540,626 | 3.70 | 2,540,626 | 3.70 |
| 3 | Rivoli Sinha | | | | |
| | At the beginning of the year | 218,980 | 3.53 | 218,980 | 3.53 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 218,980 | 3.53 |
| | Allotment-12/9/2016 | 0 | 0.00 | 218,980 | 3.51 |
| | Allotment-21/09/2016 | 2,189,800 | 3.19 | 2,408,780 | 3.51 |
| | At the End of the year | 2,408,780 | 3.51 | 2,408,780 | 3.51 |
| 4 | Thomas Berguland | | | | |
| | At the beginning of the year | 131,500 | 2.12 | 131,500 | 2.12 |
| | Increase / Decrease in Shareholding during the year | | | | |

| S. No. | For Each of the Top 10 Shareholders | 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 |
| | Allotment-19/7/2016 | 0 | 0.00 | 131,500 | 2.12 |
| | Allotment-12/9/2016 | 0 | 0.00 | 131,500 | 2.11 |
| | Allotment-21/09/2016 | 1,315,000 | 1.91 | 1,446,500 | 2.11 |
| | At the End of the year | 1,446,500 | 2.11 | 1,446,500 | 2.11 |
| 5 | Hakan Gustaf Oscar Winberg | | | | |
| | At the beginning of the year | 131,500 | 2.12 | 131,500 | 2.12 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 131,500 | 2.12 |
| | Allotment-12/9/2016 | 0 | 0.00 | 131,500 | 2.11 |
| | Allotment-21/09/2016 | 1,315,000 | 1.91 | 1,446,500 | 2.11 |
| | At the End of the year | 1,446,500 | 2.11 | 1,446,500 | 2.11 |
| 6 | Piyush Goyal | | | | |
| | At the beginning of the year | 44,885 | 0.72 | 44,885 | 0.72 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 44,885 | 0.72 |
| | Allotment-12/9/2016 | 0 | 0.00 | 44,885 | 0.72 |
| | Allotment-21/09/2016 | 448,850 | 0.65 | 493,735 | 0.72 |
| | At the End of the year | 493,735 | 0.72 | 493,735 | 0.72 |
| 7 | Michael John Mckinnon | | | | |
| | At the beginning of the year | 20,000 | 0.32 | 20,000 | 0.32 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 0 | 0.00 |
| | Allotment-12/9/2016 | 0 | 0.00 | 0 | 0.00 |
| | Allotment-21/09/2016 | 200,000 | 0.29 | 200,000 | 0.29 |
| | At the End of the year | 220,000 | 0.32 | 220,000 | 0.32 |
| 8 | AAJV Investment Trust | | | | |
| | At the beginning of the year | 19,171 | 0.31 | 19,171 | 0.31 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 19,171 | 0.31 |
| | Allotment-12/9/2016 | 0 | 0.00 | 19,171 | 0.31 |
| | Allotment-21/09/2016 | 191,710 | 0.28 | 210,881 | 0.31 |
| | At the End of the year | 210,881 | 0.31 | 210,881 | 0.31 |
| 9 | Arvind Kumar Prasad | | | | |
| | At the beginning of the year | 15,000 | 0.24 | 15,000 | 0.24 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 15,000 | 0.24 |
| | Allotment-12/9/2016 | 0 | 0.00 | 15,000 | 0.24 |
| | Allotment-21/09/2016 | 150,000 | 0.22 | 165,000 | 0.24 |
| | At the End of the year | 165,000 | 0.24 | 165,000 | 0.24 |

| S. No. | For Each of the Top 10 Shareholders | 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 |
| 10 | Pallavi Khanna | | | | |
| | At the beginning of the year | 10,000 | 0.16 | 10,000 | 0.16 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 10,000 | 0.16 |
| | Allotment-12/9/2016 | 0 | 0.00 | 10,000 | 0.16 |
| | Allotment-21/09/2016 | 100,000 | 0.15 | 110,000 | 0.16 |
| | At the End of the year | 110,000 | 0.16 | 110,000 | 0.16 |

v) Shareholding of Directors and Key Managerial Personnel:

| S. No. | | 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 | Ravindra Kishore Sinha (Managing Director) | | | | |
| | At the beginning of the year | 2,596,808 | 41.88 | 2,596,808 | 41.88 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 2,596,808 | 41.87 |
| | Allotment-12/9/2016 | 0 | 0.00 | 2,596,808 | 41.58 |
| | Allotment-21/09/2016 | 25968080 | 37.80 | 28,564,888 | 41.58 |
| | At the End of the year | 28,564,888 | 41.58 | 28,564,888 | 41.58 |
| 2 | Rita Kishore Sinha (Non-Executive Director) | | | | |
| | At the beginning of the year | 1,099,703 | 17.74 | 1,099,703 | 17.74 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | - | 0.00 | 1,099,703 | 17.73 |
| | Purchase-30/7/2016 | 1,177 | 0.02 | 1,100,880 | 17.75 |
| | Purchase-12/8/2016 | 125 | 0.00 | 1,101,005 | 17.75 |
| | Allotment-12/9/2016 | - | 0.00 | 1,099,703 | 17.61 |
| | Allotment-21/09/2016 | 11,010,050 | 16.03 | 12,111,055 | 17.63 |
| | At the End of the year | 12,111,055 | 17.63 | 12,111,055 | 17.63 |
| 3 | Uday Singh (Whole-time Director and Chief Executive Officer) | | | | |
| | At the beginning of the year | 15,112 | 0.24 | 15,112 | 0.24 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 15,112 | 0.24 |
| | Allotment-12/9/2016 | 40565 | 0.65 | 55,677 | 0.89 |
| | Allotment-21/09/2016 | 556770 | 0.81 | 612,447 | 0.89 |
| | At the End of the year | 612,447 | 0.89 | 612,447 | 0.89 |
| 4 | Devdas Apte (Independent Director) | | | | |
| | At the beginning of the year | 0 | 0 | 0 | 0 |
| | Increase / Decrease in Shareholding during the year | 0 | 0 | 0 | 0 |

| S. No. | | 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 End of the year | 0 | 0 | 0 | 0 |
| 5 | Ashok Kumar Mattoo (Independent Director) | | | | |
| | At the beginning of the year | 0 | 0 | 0 | 0 |
| | Increase / Decrease in Shareholding during the year | 0 | 0 | 0 | 0 |
| | At the End of the year | 0 | 0 | 0 | 0 |
| 6 | Arun Kumar Batra (Independent Director) | | | | |
| | At the beginning of the year | 0 | 0 | 0 | 0 |
| | Increase / Decrease in Shareholding during the year | 0 | 0 | 0 | 0 |
| | At the End of the year | 0 | 0 | 0 | 0 |
| 7 | Amrendra Prasad Verma (Independent Director) | | | | |
| | At the beginning of the year | 0 | 0 | 0 | 0 |
| | Increase / Decrease in Shareholding during the year | 0 | 0 | 0 | 0 |
| | At the End of the year | 0 | 0 | 0 | 0 |
| 8 | Ajoy Kumar (Independent Director) | | | | |
| | At the beginning of the year | 0 | 0 | 0 | 0 |
| | Increase / Decrease in Shareholding during the year | 0 | 0 | 0 | 0 |
| | At the End of the year | 0 | 0 | 0 | 0 |
| 9 | Jayanta Kumar Basu (Nominee Director) | | | | |
| | At the beginning of the year | 0 | 0 | 0 | 0 |
| | Increase / Decrease in Shareholding during the year | 0 | 0 | 0 | 0 |
| | At the End of the year | 0 | 0 | 0 | 0 |
| 10 | Tirumalai Cunnavakaum Anandanpillai Ranganathan (Additional Director) | | | | |
| | At the beginning of the year | 0 | 0 | 0 | 0 |
| | Increase / Decrease in Shareholding during the year | 0 | 0 | 0 | 0 |
| | At the End of the year | 0 | 0 | 0 | 0 |
| 11 | Arvind Kumar Prasad (Chief Financial Officer) | | | | |
| | At the beginning of the year | 15,000 | 0.24 | 15,000 | 0.24 |
| | Increase / Decrease in Shareholding during the year | | | | |
| | Allotment-19/7/2016 | 0 | 0.00 | 15,000 | 0.24 |
| | Allotment-12/9/2016 | 0 | 0.00 | 15,000 | 0.24 |
| | Allotment-21/09/2016 | 150000 | 0.22 | 165,000 | 0.24 |
| | At the End of the year | 165,000 | 0.24 | 165,000 | 0.24 |
| 12 | Devesh Desai (Chief Financial Officer (International Business) | | | | |
| | At the beginning of the year | 0 | 0 | 0 | 0 |
| | Increase / Decrease in Shareholding during the year | 0 | 0 | 0 | 0 |
| | At the End of the year | 0 | 0 | 0 | 0 |

| S. No. | | 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 |
| 13 | Pushpalatha K (Company Secretary and Compliance Officer) | | | | |
| | At the beginning of the year | 0 | 0 | 0 | 0 |
| | Increase / Decrease in Shareholding during the year | 0 | 0 | 0 | 0 |
| | At the End of the year | 0 | 0 | 0 | 0 |

V) INDEBTEDNESS

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

| | Secured Loans Excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| Indebtedness at the beginning of the financial year Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 1,880,982,740 | 25,495,948 | - | 1,906,478,688 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | - | - | - | - |
| **Total (i+ii+iii)** | 1,880,982,740 | 25,495,948 | - | 1,906,478,688 |
| **Change in Indebtedness during the financial year** | | | | |
| • Addition | 2,267,872,229 | 1,250,673,425 | - | 3,518,545,654 |
| • Reduction | -591,986,635 | -23,089,383 | - | -615,076,018 |
| **Net Change** | 1,675,885,594 | 1,227,584,042 | - | 2,903,469,636 |
| **Indebtedness at the end of the financial year** | | | | |
| i) Principal Amount | 3,556,868,333 | 1,253,079,991 | - | 4,809,948,324 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 13,836,614 | - | - | 13,836,614 |
| **Total (i+ii+iii)** | 3,570,704,947 | 1,253,079,991 | - | 4,823,784,938 |

VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

i) Remuneration to Managing Director, Whole-time Directors and/or Manager:

| S. No. | Particulars of Remuneration | Name of MD/WTD/ Manager | | Total Amount |
|---|---|---|---|---|
| | | Mr. Ravindra Kishore Sinha (Chairman and Managing Director) | Mr. Uday Singh (Whole-time Director) | |
| 1 | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 18,168,150 | 9,709,568 | 27,877,718 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | - | 373,800 | 373,800 |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | - | - | |
| 2 | Stock Option | - | - | |
| 3 | Sweat Equity | - | - | |
| 4 | Commission<br>- as % of profit<br>- others, specify... | - | - | |
| 5 | Others, please specify | - | - | |
| | Total (A) | 18,168,150 | 10,083,368 | 28,251,518 |
| | Ceiling as per the Act (Being 10% of the Net Profits of the Company as calculated under Section 198 of the Companies Act, 2013) | | | 32,415,402 |

ii) Remuneration to other directors:

| S. No. | Directors | Particulars of Remuneration | | | Total Amount |
|---|---|---|---|---|---|
| | | Fee for attending Board / Committee Meetings | Commission | Others, please specify | |
| 1. | Independent Directors | | | | |
| | Devdas Apte | 32,000 | - | - | 32,000 |
| | Ashok Kumar Mattoo | 32,000 | - | - | 32,000 |
| | Arun Kumar Batra | 32,000 | - | - | 32,000 |
| | Amrendra Prasad Verma | 16,000 | - | - | 16,000 |
| | Ajoy Kumar | 32,000 | - | - | 32,000 |
| | Tirumalai Cunnavakaum Anandanpillai Ranganathan | 16,000 | - | - | 16,000 |
| | Total Amount (B)(1) | | | | 160,000 |
| 2. | Other Non-Executive Directors | | | | |
| | Rita Kishore Sinha | 32,000 | | | 32,000 |
| | Ajay Relan | - | - | - | - |
| | Jayanta Kumar Basu | - | - | - | - |
| | Total Amount (B)(2) | | | | 32,000 |
| | Total Amount (B) = (B)(1) + (B)(2) | | | | 192,000 |
| | Overall Ceiling as per the Act<br>(Being 11% of the Net Profits of the Company as calculated under Section 198 of the Companies Act, 2013) | | | | 35,656,942 |

Note: Mr. Ajay Relan resigned as director of the company effective September 20, 2016.

iii) Remuneration to key managerial personnel other than MD/manager/WTD:

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | | | |
|---|---|---|---|---|---|---|
| | | Arvind Kumar Prasad | Devesh Desai | Sanjivakumar Kaddu (Company Secretary) | Pushpalatha (Company Secretary) | Total |
| | | 27-07-2016 To 31-03-2017 | 27-07-2016 To 31-03-2017 | 01-04-2016 To 21-08-2016 | 22-08-2016 To 31-03-2017 | |
| 1 | Gross salary | | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 2,710,251 | 2,118,705 | 247,399 | 1,566,691 | 6,643,046 |
| | (a) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 0 | 129,974 | 2,337 | 21,113 | 153,424 |
| | (a) Profits in lieu of salary under section 17(3) Income tax Act, 1961 | 0 | 0 | 0 | 0 | |
| 2 | Stock Option | 0 | 87,530 | 1,370 | 0 | 88,900 |
| 3 | Sweat Equity | 0 | 0 | 0 | 0 | 0 |
| 4 | Commission<br>- as % of profit<br>- others, specify... | 0 | 0 | 0 | 0 | 0 |
| 5 | Others, please specify | 0 | 0 | 0 | 0 | 0 |
| | Total | 2,710,251 | 2,248,678 | 249,736 | 1,587,804 | 6,885,370 |

Note:
Mr. Arvind Kumar Prasad, Chief Financial Officer and Mr. Devesh Desai, Chief Financial Officer (International Business) were designated as Key Managerial Personnel effective July 27, 2016.
Mr. Sanjivakumar Kaddu resigned from the position of Company Secretary of the Company effective August 22, 2016.
Ms. Pushpalatha K was appointed as Company Secretary and Compliance Officer of the Company effective August 22, 2016.

# ANNEXURE V

FORM NO. AOC-1

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding Fees imposed | Authority [RD / NCLT/ COURT/ | Appeal Made, If any (give Details) |
|---|---|---|---|---|---|
| A. COMPANY | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | Section 67 (3), read with sections 56, 60, 6B, 64, 68A(2), 72 and 73 of the Companies Act, 1956, and also Rule 6 of Unlisted Public Companies (Preferential Allotment) Rules, 2003 | The Company has made some allotments during 1988 – 2012 to more than forty nine persons which are in violation of Sections 56, 60, 60B, 64, 67, 68A (2), 72 and 73 of the Companies Act, 1956. | 5,00,000 | National Company Law Tribunal, Kolkata Bench. | N.A. |
| | Section 81(1A) of Companies Act, 1956 read with Rule 7 of Companies Unlisted Public Companies (Preferential Allotment) Rules, 2003 | The Company failed to obtain the certificate from Statutory Auditors/Practicing Company Secretary, certifying that the issue of securities were in accordance with the provisions of Companies Unlisted Public Companies (Preferential Allotment) Rules, 2003 and hence could not be laid before the respective meetings of the shareholders. | 300,000 | Regional Director, Eastern Region, Kolkata | N.A. |
| A. | DIRECTORS | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | 67 (3), read with sections 56, 60, 6B, 64, 68A(2), 72 and 73 of the Companies Act, 1956. | The Company has made some allotments during 1988 – 2012 to more than forty nine persons which are in violation of Sections 56, 60, 60B, 64, 67, 68A (2), 72 and 73 of the Companies Act, 1956. | 2,50,000 | National Company Law Tribunal, Kolkata Bench. | N.A. |

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding Fees imposed | Authority [RD / NCLT/ COURT/ | Appeal Made, If any (give Details) |
|---|---|---|---|---|---|
| | Section 81(1A) of Companies Act, 1956 read with Rule 7 of Companies Unlisted Public Companies (Preferential Allotment) Rules, 2003 | The Company failed to obtain the certificate from Statutory Auditors/ Practicing Company Secretary, certifying that the issue of securities were in accordance with the provisions of Companies Unlisted Public Companies (Preferential Allotment) Rules, 2003 and hence could not be laid before the respective meetings of the shareholders. | 200,000 | Regional Director, Eastern Region, Kolkata | N.A. |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |

# REPORT ON CORPORATE GOVERNANCE

## I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is based on the principles of equity, fairness, integrity, transparency, accountability and commitment to values. The Company has adopted fair, transparent and ethical governance practices and is committed to follow and practice the highest level of corporate governance across all its business segments.

## II. BOARD OF DIRECTORS

### a) Composition of the Board

As on March 31, 2017, our Board has two Executive Directors, two Non-Executive Directors, including a Woman Director and six Independent Directors. Out of the two Executive Directors, one Director is the Chairman and Managing Director, other is the Chief Executive Officer and Whole-Time Director. The Board is well diversified and its composition is in conformity with the provisions of Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 (hereinafter SEBI Listing Regulations).

Pursuant to the recommendation of the Nomination and Remuneration Committee, the Board of Directors and Members of the company in their meetings held on April 24, 2017 and May 31, 2017 respectively, have approved the appointment of Mr. Rituraj Kishore Sinha (DIN: 00477256) as Managing Director of the Company and Mr. Arvind Kumar Prasad (DIN: 02865273) as Director – Finance of the Company for a period of 5 years w.e.f. April 24, 2017.

Mr. Ravindra Kishore Sinha has resigned from the position of Managing Director of the Company effective April 24, 2017. However, he continues to be the Chairman of the Company.

Mrs. Rita Kishore Sinha (DIN: 00945652), Non-executive Director who retires by rotation and being eligible has offered herself for re-appointment.

Except for Mr. Ravindra Kishore Sinha, Mrs. Rita Kishore Sinha and Mr. Rituraj Kishore Sinha who are related inter se, the other Directors of the Company are not related to each other.

### b) Number of Board meetings

The Board of Directors met 16 times during the financial year 2016-17. The maximum time gap between any two consecutive meetings did not exceed one hundred and twenty days. The dates on which the said meetings were held are as follows:

| Sl. No. | Date of the Board Meeting |
|---|---|
| 1. | 30-Apr-2016 |
| 2. | 30-Jun-2016 |
| 3. | 27-July-2016 |
| 4. | 30-July-2016 |
| 5. | 02-Aug-2016 |
| 6. | 22-Aug-2016 |
| 7. | 01-Sep-2016 |
| 8. | 12-Sep-2016 |
| 9. | 20-Sep-2016 |
| 10. | 21-Sep-2016 |
| 11. | 26-Sep-2016 |
| 12. | 29-Sep-2016 |
| 13. | 11-Nov-2016 |
| 14. | 16-Dec-2016 |
| 15. | 14-Jan-2017 |
| 16. | 31-Mar-2017 |

### c) Directors' attendance record and details of Directorships/ Committee Positions held

As mandated by SEBI Listing Regulations none of the Directors on the Board is a member of more than ten Board-level committees and Chairman of more than five such committees, across all such companies in which he/she is a Director.

Further, none of the Directors of the Company serves as an Independent Director in more than seven listed companies.

The below table gives the names and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting as also the number of Directorships and board-level committee positions held by them.

DETAILS OF THE DIRECTORS AS ON MARCH 31, 2017

| Name of the Director | Category | Number of board meetings during the year 2016-17 | | Whether attended last AGM held on August 30, 2016 | Number of Directorships in other Public Companies (including SIS)* | | Number of the Committee positions held in other Public Companies (including SIS) # | |
|---|---|---|---|---|---|---|---|---|
| | | Held | Attended | | Chairman | Member | Chairman | Member |
| Ravindra Kishore Sinha | Promoter, Chairman-cum-Managing Director | 16 | 16 | Yes | 1 | 9 | - | 1 |
| Rita Kishore Sinha | Non-Executive Director | 16 | 13 | Yes | - | 8 | - | - |
| Uday Singh | CEO and Whole-time Director | 16 | 2 | Yes | - | 6 | - | - |
| Devdas Apte | Independent Director | 16 | 12 | No | - | 2 | - | 1 |
| Ashok Kumar Mattoo | Independent Director | 16 | 13 | No | - | 1 | 1 | 1 |
| Arun Kumar Batra | Independent Director | 16 | 2 | No | - | 1 | - | - |
| Amrendra Prasad Verma | Independent Director | 16 | 1 | Yes | - | 7 | 1 | 2 |
| Ajay Relan@ | Director | 16 | 3 | No | - | 5 | - | - |
| Jayanta Kumar Basu | Nominee Director | 16 | 13 | No | - | 3 | - | - |
| Dr. Ajoy Kumar | Independent Director | 16 | 1 | No | - | 2 | - | - |
| Tirumalai Cunnavakaum Anandanpillai Ranganathan^ | Independent Director | 16 | 1 | No | - | 4 | - | 1 |

*Excludes Private Limited Companies, Foreign Companies and companies registered under Section 8 of the Companies Act, 2013 (i.e. companies with charitable objects)

#Chairmanship/Membership of Audit Committee and Stakeholder's Relationship Committee in other Public Companies only has been considered

@Mr. Ajay Relan resigned from the Board effective September 20, 2016.

^ Mr. Tirumalai Cunnavakaum Anandanpillai Ranganathan has been appointed as an Independent Director effective July 30, 2016.

**d) Directors with pecuniary relationship or business transaction with the Company**

The Chairman, the Managing Director and the Whole time Director (s) receive salary, perquisites and allowances, while all the Non-Executive Directors receive Sitting Fees.

**e) Remuneration to Directors**

Remuneration was paid to Mr. Ravindra Kishore Sinha, Chairman and Managing Director and Mr. Uday Singh, CEO and Whole-Time Director as per the limits prescribed under the Companies Act, 2013, pursuant to the approval of the Nomination and Remuneration Committee, the Board of Directors and the Members of the Company.

The below mentioned table provides the details of remuneration paid to Directors for the year ended March 31, 2017.

| Name of the Director | Salary, Perquisites and Allowances | Commission | Sitting Fees* | Total (in ₹) |
|---|---|---|---|---|
| Ravindra Kishore Sinha | 18,168,150 | - | - | 18,168,150 |
| Uday Singh | 10,083,368 | - | - | 10,083,368 |
| Rita Kishore Sinha | - | - | 32,000 | 32,000 |
| Devdas Apte | - | - | 32,000 | 32,000 |
| Ashok Kumar Mattoo | - | - | 32,000 | 32,000 |
| Arun Kumar Batra | - | - | 32,000 | 32,000 |
| Amrendra Prasad Verma | - | - | 16,000 | 16,000 |
| Ajoy Kumar | - | - | 32,000 | 32,000 |
| Tirumalai Cunnavakaum Anandanpillai Ranganathan | - | - | 16,000 | 16,000 |
| Total | 28,251,518 | - | 192,000 | 28,443,518 |

* Sitting fees comprises payment made to Non-Executive Directors for attending Board meetings.

## F) DETAILS OF EQUITY SHARES OF THE COMPANY HELD BY THE NON-EXECUTIVE DIRECTORS

There were no outstanding stock options held by Non- Executive Directors and the details of the Equity Shares held by the Non-Executive Directors as on March 31, 2017 are given below.

| Name of the Director | Number of equity shares |
|---|---|
| Rita Kishore Sinha | 12,111,055 |

**g) Code of conduct**

The Board of Directors has laid down Code of Conduct for Board of Directors and Senior Management Personnel including Independent Directors. The Code of Conduct has been posted on the Company's website – www.sisindia.com.

The Codes lays down the standard of conduct which is expected to be followed by the Directors and by the designated persons in their business dealings and in particular on matters relating to integrity at the work place, in business practices and in dealing with stakeholders.

**h) Familiarization Programme for Independent Directors**

The Familiarization program aims to provide insight to the Independent Directors to understand the business of the Company. Upon induction, the Independent Directors are familiarized with their roles, rights and responsibilities.

In addition to the above, the familiarization program for Independent Directors forms part of the Board process. At the Board meetings of the Company held during the financial year 2016-17, the Independent Directors have been updated on the developments in the Company and the Company's performance.

The details of the familiarization program for Independent Directors are available on the Company's website - www.sisindia.com.

## I) NOMINATION AND REMUNERATION POLICY

The Non-Executive Directors (NEDs) are paid sitting fees for attending the Meetings of the Board of Directors which is within the limits laid down by the Companies Act, 2013 read with relevant Rules thereunder. The Company pays a sitting fee of ₹16,000 to each NED for their attendance at Board Meeting. The Board in its meeting held on September 12, 2016 has enhanced the sitting fee limit to ₹75,000 for attending the meetings of the Board.

The detailed Remuneration Policy of the Company has been provided in the Board's Report which forms part of the Annual Report.

## III. COMMITTEES OF THE BOARD

The Board of Directors has constituted four committees viz., Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Corporate Social Responsibility (CSR) Committee in line with the requirements of Companies Act, 2013 and SEBI Listing Regulations.

Details of the role and composition of these Committees, including the number of meetings held during the financial year and attendance at meetings, are provided below.

## A. AUDIT COMMITTEE

As on March 31, 2017, the Audit Committee comprises three Independent Directors viz. Mr. Amrendra Prasad Verma, Mr. Devdas Apte and Mr. Ashok Kumar Mattoo. All Members of the Audit Committee possess accounting and financial management knowledge.

The Senior Management team i.e. Chairman, Managing Director, Chief Executive Officer & Whole-time Director, Chief Financial Officers are invited for the meetings of the Audit Committee. The Company Secretary is the Secretary to the Committee.

The Audit Committee met four times during the year, i.e. on July 30, 2016, September 12, 2016, September 20, 2016 and January 14, 2017. The maximum time gap between any two consecutive meetings did not exceed one hundred and twenty days. The minutes of the meetings of the Audit Committee are noted by the Board.

