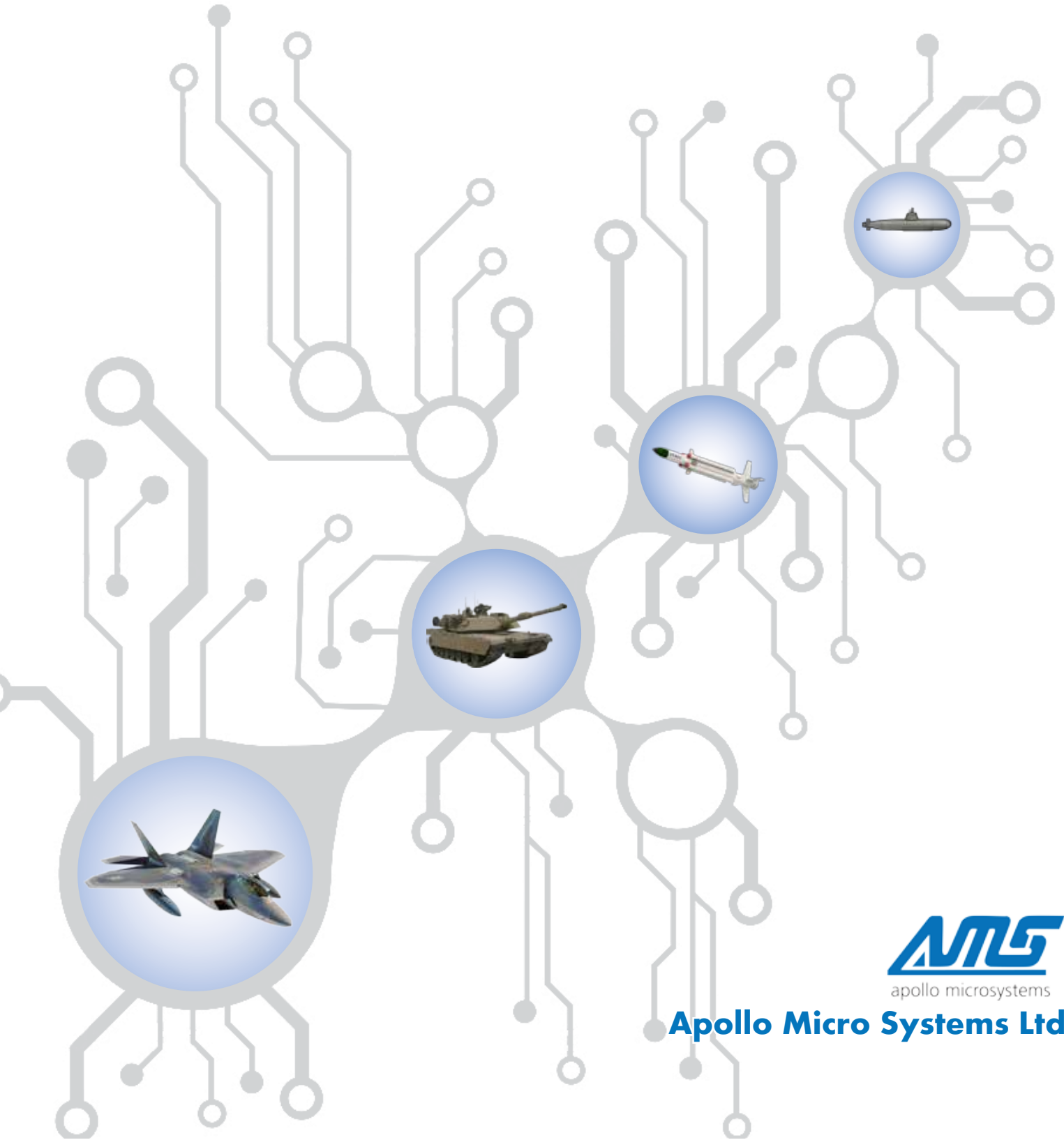


Empowering **TECHNOLOGY** with Strategic Thinking

Annual Report 2017-18



apollo microsystems

Apollo Micro Systems Ltd

TABLE OF CONTENTS

Business Overview		Governance		Financial Statements	
Chairman's Message	02	Notice	21	Independent Auditor's Report	71
Review by Managing Director	03	Director's Report	28	Balance Sheet	76
About Us	04	Report on Corporate Governance	52	Statement of Profit and Loss	77
Our Strategy	05	Management Discussion & Analysis	66	Statement of Cash Flows	78
AMS Expertise	06	Attendance Slip	107	Statement of Changes in Equity	80
Products and Services	08	Proxy Form	109	Notes	81
Corporate Information	11				
How We Create Value	12				
Financial Highlights	14				
Our People	16				
Research & Development	17