The details of the composition of the Committee, meetings held and attendance at the meetings are given below.

| Name | Category | Position | No. of meetings held | No. of meetings attended |
|---|---|---|---|---|
| Amrendra Prasad Verma | Independent Director | Chairman | 4 | 2 |
| Devdas Apte | Independent Director | Member | 4 | 4 |
| Ashok Kumar Mattoo | Independent Director | Member | 4 | 4 |

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on August 30, 2016 to answer the members' queries.

The terms of reference of the Audit Committee include the following:

(a) oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

(b) make recommendations for appointment, remuneration and terms of appointment of auditors of the Company;

(c) approve payment to statutory auditors for any other services rendered by them;

(d) review with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

(i) matters required to be included in the Director's Responsibility Statement to be included in the board of directors report in terms of clause (c) of sub-Section 3 of Section 134 of the Companies Act, 2013;

(ii) changes, if any, in accounting policies and practices and reasons for the same;

(iii) major accounting entries involving estimates based on the exercise of judgment by the management of the Company;

(iv) significant adjustments made in the financial statements arising out of audit findings;

(v) compliance with listing and other legal requirements relating to financial statements;

(vi) disclosure of any related party transactions; and

(vii) modified opinion(s) in the draft audit report.

(e) review, with the management, the quarterly financial statements before submission to the board of directors for their approval;

(f) review, 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 our board of directors to take up steps in this matter;

(g) review and monitor the auditor's independence and performance, and effectiveness of audit process;

(h) approve or subsequently modify transactions of the Company with related parties;

(i) scrutinise inter-corporate loans and investments;

(j) conduct valuation of undertakings or assets of the Company, wherever it is necessary;

(k) evaluate internal financial controls and risk management systems;

(l) review, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

(m) review 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;

(n) discuss with internal auditors of any significant findings and follow up there on;

(o) review 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;

(p) discuss 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;

(q) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

(r) to review the functioning of the whistle blower mechanism;

(s) approve the appointment of the Chief Financial Officer of the Company (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

(t) carry out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by the board of directors of the Company or specified/provided under the Companies Act, 2013 or by the SEBI Listing Regulations or by any other regulatory authority.

(u) Review of information by Audit Committee:

(a) management discussion and analysis of financial condition and results of operations;

(b) statement of significant related party transactions (as defined by the Audit Committee), submitted by the management of the Company;

(c) management letters / letters of internal control weaknesses issued by the statutory auditors of the Company;

(d) internal audit reports relating to internal control weaknesses;

(e) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee; and

(f) statement of deviations in terms of the SEBI Listing Regulations:

(i) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s); and

(ii) annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice.

## B. NOMINATION AND REMUNERATION COMMITTEE

As of March 31, 2017, the Committee comprised two independent Directors viz. Mr. Devdas Apte and Mr. Arun Kumar Batra and Mr. Jayanta Kumar Basu, Nominee Director as Members of this Committee. The Company Secretary is the Secretary to the Committee.

This Committee met five times during the financial year i.e. on June 30, 2016, July 30, 2016, August 1, 2016, September 12, 2016 and December 16, 2016. The Minutes of the Nomination and Remuneration Committee Meetings are noted by the Board.

The details of the composition of the Committee, meetings held and attendance at the meetings are given below:

| Name | Category | Position | No. of meetings held | No. of meetings attended |
|---|---|---|---|---|
| Devdas Apte | Independent Director | Chairman | 5 | 5 |
| Arun Kumar Batra | Independent Director | Member | 5 | 1 |
| Jayanta Kumar Basu | Nominee Director | Member | 5 | 4 |
| Ajay Relan* | Non-Executive Director | Member | 5 | 1 |

* Mr. Ajay Relan resigned as a Director and ceased to be member of the Committee with effect from September 20, 2016.

The terms of reference of the nomination and remuneration committee are as under:

(i) 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;

(ii) formulation of criteria for evaluation of performance of independent directors and the board of directors;

(iii) devising a policy on diversity of board of directors;

(iv) identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the board of directors their appointment and removal;

(v) consider whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

(vi) perform such functions as are required to be performed by the Compensation Committee under the SEBI (Share Based Employee Benefits) Regulations, 2014, including administering the ESOP Schemes;

(vii) perform such other activities as may be delegated by the Board or specified/ provided under the Companies Act, 2013 or by the SEBI Listing Regulations or by any other regulatory authority.

The performance evaluation criteria for independent directors is determined by the Nomination and Remuneration committee. An indicative list of factors that may be evaluated include participation and contribution by a director, commitment, effective deployment of knowledge and expertise and independence of behaviour and judgement. The performance evaluation of the Independent Directors was carried out by the entire Board and the performance evaluation of the Chairman and Non-Independent Directors was carried out by the Independent Directors.

## C. STAKEHOLDERS RELATIONSHIP COMMITTEE

This Committee comprises three Directors Mr. Ashok Kumar Mattoo, Independent Director, Mr. Ravindra Kishore Sinha, Chairman and Mr. Amrendra Prasad Verma, Independent Director. The Company Secretary, is the Compliance Officer of the Company.

During the year, the Committee met 3 times on July 30, 2016, August 12, 2016 and September 12, 2016. The Minutes of the Stakeholders Relationship Committee are noted by the Board.

The details of the composition of the Committee, meetings held and attendance at the meetings, are given below:

| Name | Category | Position | No. of meetings held | No. of meetings attended |
|---|---|---|---|---|
| Ashok Kumar Mattoo | Independent Director | Chairperson | 3 | 3 |
| Ravindra Kishore Sinha | Chairman | Member | 3 | 3 |
| Amrendra Prasad Verma | Independent Director | Member | 3 | 1 |

During the financial year 2016-17, there were no queries/complaints received by the Company from members/investors/authorities.

The terms of reference of the stakeholders' relationship committee are as under:

(a) redressal of all security holders' and investors' grievances such as complaints related to transfer of shares, including non receipt of share certificates and review of cases for refusal of transfer/transmission of shares and debentures, non-receipt of balance sheet, non-receipt of declared dividends, non-receipt of annual reports, etc. and assisting with quarterly reporting of such complaints;

(b) giving effect to all transfer/transmission of shares and debentures, dematerialisation of shares and re-materialisation of shares, split and issue of duplicate/consolidated share certificates, compliance with all the requirements related to shares, debentures and other securities from time to time;

(c) overseeing the performance of the registrars and transfer agents of our Company and to recommend measures for overall improvement in the quality of investor services; and

(d) carrying out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act, 2013 or SEBI Listing Regulations, or by any other regulatory authority.

## D. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Committee comprises three directors viz. Mr. Ravindra Kishore Sinha, Chairman, Mr. Devdas Apte, Independent Director and Dr. Ajoy Kumar, Independent Director and the role of the Committee is as under:

a. formulate and recommend to our Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by our Company as specified in Schedule VII to the Companies Act, 2013;

b. recommend the amount of expenditure to be incurred on the activities referred to in clause (a) of sub-section (3) of Section 135 of the Companies Act, 2013; and

c. monitor the Corporate Social Responsibility Policy of our Company from time to time.

During the year, one meeting of the CSR Committee was held on July 30, 2016. The Minutes of the CSR Committee are noted by the Board.

## IV. GENERAL BODY MEETINGS

a. Details of the AGM held in the last three years along with special resolutions passed thereat:

| Financial Year | Date, Time and Venue | Particulars of special resolution passed |
|---|---|---|
| 2013-14 (AGM) | September 29, 2014 at 11:00 a.m. at Annapoorna Bhawan, Telephone Exchange Road, Kurji, Patna-800010 | 1. Increase in the remuneration of Mr. Uday Singh, Group Chief Executive Officer and Whole-time Director of the Company.<br>2. Approval of borrowing limits u/s 181 (C) of the Companies Act, 2013. |
| 2014-15 (AGM) | September 26, 2015 at 12:00 p.m. at Annapoorna Bhawan, Telephone Exchange Road, Kurji, Patna-800010 | 1. Approval for payment of remuneration of Mr. Ravindra Kishore Sinha, Chairman-cum-Managing Director.<br>2. Increase in the remuneration of Mr. Uday Singh, Group CEO and Whole-time Director.<br>3. Increase in Authorised Share Capital.<br>4. Approval for the issue of Bonus Shares. |
| 2015-16 (AGM) | August 30, 2016 at 11:00 a.m. at Annapoorna Bhawan, Telephone Exchange Road, Kurji, Patna-800010 | 1. Issue of 40,565 (Forty thousand five hundred and sixty-five) equity shares to Mr. Uday Singh, on preferential basis. |
| Extra-Ordinary General Meeting | June 4, 2016 at 10:30 a.m. at A-28 & 29, Okhla Industrial Area, Phase-1, New Delhi-110020 | 1. Re-appointment of Mr. Rituraj Kishore Sinha to hold an office of profit under the Company as Group Chief Operating Officer and to fix his remuneration.<br>2. Increase in the remuneration of Mr. Ravindra Kishore Sinha, Chairman-cum-Managing Director.<br>3. Increase in the remuneration of Mr. Uday Singh, Group CEO and Whole-time Director. |
| | July 27, 2016 at 12:00 p.m. at A-28 & 29, Okhla Industrial Area, Phase-1, New Delhi-110020 | 1. Issue of Non-Convertible Dentures on private placement.<br>2. Issue of Rupee Denominated Bonds on Private Placement basis.<br>3. Approval of ESOP 2016 Plan.<br>4. Approval for issue of Shares under Employee Stock Option Plan - 2016 to the employees of Subsidiary (ies).<br>5. Amendment of ratio for issue of Bonus Shares.<br>6. Classification of Promoter and Promoter Group as per SEBI ICDR Regulations. |
| | August 22, 2016 at 12:00 p.m. at A-28 & 29, Okhla Industrial Area, Phase-1, New Delhi-110020 | 1. Raising of Capital through a further issue of Securities and Offer for sale by certain Existing Shareholders.<br>2. Adoption of New Articles of Association. |

b. Details of special resolution passed through postal ballot, the persons who conducted the postal ballot exercise and details of the voting pattern

During the year under review, no special resolution was passed through the exercise of postal ballot.

c. Details of special resolution proposed to be conducted through postal ballot

No special resolution is proposed to be conducted through postal ballot.

## V. OTHER DISCLOSURES

### i. Disclosures regarding Board of Directors

The Company has received the declarations from all the Independent Directors of the Company confirming that they meet with the criteria of Independence as prescribed under the Companies Act, 2013 and Regulation 16 (1) (b) of the SEBI Listing Regulations. A detailed profile of the Directors who are seeking appointment / reappointment at the ensuing Annual General Meeting of the Company is given under the Explanatory Statement to the Notice.

### ii. Means of Communication

In accordance with Regulation 46 of the SEBI Listing Regulations, the Company has maintained a functional website at www.sisindia.com containing information about the Company viz., details of its business, financial information, details of the policies approved by the Company, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances etc. The contents of the said website are updated from time to time.

### iii. Related party transactions

Details of related party transactions i.e. transactions of the Company of material nature with its promoters, the Directors or the management, their subsidiaries or relatives, etc. are presented in the Notes to the Financial Statements. During the financial year 2016-17, there were no material related party transactions entered by the Company that may have a potential conflict with the interests of the Company.

The Company has formulated a policy on Related Party Transactions and the said Policy is available on the website of the Company www.sisindia.com.

### iv. Whistle Blower Policy

The Company promotes ethical behavior in all its business activities and has put in place a mechanism for reporting illegal and unethical behavior. The Company has adopted a Whistle Blower Policy under which employees are free to report violations of applicable laws and regulations. The Policy is available on the website of the Company www.sisindia.com .

**v. Details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by the stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years – Not applicable**

### VI. Subsidiary Companies

As on March 31, 2017, Mr. Devdas Apte, Independent Director of the Company is on the Board of Service Master Clean Limited, which is reckoned as material non-listed Indian subsidiary company. The Subsidiaries of the Company function independently, with an adequately empowered Board of Directors and necessary management resources.

The Company has formulated a policy for determining 'material subsidiaries' and is available on the Company's website www.sisindia.com.

## VIII. General Shareholder Information

### i. Annual General Meeting for FY 2016-2017

| | |
|---|---|
| Date: | September 25, 2017 |
| Day: | Monday |
| Time: | 12:30 P.M. |
| Place: | Hotel Maurya, Fraser Road<br>South Gandhi Maidan<br>Patna-800001, Bihar |

### ii. Financial Calendar:

The financial year of the Company covers the financial period April 1 to March 31

**iii. Date of Book Closure / Record date :** September 19, 2017 to September 25, 2017 (both days inclusive)

**iv. Listing on stock exchanges :** The Company has submitted the applications to Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) for listing of its equity shares.

**v. Stock Codes/Symbol :** The Company has submitted the listing applications to NSE and BSE under the symbol 'SIS'.

### vi. Dividend Policy:

The declaration and payment of dividend will be recommended by the Board of Directors and approved by the Shareholders, at their discretion, subject to the provisions of the Articles of Association and the Companies Act. The dividend, if any, will depend on a number of factors, including but not limited to the future expansion plans and capital requirements, profit earned during the fiscal year, capital requirements, and surpluses, contractual restrictions, liquidity and applicable taxes including dividend distribution tax.

### vii. Registrars and Transfer Agents

Name and Address : Link Intime India Private Limited C 101, 247 Park, L.B.S. Marg, Vikhroli West, Mumbai 400 083

| | |
|---|---|
| Telephone | : +91 22 4918 6200 |
| Fax | : +91-22 4918 6195 |
| E-mail | : rnt.helpdesk@linkintime.co.in |
| Website | : www.linkintime.co.in |

### viii. Share Transfer System:

The Registrars and Share Transfer Agent have put in place an appropriate Share Transfer system to ensure timely share transfers. Share transfers are registered and returned in the normal course within an average period of 30 days from the date of receipt, if the documents are clear in all respects. Requests for dematerialisation of shares are processed and confirmation is given to the respective depositories ie. NSDL and CDSL within 21 days.

### ix. Address for members' correspondence

Members are requested to correspond with the Registrars and Share Transfer Agents at the below given address on all matters relating to transfer/ dematerialisation of shares, payment of dividend and any other query relating to Equity Shares of the Company.

**Registrar and Share Transfer Agents:**
Contact Officer: Mr. Ajay Jadhav
Link Intime India Private Limited, C 101, 247 Park, L.B.S. Marg, Vikhroli West, Mumbai 400 083, Telephone : +91 22 4918 6270, Fax : +91-22 4918 6195, E-mail : rnt.helpdesk@linkintime.co.in

Members are required to note that, in respect of shares held in dematerialized form, they will have to correspond with their respective Depository Participants (DPs) for related matters. Members may contact the Compliance Officer at the following address:

**Ms. Pushpalatha Katkuri**
Company Secretary and Compliance Officer
106, 1st Floor, Ramanashree Arcade,
18, M.G.Road, Bangalore, Karnataka – 560 001, India,
Ph: 080-2559 0801, E-mail: shareholders@sisindia.com

**x. Shareholding as on March 31, 2017:**

**a. Distribution of equity shareholding as on March 31, 2017:**

| No. of equity shares held | Holding | Percentage of Capital | Number of shareholders | Percentage to total shareholders |
|---|---|---|---|---|
| Up to 500 | 34,089 | 0.05 | 147 | 49.33 |
| 501-1000 | 10,439 | 0.02 | 18 | 6.04 |
| 1001-5000 | 149,820 | 0.22 | 66 | 22.15 |
| 5001-10000 | 200,299 | 0.29 | 30 | 10.07 |
| 10001-100000 | 344,817 | 0.50 | 22 | 7.38 |
| 100001 and above | 67,963,500 | 98.92 | 15 | 5.03 |
| Grand Total | 68,702,964 | 100.00 | 298 | 100.00 |

**b. Category of equity shareholders as on March 31, 2017:**

| Category | Number of equity shares held | Percentage of holding |
|---|---|---|
| Promoters and Promoter Group | 52,842,867 | 76.91 |
| Public | 15,860,097 | 23.09 |
| Grand Total | 68,702,964 | 100.00 |

**c. Top ten equity shareholders of the Company as on March 31, 2017:**

| S. No. | Name of the shareholder | Number of equity shares held | Percentage of holding |
|---|---|---|---|
| 1 | Ravindra Kishore Sinha | 28,564,888 | 41.58 |
| 2 | Rita Kishore Sinha | 12,111,055 | 17.63 |
| 3 | Theano Private Limited | 10,439,770 | 15.20 |
| 4 | Rituraj Kishore Sinha | 7,086,893 | 10.32 |
| 5 | Vocational Skills Council India Private Limited | 2,540,626 | 3.70 |
| 6 | Rivoli Sinha | 2,408,780 | 3.51 |
| 7 | Thomas Burgland | 1,446,500 | 2.11 |
| 8 | Hakan Gustaf Oscar Winberg | 1,446,500 | 2.11 |
| 9 | Uday Singh | 612,447 | 0.89 |
| 10 | Piyush Goyal | 493,735 | 0.72 |

**xi. Dematerialization of shares and liquidity:**
As on March 31, 2017, 65,363,496 equity shares representing 95.14 % of the total equity share capital of the Company were held in dematerialised form.

The Promoters hold their entire equity shareholding in the Company in dematerialized form.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE285J01010.

xii. Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity:

As on March 31, 2017, 1,762,380 Compulsorily Convertible Debentures (CCDs) of ₹100 are outstanding. The CCDs are for a term of 18 years and non-interest bearing. The CCDs will convert to 22 equity shares of the Company subject to certain terms.

Save and except as above, there are no outstanding convertible instruments as on March 31, 2017.

The Company has not issued any GDRs / ADRs / Warrants or any convertible instruments in the past and hence as on March 31, 2017, the Company does not have any outstanding GDRs / ADRs / Warrants.

# CERTIFICATION BY CEO AND CFO UNDER REGULATION 17(8) OF SEBI LISTING REGULATIONS.

To,
The Board of Directors
Security and Intelligence Services (India) Limited

We Rituraj Kishore Sinha, Managing Director, Uday Singh, Chief Executive Officer and Arvind Kumar Prasad, Chief Financial Officer hereby certify that:

a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2017 and that 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 March 31, 2017 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 review;

   (ii) There has not been any significant change in accounting policies made 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.

| | | | |
|---|---|---|---|
| Place: Delhi | **Rituraj Kishore Sinha** | **Uday Singh** | **Arvind Kumar Prasad** |
| Date: August 8, 2017 | *Managing Director* | *Chief Executive Officer* | *Chief Financial Officer* |

# STANDALONE FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR'S REPORT

To the Members of

**SECURITY & INTELLIGENCE SERVICES (INDIA) LIMITED**

We have audited the accompanying financial statements of SECURITY & INTELLIGENCE SERVICES (INDIA) LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2017, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 referred to in section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. This Responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the company and for 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 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.

Our responsibility is to express an opinion on these financial statements based on our 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 audit report under the provisions of the Act and the rules made thereunder. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 control 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the 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:

a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2017;

b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Without qualifying our opinion, we draw attention to "Note 5 under Note 24 - "Other Notes to Accounts" in respect of a change in treatment of gratuity and leave benefits during the year ended 31 March 2016.

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. 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 purposes of our audit.

    b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books,

    c. The Balance Sheet, the Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from the branches not visited by us.

d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e. On the basis of written representations received from the directors as on March 31, 2017, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of Section 164(2) of the Act.

f. With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, please refer to our separate report in Annexure B.

g. 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 our best of our information and according to the explanations given to us:

   i. The Company does not have any pending litigations which would impact its financial position;

   ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses

   iii. There was no amount required to be transferred by the Company to the Investor Education and Protection Fund.

   iv. The company has provided requisite disclosures in its standalone financial statements as to holding as well as dealing in specified bank notes during the period from November 08, 2016 to December 30, 2016 and these are in accordance with the books of accounts maintained by the company. Refer note 24(7) of the standalone financial statements.

For **A. MITRA & ASSOCIATES**
*Chartered Accountants*

**A.K. MITRA**
*Partner*
Membership No. 15230
Firm Reg. No. :- 5268/C

Place: New Delhi
Date: May 31, 2017

## ANNEXURE A TO AUDITOR'S REPORT

**Referred to in our report of even date, of the Auditors to the members of SECURITY & INTELLIGENCE SERVICES (INDIA) LIMITED on the accounts for the year ended March 31, 2017.**

1. a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   b) The fixed assets have been verified by the management during the year. As informed, no material discrepancies were found in the course of verification.

   c) According to the to the information and explanation given to us, and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.

2. a) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals.

   b) In our opinion and according to the information and explanations given to us, no material discrepancies were noticed on physical verification.

3. a) The Company has given a loan to a Company listed in the Register maintained under Section 189 of the Companies Act.

   b) In our opinion, the rate of interest and other terms and conditions of the grant of such loans are not, prima facie, prejudicial to the Company's interest

   c) In our opinion, and according to the information and explanations given to us, the repayment of the principal and interest is regular as stipulated.

   d) There are no overdue amounts in respect of such loan.

4. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013, where applicable.

5. The Company has not accepted any deposits and so the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under do not apply to the Company.

6. The Central Government has not prescribed maintenance of cost records under sub section (1) of Section 148 of the Companies Act, 2013 in respect of the products dealt with by the Company.

7. According to the information and explanations given to us in respect of statutory dues:

   a) Statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Service Tax, Professional Tax and other material statutory dues applicable to the Company have generally been regularly deposited with the appropriate authorities though there have been some delays in deposit of dues relating to Service Tax and Income Tax.

   b) There were no outstanding statutory dues as at March 31, 2017 for a period more than six months from the date they became payable.

   c) There were no amounts under dispute in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess except for an amount of INR 33,746 (previous year - INR 33,657) which have been disclosed as a contingent liability in the financial statements.

8. In our opinion and according to the information and explanations given to us the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

9. a) The Company has raised new term loans during the year, part of which was repaid fully within the year. In respect of the other term loans raised during the year and in the case of term loans outstanding at the beginning of the year, the same have been applied for the purposes for which they were raised.

   b) The Company did not raise any money by way of initial public offer/further public offer (including debt instruments) and accordingly, paragraph 3 (ix) of the Order is not applicable.

10. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

11. According to the information and explanation given to us, and on the basis of our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.

12. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company and accordingly, paragraph 3 (xii) of the Order is not applicable.

13. According to the information and explanation given to us, and on the basis of our examination of the records of the Company, transactions with related parties are in compliance with Section 177 and 188 of the 2013 Act where applicable and the details have been disclosed in the financial statements as required by the accounting standards.

14. According to the information and explanation given to us, and on the basis of our examination of the records of the Company, the Company has made preferential allotment/private placement of shares and non-convertible debentures during the year under audit and the requirement of Section 42 of the Companies Act, 2013 have been complied with and the amounts so raised have been used for the purpose for which the funds were raised.

15. According to the information and explanation given to us, and on the basis of our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them and accordingly, paragraph 3 (xv) of the Order is not applicable.

16. The company is not required to be registered under Section 45 IA of the Reserve Bank of India (RBI) Act, 1934.

For **A. MITRA & ASSOCIATES**
*Chartered Accountants*

**A.K. MITRA**
*Partner*
Membership No. 15230
Firm Reg. No. :- 5268/C

Place: New Delhi
Date: May 31, 2017

# ANNEXURE B TO AUDITORS' REPORT

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

We have audited the internal financial controls over financial reporting of SECURITY & INTELLIGENCE SERVICES (INDIA) LIMITED ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

## Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls 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 on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 its 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 Companies Act, 2013.

## Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

## Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting 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 internal financial control over financial reporting 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.

## Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, 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 on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **A. MITRA & ASSOCIATES**
*Chartered Accountants*

**A.K. MITRA**
*Partner*
Membership No. 15230
Firm Reg. No. :- 5268/C

Place: New Delhi
Date: May 31, 2017

# BALANCE SHEET as at 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| Particulars | Note | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 1 | 687,030 | 62,002 |
| Reserves and surplus | 2 | 1,026,337 | 1,221,107 |
| | | **1,713,367** | **1,283,108** |
| **Non-current liabilities** | | | |
| Long-term borrowings | 3 | 2,729,905 | 282,880 |
| Long-term provisions | 4 | 313,021 | 243,177 |
| | | **3,042,926** | **526,057** |
| **Current liabilities** | | | |
| Short-term borrowings | 5 | 1,811,040 | 1,546,849 |
| Trade payables | 6 | | |
| Due from Micro, Small and Medium Enterprise | | 0 | 0 |
| Other than Micro, Small and Medium Enterprise | | 125,234 | 70,934 |
| Other current liabilities | 7 | 1,978,015 | 1,273,230 |
| Short-term provisions | 8 | 359,277 | 345,861 |
| | | **4,273,566** | **3,236,875** |
| **TOTAL** | | **9,029,858** | **5,046,040** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | 9 | | |
| Tangible assets | | 916,023 | 731,340 |
| Intangible assets | | 40,242 | 9,692 |
| Capital work-in-progress | | 3,046 | 0 |
| | | 959,311 | 741,032 |
| Non-current investments | 10 | 1,818,452 | 552,461 |
| Deferred tax assets (net) | 11 | 257,842 | 199,189 |
| Long-term loans and advances | 12 | 183,281 | 107,610 |
| | | **3,218,887** | **1,600,292** |
| **Current assets** | | | |
| Trade receivables | 13 | 1,496,082 | 969,158 |
| Cash and cash equivalents | 14 | 1,042,674 | 218,859 |
| Short-term loans and advances | 15 | 695,486 | 568,800 |
| Other current assets | 16 | 2,576,730 | 1,688,931 |
| | | **5,810,971** | **3,445,748** |
| **TOTAL** | | **9,029,858** | **5,046,040** |
| Contingent Liabilities and commitments | 17 | | |
| Significant accounting policies | 23 | | |
| Other Notes to Accounts | 24 | | |

The notes referred to above form an integral part of the Balance Sheet

As per our report of even date attached
For **A. Mitra & Associates**
*Chartered Accountants*
Firm Reg. No.:- 5268/C

For and on behalf of the Board

**A. K. Mitra**
*Partner*
Membership No. 015230

**Ravindra Kishore Sinha**
*Chairman*
[DIN: 00945635]

**Rituraj Kishore Sinha**
*Managing Director*
[DIN: 00477256]

Place: New Delhi
Date: May 31, 2017

**Uday Singh**
*Chief Executive Officer & Director*
[DIN: 02858520]

**Pushpalatha Katkuri**
*Company Secretary*

**Arvind Kumar Prasad**
*Director – Finance*
[DIN: 02865273]

## STATEMENT OF PROFIT AND LOSS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| Particulars | Note | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations | 18 | 16,147,591 | 12,736,782 |
| Other income | 19 | 51,528 | 136,443 |
| **Total Revenue** | | **16,199,118** | **12,873,224** |
| | | | |
| **EXPENSES** | | | |
| Employee benefits expense | 20 | 14,404,272 | 11,591,507 |
| Finance costs | 21 | 528,567 | 206,609 |
| Depreciation and Amortization Expense | | 236,976 | 210,309 |
| Other expenses | 22 | 794,788 | 700,074 |
| **Total expenses** | | **15,964,603** | **12,708,499** |
| | | | |
| **Profit before tax** | | **234,516** | **164,726** |
| Tax expense: | | | |
| Current tax | | 50,049 | 152,721 |
| MAT Credit entitlement | | -19,035 | 0 |
| Deferred tax | | -58,653 | -111,812 |
| | | **-27,638** | **40,909** |
| **Profit (Loss) for the year** | | **262,154** | **123,817** |
| Earnings per equity share: | | | |
| Basic | | 3.82 | 1.82 |
| Diluted | | 3.74 | 1.81 |
| | | | |
| Significant accounting policies | 23 | | |
| Other Notes to Accounts | 24 | | |

The notes referred to above form an integral part of the Balance Sheet

As per our report of even date attached
For **A. Mitra & Associates**
*Chartered Accountants*
Firm Reg. No.:- 5268/C

For and on behalf of the Board

**A. K. Mitra**
*Partner*
Membership No. 015230

**Ravindra Kishore Sinha**
*Chairman*
[DIN: 00945635]

**Rituraj Kishore Sinha**
*Managing Director*
[DIN: 00477256]

Place: New Delhi
Date: May 31, 2017

**Uday Singh**
*Chief Executive Officer & Director*
[DIN: 02858520]

**Pushpalatha Katkuri**
*Company Secretary*

**Arvind Kumar Prasad**
*Director – Finance*
[DIN: 02865273]

## CASH FLOW STATEMENT for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net Profit before taxation | 234,516 | 164,726 |
| Adjusted for: | | |
| Depreciation | 236,976 | 210,309 |
| Foreign exchange gain/loss | -1,116 | 4,406 |
| Net gain/loss on sale of fixed assets | -179 | -1,227 |
| Net gain/loss on sale of investments | 0 | -33,339 |
| Interest expense | 516,648 | 199,923 |
| Interest income | -47,702 | -19,739 |
| Dividend income | -2,531 | -78,489 |
| Bad debts written off/provided | 134,622 | 142,808 |
| Share issue expenses expenses written off | 1,621 | 1,621 |
| Employee stock option compensation expense | 63,610 | 35,743 |
| Operating profit/(loss) before working capital changes | 1,136,465 | 626,741 |
| Movement in working capital: | | |
| Decrease/(increase) in Trade receivables | -661,546 | -317,113 |
| Decrease/(increase) in inventories | 0 | 54,199 |
| Decrease/(increase) in loans and advances | -202,357 | -107,764 |
| Decrease/(increase) in other current assets | -547,112 | -164,771 |
| (Decrease)/increase in Trade payables | 54,300 | -32,592 |
| (Decrease)/increase in provisions | 72,526 | 249,748 |
| (Decrease)/increase in other current liabilities | 507,013 | 67,949 |
| | -777,177 | -250,344 |
| Cash (used in)/generated from operations | 359,288 | 376,397 |
| Direct tax paid including fringe benefit tax (net of refunds) | -326,618 | -207,721 |
| **Net cash (used in)/generated from operating activities** | **-32,670** | **168,677** |
| | | |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of fixed assets and changes in capital work in progress | -462,891 | -307,026 |
| Proceeds from sale/disposal of fixed assets | 7,814 | 5,573 |
| Proceeds from sale/disposal of investments | 7,039 | 33,339 |
| Investments made | -1,176,688 | -43,537 |
| Interest received | 51,809 | 13,865 |
| Dividend received | 3,390 | 78,489 |
| Preliminary and Pre-Operative Expenses incurred | -1,621 | -1,621 |
| **Net cash used in investing activities** | **-1,571,147** | **-220,917** |

# CASH FLOW STATEMENT for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of share capital | 50 | 250 |
| Foreign exchange gain/loss realised | 1,116 | -4,406 |
| Proceeds from term loans (including hire purchase) | 1,086,250 | 0 |
| Repayment of term loans (including hire purchase) | -28,676 | -75,182 |
| Change in loans repayable on demand | 264,191 | 397,613 |
| Bonds/Debentures issued (net) | 1,550,000 | 0 |
| Other Loans and Advances received (net) | 31,705 | 35,084 |
| Interest paid | -503,027 | -200,273 |
| Dividends Paid | 0 | -270,411 |
| Tax on dividends paid | -39,316 | 0 |
| **Net cash used in financing activities** | **2,362,292** | **-117,326** |
| | | |
| **Net change in cash and cash equivalents (A+B+C)** | 823,815 | -169,566 |
| Cash and cash equivalents at the beginning of the year | 218,859 | 388,425 |
| **Cash and cash equivalents at the end of the year** | **1,042,674** | **218,859** |

As per our report of even date attached
For A. Mitra & Associates
*Chartered Accountants*
Firm Reg. No.:- 5268/C

For and on behalf of the Board

A. K. Mitra
*Partner*
Membership No. 015230

Ravindra Kishore Sinha
*Chairman*
[DIN: 00945635]

Rituraj Kishore Sinha
*Managing Director*
[DIN: 00477256]

Place: New Delhi
Date: May 31, 2017

Uday Singh
*Chief Executive Officer & Director*
[DIN: 02858520]

Pushpalatha Katkuri
*Company Secretary*

Arvind Kumar Prasad
*Director – Finance*
[DIN: 02865273]

# NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 1 – SHARE CAPITAL

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Authorised Capital** | | |
| 13,50,00,000 (previous year – 13,50,00,000) Equity Shares of INR 10 each | 1,350,000 | 1,350,000 |
| | **1,350,000** | **1,350,000** |
| **Issued, subscribed and paid up** | | |
| 68,703,089 (previous year - 62,00,159) Equity Shares of INR 10 each, fully paid | 687,031 | 62,003 |
| | **687,031** | **62,003** |

**Notes:**

a. Of the above, 2,210,500 and 62,457,240 equity shares were allotted as fully paid Bonus Shares by capitalization of general reserve in 2005-06 and during the year ended March 31, 2017 respectively

b. Mr. Uday Singh was the holder of 79,000 unpaid shares in SIS International Holdings Ltd., a wholly owned subsidiary. In terms of a letter dated December 1, 2009, Mr. Singh had the option to exchange these shares for shares of any companies in the SIS group in a manner reflecting the fair value of the these shares, reduced by the amounts unpaid on them. Subsequently, in lieu of these shares and suitably adjusted for amounts unpaid thereon, Mr. Singh was allotted 40,565 Equity Shares, at a ratio as determined in accordance with a valuation report prepared by a SEBI registered merchant banker.

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Subscribed and paid up share capital** | | |
| 68,703,089 (previous year - 62,00,159) Equity Shares of INR 10 each, fully paid up. | 687,031 | 62,003 |
| Less: 125 (previous year - 125) Forfeited equity shares of INR 10/- each | -1 | -1 |
| | **687,030** | **62,002** |

**Reconciliation of the number of shares outstanding**

| Particulars | Number of Shares | Number of Shares |
|---|---|---|
| Shares outstanding at the beginning of the year | 6,200,159 | 6,175,159 |
| Shares Issued during the year | 45,565 | 25,000 |
| Shares Issued during the year as bonus shares | 62,457,240 | 0 |
| Shares outstanding at the end of the year | **68,702,964** | **6,200,159** |

**Shares held by each shareholder holding more than 5% shares**

| Name of Shareholder | As at 31 March 2017 | | As at 31 March 2016 | |
|---|---|---|---|---|
| | Number of shares | % | Number of shares | % |
| Ravindra Kishore Sinha | 28,564,888 | 41.58% | 2,596,808 | 41.88% |
| Rita Kishore Sinha | 12,111,055 | 17.63% | 1,099,703 | 17.74% |
| Rituraj Kishore Sinha | 7,086,893 | 10.32% | 653,508 | 10.54% |
| Theano Private Limited | 10,439,770 | 15.20% | 949,070 | 15.31% |
| | **58,202,606** | **84.73%** | **5,299,089** | **85.47%** |

All in INR 000s except share data

## Note 1 – SHARE CAPITAL *(contd...)*

**Shares reserved for issue under options**

Employees stock options

The Company has two Employee Stock Option plans namely ESOP 2008 and ESOP 2016. Under ESOP 2008 Employee Stock options were granted in 2008, 2011, 2014, 2015 and 2016 and 59,000 options, 30,000 Options, 30,500 Options 3,500 options and 2,096 options respectively have been granted.

All options granted in 2008 have been either exercised or lapsed.

Out of the 30,000 options granted in 2011, 12,876 options were exercised, 10,355 options are vested and remaining to be exercised and the remaining 6,769 options have lapsed.

Out of the 30,500 options granted in 2014, 26,500 options have been exercised (including 1,500 options during the year ended March 31, 2017) and the remaining 4,000 options are to vest and be eligible for exercise in the next 3 financial years.

Out of the 3,500 Options granted in 2015, all were vested and exercised during the year ended March 31, 2017.

Out of the 2,096 Options granted in 2016, the same will vest and be eligible for exercise over the next four financial years.

Options issued under ESOP 2008 will be adjusted for the bonus issue of ten equity shares for every equity share held as on September 20, 2016, as and when such options are exercised.

Under ESOP 2016, the Company granted 1,216,000 options which will vest over the next four financial years and be eligible for exercise, subject to certain conditions, after August 1, 2020.

**Share reserved for issue under options**

Employees Stock Options

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| | Number of options | Number of options |
| ESOP 2008 | | |
| Options outstanding at the beginning of the year | 19,355 | 41,217 |
| Options issued during the year | 2,096 | 3,500 |
| Less: Options vested and exercised during the year | 5,000 | 25,000 |
| Options forfeited/lapsed during the year | 361 | 362 |
| Options outstanding at the end of the year | **16,090** | **19,355** |
| | | |
| ESOP 2016 | | |
| Options outstanding at the beginning of the year | 0 | 0 |
| Options Issued during the year | 1,216,000 | 0 |
| Options vested and exercised during the year | 0 | 0 |
| Options forfeited/lapsed during the year | 11,850 | 0 |
| Options outstanding at the end of the year | **1,204,150** | **0** |

## NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

### Note 2 – RESERVES & SURPLUS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Share Premium Account** | | |
| Opening Balance | 386,984 | 332,734 |
| Add : Receipts on issue of Equity shares | 95,936 | 54,250 |
| Add : Receipts on exercise of Employee Stock options | 10,850 | 0 |
| **Closing Balance** | **493,770** | **386,984** |
| | | |
| **Share Options Outstanding Account** | | |
| Opening Balance | 14,948 | 33,455 |
| Add: Expense for the year | 71,713 | 35,789 |
| Less: Transferred to Share premium on exercise of options | -10,850 | -54,295 |
| **Closing Balance** | **75,811** | **14,948** |
| | | |
| **General Reserves** | | |
| Opening Balance | 815,000 | 950,000 |
| Add/Less: Utilised for issue of bonus shares | -624,572 | |
| Add/Less: Transferred to/from Surplus - Balance in Profit & Loss Account | | -135,000 |
| **Closing Balance** | **190,428** | **815,000** |
| | | |
| **Surplus – Balance in Profit & Loss Account** | | |
| Opening balance | 4,174 | 55,085 |
| Add: Net Profit/(Loss) for the year | 262,154 | 123,817 |
| Amount available for appropriation | 266,328 | 178,901 |
| Appropriations: | | |
| Interim Dividend | 0 | 270,411 |
| Dividend distribution tax | 0 | 39,316 |
| Transfer to/from General Reserve | 0 | -135,000 |
| **Closing Balance** | **266,328** | **4,174** |
| | **1,026,337** | **1,221,107** |

### Note 3 – LONG TERM BORROWINGS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Secured** | | |
| Bonds/debentures | | |
| 1,762,380 Compulsorily convertible debentures (CCDs) of INR 100/- each (Refer Note 1 (a) below) | 176,238 | 176,238 |
| 80 non-convertible debentures (NCDs) of INR 10,000,000 each (Refer Note 1(b) below) | 800,000 | 0 |
| | **976,238** | **176,238** |
| **Notes:** | | |
| 1 (a) Theano Private Limited and AAJV Investment Trust have subscribed to 1,762,380 compulsory convertible debentures (CCDs) of Rs.100/- each on April 23, 2013. The CCDs are for a term of 18 years and non-interest bearing. The CCDs will convert to 22 equity shares of the Company subject to certain terms. | | |
| 1 (b) Piramal Enterprises Limited has subscribed to 80 non-convertible debentures (NCDs) of Rs 10,000,000/- each. The NCDs carry interest @ 12.70 per annum, payable monthly. The company has the right to pre-pay the NCDs without any prepayment penalty with prior notice of 30 days. | | |

# NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 3 – LONG TERM BORROWINGS *(contd...)*

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Term loans | | |
| Axis Bank Limited (Refer Note (a) below) | 0 | 22,381 |
| IDBI Bank Limited (Refer Note (b) below) | 28,333 | 0 |
| IDFC Bank Limited (Refer Note (c) below) | 388,889 | 0 |
| Piramal Enterprises Limited (Refer Note (d) below) | 400,000 | 0 |
| | **817,222** | **22,381** |
| **Notes:** | | |
| (a) Secured by way of first charge on the fixed assets purchased out of the loan and by a second charge on the current assets and movable fixed assets of the Company. The loan is scheduled to be repaid by 2017 – 18. | | |
| (b) Secured by an exclusive charge on the specified assets acquired out of the loan and second pari-passu charge on the current assets of the Company. The loan is scheduled to be repaid by 2019 – 20. | | |
| (c) Secured by way of first pari-passu charge on current assets and all immovable and movable fixed assets of the Company and exclusive charge over specific immovable properties of subsidiary companies located in Delhi, and a charge on certain properties of Mr. R K Sinha, Chairman and Mr. Rituraj Kishore Sinha, Managing Director at Delhi and Noida. The loan is scheduled to be repaid by 2020 – 21. | | |
| (d) Secured by way of first exclusive charge on all present and future current assets and fixed assets acquired out of the loan. The loan is scheduled to be repaid by 2021-22. | | |
| Other loans and advances | | |
| Hire Purchase Vehicle Loan from Banks | 66,582 | 47,117 |
| Hire Purchase Vehicle Loan from Others | 26,112 | 37,145 |
| | **92,695** | **84,261** |
| (a) Vehicle Loan from Banks are secured by hypothecation of vehicles purchased against the loan taken from that Bank. The loans have various repayment schedules and are scheduled to be repaid by 2020-21 | | |
| (b) Vehicle Loan from Other Financiers are secured by hypothecation of the respective vehicle(s) purchased against the loan taken from that financier(s). The loans have various repayment schedules and are scheduled to be repaid by 2020-21 | | |
| **Unsecured** | | |
| Bonds/debentures | | |
| 750 rupee denominated bonds (RDBs) of INR 1,000,000 each (Refer Note (a) below) | 750,000 | 0 |
| Term loans | | |
| Yes Bank Limited (Refer Note (b) below) | 93,750 | 0 |
| (a) SIS Australia Group Pty Limited, a subsidiary, has subscribed to 750 Rupee Denominated Bonds (RDBs) of face value of Rs 1,000,000/- each. The RDBs will constitute direct, unconditional and unsecured obligations of the Company to repay the issue price plus interest @ 8% per annum. These RDB's shall be redeemed within 9 years from the date of issue with a lock-in-period of 3 years from the date of issue. | | |
| (b) Term loan is repayable in 16 equal quarterly instalments of Rs.9.37 million each, with repayment to commence from November 2016 and is scheduled to be repaid during FY 2020 – 21. | | |
| | **843,750** | **0** |
| | **2,729,905** | **282,880** |

## NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

### Note 4 – LONG TERM PROVISIONS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Provision for Gratuity | 278,107 | 219,124 |
| Provision for Leave liabilities | 34,913 | 24,053 |
| | **313,021** | **243,177** |

### Note 5 – SHORT TERM BORROWINGS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Secured** | | |
| Loans repayable on demand | | |
| Kotak Mahindra Bank (Refer Note (a) below) | 439,652 | 369,255 |
| Cash Credit from IDBI Bank (Refer Note (b) below) | 153,364 | 126,645 |
| Cash Credit from Axis Bank Limited (Refer Note (c) below) | 350,689 | 145,702 |
| Axis Bank Overdraft (Refer Note (d) below) | 0 | 5,930 |
| ICICI Bank Overdraft Limit (Refer Note (d) below) | 13,822 | 6,248 |
| State Bank of India Overdraft Limit (Refer Note (d) below) | 2,138 | 33 |
| Cash Credit from State Bank of India (Refer Note (e) below) | 173,911 | 650,021 |
| Cash Credit from ICICI Bank (Refer Note (f) below) | 305,634 | 217,520 |
| | **1,439,210** | **1,521,353** |
| (a) Cash Credit from Kotak Mahindra Bank is secured by pari- passu charge over all current assets (both present and future) and second pari-passu charge over the movable fixed assets (both present and future) of the Company | | |
| (b) Cash Credit from IDBI Bank is secured by pari passu charge over all current assets (both present and future) and second charge over the fixed assets (both present and future) of the Company. | | |
| (c) Cash Credit from Axis Bank is secured by pari passu charge over all the current assets (both present and future) and second charge over the fixed assets (both present and future) of the Company. | | |
| (d) SBI, Axis Bank and ICICI Bank Overdraft is secured against Fixed Deposit. | | |
| (e) Cash Credit from SBI is secured by pari passu charge over all current assets (both present and future) and first charge on the immovable fixed assets (both present and future), first charges on the movable fixed assets (excluding assets specifically funded by other banks) of the Company and have also been guaranteed by Mr. R K Sinha, Chairman and Mrs. Rita Kishore Sinha, Director as well as by first pari passu charge on specified immovable properties in the name of Mr. R K Sinha, Chairman and Mrs. Rita Kishore Sinha, Director located at Dwarka, Delhi. | | |
| (f) Cash Credit from ICICI Bank is secured by pari passu charge over all the current assets (both present and future) and second charge over the fixed assets (both present and future) of the Company. | | |
| **Unsecured** | | |
| Loans repayable on demand | | |
| Standard Chartered Bank | 250,000 | 0 |
| Yes Bank Limited | 100,673 | 0 |
| Loans and advances from related parties | | |
| From a subsidiary company | 21,157 | 25,496 |
| | **371,830** | **25,496** |
| | **1,811,040** | **1,546,849** |

# NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 6 - TRADE PAYABLES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Sundry Creditors | | |
| To Micro, Small and Medium Enterprises | 0 | 0 |
| To others | 125,234 | 70,934 |
| | **125,234** | **70,934** |

## Note 7 - OTHER CURRENT LIABILITIES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Current maturities of long-term debt: | | |
| Term loans | 197,382 | 28,400 |
| Other Loans and advances | 71,621 | 48,350 |
| Interest accrued but not due on borrowings | 13,837 | 216 |
| Unpaid dividends | 341 | 53,623 |
| Advances received from customers | 35,809 | 18,050 |
| Employee Benefits | 1,245,183 | 801,798 |
| Statutory dues | 291,055 | 211,260 |
| Other payables and accruals | 122,786 | 111,534 |
| | **1,978,015** | **1,273,230** |

## Note 8 - SHORT TERM PROVISIONS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Provision for Leave liabilities | 9,254 | 6,571 |
| Provision for dividend tax | 0 | 39,316 |
| Provision for taxation | 350,023 | 299,974 |
| | **359,277** | **345,861** |

# NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 9 - FIXED ASSETS

| Description of Assets | Gross Block | | | | Depreciation | | | | Net Book Value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01 April 2016 | Additions during the year | Sale and adjustments | As at 31 March 2017 | As at 01 April 2016 | For the year | Sale/ Transfer | As at 31 March 2017 | As at 31 March 2017 | As at 31 March 2016 |
| **Tangible Assets** | | | | | | | | | | |
| **Land** | | | | | | | | | | |
| Freehold Land | 50,098 | 0 | 0 | 50,098 | 0 | 0 | 0 | 0 | 50,098 | 50,098 |
| Leasehold Land | 3,128 | 0 | 0 | 3,128 | 248 | 46 | 0 | 294 | 2,834 | 2,880 |
| | 53,226 | 0 | 0 | 53,226 | 248 | 46 | 0 | 294 | 52,932 | 52,978 |
| Buildings | 205,142 | 0 | 0 | 205,142 | 31,715 | 8,762 | 0 | 40,477 | 164,665 | 173,427 |
| | 205,142 | 0 | 0 | 205,142 | 31,715 | 8,762 | 0 | 40,477 | 164,665 | 173,427 |
| Plant & Equipment | | | | | | | | | | |
| Plant & Machinery | 2,868 | 0 | 0 | 2,868 | 2,702 | 0 | 0 | 2,702 | 166 | 166 |
| Generator | 23,578 | 56 | 0 | 23,634 | 10,471 | 2,541 | 0 | 13,012 | 10,622 | 13,107 |
| Cleaning Service Equipment | 474 | 0 | 0 | 474 | 299 | 35 | 0 | 334 | 140 | 175 |
| | 26,920 | 56 | 0 | 26,976 | 13,471 | 2,576 | 0 | 16,048 | 10,928 | 13,448 |
| Furniture & Fixture | 524,522 | 109,977 | 0 | 634,199 | 308,516 | 73,482 | 0 | 381,998 | 252,201 | 215,706 |
| | 524,522 | 109,977 | 0 | 634,199 | 308,516 | 73,482 | 0 | 381,998 | 252,201 | 215,706 |
| Vehicles | | | | | | | | | | |
| Cycle | 1,906 | 104 | 0 | 2,010 | 1,761 | 71 | 0 | 1,831 | 179 | 145 |
| Motorcycle | 4,034 | 691 | 0 | 4,725 | 2,774 | 393 | 0 | 3,167 | 1,557 | 1,260 |
| Other Vehicles | 327,826 | 103,426 | 33,029 | 398,223 | 176,579 | 65,641 | 25,394 | 216,826 | 181,397 | 151,247 |
| | **333,766** | **104,221** | **33,029** | **404,957** | **181,113** | **66,105** | **25,394** | **221,825** | **183,132** | **152,652** |
| Office Equipment | | | | | | | | | | |
| General office equipment | 208,981 | 185,241 | 0 | 394,222 | 131,956 | 61,017 | 0 | 192,973 | 201,248 | 77,025 |
| Computer | 117,890 | 15,782 | 0 | 133,671 | 103,678 | 10,371 | 0 | 114,049 | 19,622 | 14,212 |
| | 326,871 | 201,022 | 0 | 527,893 | 235,634 | 71,388 | 0 | 307,022 | 220,871 | 91,237 |
| Others | | | | | | | | | | |
| Tube wells | 230 | 0 | 0 | 230 | 219 | 0 | 0 | 219 | 11 | 11 |
| Livestock | 12,054 | 0 | 0 | 12,054 | 0 | 0 | 0 | 0 | 12,054 | 12,054 |
| Pond | 57 | 0 | 0 | 57 | 55 | 0 | 0 | 55 | 2 | 2 |
| Television | 28,172 | 4,836 | 0 | 33,009 | 22,490 | 3,353 | 0 | 25,843 | 7,166 | 5,682 |
| Fan | 3,069 | 359 | 0 | 3,429 | 2,524 | 321 | 0 | 2,845 | 584 | 545 |
| Electric Installation | 12,723 | 132 | 0 | 12,855 | 8,943 | 1,086 | 0 | 10,029 | 2,826 | 3,780 |
| Refrigerator | 196 | 15 | 0 | 211 | 181 | 7 | 0 | 187 | 24 | 16 |
| Wireless Equipment | 21,281 | 177 | 0 | 21,458 | 19,354 | 630 | 0 | 19,984 | 1,474 | 1,927 |
| Air-conditioner / Medical Equipment | 45,857 | 3,110 | 0 | 48,967 | 37,982 | 3,832 | 0 | 41,814 | 7,153 | 7,875 |
| | **123,640** | **8,630** | **0** | **132,270** | **91,749** | **9,229** | **0** | **100,977** | **31,293** | **31,892** |
| | **1,593,787** | **423,907** | **33,029** | **1,984,664** | **862,447** | **231,588** | **25,394** | **1,068,641** | **916,023** | **731,340** |
| Intangible Assets | | | | | | | | | | |
| Computer Software | 19,701 | 35,938 | 0 | 55,639 | 10,009 | 5,388 | 0 | 15,397 | 40,242 | 9,692 |
| | **19,701** | **35,938** | **0** | **55,639** | **10,009** | **5,388** | **0** | **15,397** | **40,242** | **9,692** |
| Capital work in progress | | | | | | | | | | |
| Capital work in progress | 0 | 3,046 | 0 | 3,046 | 0 | 0 | 0 | 0 | 3,046 | 0 |
| | **0** | **3,046** | **0** | **3,046** | **0** | | | **0** | **3,046** | **0** |
| **Grand Total** | **1,613,488** | **462,891** | **33,029** | **2,043,349** | **872,456** | **236,976** | **25,394** | **1,084,038** | **959,311** | **741,032** |

# NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 10 - NON-CURRENT INVESTMENTS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Trade Investments (at cost)** | | |
| *Unquoted* | | |
| Investment in Equity instruments | | |
| Subsidiaries | | |
| 4,000,000 shares (Previous year - 4,000,000) in SIS International Holdings Ltd. of AUD 1/- each fully paid up | 249,068 | 152,726 |
| 11,512,800 shares (Previous year - 11,512,800) in Service Master Clean Limited of INR 10/- each fully paid up | 115,128 | 115,128 |
| 11,252,250 shares (Previous year – 11,252,250) in Terminix SIS Private Limited of INR 10/- each fully paid up | 112,523 | 112,523 |
| 4,800,000 shares (Previous year – 4,800,000) in Tech SIS Limited of INR 10/- each fully paid up | 48,000 | 48,000 |
| 800,000 shares (Previous year – 800,000) in SIS Australia Group Pty Ltd. of AUD 1/- each fully paid up | 39,157 | 39,157 |
| 2,205,561 shares in Dusters Total Solution Services Private Limited of INR. 10/- each fully paid up | 1,176,489 | 0 |
| 10,000 Shares in SISCO Security Services Private Limited of INR 10/- each fully paid up | 100 | 0 |
| 10,000 shares in SIS Business Support Services and Solutions Private Limited of INR 10/- each fully paid up | 100 | 0 |
| | **17,40,563** | **467,534** |
| Associates | | |
| 7,788,892 shares (Previous year - Nil) in SIS Cash Services Private Limited of INR 10/- each fully paid up | 77,889 | 77,889 |
| | **77,889** | **77,889** |
| **Non-Trade Investments (at cost)** | | |
| *Unquoted* | | |
| Investment in Equity instruments | | |
| NIL shares (Previous year - 24,500) in Mahamanav Mritunjay Institute of Yoga & Alternative Medicine Ltd. of INR 10/- each fully paid up | 0 | 245 |
| NIL shares (Previous year - 24.500) in Mritunjay Educational Foundation Ltd. of INR 10/- each fully paid up | 0 | 245 |
| NIL shares (Previous year - 65,000) in Rituraj Resorts Limited of INR 100/- each fully paid up | 0 | 6,500 |
| NIL shares (Previous year - 4,900) in Superb Intelligence Services Private Limited of INR 10/- each fully paid up | 0 | 49 |
| | **0** | **7,039** |
| | **1,818,452** | **552,461** |

## Note 11 - DEFERRED TAX ASSETS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Deferred Tax Assets | | |
| Fixed Assets | 130,963 | 112,757 |
| Employee Benefits | 126,879 | 86,433 |
| | **257,842** | **199,189** |

## NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

### Note 12 – LONG TERM LOANS AND ADVANCES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Unsecured, considered good | | |
| Capital Advances | 4,070 | 3,159 |
| Security Deposits | 160,177 | 104,452 |
| Minimum Alternative Tax "MAT" Credit Entitlement | 19,035 | 0 |
| | **183,281** | **107,610** |

### Note 13 – TRADE RECEIVABLES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Outstanding for a period less than six months from the due date** | | |
| Unsecured, considered good | 1,355,662 | 855,831 |
| | **1,355,662** | **855,831** |
| **Other receivables** | | |
| Unsecured, considered good | 140,420 | 113,327 |
| | 140,420 | 113,327 |
| **Total** | **1,496,082** | **969,158** |

### Note 14 – CASH AND CASH EQUIVALENTS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Balances with banks | | |
| Dividend payment accounts | 341 | 228 |
| Margin money/Security against borrowings | 123,362 | 100,080 |
| Balance with Scheduled Banks in Deposit Accounts | 826,092 | 37,128 |
| Other balances | 91,243 | 80,812 |
| Cash on hand | 1,636 | 610 |
| | **1,042,674** | **218,859** |

### Note 15 – SHORT-TERM LOANS AND ADVANCES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Loans and advances to, and other receivables from, related parties** | | |
| Unsecured, considered good | 136,755 | 94,979 |
| | **136,755** | **94,979** |
| **Other loans and advances (Deposits with Suppliers)** | | |
| Unsecured, considered good | 558,731 | 473,821 |
| | **558,731** | **473,821** |
| | **695,486** | **568,800** |

## NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

### Note 16 – OTHER CURRENT ASSETS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Unbilled revenue | 1,626,110 | 1,167,970 |
| Interest accrued on deposits | 5,661 | 9,768 |
| Other Debtors and prepayments | 110,480 | 17,911 |
| Dividend receivable on investments | 1,294 | 2,154 |
| Advance Income Tax / TDS Receivable | 826,177 | 480,524 |
| Service Tax credit receivable | 7,008 | 10,604 |
| | **2,576,730** | **1,688,931** |

### Note 17 – CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for)

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Contingent Liabilities | | |
| Claims against the company not acknowledged as debt | 33,746 | 33,657 |
| Guarantees and bonds issued on behalf of the Company | 536,431 | 246,908 |
| Guarantees given by the Company | 2,646,295 | 2,561,231 |
| Other money for which the company is contingently liable | **2,735** | **1,369** |

### Note 18 – REVENUE FROM OPERATIONS

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| From Manual Guarding Services | 16,034,981 | 12,705,896 |
| From Investigation Services | 2,591 | 5,186 |
| From Training Fees | 45,736 | 0 |
| Other Revenue | 64,283 | 25,700 |
| | **16,147,591** | **12,736,782** |

### Note 19 – OTHER INCOME

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Interest received | 47,702 | 19,739 |
| Dividend received | | |
| From subsidiary companies | 2,531 | 78,489 |
| Net gain/loss on sale of investments | 0 | 33,339 |
| Net gain/loss on sale of fixed assets | 179 | 1,227 |
| Foreign exchange gain/loss | 1,116 | -4,406 |
| Other non-operating income (net) | 0 | 8,054 |
| | **51,528** | **136,443** |

### Note 20 – EMPLOYEE BENEFITS EXPENSE

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Salaries and wages | 11,717,920 | 9,354,002 |
| Contribution to provident and other funds | 2,421,005 | 1,983,707 |
| Employee stock option compensation expense | 63,610 | 35,743 |
| Staff welfare expenses | 201,737 | 218,054 |
| | **14,404,272** | **11,591,507** |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 21 – FINANCE COSTS

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Interest expense | 444,689 | 186,985 |
| Other borrowing costs | 71,959 | 12,939 |
| Bank Charges | 11,919 | 6,686 |
| | **528,567** | **206,609** |

## Note 22 – OTHER EXPENSES

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| **Training Expenses** | | |
| Training Expense | 882 | 1,056 |
| Uniform & Kit Items | 37,115 | 31,178 |
| Freight and Cartage | 1,180 | 3,414 |
| Recruitment Incentive Expenses | 38,452 | 25,912 |
| | **77,629** | **61,560** |
| **Selling Expenses** | | |
| Business Promotion | 330 | 223 |
| Tender Fee | 2,574 | 1,491 |
| | **2,905** | **1,714** |
| **Administrative Expenses** | | |
| Travelling and Conveyance | 210,840 | 194,844 |
| Postage and Telephone | 36,015 | 33,100 |
| Stationary and Printing | 11,770 | 14,810 |
| Rent | 20,590 | 33,557 |
| Rates & Taxes | 4,861 | 7,999 |
| Insurance | 24,125 | 19,239 |
| Repairs and Maintenance - Buildings | 771 | 2,167 |
| Repairs and Maintenance - Machinery | 4,115 | 4,211 |
| Repairs and Maintenance - others | 9,140 | 6,310 |
| Vehicle Hire Charges | 38,013 | 44,796 |
| Advertisement Expenses | 6,465 | 10,253 |
| Directors Travelling expenses | 2,432 | 4,280 |
| Payments to auditors: | | |
| As auditor | 905 | 750 |
| For taxation matters | 265 | 1,331 |
| For Other Services | 1,237 | 400 |
| Legal and professional fees | 82,639 | 63,568 |
| Bad and doubtful debts provided/written off | 134,622 | 142,808 |
| Share issue expenses written off | 1,621 | 1,621 |
| Expense towards Corporate Social Responsibility | 16,918 | 9,261 |
| Other Administration and General Expenses | 106,911 | 41,495 |
| | **714,255** | **636,800** |
| | **794,788** | **700,074** |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## COMPANY OVERVIEW

Security and Intelligence Services (India) Limited ("the Company") is engaged in rendering security and related services in the areas of manned guarding, consulting and investigation, training and facility management and cleaning services. The Company was incorporated on January 2, 1985 as a private limited company and converted itself into a public limited company on July 29, 1993. Consequently, the Company changed its name from Security and Intelligence Services (India) Private Limited to Security and Intelligence Services (India) Limited.

## Note 23 – SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of preparation

The financial statements have been prepared to comply in all material respects with the accounting standards as prescribed by Section 133 of the Companies Act, 2013, read with Rule (7) of the Companies (Accounts) Rules, 2014 and the relevant provisions and requirements of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company since incorporation except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Further, the financial statements are presented in the general format specified in Schedule III to the Companies Act, 2013 ('the Act').

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

### b. Use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

### c. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue comprises the value for the rendering of services and sale of goods and is net of rebates and discounts. Revenue is recognized as follows:

Revenue from services represents the amounts receivable for services rendered.

a. For non-contract based business, revenue represents the value of goods delivered or services performed.

b. For contract based business, revenue represents the sales value of work carried out for customers during the period. Such revenues are recognized in the period in which the service is provided.

For sale of goods, revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably and the amount of revenue can be measured reliably.

Interest on deployment of surplus funds is recognized using the time proportionate method, based on the interest rate implicit in the transaction.

Dividend income from financial assets is recognized in profit or loss as part of revenue from continuing operations when the company's right to receive payments is established.

### d. Fixed assets

Fixed assets and Intangible assets are stated at cost of acquisition less accumulated depreciation/amortization and impairment losses, if any. Cost comprises the purchase price and any attributable cost, including freight, duties, levies and direct incidental expenses, of bringing the asset to its working condition for its intended use and also includes cost of modification and improvements to leased assets. Borrowing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Capital work in progress (CWIP) comprises the cost of fixed assets that are not yet ready for their intended use as on the balance sheet date.

Advances paid to acquire fixed assets and outstanding on the date of the balance sheet are disclosed under "Long term loans and advances"

### e. Depreciation

Depreciation on fixed assets, except service equipment, software, leased assets and leasehold improvements, is provided on a written down value basis based on the useful life of the assets as prescribed under Schedule II to the Companies Act 2013, and/or which are estimated to be the useful life of fixed assets by the management and considering residual values on the basis of past experience. Additions are depreciated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Service equipment is depreciated over its useful life as technically assessed.

Leasehold improvements on operating leases are depreciated over the shorter of the period of the lease and their estimated useful lives. Assets leased under finance lease are depreciated as stated below.

Intangible assets comprise of software, which are amortised over a period of 3-5 years, based on their estimated useful life as ascertained by the management. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Goodwill arising on acquisition is not amortised but is tested for impairment.

Assets acquired/purchased as part of the acquisition of business are depreciated over a period estimated to be the remaining useful life of fixed assets by the management.

**f. Borrowing Costs**

Borrowing costs include interest, other costs incurred in connection with borrowing and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to the interest cost. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

**g. Leases**

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 lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

**h. Impairment of assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and 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. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**i. Inventory**

Inventories are carried at the lower of cost or net realizable value and are valued using the actual cost of purchase on a first-in-first-out (FIFO) basis. Cost includes custom duty, freight and other charges as applicable. The Company periodically reviews inventories to provide for diminution in the value of, and/or any unserviceable or obsolete, inventories.

**j. Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried 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 the investments.

**k. Retirement benefits**

*Defined Contribution Plan*

The Company contributes on a defined contribution basis to Employee's Provident Fund and Employee Pension Scheme towards post-employment benefits, all of which are administered by the respective Government authorities and has no further obligation beyond making its contribution which is expected in the year in which it pertains.

*Defined Benefit Plan*

The Company has a defined benefit plan, viz., Gratuity, for all its employees, the liability for which is accrued and provided for as determined by an independent actuarial valuation as per the requirements of Accounting Standard - 15 on "Employee Benefits". A portion of this liability for gratuity is contributed to a fund administered and operated by a reputed insurance company. Actuarial gains or losses, if any, are recognised immediately in Statement of Profit and Loss as income or expense.

*Other long-term employee benefits*

In respect of leave entitlement of employees, which is carried forward per the leave policy of the Company, the liability is accrued and provided for as determined by an independent actuarial valuation as per the requirements of Accounting Standard - 15 on "Employee Benefits". Actuarial gains or losses, if any, are recognised immediately in Statement of Profit and Loss as income or expense.

**l. Taxes on income**

Tax expense comprise of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Minimum Alternate Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, where the company has unabsorbed tax depreciation and carried forward tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

**m. Foreign currency translation**

*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.

*Conversion*

Foreign currency monetary items are reported using the closing rate. Non-monetary items that are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items that are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

*Exchange differences*

Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year or reported in previous financial statements are recognized as income or as expenses in the year in which they arise except those pertaining to fixed assets which have been acquired from a country outside India, in which case the exchange difference arising on borrowings are adjusted to the cost of the fixed asset.

**n. Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**o. Provisions**

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its 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. In respect of losses that are covered by insurance, such losses are recognised as an expense when there is clear evidence or determination or probability that any portion of the loss is not expected to be settled through insurance or other forms of recovery.

**p. Contingent Liabilities**

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

**q. Preliminary expenses**

Preliminary and pre-incorporation expenses are recognised in Statement of Profit and Loss in the first financial period/year following incorporation.

**r. Deferred revenue expenses**

Share/debenture issue expenses are amortized over a period of five years on a straight line basis.

## Note 23 – SIGNIFICANT ACCOUNTING POLICIES

**1. Related party disclosures**

Names of related parties

| | |
|---|---|
| Key Management Personnel and their relatives | Mr. Ravindra Kishore Sinha (Chairman) |
| | Mrs. Rita Kishore Sinha (Director) |
| | Mr. Uday Singh (Chief Executive Officer and Director) |
| | Mr. Rituraj Kishore Sinha (Managing Director) |
| | Mr. Arvind Kumar Prasad (Director - Finance) |
| | Mr. Devesh Desai (Chief Financial Officer - International Business) |
| | Ms. Pushpa Latha Katkuri, (Company Secretary and Compliance Officer) |
| Associate/Subsidiary Companies/Joint Venture entities | Service Master Clean Limited (subsidiary company) |
| | Tech SIS Limited (subsidiary company) |
| | SIS Cash Services Private Limited (Joint Venture) |
| | Terminix SIS India Private Limited (subsidiary company) |
| | SIS International Holdings Limited (subsidiary company) |
| | SIS Australia Group Pty Limited (subsidiary company) |
| | SIS Prosegur Holdings Private Limited (Joint Venture) |
| | SIS Prosegur Cash Logistics Private Limited (Joint Venture) |
| | Sunrays Overseas Private Limited (subsidiary company) |
| | Vardan Overseas Private Limited (subsidiary company) |
| | Dusters Total Solution Services Private Limited (subsidiary company) |
| | SIS Alarm Monitoring Response Service Private Limited (Joint Venture) |
| | SIS Business Support Services and Solutions Private Limited (subsidiary company) |
| | SISCO Security Services Private Limited (subsidiary company) |
| Enterprises owned or significantly influenced by group of individuals or their relatives who have control or significant influence over the Company | Saksham Bharat Limited |
| | Security Skills Council India Limited |
| | SIS Group Enterprises Limited |
| | Superb Intelligence Services Private Limited. |
| | Mahamanav Mritunjay Institute of Yoga & Alternative Medicine Limited. |
| | Mritunjay Educational Foundation Limited. |
| | Rituraj Resorts Limited. |
| | Vocational Skills Council India Private Limited |
| | SIS Asset Management Private Limited |

## NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| | | Associate/ Subsidiary Companies/ holding company | Key management personnel | Enterprises owned or significantly influenced by group of individuals or their relatives who have control or significant influence over the Company | Total |
|---|---|---|---|---|---|
| **Transactions during the period** | | | | | |
| Investments Made | Mar 2016 | 47,500 | Nil | Nil | 47,500 |
| | Mar 2017 | 1,273,030 | Nil | Nil | 1,273,030 |
| Sale of Investments | Mar 2016 | 3,963 | Nil | Nil | 3,963 |
| | Mar 2017 | Nil | Nil | 7,039 | 7,039 |
| Issue of Bonds or Debentures | Mar 2016 | Nil | Nil | Nil | Nil |
| | Mar 2017 | 750,000 | Nil | Nil | 750,000 |
| Fixed Assets purchased | Mar 2016 | 12,988 | Nil | Nil | 12,988 |
| | Mar 2017 | 97,416 | Nil | Nil | 97,416 |
| Interest Paid on Bonds or Debentures | Mar 2016 | Nil | Nil | Nil | Nil |
| | Mar 2017 | 30,411 | Nil | Nil | 30,411 |
| Dividend Income Received | Mar 2016 | 78,489 | Nil | Nil | 78,489 |
| | Mar 2017 | 2,531 | Nil | Nil | 2,531 |
| Sub-contracting service charge (net) received | Mar 2016 | 176,298 | Nil | Nil | 176,298 |
| | Mar 2017 | 157,743 | Nil | Nil | 157,743 |
| Service charges / Expenses paid | Mar 2016 | 185,206 | Nil | 7,490 | 192,696 |
| | Mar 2017 | 178,264 | Nil | 11,704 | 189,968 |
| Service charges / other Income received | Mar 2016 | 56,546 | Nil | 30,275 | 86,820 |
| | Mar 2017 | 30,794 | Nil | 32,086 | 62,880 |
| Salary & remuneration paid | Mar 2016 | Nil | 29,921 | Nil | 29921 |
| | Mar 2017 | Nil | 43,915 | Nil | 43,915 |
| Rent received | Mar 2016 | Nil | Nil | Nil | Nil |
| | Mar 2017 | Nil | Nil | 480 | 480 |
| Rent paid | Mar 2016 | 7,000 | 18,467 | 840 | 26,307 |
| | Mar 2017 | 12,000 | 18,646 | 840 | 31,486 |
| **Balances outstanding at end of period** | | | | | |
| Share Capital (including share premium) | Mar 2016 | Nil | Nil | Nil | Nil |
| | Mar 2017 | Nil | 96,342 | Nil | 96,342 |
| Loan & advance payable | Mar 2016 | 85,881 | 105 | Nil | 85,985 |
| | Mar 2017 | 75,577 | 8,604 | Nil | 84,181 |
| Loan & advance receivable | Mar 2016 | 104,958 | Nil | 58,343 | 163,300 |
| | Mar 2017 | 138,224 | Nil | 65,771 | 203,994 |
| Bonds or Debentures | Mar 2016 | Nil | Nil | Nil | Nil |
| | Mar 2017 | 750,000 | Nil | Nil | 750,000 |
| Interest Accrued but not due on borrowings | Mar 2016 | Nil | Nil | Nil | Nil |
| | Mar 2017 | 12,715 | Nil | Nil | 12,715 |
| Investments in Equity Capital | Mar 2016 | 5,45,422 | Nil | Nil | 5,45,422 |
| | Mar 2017 | 1,818,452 | Nil | Nil | 1,818,452 |

(Figures for the previous year have been rearranged to conform to the revised presentation)

All in INR 000s except share data

**2. Expenditure in foreign currency (on accrual basis)**

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Travelling | 9,944 | 1,124 |
| Membership Fee | 410 | 207 |
| Fee for Professional Services | 18,024 | 566 |
| Interest Paid | 30,411 | 0 |
| **Total** | **58,789** | **1,897** |

**3. Leases:**

The Company has entered into operating and finance lease agreements. Disclosures required under AS 19 – Accounting for Leases is as given below:

*a. Operating leases*

Operating lease arrangements comprise of office premises and Barracks. All the lease agreements are cancellable with a notice period ranging from 2 months to 6 months.

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Lease rentals recognized in profit & loss account for the period | 217,265 | 1,79,417 |
| Minimum Lease Payments: | | |
| - Not later than one year | NIL | NIL |
| - Later than one year but not later than five years | NIL | NIL |
| - Later than five years | NIL | NIL |

**4. Earnings per share (EPS)**

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Profit for computation of basic and diluted EPS | 262,154 | 123,817 |
| Weighted average number of shares considered for basic EPS (INR 10 par value) | 68,680,867 | 68,074,270 |
| Weighted average number of shares considered for diluted EPS (INR 10 par value) | 70,062,029 | 68,306,193 |
| Basic Earnings per Share (in INR) | 3.82 | 1.82 |
| Diluted Earnings per Share (in INR) | 3.74 | 1.81 |

**5. Employees Retirement Benefits**

Till March 31, 2015, the Company was providing for gratuity and leave benefits on actual basis. In the year ended March 31, 2016, the Company applied Accounting Standard 15 (Revised). Accordingly, the Company changed the basis of providing gratuity and leave benefits, resulting in estimated liability of as at April 1, 2015 being higher by INR 167,133 and INR 26,999 respectively. During the year ended March 31, 2016, the Company accrued and provided for, and created a liability for, an amount of INR 219,124 towards gratuity and an amount of INR 30,624 towards leave as at March 31, 2016. Thus, the effective charge for the year ended March 31, 2016 towards the liabilities for gratuity and leave was INR 51,991 and INR 3,626 respectively.

All in INR 000s except share data

Liability for Employee benefit expenses has been determined by an actuary appointed for the purpose in conformity with the principles set out in the Accounting Standard 15 (revised) the details of which are hereunder:

a) **Funded Scheme – Gratuity**

**Reconciliation of opening and closing balances of Defined Benefit Obligation**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Benefit obligation at the beginning of year | 310,116 | 242,605 |
| Current Service Cost | 61,634 | 47,885 |
| Interest Cost | 24,817 | 20,888 |
| Actuarial (gain) / Loss | 31,741 | 4,825 |
| Benefits paid | -19,719 | (6,087) |
| **Defined Benefit obligation at year end** | **408,590** | **310,116** |

**Reconciliation of opening and closing balances of fair value of Plan Assets**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Fair value of Plan Assets at the beginning of the period | 90,992 | 75,473 |
| Expected Return On Plan Asset | 4,846 | 4,262 |
| Actuarial Gain/Losses | (2,636) | (864) |
| Contribution by Employer | 57,000 | 18,208 |
| Benefits Paid | -19,719 | (6,087) |
| **Fair value of Plan Assets at the closing of the period** | **130,482** | **90,992** |

**Reconciliation of fair value of Assets and Obligations**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Fair value of Plan Assets | 130,482 | 90,992 |
| Present value of Obligation | 408,590 | 310,116 |
| **Amount recognized in Balance Sheet** | **(278,107)** | **(219,124)** |

**Expenditure to be recognized during the period**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Current Service Cost | 61,634 | 47,885 |
| Interest Cost | 24,817 | 20,887 |
| Expected return on Plan assets | (4,846) | (4,262) |
| Actuarial (gain) / loss | 34,378 | 5,689 |
| **Expenses to be recognized in the statement of profit & losses** | **115,983** | **70,199** |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

**Principal Actuarial Assumptions**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Discounted Rate | 6.55% | 7.40% |
| Future salary Increase | 8% | 8% |
| Expected Rate of return on plan assets | 7.5% | 7.5% |

**a) Unfunded Scheme – Earned & Sick Leaves**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Unfunded Schemes** | | |
| Present Value of unfunded obligations | 55,207 | 30,624 |
| Expenses to be recognized in the statement of Profit and Loss | 13,543 | 3,625 |
| Discount Rate (Per Annum) | 6.55% | 7.40% |
| Salary Escalation rate (Per Annum) | 8.00% | 8.00% |

**6. Employee Stock Options:**

**ESOP 2008**

In 2011, the Company announced a grant of stock options under which a total of 30,000 options were granted to 285 employees and the said options were to vest over a period of two years.

During the year ended March 31, 2012, the ESOP Remuneration Committee allotted 12,876 shares to 279 employees under the said scheme.

During the year ended March 31, 2013, the ESOP Remuneration Committee announced the vesting of 11,511 options to eligible employees and the remaining 5,613 options either lapsed or were forfeited in terms of the plan.

During the years ended March 31, 2014, 2015, 2016 & 2017, a further 259 options, 535 Options 362 options and 361 options respectively were forfeited in respect of employees who have left the company. The remaining 9,994 options to 173 employees, which vested in the year ended March 31, 2013, are now exercisable by the employees over a period of two years subject to certain conditions being fulfilled.

In 2014, the ESOP Remuneration Committee announced another grant under which a total of 30,500 options were granted to 4 employees including one employee of a subsidiary company. Against this grant, 25,000 and 1,500 shares were allotted during the year ended March 31, 2016 and the year ended March 31, 2017 respectively. The remaining 4,000 options are to vest in tranches over the next 2 years.

In 2015, the ESOP Remuneration Committee announced another grant under which a total of 3,500 options were granted which were vested and exercised in the year ended March 31, 2017.

In 2016, the ESOP Remuneration Committee announced another grant under which a total of 2,096 options were granted which will vest and be exercised over a period of four year from the date of the grant.

**ESOP 2016**

In 2016, the ESOP Remuneration Committee announced ESOP 2016 under which it granted a total of 1,216,000 options which will vest over a period of four years from the date of the grant. The vested options will be eligible for exercise after August 1, 2020 subject to certain conditions being fulfilled. During the year ended March 31, 2017, 11,850 options were forfeited in respect of employees who have left the company.

All options under ESOP 2008 will now be governed by the terms of ESOP 2016 except in respect of vesting and exercise which will still be governed by the terms mentioned in the respective grant letters. The options granted under ESOP 2008 will be adjusted for the bonus issue in September 2016 when the same are exercised by the option holders.

# NOTES TO ACCOUNTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| The status of options issued as on March 31, 2017 is as under: | ESOP 2008 | | | | ESOP 2016 | Total |
|---|---|---|---|---|---|---|
| | ESOPs granted in | | | | | |
| | 2011 | 2014 | 2015 | 2016 | 2016 | |
| Total No. of Options available under the Scheme as on April 1, 2016 | 10,355 | 5,500 | 3,500 | 0 | 0 | 19,355 |
| Exercise Price | INR 10/- | INR 10/- | INR 10/- | INR 10/- | INR 10/- | INR 10/- |
| Exercise Period (from the date of grant of the option) | 2 years | 4 years | 1 Year | 4 years | 4 years | |
| Options Issued during the year | Nil | Nil | Nil | 2,096 | 1,216,000 | 1,218,096 |
| Options vested and exercised during the year | Nil | 1,500 | 3,500 | Nil | Nil | 5,000 |
| Options forfeited/lapsed during the year | 361 | Nil | Nil | Nil | 11,850 | 12,211 |
| Outstanding Stock Options | 9,994 | 4,000 | Nil | 2,096 | 1,204,150 | 1,220,240 |

**7.** Disclosure on Specified Bank Notes (SBN's) – During the year, the Company had specified bank notes or other denomination note as required in the MCA notification G.S.R. 308(E) dated March 30, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November, 8 2016 to December,30 2016. The denomination wise SBN's and other notes as per the notification is given below:

| Particulars | SBN's | Other denomination notes | Total |
|---|---|---|---|
| Closing cash in hand as on November 8, 2016 | 127,521 | 838 | 128,359 |
| Add: Permitted receipts | 0 | 34,872 | 34,872 |
| Less: Permitted payments | 1,183 | 15,323 | 16,506 |
| Less: Amount deposited in Banks | 126,339 | 17,415 | 143,753 |
| **Closing cash in hand as on December 30, 2016** | **0** | **2,972** | **2,972** |

** For the purposes of this clause, the term "Specified Bank Notes" shall have the same meaning as provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic affairs number S.O. 3407(E), dated 8th November, 2016.*

**8.** During the year, the Company has incurred a sum of INR 16,918 (previous year - INR 9,261) towards CSR activity and INR 3,604 (previous year - INR 200) for donation to others.

**9.** During the year, the Company has capitalized expenses incurred towards development of Computer Software amounting to INR 35,938 (previous year INR 3,658) as Intangible Fixed Assets in accordance with AS- 26.

**10.** Contingent liability: Disputed claims against the Company, including claims raised by the tax authorities (e.g Service tax) and which are pending in appeal /court and for which no reliable estimate can be made of the amount of the obligation, are not provided for in the accounts but are disclosed in notes to accounts as "Claims against the company not acknowledged as debt" in Note 17. However, the present obligation, if any, as a result of past events with a possibility of outflow of resources, when reliably estimable, is recognized in the accounts as an expense as and when such obligation crystallises.

**11.** As per The Payment of Bonus (Amendment Act), 2015, notified by the Ministry of Labour & Employment, Government of India on December 31, 2015, there has been increase in the amount of bonus payable to eligible employees with effect from a retrospective date of April 1, 2014. As a result of this amendment, and in spite of several High courts having stayed the retrospective application of this amendment, as a matter of abundant caution, the Company has provided for an amount of INR NIL (previous year – INR 5,32,85) as additional bonus for the year ended March 31, 2015. As a result, the Company's profit for the year ended March 31, 2016 was lower by the said amount.

**12.** As of March 31, 2017, to the extent information is available, the Company does not owe sums exceeding INR 1,00,000 to any small scale industry.

**13. Demerging Business:**

The board of directors have, by resolutions dated September 20, 2016, November 11, 2016 and December 16, 2016, approved a composite scheme of arrangement under sections 391 to 394 of the Companies Act, 1956 between the Company, Service Master Clean Limited ("SMC"), SIS Asset Management Private Limited (formerly known as Tech SIS Access Management System Private Limited) and their respective shareholders and creditors ("Demerger Scheme"). The Demerger Scheme contemplates the demerger, transfer and vesting of

(a) the consultancy and investigation business of the Company, including all related assets, properties, identified investments (direct, or through nominees), liabilities and provisions, employees, business contracts and movable and immovable properties, as well as certain compulsorily convertible shares allotted or deemed to be allotted pursuant to the Demerger Scheme ("SIS Demerging Business"), and

(b) the payroll outsourcing business of SMC, including all related assets, properties, identified investments (direct, or through nominees), liabilities and provisions, employees, business contracts and movable and immovable properties ("SMC Demerging Business") to SIS Asset Management Private Limited, on a going concern basis (such transaction, the "Proposed Demerger").

During the year ended March 31, 2017, revenues from the SMC Demerging Business and the SIS Demerging Business (collectively, the "Demerging Businesses") accounted for INR 14.64 million and INR 2.59 million, respectively.

The Company has filed the demerger scheme with the National Company Law Tribunal, Kolkata ("NCLT") who has the jurisdiction authority in this case, on January 13, 2017, for its approval. NCLT, Kolkata Bench, by its order dated May 26, 2017, has directed to convene the meeting of the equity shareholders of SIS and meetings of the secured and unsecured creditors of SIS and SMC for approval of the proposed scheme of demerger. Accordingly, the Demerger Scheme remains subject to (a) consents and approvals of the Central Government or any government authorities, (b) the approval of the shareholders and creditors of the respective companies, (c) the approval of the NCLT, (d) certified copies of the orders of the NCLT being filed with the ROC, and (e) compliance with any other conditions as may be imposed by the NCLT.

Some of the key terms of the Demerger Scheme are as follows:

(i) The Demerger Scheme envisages the transfer of the Demerging Businesses to SIS Asset Management Private Limited, for Consideration (defined hereinafter) and in accordance with section 2(19AA) of the Income Tax Act. The Demerger Scheme has been drawn up to comply with the conditions relating to a demerger under section 2(19AA) of the Income Tax Act, and if found inconsistent with this section, shall stand modified to the extent required for compliance.

(ii) The "Appointed Date" for the Demerger Scheme is proposed to be July 1, 2016.

(iii) The Demerger Scheme, inter alia, provides for, in consideration for the transfer of the Demerging Businesses, the issuance by SIS Asset Management Private Limited of (a) 43,070,000 fully paid-up compulsorily convertible preference shares of INR 10 each ("CCPS") proportionately for every 19,512,800 equity shares of INR 10 each of SMC held by shareholders of SMC on the Appointed Date, and (b) 16,520,000 equity shares of INR 10 each of SIS Asset Management Private Limited for every 6,202,659 Equity Shares held by shareholders of our Company on the Appointed Date ("Consideration"). Any CCPS allotted, or deemed to be allotted to the Company (on account of the Company being a shareholder of SMC) as consideration for transfer of the SMC Demerging Business would stand cancelled;

(iv) Upon approval of the Demerger Scheme, with effect from the Appointed Date, as noted by the board of directors by their resolutions dated September 20, 2016, November 11, 2016 and December 16, 2016, sixteen immovable properties owned by the Company and three investments owned by SMC ("Demerged Properties") shall be transferred to, and vest with, SIS Asset Management Private Limited. The Demerged Properties consist primarily of land and buildings, including our administrative office, our training centres at Garwha, Jharkhand (including academic blocks and hostels), Dehradun and Cuttack and investments by SMC in Vardan and Sunrays, which own our corporate office.

As on March 31, 2017, the book value of the assets pertaining to the SIS Demerging Business and SMC Demerging Business aggregated to INR 156.88 million and INR 430.00 million respectively. The board of directors of SIS Asset Management Private Limited has, by its resolution dated September 20, 2016, evinced an intention to enter into leasehold arrangements, on arms' length basis with the Company post-demerger to enable us to continue to utilise certain identified Demerged Properties, including our corporate office, administrative office and our training centres at Garwha, Jharkhand (including academic blocks and hostels), Dehradun and Cuttack, post the demerger.

**14.** Effective August 1, 2016, the Company has acquired 78.72% of the outstanding equity shares of Dusters Total Solutions Services Private Limited for an aggregate consideration of INR 1,169,030 (INR 000s). In addition, the share purchase agreement provides for acquisition of 100% of the outstanding equity shares, by August 2019, in one or more tranches, and at a price to be determined according to a pre-agreed valuation formula.

**15.** During the year, the Company has filed a Draft Red Herring Prospectus with Securities Exchange Board of India on September 27, 2016 in connection with an Initial Public Offering ("IPO") of the equity shares of the Company. The Company has incurred expenses amounting to INR 89,440 towards the aforesaid IPO. As the process of the IPO is still continuing, these expenses have been recorded under Other Debtors and prepayments under Other current assets in Note 16.

**16.** The previous year's figures have been regrouped/ reclassified wherever necessary to conform to the current period's presentation.

As per our report of even date attached
For **A. Mitra & Associates**
*Chartered Accountants*
Firm Reg. No.:- 5268/C

For and on behalf of the Board

**A. K. Mitra**
*Partner*
Membership No. 015230

**Ravindra Kishore Sinha**
*Chairman*
[DIN: 00945635]

**Rituraj Kishore Sinha**
*Managing Director*
[DIN: 00477256]

**Uday Singh**
*Chief Executive Officer & Director*
[DIN: 02858520]

**Pushpalatha Katkuri**
*Company Secretary*

**Arvind Kumar Prasad**
*Director – Finance*
[DIN: 02865273]

Place: New Delhi
Date: May 31, 2017

# CONSOLIDATED FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR'S REPORT

To the Members of

**SECURITY & INTELLIGENCE SERVICES (INDIA) LIMITED**

## Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Security and Intelligence Services (India) Limited ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its associates and jointly controlled entities, which comprise the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements")

## 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 requirement 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 including its associates and jointly controlled entities in accordance with the accounting principles generally accepted in India, including Accounting Standards referred under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible 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 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 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, 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 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 audit report under the provisions of the Act and the Rules made there under.

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 financial statements are free from material misstatement

6. An audit involves performing procedures to obtain audit evidence about the amounts and 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 Group's preparation and presentation 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 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 audit opinion on the consolidated financial statements.

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, 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, its associates and jointly controlled entities:

    a) In the case of the Consolidated state of affairs, as at March 31, 2017;

    b) In the case of the Consolidated Statement of Profit and Loss, of the consolidated profit for the year ended on that date; and

    c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows for the year ended on that date.

## Other Matters

9. The financial statements of 9 (Nine) subsidiaries, which reflect total assets of INR 2,381,493 (previous year – 6 (six) subsidiaries, which reflect total assets of INR 2,257,810) as at March 31, 2017, total revenue of INR 1,785,490 (previous year - 6 (Six) subsidiaries with total revenue of INR 1,309,693) and net cash inflow of INR (-) 364,837 (previous year - 6 (Six) subsidiaries with net cash inflow of INR (-) 217,755) for the year ended on that date, have been audited by us. (INR in 000s).

10. The financial statements of 4 (four) jointly controlled entities, which reflect total assets of INR 4,380,261 as at March 31, 2017 (previous year - 4 (four) jointly controlled entities, which reflect total assets of INR 3,973,018), total revenue of INR 3,398,573 (previous year - 4 (four) jointly controlled entities, which reflect total revenue of INR 3,156,582) and net cash inflow of INR (-) 34,649 (previous year - 4 (four) jointly controlled entities, which reflect net cash inflow of INR (-) 16,498) for the year ended on that date, have been audited by us. (INR in 000s).

11. We did not audit the financial statements/ financial information of 9 (Nine) subsidiaries, whose financial statements/ financial information reflect total assets of INR 15,306,429 (previous year – 8 (eight) subsidiaries with total assets of INR 17,250,674) as at March 31, 2017, total revenues of INR 28,677,667 (previous year – 8 (eight) subsidiaries with total revenues of INR 24,183,863) and consolidated net cash flows amounting to INR 646,887 (previous year – 8 (eight) subsidiaries with consolidated net cash flows of INR 147,785) for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of INR 17,050 (previous year – INR 15,610) for the year ended 31 March 2017, as considered in the consolidated financial statements, in respect of 1 associate, whose financial statements / financial information have not been audited by us. These financial statements/ financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associates, and our report in terms of sub-section (3) and (11) of section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, jointly controlled entities and associates, is based solely on the reports of the other auditors. (INR in 000s)

    Our opinion on the consolidated financial statements, and our audit on other legal and regulatory requirements below, is not qualified in respect of the above matters with respect to our reliance on work done and the reports of other auditors and the financial statements/financial information certified by the Management.

### Matter of Emphasis

12. Without qualifying our opinion, we draw attention to "Note 5 under Note 28 – "Other Notes to Accounts" in respect of a change in treatment of gratuity and leave benefits during the year ended 31 March 2016.

### Report on Other Legal and Regulatory Requirements

13. 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) 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 appears from our examination of those books.

c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement 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) 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.

e) On the basis of written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors of the Holding Company, none of the directors of the Group Companies and its associates and jointly controlled entities incorporated in India is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, please refer to our separate report in Annexure A.

g) 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 our best of our information and according to the explanations given to us:

i. There were no pending litigation which would impact the consolidated financial position of the Group, its associates and jointly controlled entities.

ii. The Group, its associates and jointly controlled entities did not have any material foreseeable losses on long term contracts including derivative contracts.

iii. There was no amount required to be transferred by the Holding Company and its subsidiary companies, associate companies and jointly controlled entities incorporated in India to the Investor Education and Protection Fund.

For **A. MITRA & ASSOCIATES**
*Chartered Accountants*

**A.K. MITRA**
*Partner*
Membership No. 15230
Firm Reg. No. :- 5268/C

Place: New Delhi
Date: May 31, 2017

# ANNEXURE A TO AUDITOR'S REPORT

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

We have audited the internal financial controls over financial reporting of Security and Intelligence Services (India) Limited ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its associates and jointly controlled entities as of March 31, 2017 in conjunction with our audit of the financial statements of the Group for the year ended on that date.

## Management's Responsibility for Internal Financial Controls

The management of the Group and its Associates is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group and its Associates 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. 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 its 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 Companies Act, 2013.

## Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls of the Group and its Associates over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

## Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting 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 internal financial control over financial reporting 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.

## Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

In our opinion, the Group and its Associates has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Group and its Associates 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.

For **A. MITRA & ASSOCIATES**
*Chartered Accountants*

**A.K. MITRA**
*Partner*

Place: New Delhi — Membership No. 15230
Date: May 31, 2017 — Firm Reg. No. :- 5268/C

# CONSOLIDATED BALANCE SHEET as at 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| Particulars | Note | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' funds** | | | |
| Share capital | 1 | 687,030 | 62,001 |
| Reserves and surplus | 2 | 4,743,899 | 4,439,262 |
| | | **5,430,929** | **4,501,263** |
| Minority Interest | 3 | 145,878 | 24,743 |
| **Non-current liabilities** | | | |
| Long-term borrowings | 4 | 4,059,527 | 1,789,720 |
| Long-term provisions | 5 | 764,537 | 669,538 |
| | | **4,824,064** | **2,459,258** |
| **Current liabilities** | | | |
| Short-term borrowings | 6 | 2,795,225 | 2,208,709 |
| Trade payables | 7 | | |
| Due from Micro, Small and Medium Enterprise | | 0 | 0 |
| Other than Micro, Small and Medium Enterprise | | 465,525 | 333,776 |
| Other current liabilities | 8 | 4,597,127 | 3,089,280 |
| Short-term provisions | 9 | 2,326,203 | 2,007,930 |
| | | **10,084,080** | **7,639,695** |
| **TOTAL** | | **20,484,951** | **14,624,959** |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | 10 | | |
| Tangible assets | | 1,602,523 | 1,325,100 |
| Intangible assets | | 2,778,191 | 1,754,700 |
| Capital work-in-progress | | 4,099 | 410 |
| Intangible assets under development | | 35,574 | 1,014 |
| | | 4,420,387 | 3,081,224 |
| Non-current investments | 11 | 195,328 | 120,329 |
| Deferred tax assets (net) | 12 | 628,981 | 471,220 |
| Long-term loans and advances | 13 | 245,052 | 153,227 |
| Other non-current assets | 14 | 6,073 | 3,294 |
| | | **5,495,820** | **3,829,295** |
| **Current assets** | | | |
| Inventories | 15 | 39,689 | 10,606 |
| Trade receivables | 16 | 4,617,425 | 2,888,021 |
| Cash and cash equivalents | 17 | 4,508,026 | 3,492,759 |
| Short-term loans and advances | 18 | 673,006 | 541,812 |
| Other current assets | 19 | 5,150,986 | 3,862,465 |
| | | **14,989,132** | **10,795,664** |
| **TOTAL** | | **20,484,951** | **14,624,959** |
| Contingent liabilities and commitments | 20 | | |
| Significant accounting policies | 27 | | |
| Other notes to accounts | 28 | | |

The notes referred to above form an integral part of the Balance Sheet

As per our report of even date attached
For **A. Mitra & Associates**
*Chartered Accountants*
Firm Reg. No.:- 5268/C

For and on behalf of the Board

**A. K. Mitra**
*Partner*
Membership No. 015230

**Ravindra Kishore Sinha**
*Chairman*
[DIN: 00945635]

**Rituraj Kishore Sinha**
*Managing Director*
[DIN: 00477256]

Place: New Delhi
Date: May 31, 2017

**Uday Singh**
*Chief Executive Officer & Director*
[DIN: 02858520]

**Pushpalatha Katkuri**
*Company Secretary*

**Arvind Kumar Prasad**
*Director – Finance*
[DIN: 02865273]

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| Particulars | Note | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations | 21 | 45,670,873 | 38,362,216 |
| Other income | 22 | 100,351 | 138,996 |
| **Total Revenue** | | **45,771,224** | **38,501,212** |
| **EXPENSES** | | | |
| Cost of materials consumed | 23 | 134,548 | 35,857 |
| Purchases of Stock-in-Trade | | 51,087 | 71,221 |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | | -21,497 | -1,013 |
| Employee benefits expense | 24 | 37,886,594 | 31,446,254 |
| Finance costs | 25 | 748,758 | 523,112 |
| Depreciation and Amortization Expense | | 456,466 | 431,570 |
| Other expenses | 26 | 5,413,677 | 5,510,236 |
| **Total expenses** | | **44,669,632** | **38,017,238** |
| **Share of net profit of associates accounted using the equity method (net)** | | **17,050** | **15,610** |
| **Profit before tax** | | **1,118,642** | **499,584** |
| **Tax expense:** | | | |
| Current tax | | 363,862 | 396,956 |
| MAT Credit entitlement | | -19,035 | 0 |
| Deferred tax | | -124,900 | -202,944 |
| Earlier year taxes | | 0 | 0 |
| | | **219,928** | **194,012** |
| **Profit (Loss) for the year** | | **898,714** | **305,572** |
| Impact of adjustments on account of conversion of a subsidiary to a joint venture | | 0 | 107,489 |
| **Profit (Loss) for the year after the impact of adjustments on account of conversion of a subsidiary to a joint venture** | | **898,714** | **413,061** |
| **Minority Interest** | | **-7,358** | **-19,786** |
| **Consolidated Profit (Loss) for the year attributable to majority shareholder** | | **906,072** | **432,847** |
| Earnings per equity share | | | |
| Basic | | 13.19 | 6.36 |
| Diluted | | 12.93 | 6.34 |
| Significant accounting policies | 27 | | |
| Other Notes to Accounts | 28 | | |

The notes referred to above form an integral part of the Profit and Loss Account

As per our report of even date attached
For **A. Mitra & Associates**
*Chartered Accountants*
Firm Reg. No.:- 5268/C

For and on behalf of the Board

**A. K. Mitra**
*Partner*
Membership No. 015230

**Ravindra Kishore Sinha**
*Chairman*
[DIN: 00945635]

**Rituraj Kishore Sinha**
*Managing Director*
[DIN: 00477256]

Place: New Delhi
Date: May 31, 2017

**Uday Singh**
*Chief Executive Officer & Director*
[DIN: 02858520]

**Pushpalatha Katkuri**
*Company Secretary*

**Arvind Kumar Prasad**
*Director – Finance*
[DIN: 02865273]

# CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Profit before taxation | 1,118,642 | 499,584 |
| Adjusted for: | | |
| Depreciation | 456,466 | 431,570 |
| Foreign exchange gain/loss | -1,661 | 974 |
| Net gain/loss on sale of fixed assets | -2,467 | -5,839 |
| Net gain/loss on sale of investments | 0 | -33,339 |
| Interest expense | 720,087 | 504,567 |
| Interest income | -95,612 | -100,645 |
| Share of net profit of associates (net) | -17,050 | -15,610 |
| Bad debts written off/provided | 238,277 | 381,998 |
| Preliminary/Pre-operative expenses written off | 2,041 | 2,862 |
| Employee stock option compensation expense | 71,501 | 35,743 |
| Other non-Cash items | -40 | 47,929 |
| Operating profit/(loss) before working capital changes | 2,490,183 | 1,749,794 |
| Movement in working capital: | | |
| Decrease/(increase) in Trade receivables | -1,203,451 | -290,461 |
| Decrease/(increase) in inventories | -29,083 | 54,308 |
| Decrease/(increase) in loans and advances | -172,769 | -123,206 |
| Decrease/(increase) in other current assets | -449,098 | -563,004 |
| (Decrease)/increase in Trade payables | 136,375 | -69,846 |
| (Decrease)/increase in provisions | 167,591 | 494,111 |
| (Decrease)/increase in other current liabilities | 792,934 | 35,408 |
| | -757,502 | -462,690 |
| (Decrease)/increase in other non-current assets | -3,575 | -272 |
| Cash (used in)/generated from operations | 1,729,106 | 1,286,833 |
| Direct tax paid (net of refunds) | -784,648 | -560,581 |
| **Net cash (used in)/generated from operating activities** | **944,458** | **726,252** |
| | | |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets and changes in capital work in progress | -670,389 | -685,651 |
| Proceeds from sale/disposal of fixed assets | 23,615 | 13,846 |
| Proceeds from sale/disposal of investments | 7,039 | 33,339 |
| Investments made | -1,528,327 | -4,997 |
| Interest received | 85,594 | 118,123 |
| Dividend received | 26,262 | 15,610 |
| Preliminary and Pre-Operative Expenses incurred | -1,284 | -1,582 |
| **Net cash used in investing activities** | **-2,057,491** | **-511,312** |

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of share capital | 50 | 250 |
| Application money received on issue of share capital | 0 | -20,725 |
| Foreign exchange gain/loss realised | 1,702 | -974 |
| Proceeds from term loans (including hire purchase) | 2,098,413 | 210,000 |
| Repayment of term loans (including hire purchase) | -370,861 | -394,146 |
| Change in loans repayable on demand | 354,470 | 368,665 |
| Bonds/Debentures issued (net) | 872,030 | 0 |
| Other Loans and Advances received (net) | 14,303 | -7,807 |
| Interest paid | -716,728 | -522,570 |
| Dividends Paid | 2,508 | -271,629 |
| Tax on dividends paid | -39,317 | 0 |
| **Net cash generated from financing activities** | **2,216,570** | **-638,936** |
| | | |
| **Net change in cash and cash equivalents (A+B+C)** | 1,103,538 | -423,996 |
| Cash and cash equivalents at the beginning of the year | 3,492,759 | 3,744,867 |
| Translation Adjustment - Other Items | -4,507 | 0 |
| Exchange difference on Opening Cash balance | -60,950 | 163,737 |
| Exchange difference on Closing and Average exchange rate | -22,814 | 8,151 |
| Cash balances added on acquisition/Investment | 0 | 0 |
| **Cash and cash equivalents at the end of the year** | **4,508,026** | **3,492,759** |

As per our report of even date attached
For **A. Mitra & Associates**
*Chartered Accountants*
Firm Reg. No.:- 5268/C

For and on behalf of the Board

**A. K. Mitra**
*Partner*
Membership No. 015230

**Ravindra Kishore Sinha**
*Chairman*
[DIN: 00945635]

**Rituraj Kishore Sinha**
*Managing Director*
[DIN: 00477256]

Place: New Delhi
Date: May 31, 2017

**Uday Singh**
*Chief Executive Officer & Director*
[DIN: 02858520]

**Pushpalatha Katkuri**
*Company Secretary*

**Arvind Kumar Prasad**
*Director – Finance*
[DIN: 02865273]

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 1 – SHARE CAPITAL

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Authorised Capital** | | |
| 13,50,00,000 (previous year – 13,50,00,000) Equity Shares of INR 10 each | 1,350,000 | 1,350,000 |
| | **1,350,000** | **1,350,000** |
| **Issued, subscribed and paid up** | | |
| 68,703,089 (previous year - 62,00,159) Equity Shares of INR 10 each, fully paid | 687,030 | 62,002 |
| | **687,030** | **62,002** |

**Notes:**

a. Of the above, 2,210,500 and 62,457,240 equity shares were allotted as fully paid Bonus Shares by capitalization of general reserve in 2005-06 and during the year ended March 31, 2017 respectively

b. Mr. Uday Singh was the holder of 79,000 unpaid shares in SIS International Holdings Ltd., a wholly owned subsidiary. In terms of a letter dated December 1, 2009, Mr. Singh had the option to exchange these shares for shares of any companies in the SIS group in a manner reflecting the fair value of the these shares, reduced by the amounts unpaid on them. Subsequently, in lieu of these shares and suitably adjusted for amounts unpaid thereon, Mr. Singh was allotted 40,565 Equity Shares, at a ratio as determined in accordance with a valuation report prepared by a SEBI registered merchant banker.

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Subscribed and paid up share capital** | | |
| 68,703,089 (previous year - 62,00,159) Equity Shares of INR 10 each, fully paid up. | 687,031 | 62,003 |
| Less: 125 (previous year - 125) Forfeited equity shares of INR 10/- each | -1 | -1 |
| | **687,030** | **62,002** |

**Reconciliation of the number of shares outstanding**

| Particulars | Number of Shares | Number of Shares |
|---|---|---|
| Shares outstanding at the beginning of the year | 6,200,159 | 6,175,159 |
| Shares Issued during the year | 45,565 | 25,000 |
| Shares Issued during the year as bonus shares | 62,457,240 | 0 |
| Shares outstanding at the end of the year | **68,702,964** | **6,200,159** |

**Shares held by each shareholder holding more than 5% shares**

| Name of Shareholder | As at 31 March 2017 | | As at 31 March 2016 | |
|---|---|---|---|---|
| | Number of shares | % | Number of shares | % |
| Ravindra Kishore Sinha | 28,564,888 | 41.58% | 2,596,808 | 41.88% |
| Rita Kishore Sinha | 12,111,055 | 17.63% | 1,099,703 | 17.74% |
| Rituraj Kishore Sinha | 7,086,893 | 10.32% | 653,508 | 10.54% |
| Theano Private Limited | 10,439,770 | 15.20% | 949,070 | 15.31% |
| | **58,202,606** | **84.73%** | **5,299,089** | **85.47%** |

All in INR 000s except share data

## Note 1 – SHARE CAPITAL *(contd...)*

**Shares reserved for issue under options**

Employees stock options

The Group has two Employee Stock Option plans namely ESOP 2008 and ESOP 2016. Under ESOP 2008 Employee Stock options were granted in 2008, 2011, 2014, 2015 and 2016 and 59,000 options, 30,000 Options, 30,500 Options 3,500 options and 2,096 options respectively have been granted.

All options granted in 2008 has been either exercised or lapsed.

Out of the 30,000 options granted in 2011, 12,876 options were exercised, 10,355 options are vested and remaining to be exercised and the remaining 6,769 options have lapsed.

Out of the 30,500 options granted in 2014, 26,500 options have been exercised (including 1,500 options during the year ended March 31, 2017) and the remaining 4,000 options are to vest and be eligible for exercise in the next 3 financial years.

Out of the 3,500 Options granted in 2015, all were vested and exercised during the year ended March 31, 2017.

Out of the 2,096 Options granted in 2016, the same will vest and be eligible for exercise over the next four financial years.

Options issued under ESOP 2008 will be adjusted for the bonus issue of ten equity shares for every equity share held as on September 20, 2016 as and when such options are exercised.

Under ESOP 2016, the Group granted 1,216,000 options which will vest over the next four financial years and be eligible for exercise, subject to certain conditions, after August 1, 2020.

**Share reserved for issue under options**

Employees Stock Options

| Particulars | As at 31 March 2017 Number of options | As at 31 March 2016 Number of options |
|---|---|---|
| **ESOP 2008** | | |
| Options outstanding at the beginning of the year | 19,355 | 41,217 |
| Options issued during the year | 2,096 | 3,500 |
| Less: Options vested and exercised during the year | 5,000 | 25,000 |
| Options forfeited/lapsed during the year | 361 | 362 |
| Options outstanding at the end of the year | **16,090** | **19,355** |
| | | |
| **ESOP 2016** | | |
| Options outstanding at the beginning of the year | 0 | 0 |
| Options Issued during the year | 1,216,000 | 0 |
| Options vested and exercised during the year | 0 | 0 |
| Options forfeited/lapsed during the year | 11,850 | 0 |
| Options outstanding at the end of the year | **1,204,150** | **0** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 2 – RESERVES & SURPLUS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Share Premium Account** | | |
| Opening Balance | 644,594 | 620,184 |
| Less : Impact of adjustments on account of conversion of a subsidiary to a joint venture | 0 | -28,533 |
| Add : Receipts on issue of Equity shares | 95,936 | 52,943 |
| Add : Receipts on exercise of Employee Stock options | 10,850 | 0 |
| **Closing Balance** | **751,380** | **644,594** |
| | | |
| **Share Options Outstanding Account** | | |
| Opening Balance | 14,948 | 33,455 |
| Add: Expense for the year | 73,114 | 35,789 |
| Less: Transferred to Share premium on exercise of options | -10,850 | -54,295 |
| **Closing Balance** | **77,212** | **14,948** |
| | | |
| **General Reserves** | | |
| Opening Balance | 810,963 | 950,000 |
| Add/Less: Transferred to/from Surplus - Balance in Profit & Loss Account | 1,554 | -139,037 |
| Add/Less: Utilised for issue of bonus shares | -624,572 | |
| **Closing Balance** | **187,944** | **810,963** |
| | | |
| **Surplus – Balance in Profit & Loss Account** | | |
| Opening balance | 2,960,992 | 2,702,936 |
| Add : Impact of adjustments on account of conversion of a subsidiary to a joint venture | 0 | 28,866 |
| Add: Net Profit/(Loss) for the year | 898,714 | 413,061 |
| Amount available for appropriation | 3,859,706 | 3,144,863 |
| Appropriations: | | |
| Proposed Dividends | 0 | 1,217 |
| Interim Dividend | 0 | 270,411 |
| Dividend Tax | 0 | 39,316 |
| Transfer to/from General Reserve | 0 | -135,000 |
| Other appropriations [Transfer to Minority Interests] | -7,358 | 7,926 |
| **Closing Balance** | **3,867,064** | **2,960,992** |
| | | |
| **Translation Adjustment** | | |
| Retained Earnings | -31,712 | 48,236 |
| Share Capital/Investment | -107,990 | -40,471 |
| | **-139,702** | **7,765** |
| | **4,743,899** | **4,439,262** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

### Note 3 – MINORITY INTERESTS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Share Capital/Investment | 118,439 | 112,478 |
| Share Premium Account | 99,310 | 0 |
| Retained Earnings | -71,871 | -87,734 |
| | **145,878** | **24,743** |

### Note 4 – LONG TERM BORROWINGS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Secured** | | |
| Bonds/debentures | | |
| 1,762,380 Compulsorily convertible debentures (CCDs) of INR 100/- each (Refer Note 1 (a) below) | 176,238 | 176,238 |
| 80 non-convertible debentures (NCDs) of INR 10,000,000 each (Refer Note 1(b) below) | 800,000 | 0 |
| | **976,238** | **176,238** |
| **Notes:** | | |
| 1 (a) Theano Private Limited and AAJV Investment Trust have subscribed to 1,762,380 compulsory convertible debentures (CCDs) of Rs.100/- each on April 23, 2013. The CCDs are for a term of 18 years and non-interest bearing. The CCDs will convert to 22 equity shares of the Company subject to certain terms. | | |
| 1 (b) Piramal Enterprises Limited has subscribed to 80 non-convertible debentures (NCDs) of Rs 10,000,000/- each. The NCDs carry interest @ 12.70 per annum, payable monthly. The company has the right to pre-pay the NCDs without any prepayment penalty with prior notice of 30 days. Tenure of the NCDs shall not exceed 60 months from effective date. | | |
| Term loans | | |
| National Australia Bank (a) | 1,830,778 | 1,244,729 |
| IDBI Bank Limited (b) | 28,333 | 0 |
| IDFC Bank Limited(c) | 388,889 | 0 |
| Piramal Enterprises Limited (d) | 400,000 | 0 |
| Yes Bank Limited (e) | 104,524 | 167,982 |
| Axis Bank Limited (f) | 0 | 22,381 |
| | **2,752,524** | **1,435,092** |
| **Notes:** | | |
| (a) Secured by all assets and share mortgages of all the Australian subsidiaries of the Group. The loan is scheduled to be repaid by March 2020. | | |
| (b) Secured by exclusive charge on the specified assets acquired out of the loan and second pari-passu charge on all movable and immovable fixed assets of the Parent. The loan is scheduled to be repaid by 2019 – 20. | | |
| (c) Secured by first pari-passu charge on current assets and all immovable and movable fixed assets of the Parent and exclusive charge over specific immovable properties of subsidiary companies located in Delhi, and a charge on certain properties of Mr. R K Sinha, Chairman and Mr. Rituraj Kishore Sinha, Managing Director at Delhi and Noida. The loan is scheduled to be repaid by 2020 – 21. | | |

All in INR 000s except share data

Note 4 – LONG TERM BORROWINGS *(contd...)*

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| (d) Secured by first exclusive charge on all present and future current assets and fixed assets acquired out of the loan. The loan is scheduled to be repaid by 2021 – 22. | | |
| (e) Secured by first charge on all specified fixed assets and guarantees by the Parent. The loan is scheduled to be repaid by 2018 -19. | | |
| (f) Secured by way of first charge on the fixed assets purchased out of the loan and by a second charge on the current assets and movable fixed assets of the Company. The loan is scheduled to be repaid by 2017 – 18. | | |
| There is no continuing default as on the balance sheet date in repayment and interest thereon | | |
| Other loans and advances | | |
| Hire Purchase Vehicle Loan from Banks (a) | 137,265 | 140,590 |
| Hire Purchase Vehicle Loan from Others (b) | 27,719 | 37,801 |
| | **164,985** | **178,391** |
| Notes: | | |
| (a) Secured by hypothecation of vehicles/cash vans purchased against the loan taken from that Bank. The loans have various repayment schedules and are scheduled to be repaid by 2020-21. | | |
| (b) Secured by hypothecation of the vehicle(s) purchased against the loan taken from the respective financier(s). The loans have various repayment schedules and are scheduled to be repaid by 2020-21. | | |
| | **3,893,747** | **1,789,720** |
| **Unsecured** | | |
| Term loans | | |
| Yes Bank Limited | 93,750 | 0 |
| (Term loan is repayable in 16 equal quarterly instalments of INR 9.37 million each, with repayment to commence from November 2016 and is scheduled to be repaid during FY 2020 – 21) | | |
| 11%, unsecured, unlisted, 147 redeemable notes of Rs 1,000,000 each issued by SIS cash Services private Limited, redeemable in FY 2022-23 | 72,030 | 0 |
| | **165,780** | **0** |
| | **4,059,527** | **1,789,720** |

Note 5 – LONG TERM PROVISIONS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Provision for Gratuity | 348,403 | 255,048 |
| Provision for Leave Liabilities | 416,135 | 414,490 |
| | **764,537** | **669,538** |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 6 – SHORT TERM BORROWINGS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Secured** | | |
| Loans repayable on demand | | |
| National Australia Bank (a) | 501,560 | 508,053 |
| ING VYSYA Bank Limited (b) | 439,652 | 369,255 |
| Cash Credit from Axis Bank Limited (c) | 399,118 | 193,837 |
| Cash Credit from ICICI Bank Limited (d) | 329,614 | 235,787 |
| Cash Credit from Yes Bank Limited (e) | 318,375 | 112,902 |
| Cash Credit from State Bank of India (f) | 173,911 | 650,021 |
| Cash Credit from IDBI Bank Limited (g) | 153,364 | 126,645 |
| Cash Credit from HDFC Bank Limited (h) | 79,483 | 0 |
| Cash Credit from Ratnakar Bank Limited (h) | 33,513 | 0 |
| ICICI Bank Limited Overdraft (i) | 13,822 | 6,248 |
| State Bank of India Overdraft (i) | 2,138 | 33 |
| Axis Bank Limited Overdraft (i) | 0 | 5,930 |
| | **2,444,551** | **2,208,709** |
| **Notes:** | | |
| (a) Loan from National Australia Bank, Sydney, Australia is secured by all assets and share mortgages of Australian subsidiaries of the Group. | | |
| (b) Loan from ING Vysya Bank Limited is secured by pari passu charge over all current assets (both present and future) and second charge over moveable fixed assets (both present and future) of the Parent. | | |
| (C) Cash credit from Axis Bank Limited is secured by pari passu charge over all the current assets (both present and future) and subservient charge over the fixed assets (both present and future) of the Parent. | | |
| (d) Cash credit from ICICI Bank Limited is secured by pari passu charge over all current assets (both present and future) and second charge over moveable fixed assets (both present and future) of the Parent. | | |
| (e) Cash credit from Yes Bank Limited is secured by a charge over specified trade receivables, first charge over the specified current assets and specified fixed assets and guaranteed by the parent, by an exclusive charge on specified current assets and specified movable fixed assets (both present and future) and guaranteed by the holding company of the subsidiaries. | | |
| (f) Secured by way of paripassu charge over all current assets (both present and future) and first charge on the immovable fixed assets (both present and future), first charges on the movable fixed assets (excluding assets specifically funded by other banks) of the parent as well as by first paripassu charge on the immovable property in the name of Mr. R K Sinha, Chairman and Mrs. Rita Kishore Sinha, Director located at Dwarka, Delhi | | |
| (g) Cash Credit from IDBI Bank is secured by pari passu charge over all current assets and second charge over fixed assets of the Parent. | | |
| (h) Cash credit from Ratnakar Bank Limited, HDFC Bank Limited is secured by pari passu charge over all current assets (both present and future) and fixed deposit of INR 71,000 which has been pledged against the cash credit facility and personal guarantee of directors of the subsidiary. | | |
| (i) Overdrafts from Axis Bank Limited, ICICI bank Limited, and State Bank of India are secured against fixed deposits. | | |
| **Unsecured** | | |
| Loans repayable on demand | | |
| Yes Bank Limited | 100,673 | 0 |
| Standard Chartered Bank | 250,000 | 0 |
| | **350,673** | **0** |
| | **2,795,225** | **2,208,709** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

### Note 7 – TRADE PAYABLES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Micro, Small and Medium Enterprises | | 0 |
| Others | 465,525 | 333,776 |
| | **465,525** | **333,776** |

### Note 8 – OTHER CURRENT LIABILITIES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Current maturities of long-term debt | | |
| Term loans | 646,213 | 370,303 |
| Other Loans and advances | 124,214 | 93,778 |
| Interest accrued but not due on borrowings | 9,456 | 216 |
| Interest accrued and due on borrowings | 0 | 3,715 |
| Income received in advance | 53,394 | 25,919 |
| Unpaid dividends | 341 | 53,623 |
| Amounts retained and payable | 420 | 420 |
| Employee Benefits | 1,716,394 | 1,004,814 |
| Statutory dues | 446,471 | 257,890 |
| Other payables and accruals | 1,600,219 | 1,278,602 |
| | **4,597,122** | **3,089,280** |

### Note 9 – SHORT TERM PROVISIONS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Provision for Gratuity | 49,922 | 10,446 |
| Provision for Leave liabilities | 1,733,989 | 1,591,360 |
| Provision for dividend tax | 0 | 39,316 |
| Provision for taxation | 400,221 | 293,507 |
| Provision for FBT | 4,124 | 15,172 |
| IBNR Provision | 37,946 | 58,130 |
| | **2,226,203** | **2,007,930** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 10 - FIXED ASSETS

| Description of Assets | Gross Block | | | | | | Depreciation | | | | | Net Book Value | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at Commencement of the year | Additions during the year | Acquired on acquisition/ investment | Sale and adjustments | Exchange Translation | As the end of the year | Up to the commencement of the year | For the year | Sale/Transfer | Exchange Translation | Up to 31 Mar 2017 | As at 31 March 2017 | As at 31 March 2016 |
| **Tangible Assets** | | | | | | | | | | | | | |
| Land | | | | | | | | | | | | | |
| Freehold Land | 55,816 | 0 | 0 | 0 | 0 | 55,816 | 0 | 0 | 0 | 0 | 0 | 55,816 | 55,816 |
| Leasehold Land | 3,128 | 0 | 5,353 | 0 | 0 | 8,481 | 248 | 742 | 0 | 0 | 990 | 7,491 | 2,880 |
| | 58,944 | 0 | 5,353 | 0 | 0 | 64,297 | 248 | 742 | 0 | 0 | 990 | 63,307 | 58,696 |
| Buildings | 219,913 | 0 | 3,790 | 0 | 0 | 223,703 | 37,543 | 9226 | 0 | 0 | 46,769 | 176,934 | 182,370 |
| | 219,913 | 0 | 3,790 | 0 | 0 | 223,703 | 37,543 | 9,226 | 0 | 0 | 46,769 | 176,934 | 182,370 |
| Plant & Equipment | | | | | | | | | | | | | |
| Plant & Machinery | 291,552 | 30,507 | 97,795 | 8,273 | -2,479 | 409,102 | 106,251 | 58,807 | 7,984 | -2,065 | 155,009 | 254,092 | 185,301 |
| Generator | 24,892 | 56 | 0 | 0 | 0 | 24,949 | 11,032 | 2,680 | 0 | 0 | 13,712 | 11,237 | 13,860 |
| Cleaning Service Equipment | 100,651 | 33,333 | 0 | 0 | 0 | 133,984 | 41,642 | 14,795 | 0 | 0 | 56,436 | 77,548 | 59,009 |
| Cash Vault | 55,280 | 92 | 0 | 0 | 0 | 55,372 | 32,397 | 4,400 | 0 | 0 | 36,796 | 18,575 | 22,973 |
| | 472,375 | 63,988 | 97,795 | 8,273 | -2,479 | 623,406 | 191,322 | 80,681 | 7,984 | -2,065 | 261,954 | 361,452 | 281,143 |
| Furniture & Fixture | 715,410 | 114,907 | 4,167 | -189 | -1,274 | 833,400 | 393,129 | 96,338 | -283 | -1,685 | 488,064 | 345,335 | 322,239 |
| | **715,410** | **114,907** | **4,167** | **-189** | **-1,274** | **833,400** | **393,129** | **96,338** | **-283** | **-1,685** | **488,064** | **345,335** | **322,239** |
| Vehicles | | | | | | | | | | | | | |
| Cycle | 1,906 | 104 | 0 | 0 | 0 | 2,010 | 1,761 | 71 | 0 | 0 | 1,831 | 179 | 145 |
| Motorcycle | 5,560 | 1,224 | 0 | 0 | 0 | 6,784 | 3,840 | 576 | 0 | 0 | 4,416 | 2,368 | 1,720 |
| Cash Van | 313,140 | 29,122 | 8029 | 21,985 | 0 | 328,307 | 176,338 | 42,610 | 19,103 | 0 | 199,844 | 128,462 | 136,760 |
| Other Vehicles | 382,184 | 139,190 | 4,995 | 38,806 | -1,412 | 486,152 | 201,394 | 80,708 | 29,823 | -702 | 251,577 | 234,575 | 180,790 |
| | **702,790** | **169,641** | **13,024** | **60,790** | **-1,412** | **823,253** | **383,333** | **123,964** | **48,926** | **-702** | **457,669** | **365,585** | **319,415** |
| Office Equipment | | | | | | | | | | | | | |
| General office equipment | 222,497 | 186,924 | 2,562 | 0 | 0 | 411,983 | 140,795 | 64,685 | 0 | 0 | 205,480 | 206,503 | 81696 |
| Computer | 258,735 | 31,671 | 2,947 | 2,650 | -2,178 | 288,525 | 211,388 | 29,050 | 1,910 | -1,901 | 236,626 | 51,899 | 47,346 |
| | **481,231** | **218,596** | **5,509** | **2,650** | **-2,178** | **700,508** | **352,183** | **93,734** | **1,910** | **-1,901** | **442,106** | **258,403** | **129,042** |
| Others | | | | | | | | | | | | | |
| Tubewells | 230 | 0 | 0 | 0 | 0 | 230 | 219 | 0 | 0 | 0 | 219 | 11 | 11 |
| Livestock | 12,054 | 0 | 0 | 0 | 0 | 12,054 | 0 | 0 | 0 | 0 | 0 | 12,054 | 12,054 |
| Pond | 57 | 0 | 0 | 0 | 0 | 57 | 55 | 0 | 0 | 0 | 55 | 2 | 2 |
| Television | 28,172 | 4,836 | 0 | 0 | 0 | 33,009 | 22,490 | 3,353 | 0 | 0 | 25,843 | 7,166 | 5,682 |
| Fan | 3,076 | 362 | 0 | 0 | 0 | 3,438 | 2,529 | 323 | 0 | 0 | 2,852 | 586 | 547 |
| Electrical Installation | 12,723 | 132 | 0 | 0 | 0 | 12,855 | 8,943 | 1,086 | 0 | 0 | 10,029 | 2,826 | 3,780 |
| Refrigerator | 196 | 15 | 0 | 0 | 0 | 211 | 181 | 7 | 0 | 0 | 187 | 24 | 16 |
| Wireless Equipment | 21,281 | 177 | 0 | 0 | 0 | 21,458 | 19,354 | 630 | 0 | 0 | 19,984 | 1,474 | 1,927 |
| Air-conditioner | 47,713 | 3,177 | 0 | 0 | 0 | 50,890 | 39,537 | 3,988 | 0 | 0 | 43,525 | 7,365 | 8,176 |
| | 125,503 | 8,700 | 0 | 0 | 0 | 134,202 | 93,309 | 9,386 | 0 | 0 | 102,695 | 31,508 | 32,194 |
| | 2,776,166 | 575,832 | 129,637 | 71,524 | -7,343 | 3,402,769 | 1,451,066 | 414,072 | 58,538 | -6,354 | 1,800,246 | 1,602,523 | 1,325,100 |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

### Note 10 – FIXED ASSETS *(contd...)*

| Description of Assets | Gross Block | | | | | | Depreciation | | | | | Net Book Value | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at Commencement of the year | Additions during the year | Acquired on acquisition/ investment | Sale and adjustments | Exchange Translation | As the end of the year | Up to the commencement of the year | For the year | Sale/Transfer | Exchange Translation | Up to 31 Mar 2017 | As at 31 March 2017 | As at 31 March 2016 |
| **Intangible Assets** | | | | | | | | | | | | | |
| Goodwill (inc Def Borr Costs and Brand Name) | 1,703,813 | 981,272 | 64,623 | 0 | -25,480 | 2,724,228 | 0 | 25,852 | 0 | 0 | 25,852 | 2,698,376 | 1,703,813 |
| Computer Software | 412,645 | 37,835 | 7,836 | 0 | -7,798 | 450,517 | 361,758 | 16,542 | 0 | -7,597 | 370,703 | 79,814 | 50,887 |
| Other intangible assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **2,116,458** | **1,019,107** | **72,459** | **0** | **-33,278** | **3,174,745** | **361,758** | **42,394** | **0** | **-7,597** | **396,555** | **2,778,190** | **1,754,700** |
| **Capital work in progress** | | | | | | | | | | | | | |
| Capital work in progress | 410 | 3,757 | 0 | 327 | 259 | 4,099 | 0 | 0 | 0 | 0 | 0 | 4,099 | 410 |
| | **410** | **3,757** | **0** | **327** | **259** | **4,099** | **0** | **0** | **0** | **0** | **0** | **4,099** | **410** |
| | | | | | | | | | | | | | |
| **Intangible Assets under development** | | | | | | | | | | | | | |
| Computer Software | 1,014 | 34,927 | 0 | 0 | -368 | 35,574 | 0 | 0 | 0 | 0 | 0 | 35,574 | 1,014 |
| | **1,014** | **34,927** | **0** | **0** | **-368** | **35,574** | **0** | **0** | **0** | **0** | **0** | **35,574** | **1,014** |
| **Grand Total** | **4,894,049** | **1,633,623** | **202,096** | **71,851** | **-40,729** | **6,617,188** | **1,812,824** | **456,466** | **58,538** | **-13,951** | **2,196,801** | **4,420,387** | **3,081,224** |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 11 – NON-CURRENT INVESTMENTS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Trade Investments (at cost)** | | |
| **Investment in Equity instruments (Unquoted)** | | |
| Associates | | |
| 39,206 shares (Previous year – 39,206) in Southern Cross Protection Pty Ltd. of AUD 1 each fully paid up | 120,333 | 113,290 |
| | **120,333** | **113,290** |
| **Investment in Debt instruments (Unquoted)** | | |
| Joint Ventures/Associates | | |
| 11% non-convertible debentures in SIS Cash Services Private Limited | 74,970 | 0 |
| | **74,970** | **0** |
| **Trade Investments (at cost)** | | |
| **Investment in Equity instruments (Unquoted)** | | |
| Others | | |
| Nil shares (Previous year - 24,500) in Mahamanav Mritunjay Institute of Yoga & Alternative Medicine Ltd. of INR 10/- each fully paid up | 0 | 245 |
| Nil shares (Previous year - 24.500) in Mritunjay Educational Foundation Ltd. of INR 10/- each fully paid up | 0 | 245 |
| Nil shares (Previous year - 65,000) in Rituraj Resorts Limited. of INR 100/- each fully paid up | 0 | 6,500 |
| Nil shares (Previous year - 4,900) in Superb Intelligence Services Private Limited of INR 10/- each fully paid up | 0 | 49 |
| Non Trade Investments (at cost) | | |
| Investment in Equity Instruments (Unquoted) – Others | | |
| 2,500 equity shares (Previous year – nil) in Saraswat Bank of Rs. 10 each | 25 | 0 |
| | **25** | **7,039** |
| | **195,328** | **120,329** |

## Note 12 – DEFERRED TAX ASSETS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Deferred Tax Assets** | | |
| Fixed Assets | 155,651 | 166,649 |
| Employee Benefits | 841,655 | 714,447 |
| Doubtful Debts | 91,738 | 54,496 |
| Litigation | 11,384 | 17,439 |
| Accruals and Other | 33,033 | 21,651 |
| Business Loss | 101,074 | 87,287 |
| | **1,234,535** | **1,061,970** |
| **Less: Deferred Tax liabilities** | | |
| Fixed assets | 62,305 | 91,461 |
| Prepayments and Debtors Accrual | 543,249 | 499,288 |
| | **605,554** | **590,750** |
| | **628,981** | **471,220** |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 13 - LONG TERM LOANS AND ADVANCES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Capital Advances** | | |
| Unsecured, considered good | 4,472 | 4,602 |
| | **4,472** | **4,602** |
| **Security Deposits** | | |
| Unsecured, considered good | 221,545 | 148,625 |
| | **221,545** | **148,625** |
| Minimum Alternative Tax "MAT" Credit Entitlement | 19,035 | 0 |
| | **245,052** | **153,227** |

## Note 14 - OTHER NON-CURRENT ASSETS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Preliminary and Pre-operative expenses** | | |
| Unsecured, considered good | 2,051 | 2,847 |
| **Unamortised expenditure** | | |
| Share issue expenses | 4,022 | 447 |
| | **6,073** | **3,294** |

## Note 15 - INVENTORIES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Stock-in-trade (Valued at cost or net realisable value whichever is lower) | 34,909 | 7,044 |
| Uniforms (Valued at cost or net realisable value whichever is lower) | 1,903 | 1,708 |
| Chemicals and consumables (Valued at cost or net realisable value whichever is lower) | 2,877 | 1,854 |
| | **39,689** | **10,606** |

## Note 16 - TRADE RECEIVABLES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Outstanding for a period less than six months from the due date | | |
| Unsecured, considered good | 4,388,730 | 2,746,432 |
| Considered doubtful | 13,654 | 8,278 |
| Less: Provision for doubtful receivables | 13,654 | 8,278 |
| | **4,388,730** | **2,746,432** |
| Other receivables | | |
| Unsecured, considered good | 224,840 | 145,755 |
| Considered doubtful | 263,052 | 148,457 |
| Less: Provision for doubtful receivables | 259,197 | 152,623 |
| | **228,695** | **141,589** |
| | **4,617,425** | **2,888,021** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

### Note 17 – CASH AND CASH EQUIVALENTS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Balances with banks | | |
| Dividend payment accounts | 341 | 228 |
| Margin money/Security against borrowings | 154,099 | 128,088 |
| Restricted balances | 266,821 | 268,449 |
| Balance with Scheduled Banks in Deposit Accounts | 912,211 | 46,835 |
| Other balances | 3,170,153 | 3,045,437 |
| Cash on hand | 4,401 | 3,721 |
| | **4,508,026** | **3,492,759** |

### Note 18 – SHORT-TERM LOANS AND ADVANCES

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Loans and advances to, and other receivables from, related parties** | | |
| Unsecured, considered good | 38,270 | 0 |
| | **38,270** | **0** |
| **Other loans and advances (Deposits with Suppliers)** | | |
| Unsecured, considered good | 634,736 | 541,812 |
| | **634,736** | **541,812** |
| | **673,006** | **541,812** |

### Note 19 – OTHER CURRENT ASSETS

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Unbilled revenue | 3,691,575 | 2,980,197 |
| Interest accrued on deposits | 12,545 | 2,846 |
| Dividend receivable on investments | 0 | 2,154 |
| Other Debtors and prepayments | 308,573 | 252,184 |
| Advance Income Tax / TDS Receivable | 1,118,385 | 597,230 |
| Service Tax credit receivable | 19,909 | 27,855 |
| | **5,150,986** | **3,862,465** |

### Note 20 – CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for)

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Contingent Liabilities** | | |
| Claims against the company not acknowledged as debt | 192,649 | 54,452 |
| Guarantees and bonds issued on behalf of the Group | 1,028,337 | 617,459 |
| Other money for which the Group is contingently liable | 41,393 | 2,696 |
| **Commitments** | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | **1,807** | **1,235** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

### Note 21 – REVENUE FROM OPERATIONS

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| From Manual Guarding Services | 39,820,153 | 34,473,903 |
| From Cash Services | 1,651,282 | 2,869,581 |
| From Training Fees | 54,961 | 11,289 |
| From Fees for Investigation Works | 2,591 | 5,186 |
| From Cleaning Services | 3,869,383 | 826,512 |
| From Pest Control Services | 80,393 | 53,544 |
| From sale of products | 69,344 | 108,647 |
| Other revenue | 122,766 | 13,554 |
| | **45,670,873** | **38,362,216** |

### Note 22 – OTHER INCOME

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Interest Income | 95,612 | 100,645 |
| Net gain/loss on sale of investments | 0 | 33,339 |
| Net gain/loss on sale of fixed assets | 2,608 | 5,839 |
| Foreign exchange gain/loss | 1,661 | (974) |
| Other non-operating income (net) | 470 | 147 |
| | **100,351** | **138,996** |

### Note 23 – COST OF MATERIALS CONSUMED

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Chemicals | 127,682 | 35,857 |
| Uniform and related inventories | 5,578 | 0 |
| Other Items | 1,288 | 0 |
| | **134,548** | **35,857** |

### Note 24 – EMPLOYEE BENEFITS EXPENSE

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Salaries and wages | 33,138,025 | 27,599,960 |
| Contribution to provident and other funds | 4,204,640 | 3,416,292 |
| Employee stock option compensation expense | 76,614 | 35,743 |
| Staff welfare expenses | 467,315 | 394,259 |
| | **37,886,594** | **31,446,254** |

### Note 25 – FINANCE COSTS

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Interest expense | 648,441 | 437,208 |
| Other borrowing costs | 71,646 | 67,359 |
| Foreign exchange gain/loss on financing items | 0 | 394 |
| Bank charges | 28,672 | 18,151 |
| | **748,758** | **523,112** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 26 – OTHER EXPENSES

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| **Other Direct costs** | | |
| Cash van Crew Charges | 106,017 | 150,913 |
| Fuel & Lubricants | 173,303 | 283,644 |
| Repairs and Maintenance – Vehicles | 51,044 | 91,444 |
| Repairs and Maintenance - Equipment | 1,166 | 0 |
| Cash burial charges | 9,776 | 9,351 |
| Vehicle Hire charges | 121,959 | 216,129 |
| Contract Installation Charges | 11,424 | 6,155 |
| Other direct operating costs | 2,614,525 | 2,360,492 |
| | **3,089,214** | **3,118,128** |
| **Training Expenses** | | |
| Training Expense | 25,246 | 22,130 |
| Uniform & Kit Items | 116,663 | 104,036 |
| Freight and Cartage | 3,393 | 6,009 |
| Recruitment Board Expenses | 30,009 | 15,460 |
| Recruitment Expenses | 38,791 | 25,912 |
| Seminar and Symposium | 4,096 | 5,770 |
| Packing Expenses | 0 | 4 |
| | **218,198** | **179,322** |
| **Selling Expenses** | | |
| Business Promotion | 31,758 | 25,614 |
| Royalty Expenses | 10,134 | 6,584 |
| Deduction & Discount | 36,404 | 44,115 |
| Tender Fee | 3,838 | 3,380 |
| | **82,134** | **79,693** |
| **Administrative Expenses** | | |
| Travelling and Conveyance | 642,915 | 600,987 |
| Postage and Telephone | 133,865 | 134,605 |
| Stationary and Printing | 41,333 | 46,972 |
| Rent | 178,773 | 215,228 |
| Rates & Taxes | 32,434 | 40,719 |
| Insurance | 79,057 | 91,737 |
| Repairs and Maintenance – Buildings | 15,649 | 24,230 |
| Repairs and Maintenance – Machinery | 16,564 | 11,556 |
| Repairs and Maintenance – Others | 3,035 | 0 |
| Vehicle Hire Charges | 149,466 | 163,968 |
| Advertisement Expenses | 6,476 | 10,253 |
| Loss on sale of fixed assets | 141 | 0 |
| Directors Travelling | 2,432 | 4,280 |
| Payments to auditors: | | |
| As auditor | 15,063 | 15,948 |
| For taxation matters | 265 | 1,425 |
| For other services | 1324 | 81 |
| Legal and professional fees | 240,525 | 228,540 |
| Communication cost | 5,393 | 0 |
| Bad and doubtful debts provided/written off | 238,277 | 381,998 |
| Preliminary/Pre-operative expenses written off | 2,041 | 2,862 |
| Expenses towards Corporate Social Responsibility | 16,918 | 9,261 |
| Other Administration and General Expenses | 202,185 | 148,446 |
| | **2,024,130** | **2,133,094** |
| | **5,413,677** | **5,510,236** |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## COMPANY OVERVIEW

Security and Intelligence Services (India) Limited ("the Parent") and its subsidiaries, associates and joint ventures ("Group" or "SIS Group") are engaged in rendering security and related services in the areas of manned guarding; physical security; paramedic and emergency response services; cash-in-transit, ATM cash replenishment activities and secure transportation of precious items and bullion; consulting and investigation; training; trading and installation of electronic security devices and systems; and cleaning, house-keeping and pest control management services in the areas of facility management.

## Note 27 – SIGNIFICANT ACCOUNTING POLICIES

**a. Basis of preparation**

The financial statements have been prepared to comply in all material respects with the accounting standards as prescribed by Section 133 of the Companies Act, 2013, read with Rule (7) of the Companies (Accounts) Rules, 2014 and the relevant provisions and requirements of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the entities in the Group since incorporation except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Further, the financial statements are presented in the general format specified in Schedule III to the Companies Act, 2013 ('the Act').

All assets and liabilities have been classified as current or non-current as per the normal operating cycle of each of the Group's entities and other criteria set out in the Schedule III to the Companies Act, 2013 based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The same is then translated to the currency of the primary economic environment in which the holding company operates, viz., Indian Rupees ("INR"). These consolidated financial statements are presented in Indian Rupees, which is the Group's presentation currency.

**b. Basis of Consolidation**

These Consolidated Financial Statements ("CFS") are based, in so far as they relate to amounts included in respect of subsidiaries, associates and joint ventures on the audited financial statements prepared for consolidation in accordance with the requirements of Accounting Standard - 21 (AS 21) on "Consolidated Financial Statements", Accounting Standard - 23 (AS 23) on "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard - 27 (AS 27) on "Financial Reporting of Interests in Joint Ventures" by each of the included entities.

In case of subsidiaries, line-by-line consolidation of the Statement of Profit and Loss and Balance Sheet is done by aggregating like items of assets, liabilities, income and expenses. The excess / deficit of the cost of its investments in its subsidiaries over its share of net worth of the subsidiaries at the date of investment in the subsidiaries are treated as goodwill / capital reserve in the CFS (Consolidated Financial Statements). The goodwill is disclosed as an asset and capital reserve as a reserve in the Consolidated Balance Sheet.

Minority interest in the net income (profit after tax) for the reporting period is identified and shown separately in the Statement of Profit and Loss and adjusted against the Group income to arrive at the net income of the Group; likewise the minority interest in the net assets of the consolidated subsidiaries is identified and presented separately on the liabilities side in the Consolidated Balance Sheet.

Inter-Company transactions balances and unrealised gains on transactions between Group companies are eliminated for arriving at the CFS of the Group. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

On acquisition of a subsidiary or a business, the goodwill / capital reserve arising from such acquisition is included in the carrying amount of the investment and also disclosed separately. Only the share of net profits / losses of associates is considered in the Consolidated Statement of Profit and Loss. The carrying amount of the investment in associates is adjusted by the share of net profits / losses in the Consolidated Balance Sheet.

**c. Use of estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Group may undertake in future, actual results ultimately may differ from the estimates.

**d. Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue comprises the value for the rendering of services and sale of goods and is net of rebates and discounts. Revenue is recognized as follows:

Revenue from services represents the amounts receivable for services rendered.

a. For non-contract based business, revenue represents the value of goods delivered or services performed.

b. For contract based business, revenue represents the sales value of work carried out for customers during the period. Such revenues are recognised in the period in which the service is provided.

c. Unearned revenue represents revenue billed but for which services have not yet been not yet been performed and is included under Advances from customers. The same is released to the profit and loss account as and when the services are rendered.

d. Revenue from the use of assets such as rent for using fixed assets is recognized on a straight-line basis over the terms of the related leases.

For sale of goods, revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably and the amount of revenue can be measured reliably.

Interest on deployment of surplus funds is recognized using the time proportionate method, based on the interest rate implicit in the transaction.

Dividend income from financial assets is recognized in profit or loss as part of revenue from continuing operations when the company's right to receive payments is established.

**e. Fixed assets**

Fixed assets and Intangible assets are stated at cost of acquisition less accumulated depreciation/amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost, including freight, duties, levies and direct incidental expenses, of bringing the asset to its working condition for its intended use and also includes cost of modification and improvements to leased assets. Borrowing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

**Goodwill**

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is allocated to cash generating units and tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

**Brand name**

Brand name is not amortised and tested annually for impairment.

**Software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials, services, and direct payroll and payroll related costs of employees' time spent on the project.

Capital work in progress (CWIP) comprises the cost of fixed assets that are not yet ready for their intended use as on the balance sheet date.

Advances paid to acquire fixed assets and outstanding on the date of the balance sheet are disclosed under "Long term loans and advances"

**f. Depreciation**

Depreciation on fixed assets, except service equipment, software, leased assets and leasehold improvements, is provided based on the useful life of the assets as prescribed under Schedule II to the Companies Act 2013, and/or which are estimated to be the useful life of fixed assets by the management and considering residual values on the basis of past experience. Additions are depreciated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

The written down value method of depreciation is followed by the Parent, subsidiaries, associates and joint ventures incorporated in India. For those entities of the Group not incorporated in India, the straight-line method of depreciation is followed. These methods have been followed consistently by the respective entities since incorporation.

Service equipment is depreciated over its useful life as technically assessed.

Leasehold improvements on operating leases are depreciated over the shorter of the period of the lease and their estimated useful lives.

Intangible assets comprise of software and goodwill arising on consolidation or acquisition. Software assets are amortised over a period of 3-6 years, based on their estimated useful life as ascertained by the management. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Goodwill arising on consolidation or acquisition is not amortised but is tested for impairment. Acquired goodwill is amortised over a period of 4 years on straight-line basis.

Assets acquired/purchased as part of the acquisition of business are depreciated over a period estimated to be the remaining useful life of fixed assets by the management.

**g. Borrowing Costs**

Borrowing costs include interest, other costs incurred in connection with borrowing and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to the interest cost. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

**h. Leases**

Finance leases, which effectively transfer to the entities of the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the entities of the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

**i. Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and 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. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**j. Inventory**

Inventories are carried at the lower of cost or net realizable value and are valued using the actual cost of purchase on a first-in-first-out (FIFO) basis. Cost includes custom duty, freight and other charges as applicable. The Group periodically reviews inventories to provide for diminution in the value of, and/or any unserviceable or obsolete, inventories.

**k. Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried 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 recognise a decline other than temporary in the value of the investments.

**Investments in associates**

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition The Group's share of its associates' post-acquisition profits or losses is recognised in the income statements, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

**l. Retirement benefits**

**Defined Contribution Plan**

The Group's policy is to contribute, on a defined contribution basis, for eligible and employees, to Employee's Provident Fund and Employee Pension Scheme towards post-employment benefits, all of which are administered by the respective Government authorities and has no further obligation beyond making its contribution which is expected in the year in which it pertains.

In respect of entities of the Group not incorporated in India, contributions to superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**Defined Benefit Plan**

**Gratuity:**

The Group has a defined benefit plan, viz., Gratuity, for all its employees, and the Group's policy is to determine the liability for this benefit and to accrue and provide for the same as determined by an independent actuarial valuation as per the requirements of Accounting Standard - 15 on "Employee Benefits". A portion of this liability for gratuity is contributed, by certain entities, to a fund administered and operated by a reputed insurance company. Actuarial gains or losses, if any, are recognised immediately in Statement of Profit and Loss as income or expense.

**Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, long service leave and annual leave expected to be settled within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as other payables and accruals.

**Other long-term employee benefits**

In respect of leave entitlement of employees, which is carried forward per the leave policy of the respective entities of the Group, the liability is accrued and provided for as determined by an independent actuarial valuation as per the requirements of Accounting Standard - 15 on "Employee Benefits". Actuarial gains or losses, if any, are recognised immediately in Statement of Profit and Loss as income or expense

In respect of those employees who are entitled to an encashment of the leave at the end of every calendar year, a provision is created to account for the liability.

The liability for long service leave and annual leave which is not expected to be settled within twelve months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in statements of comprehensive income. The obligations are presented as current liabilities in the balance sheets if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

**m. Taxes on income**

Tax expense comprise of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the respective tax legislation in the jurisdiction of the countries in which the entity of the Group is incorporated. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Minimum Alternate Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the entity of the Group will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the entity of the Group will pay normal income tax during the specified period

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

The tax expense in the consolidated financial statements is the aggregate of the amounts of tax expense appearing in the separate financial statements of the parent and its subsidiaries.

**Tax consolidation legislation**

SIS Australia Holdings Pty Ltd and its wholly-owned Australian controlled entities are members of a consolidated group under the tax consolidation legislation prevalent in Australia. The head entity and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

**n. Foreign currency translation**

**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.

**Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items that are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items that are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

**Exchange differences**

Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Group at rates different from those at which they were initially recorded during the year or reported in previous financial statements are recognised as income or as expenses in the year in which they arise except those pertaining to fixed assets which have been acquired from a country outside India, in which case the exchange difference arising on borrowings are adjusted to the cost of the fixed asset.

**Forward exchange contracts**

The Group uses forward exchange contracts to hedge its exposure to movements in foreign exchange rates. The Group does not use the forward exchange contracts for trading or speculation purposes. In respect of foreign currency monetary assets or liabilities in respect of which forward exchange contract is taken, the premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract, except where it relates to fixed assets in which case it is adjusted to the cost of the corresponding asset. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

**o. 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 preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**p. Provisions**

A provision is recognized when an entity of the Group has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its 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. In respect of losses that are covered by insurance, such losses are recognised as an expense when there is clear evidence or determination or probability that any portion of the loss is not expected to be settled through insurance or other forms of recovery.

**q. Contingent Liabilities**

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

**r. Preliminary expenses**

Preliminary and pre-incorporation expenses are recognised in Statement of Profit and Loss in the first financial period/year following incorporation.

**s. Deferred revenue expenses**

Share/debenture issue expenses are amortized over a period of five years on a straight line basis.

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

## Note 28 – Other Notes to Accounts

**1. Entities included**

a. Subsidiaries

The subsidiaries (which along with Security & Intelligence Services (India) Limited, the Parent, constitute the Group) considered in the preparation of these Consolidated Financial Statements are:

| Name | Country of incorporation | Percentage of ownership interest as at 31 March 2017 | Percentage of ownership interest as at 31 March 2016 |
|---|---|---|---|
| Service Master Clean Limited | India | 100.00% | 100.00% |
| Tech SIS Limited | India | 100.00% | 100.00% |
| Terminix SIS India Private Limited | India | 50.01% | 50.01% |
| Sunrays Overseas Private Limited | India | 100.00% | 100.00% |
| Vardan Overseas Private Limited | India | 100.00% | 100.00% |
| Dusters Total Solutions Private Limited | India | 78.72% | 0.00% |
| Lotus Learning Private Limited | India | 100.00% | 0.00% |
| SIS Business Support Services Private Limited | India | 100.00% | 0.00% |
| SISCO Security Services Private Limited | India | 100.00% | 0.00% |
| SIS International Holdings Limited | BVI | 100.00% | 100.00% |
| SIS Asia Pacific Holdings Limited | Malta | 100.00% | 100.00% |
| SIS Australia Holdings Pty Ltd | Australia | 100.00% | 100.00% |
| SIS Australia Group Pty Ltd | Australia | 100.00% | 100.00% |
| SIS Group International Holdings Pty Ltd | Australia | 100.00% | 100.00% |
| MSS Strategic Medical and Rescue Pty Ltd | Australia | 100.00% | 100.00% |
| SIS MSS Security Holdings Pty Ltd | Australia | 100.00% | 100.00% |
| MSS Security Pty Ltd | Australia | 100.00% | 100.00% |
| Australian Security Connections Pty Ltd | Australia | 100.00% | 100.00% |

b. The Group's Associates/Joint Venture entities are:

The associates considered in the preparation of these Consolidated Financial Statements are:

| Name | Country of incorporation | Percentage of ownership interest as at 31 March 2017 | Percentage of ownership interest as at 31 March 2016 |
|---|---|---|---|
| Southern Cross Protection Pty Ltd | Australia | 10.00% | 10.00% |
| SIS Prosegur Alarm Monitoring & Response services Private Limited | India | 50.00% | 50.00% |
| SIS Cash Services Private Limited | India | 49.00% | 49.00% |
| SIS Prosegur Holdings Private Limited | India | 49.00% | 49.00% |
| SIS Prosegur Cash Logistics Private Limited | India | 49.00% | 49.00% |

During the year, the Group has received dividends aggregating INR 6,835 (previous year – INR 6,649) in respect of the investments in associates.

All in INR 000s except share data

**2. Related party disclosures**

Names of related parties

| | |
|---|---|
| Key Management Personnel and their relatives | Mr. Ravindra Kishore Sinha (Chairman) |
| | Mrs. Rita Kishore Sinha (Director) |
| | Mr. Uday Singh (Chief Executive Officer and Director) |
| | Mr. Rituraj Kishore Sinha (Managing Director) |
| | Mr. Arvind Kumar Prasad (Director - Finance) |
| | Mr. Devesh Desai (Chief Financial Officer, International Business) |
| | Ms. Pushpa Latha Katkuri (Company Secretary and Compliance Officer) |
| Associates/Joint Venture entities | Southern Cross Protection Pty Ltd. (Associate) |
| | SIS Prosegur Alarm Monitoring & Response services Private Limited (Joint venture) |
| | SIS Cash Services Private Limited (Joint venture) |
| | SIS Prosegur Holdings Private Limited (Joint venture) |
| | SIS Prosegur Cash Logistics Private Limited (Joint venture) |
| Enterprises owned or significantly influenced by group of individuals or their relatives who have control or significant influence over the Company | Saksham Bharat Ltd |
| | Security Skills Council India Ltd |
| | SIS Group Enterprises Ltd. |
| | Mahamanav Mritunjay Institute of Yoga & Alternative Medicine Limited |
| | Mritunjay Educational Foundation Limited |
| | Rituraj Resorts Limited |
| | Superb Intelligence Services Private Limited |
| | SIS Asset Management Private Limited |

| | | Associates | Key management personnel and their relatives | Enterprises owned or significantly influenced by group of individuals or their relatives who have control or significant influence over the Company | Total |
|---|---|---|---|---|---|
| **Transactions during the period** | | | | | |
| Dividend Received | Mar-16 | 6,649 | NIL | NIL | 6,649 |
| | Mar-17 | 6,835 | NIL | NIL | 6,835 |
| Administrative Expenses Paid | Mar-16 | NIL | NIL | 7,490 | 7,490 |
| | Mar-17 | NIL | NIL | 11,703 | 11,703 |
| Service charges / other Income received | Mar-16 | 2,600 | NIL | 30,275 | 32,875 |
| | Mar-17 | 12,041 | NIL | 32,086 | 44,127 |
| Salary & remuneration paid | Mar-16 | NIL | 29,921 | NIL | 29,921 |
| | Mar-17 | NIL | 43,915 | NIL | 43,915 |
| Rent received | Mar-16 | NIL | NIL | NIL | NIL |
| | Mar-17 | NIL | NIL | 480 | 480 |
| Other Direct Operating Cost Paid | Mar-16 | 176,990 | NIL | NIL | 176,990 |
| | Mar-17 | 193,490 | NIL | NIL | 193,490 |
| Rent paid | Mar-16 | NIL | 18,467 | 840 | 19,307 |
| | Mar-17 | NIL | 18,646 | 840 | 19,486 |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

| | | Associates | Key management personnel and their relatives | Enterprises owned or significantly influenced by group of individuals or their relatives who have control or significant influence over the Company | Total |
|---|---|---|---|---|---|
| **Balances outstanding at end of period** | | | | | |
| Share Capital (including share premium) | Mar-16 | NIL | NIL | NIL | NIL |
| | Mar-17 | NIL | 96,342 | NIL | 96,342 |
| Investment in Equity Shares (including Share Premium) | Mar-16 | 113,133 | NIL | 7,039 | 120,172 |
| | Mar-17 | 120,333 | NIL | NIL | 120,333 |
| Other payable & Accrual | Mar-16 | 519 | 105 | NIL | 624 |
| | Mar-17 | 1,148 | 8,604 | NIL | 9,752 |
| Loan & advances and Other receivables | Mar-16 | 116 | NIL | 58,343 | 58,458 |
| | Mar-17 | 2,738 | NIL | 62,869 | 65,607 |

3. **Leases:**

The entities of the Group have entered into operating lease agreements. Disclosures required under AS 19 – Accounting for Leases is as given below:

a. *Operating leases*

Operating lease arrangements comprise of office premises and Barracks. All the lease agreements are cancellable with a notice period ranging from 2 months to 6 months. Operating lease arrangements comprise of office premises and cash vaults. All the lease agreements are cancellable with a notice period ranging from 2 months to 6 months.

Operating lease agreements for office premises are for periods ranging from one to nine years. Some of the leased premises can be renewed at terms mutually agreeable to the Company and the lessor.

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Lease rentals recognized in profit & loss account for the period | 496,969 | 510,307 |
| Minimum Lease Payments: | | |
| - Not later than one year | 216,928 | 158,345 |
| - Later than one year but not later than five years | 490,829 | 358,715 |
| - Later than five years | 343,895 | 180,393 |

4. **Earnings per share (EPS)**

| Particulars | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|---|---|
| Consolidated Profit for computation of basic and diluted EPS | 906,072 | 432,847 |
| Weighted average number of shares considered for basic EPS (INR 10 par value) | 68,680,867 | 68,074,270 |
| Weighted average number of shares considered for diluted EPS (INR 10 par value) | 70,062,029 | 68,287,197 |
| Basic earnings per share (in INR) | 13.19 | 6.36 |
| Diluted earnings per share (in INR) | 12.93 | 6.34 |

5. **Employee Benefits**

Till March 31, 2015, certain entities of the Group were providing for gratuity and leave benefits on actual basis. In the current year, these entities of the Group have applied Accounting Standard 15 (Revised). Accordingly, these entities of the Group have changed the basis of providing gratuity and leave benefits, resulting in estimated liability of as at April 1, 2015 being higher by INR 232,758 and INR 31,667 respectively. During the year ended March 31, 2016 these entities of the Group have, therefore, accrued and provided for, and created a liability for, an amount of INR 307,612 towards gratuity and an amount of INR 37,661 towards leave as at March 31, 2016. Thus, the effective charge for the year ended March 31, 2016 towards the liabilities for gratuity and leave is INR 74,854 and INR 5,995 respectively.

All in INR 000s except share data

Liability for Employee benefit expenses has been determined by an actuary appointed for the purpose in conformity with the principles set out in the Accounting Standard 15 (revised) the details of which are hereunder:

a) Funded Scheme - Gratuity

**Reconciliation of opening and closing balances of Defined Benefit Obligation**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Benefit obligation at the beginning of year | 362,100 | 281,018 |
| Current Service Cost | 81,443 | 57,017 |
| Interest Cost | 31,857 | 24,151 |
| Actuarial (gain) / Loss | 16,936 | 9,539 |
| Benefits paid | -28,251 | -9,625 |
| Liability on account of business acquisitions | 67,530 | 0 |
| **Defined Benefit obligation at year end** | **531,615** | **362,100** |

**Reconciliation of opening and closing balances of fair value of Plan Assets**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Fair value of Plan Assets | 95,834 | 76,884 |
| Expected Return On Plan Asset | 5,182 | 4,303 |
| Actuarial Gain/Losses | -2,870 | -676 |
| Contribution by Employer | 58,049 | 24,948 |
| Benefits Paid | -22,904 | -9,625 |
| **Actual Return on plan Asset** | **133,291** | **95,834** |

**Reconciliation of fair value of Assets and Obligations**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Fair value of Plan Assets | 133,291 | 95,834 |
| Present value of Obligation | 531,615 | 362,100 |
| **Amount recognised in Balance Sheet** | **(398,324)** | **(266,265)** |

**Expenditure to be recognized during the period**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Current Service Cost | 81,443 | 57,017 |
| Interest Cost | 31,857 | 24,151 |
| Expected return on Plan assets | -5,182 | -4,303 |
| Actuarial (gain) / loss | 19,807 | 10,755 |
| **Expenses recognised in the statement of profit & losses** | **127,924** | **87,620** |

All in INR 000s except share data

**Principal Actuarial Assumptions**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| Discounted Rate | 6.55% | 7.40% |
| Future salary escalation rate (per annum) | | |
| Direct employees | 5.00% | 5.00% |
| Indirect employees | 8.00% | 8.00% |
| Expected Rate of return on plan assets | 7.50% | 7.50% |

b) **Unfunded Scheme – Earned & Sick Leaves**

| Particulars | As at 31 March 2017 | As at 31 March 2016 |
|---|---|---|
| **Unfunded Schemes** | | |
| Present Value of unfunded obligations | 51,873 | 35,894 |
| Expenses to be recognized in the statement of Profit and Loss | 15,919 | 5,561 |
| Discount Rate (Per Annum) | 6.55% | 7.40% |
| Future salary escalation rate (per annum) | | |
| Direct employees | 5.00% | 5.00% |
| Salary Escalation rate (Per Annum) | 8.00% | 8.00% |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

**6. Segment disclosures:**

The Group's primary business segments are Manned Guarding, Cash Logistics, Electronic Security and Facility Management services. The Group operates primarily in 2 geographies, viz., India and Australia. In Australia, the Group's business consists only of Manned Guarding. However, since Cash Logistics, Electronic Security and Facility Management services individually constitute less than 10% of both the revenues and profits of the Group, they are combined under the "Others" category. Therefore, given that the risks and returns of each business and geography in which they operate are different, the segment results of the Group are presented geographically for each the Group's business across India and Australia to enable better appreciation of the risks and returns of the Group across its various businesses and geographies in which they operate.

| Segment wise results | Year ended March 31, 2017 | | | | | Year ended March 31, 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Security Services (India) | Others (India) | Total (India) | Security Services (Outside India) | Total | Security Services (India) | Others (India) | Total (India) | Security Services (Outside India) | Total |
| Revenue | 15,874,803 | 5,850,720 | 21,725,523 | 23,945,350 | 45,670,873 | 12,736,782 | 3,685,378 | 16,422,160 | 21,940,056 | 38,362,216 |
| Results | 700,360 | 45,022 | 745,382 | 1,021,667 | 1,767,049 | 215,068 | (296,395) | (81,328) | 861,471 | 780,344 |
| Profit before Interest and Taxes | 700,360 | 45,022 | 745,382 | 1,021,667 | 1,767,049 | 215,068 | (296,395) | (81,328) | 861,471 | 780,344 |
| Interest Expense | 528,567 | 69,313 | 597,880 | 150,879 | 748,758 | 186,985 | 105,515 | 292,500 | 144,709 | 437,208 |
| Interest, Dividend & Other Income | 62,723 | -23,915 | 38,808 | 61,543 | 100,352 | 57,954 | 46,150 | 104,104 | 36,935 | 138,996 |
| Profit before Tax | 234,516 | -48,205 | 186,310 | 932,331 | 1,118,642 | 86,037 | (355,760) | (269,723) | 769,307 | 499,584 |
| Taxes | -27,638 | -26,179 | -53,817 | 273,745 | 219,928 | 40,909 | (90,042) | (49,133) | 243,145 | 194,012 |
| Profit after Tax | 262,154 | -22,027 | 240,127 | 658,587 | 898,714 | 45,128 | (265,718) | (220,590) | 526,162 | 305,572 |

| Segment-wise Assets and Liabilities | Year ended March 31, 2017 | | | | | | | Year ended March 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Security Services (India) | Others (India) | Less: Inter company | Total (India) | Security Services (Outside India) | Less: Inter company | Total | Security Services (India | Others (India) | Less: Inter company | Total (India) | Security Services (Outside India) | Less: Inter company | Total |
| Assets | 7,074,651 | 5,774,336 | -638,751 | 12,210,236 | 8,046,257 | -1,294 | 20,255,199 | 4,532,879 | 2,006,428 | -38,326 | 6,500,981 | 7,403,776 | 0 | 13,904,757 |
| Unallocated Corporate Assets | 1,955,207 | 2,184,178 | -4,487,895 | -348,511 | 2,361,950 | -1,779,842 | 233,598 | 640,401 | 1,318,945 | -941,538 | 1,017,809 | 1,488,930 | -1,602,046 | 904,693 |
| Total Assets | 9,029,858 | 7,958,513 | -5,126,646 | 11,861,726 | 10,408,207 | -1,781,136 | 20,488,796 | 5,173,281 | 3,325,373 | -979,863 | 7,518,790 | 8,892,707 | -1,602,046 | 14,809,450 |
| Liabilities | 7,235,457 | 3,037,841 | -1,783,205 | 8,490,093 | 6,303,535 | 0 | 14,793,638 | 3,805,337 | 1,060,878 | -73,909 | 4,792,306 | 5,456,840 | 0 | 10,249,146 |
| Unallocated Corporate Liabilities | 81,035 | 308,881 | -271,565 | 118,351 | 54,220 | -54,220 | 118,351 | 84,836 | 68,556 | -59,755 | 93,637 | 0 | -59,340 | 34,297 |
| Total Liabilities | 7,316,492 | 3,346,722 | -2,054,770 | 8,608,444 | 6,357,765 | -54,220 | 14,911,989 | 3,890,172 | 1,129,434 | -133,664 | 4,885,942 | 5,456,840 | -59,340 | 10,283,443 |

| Segment-wise Capital Expenditure and Depreciation | Year ended March 31, 2017 | | | | | Year ended March 31, 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Security Services (India) | Others (India) | Total (India) | Security Services (Outside India) | Total | Security Services (India) | Others (India) | Total (India) | Security Services (Outside India) | Total |
| Capital Expenditure | 462,891 | 120,160 | 583,051 | 87,338 | 670,389 | 438,525 | 485,361 | 923,886 | 77,140 | 1,001,026 |
| Depreciation | 236,976 | 164,510 | 401,487 | 54,979 | 456,466 | 210,309 | 106,471 | 316,780 | 54,125 | 370,904 |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

7. **Employee Stock Options:**

**ESOP 2008**

In 2011, the Parent announced a grant of stock options under which a total of 30,000 options were granted to 285 employees and the said options were to vest over a period of two years.

During the year ended March 31, 2012, the ESOP Remuneration Committee allotted 12,876 shares to 279 employees under the said scheme.

During the year ended March 31, 2013, the ESOP Remuneration Committee announced the vesting of 11,511 options to eligible employees and the remaining 5,613 options either lapsed or were forfeited in terms of the plan.

During the year ended March 31, 2014, 2015 & 2016 a further 259 options, 535 Options and 362 options respectively were forfeited in respect of employees who have left the company. The remaining 10,355 options to 185 employees, which vested in the year ended March 31, 2013, are now exercisable by the employees over a period of two years subject to certain conditions being fulfilled.

In 2014, the ESOP Remuneration Committee announced another grant under which a total of 30,500 options were granted to 4 employees including one employee of a subsidiary in the Group. Against that 25,000 and 1,500 shares were allotted during the year ended March 31, 2016 and year ended March 31, 2017 respectively. The remaining 4,000 options are to vest in tranches over the next 2 years.

In 2015, the ESOP Remuneration Committee announced another grant under which a total of 3,500 options were granted which were vested and exercised in the year ended March 31, 2017.

In 2016, the ESOP Remuneration Committee announced another grant under which a total of 2,096 options were granted which will vest and be exercised over a period of four year from the date of the grant.

**ESOP 2016**

In 2016, the ESOP Remuneration Committee announced ESOP 2016 under which it granted a total of 1,216,000 options which will vest over a period of four years from the date of the grant. 10%, 20%, 30% and 40% of vested options will be eligible for exercise after one year, two year, three year and four year respectively from the date of grant subject to fulfilment of certain conditions.

All options under ESOP 2008 will now be governed by the terms of ESOP 2016 except in respect of vesting and exercise which will still be governed by the terms mentioned in the respective grant letters. The options granted under ESOP 2008 will be adjusted for the bonus issue in September 2016 when the same are exercised by the option holders.

**The status of options issued as on 31 March 2017 is as under:**

| | ESOP 2008 | | | | ESOP 2016 | |
|---|---|---|---|---|---|---|
| | ESOPs granted in | | | | | |
| | 2011 | 2014 | 2015 | 2016 | 2016 | Total |
| Total No. of Options available under the Scheme as on April 1, 2016 | 10,355 | 5,500 | 3,500 | 0 | 0 | 19,355 |
| Exercise Price | INR 10/- | INR 10/- | INR 10/- | INR 10/- | INR 10/- | INR 10/- |
| Exercise Period (from the date of grant of the option) | 2 years | 4 years | 1 Year | 4 years | 4 years | |
| Options Issued during the year | Nil | Nil | Nil | 2,096 | 1,216,000 | 1,218,096 |
| Options vested and exercised during the year | Nil | 1,500 | 3,500 | Nil | Nil | 5,000 |
| Options forfeited/lapsed during the year | 361 | Nil | Nil | Nil | 11,850 | 12,211 |
| Outstanding Stock Options | 9,994 | 4,000 | Nil | 2,096 | 1,204,150 | 1,220,240 |

All in INR 000s except share data

8. During the year, the entities of the Group in India had specified bank notes of other denomination note as required in the MCA notification G.S.R 308(E) dated 30 March 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from 8 November 2016 to 30 December 2016. The denomination wise SBNs and other notes as per the notification is given below:

| Particulars | SBNs* | Other denomination notes | Total |
|---|---|---|---|
| Closing cash in hand as on November 8, 2016 | 129,294 | 1,229 | 130,523 |
| Add: Permitted receipts | 44 | 36,738 | 36,782 |
| Less: Permitted payments | 1,257 | 15,864 | 17,121 |
| Less: Amount deposited in Banks | 128,081 | 17,960 | 146,041 |
| **Closing cash in hand as on December 30, 2016** | **-** | **4,143** | **4,143** |

** For the purposes of this clause, the term "Specified Bank Notes" shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic affairs number S.O. 3407(E), dated 8th November, 2016.*

9. During the year, the Parent has incurred a sum of INR 16,918 (previous year - INR 9,261) towards CSR activity and INR 3,604 (previous year - INR 200) for donation to political party & others.

10. Contingent liability: Disputed claims against the Group, including claims raised by the tax authorities (e.g Service tax) and which are pending in appeal /court and for which no reliable estimate can be made of the amount of the obligation, are not provided for in the accounts but are disclosed in the notes to accounts as "Claims against the company not acknowledged as debt" in Note 20.

    However, the present obligation, if any, as a result of past events with a possibility of outflow of resources, when reliably estimable, is recognized in the accounts as an expense as and when such obligation crystallises.

11. As per The Payment of Bonus (Amendment Act), 2015, notified by the Ministry of Labour & Employment, Government of India, there has been an increase in the amount of bonus payable to eligible employees with effect from a retrospective date of April 1, 2014. As a result of this amendment, and inspite of several High courts having stayed the retrospective application of this amendment, as a matter of abundant caution, certain entities of the Group have, during the year ended March 31, 2016, provided for an amount of INR 87,525 as additional bonus for the year ended March 31, 2015. As a result, the Group's profit for the year ended March 31, 2016 is lower by the said amount.

12. As a part of an ongoing review, one of the joint venture entities in the Group has identified significant delays in collections of receivables from some customers and has been engaged in discussions with them to reconcile and collect the outstanding amounts. However, as a matter of prudence, these Joint Venture has provided for an amount of INR 188,652 (previous year – INR 216,213) as there may be some uncertainties on the recovery of a portion of some of these amounts outstanding as on balance sheet date. The amount of this provision is recognized in the profit or loss within "other expenses".

13. **Demerging Business:**

    The board of directors have, by resolutions dated September 20, 2016, November 11, 2016 and December 16, 2016, approved a composite scheme of arrangement under sections 391 to 394 of the Companies Act, 1956 between the Parent ("SIS"), Service Master Clean Limited ("SMC"), SIS Asset Management Private Limited (formerly known as Tech SIS Access Management System Private Limited) and their respective shareholders and creditors ("Demerger Scheme"). The Demerger Scheme contemplates the demerger, transfer and vesting of

    (a) the consultancy and investigation business of the Parent, including all related assets, properties, identified investments (direct, or through nominees), liabilities and provisions, employees, business contracts and movable and immovable properties, as well as certain compulsorily convertible shares allotted or deemed to be allotted pursuant to the Demerger Scheme ("SIS Demerging Business"), and

    (b) the payroll outsourcing business of SMC, including all related assets, properties, identified investments (direct, or through nominees), liabilities and provisions, employees, business contracts and movable and immovable properties ("SMC Demerging Business") to SIS Asset Management Private Limited, on a going concern basis (such transaction, the "Proposed Demerger").

During the year ended March 31, 2017, revenues from the SMC Demerging Business and the SIS Demerging Business (collectively, the "Demerging Businesses") accounted for INR 14.64 million and INR 2.59 million, respectively.

The Parent has filed the demerger scheme with the National Company Law Tribunal, Kolkata ("NCLT") who has the jurisdiction authority in this case, on January 13, 2017, for its approval. NCLT, Kolkata Bench, by its order dated May 26, 2017, has directed to convene the meeting of the equity shareholders of SIS and meetings of the secured and unsecured creditors of SIS and SMC for approval of the proposed scheme of demerger. Accordingly, the Demerger Scheme remains subject to (a) consents and approvals of the Central Government or any government authorities, (b) the approval of the shareholders and creditors of the respective companies, (c) the approval of the NCLT, (d) certified copies of the orders of the NCLT being filed with the ROC, and (e) compliance with any other conditions as may be imposed by the NCLT.

Some of the key terms of the Demerger Scheme are as follows:

(i) The Demerger Scheme envisages the transfer of the Demerging Businesses to SIS Asset Management Private Limited, for Consideration (defined hereinafter) and in accordance with section 2(19AA) of the Income Tax Act. The Demerger Scheme has been drawn up to comply with the conditions relating to a demerger under section 2(19AA) of the Income Tax Act, and if found inconsistent with this section, shall stand modified to the extent required for compliance.

(ii) The "Appointed Date" for the Demerger Scheme is proposed to be July 1, 2016.

(iii) The Demerger Scheme, inter alia, provides for, in consideration for the transfer of the Demerging Businesses, the issuance by SIS Asset Management Private Limited of (a) 43,070,000 fully paid-up compulsorily convertible preference shares of INR 10 each ("CCPS") proportionately for every 19,512,800 equity shares of INR 10 each of SMC held by shareholders of SMC on the Appointed Date, and (b) 16,520,000 equity shares of INR 10 each of SIS Asset Management Private Limited for every 6,202,659 Equity Shares held by shareholders of our Company on the Appointed Date ("Consideration"). Any CCPS allotted, or deemed to be allotted to the Company (on account of the Company being a shareholder of SMC) as consideration for transfer of the SMC Demerging Business would stand cancelled;

(iv) Upon approval of the Demerger Scheme, with effect from the Appointed Date, as noted by the board of directors by their resolutions dated September 20, 2016, November 11, 2016 and December 16, 2016, sixteen immovable properties owned by the Company and three investments owned by SMC ("Demerged Properties") shall be transferred to, and vest with, SIS Asset Management Private Limited. The Demerged Properties consist primarily of land and buildings, including our administrative office, our training centres at Garwha, Jharkhand (including academic blocks and hostels), Dehradun and Cuttack and investments by SMC in Vardan and Sunrays, which own our corporate office.

As on March 31, 2017, the book value of the assets pertaining to the SIS Demerging Business and SMC Demerging Business aggregated to INR 156.88 million and INR 430.00 million respectively. The board of directors of SIS Asset Management Private Limited has, by its resolution dated September 20, 2016, evinced an intention to enter into leasehold arrangements, on arms' length basis with the Company post-demerger to enable us to continue to utilise certain identified Demerged Properties, including our corporate office, administrative office and our training centres at Garwha, Jharkhand (including academic blocks and hostels), Dehradun and Cuttack, post the demerger.

(Figures for the previous year have been rearranged to conform to the revised presentation)

All in INR 000s except share data

**14.** Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013:

| | Name of the Entity | Net Assets | | Share in Profit or (Loss) | |
|---|---|---|---|---|---|
| | | As a % of consolidated Net Assets | Amount (in INR 000s) | As a % of consolidated Profit/(Loss) | Amount (in INR 000s) |
| **Parent Co** | **Security & Intelligence Services (India) Limited** | **23.32%** | **1,266,408** | **33.10%** | **297.463** |
| | | | | | |
| **Subsidiaries** | **Indian** | | | | |
| | Service Master Clean Limited | 24.32% | 1,321,041 | -1.83% | -16,441 |
| | Tech SIS Limited | 0.43% | 23,245 | 0.76% | 6,852 |
| | Terminix SIS India Private Limited | 0.14% | 7,656 | -5.12% | -46,002 |
| | Sunrays Overseas Private Limited | 0.03% | 1,670 | -0.53% | -4,789 |
| | Vardan Overseas Private Limited | 0.02% | 1,322 | -0.54% | -4,863 |
| | SIS Business Support Services Private Limited | 0.00% | -11 | 0.00% | -12 |
| | SISCO Security Services Private Limited | 0.00% | -11 | 0.00% | -12 |
| | Dusters Total Solutions Private Limited | 2.03% | 110,067 | 9.53% | 85,633 |
| | Lotus Learning Private Limited | -0.46% | -25,213 | -0.18% | -1,640 |
| | | | | | |
| **Joint Venture** | **Indian** | | | | |
| | SIS Cash Services Private Limited | -3.53% | -191,880 | -0.80% | -7,222 |
| | SIS Prosegur Holdings Private Limited | 6.74% | 366,033 | -1.38% | -12,423 |
| | SIS Alarm Monitoring and Response Services Private Limited | 2.80% | 152,011 | -3.05% | -27,398 |
| | SIS Prosegur Cash Logistics Private Limited | 0.00% | 51 | 0.00% | -8 |
| | | | | | |
| **Subsidiaries** | **Foreign** | | | | |
| | SIS International Holdings Limited | 0.00% | 0 | 0.00% | 0 |
| | SIS Asia Pacific Holdings Limited | 0.00% | 0 | 0.00% | 0 |
| | SIS Australia Holdings Pty Ltd | 0.48% | 25,874 | -3.49% | -31,410 |
| | SIS Australia Group Pty Ltd | -27.49% | -1,493,011 | -5.29% | -47,543 |
| | SIS Group International Holdings Pty Ltd | 22.76% | 1,235,916 | 1.16% | 10,429 |
| | MSS Strategic Medical and Rescue Pty Ltd | 1.09% | 59,213 | 2.01% | 18,108 |
| | SIS MSS Security Holdings Pty Ltd | 20.13% | 1,093,039 | 0.09% | 832 |
| | MSS Security Pty Ltd | 29.88% | 1,622,892 | 75.57% | 679,160 |
| | Australian Security Connections Pty Ltd | 0.01% | 497 | 0.00% | 0 |
| | Less: Minority Interest in all subsidiaries | -2.69% | -145,878 | 0.00% | 0 |
| | Total | 100.00% | 5,430,929 | 100.00% | 898,714 |

(Figures for the previous year have been rearranged to conform to the revised presentation)
All in INR 000s except share data

**15.** As of 31 March 2017, to the extent information is available, the entities of the Group in India do not owe sums exceeding INR 1,00,000 to any small scale industry.

**16.** On August 12, 2014, a subsidiary in the Group entered into a Business Transfer Agreement ("BTA") with ISS SDB Security Services Private Limited ("ISS"), for the purchase of their Cash and Valuables Services Division ("CVS"), as a going concern on a slump sale basis in accordance with the terms and conditions set out in the Business Transfer Agreement, for a consideration of INR 928,320. The purchase of the CVS was completed on December 1, 2014.

In terms of the BTA, a portion of the purchase consideration has been placed in an escrow and a further portion has been retained by the subsidiary to be paid/released on the fulfillment of certain conditions as stated in the BTA.

The Working Capital, comprising the current assets and current liabilities, taken over as part of the purchase, and included in these financial statements have been valued by the subsidiary based on its assessment, pending a final confirmation and agreement by ISS. The purchase consideration, and consequently, the valuation of the CVS has been accounted in these financial statements based on such estimates. The subsidiary does not expect any material changes to this value and any changes in this value will be reflected in the valuation of the CVS and the resultant goodwill accounted in these financial statements.

**17.** Effective August 1, 2016, the Parent has acquired 78.72% of the outstanding equity shares of Dusters Total Solutions Services Private Limited for an aggregate consideration of INR 1,169,030 (INR 000s). In addition, the share purchase agreement provides for acquisition of 100% of the outstanding equity shares, by August 2019, in one or more tranches, and at a price to be determined according to a pre-agreed valuation formula.

**18.** On May 19, 2016, one of the subsidiaries in the Group acquired 100% of the outstanding equity shares of Lotus Learning Private Limited ("Lotus") for an aggregate consideration of INR 180,000 (INR 000s) pursuant to which Lotus became a subsidiary in the Group.

**19.** The current accounting year includes the consolidated effect of the operations of subsidiary companies, Lotus Learning Private Limited from the date of acquisition by the Group (19 May 2016), Dusters Total Solutions Services Private Limited from the date of acquisition by the Group (01 August 2016) till 31 March 2017, SIS Business Support Services and Solutions Private Limited from the date of incorporation (21 July 2016) till 31 March 2017 and SISCO Security Services Private Limited from the date of incorporation (21 November 2016) till 31 March 2017. Thus, the figures for the current financial year are not strictly comparable with those of the previous year.

**20.** During the year, the Parent has filed a Draft Red Herring Prospectus with Securities Exchange Board of India on September 27, 2016 in connection with an Initial Public Offering ("IPO") of the equity shares of the Parent. The Parent has incurred expenses amounting to INR 89,440 towards the aforesaid IPO. As the process of the IPO is still continuing, these expenses have been recorded under Other Debtors and prepayments under Other current assets in Note 19.

**21.** The previous year's figures have been regrouped/reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date attached
For **A. Mitra & Associates**
*Chartered Accountants*
Firm Reg. No.:- 5268/C

For and on behalf of the Board

**A. K. Mitra**
*Partner*
Membership No. 015230

**Ravindra Kishore Sinha**
*Chairman*
[DIN: 00945635]

**Rituraj Kishore Sinha**
*Managing Director*
[DIN: 00477256]

**Uday Singh**
*Chief Executive Officer & Director*
[DIN: 02858520]

**Pushpalatha Katkuri**
*Company Secretary*

**Arvind Kumar Prasad**
*Director – Finance*
[DIN: 02865273]

Place: New Delhi
Date: May 31, 2017

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info@trisyscom.com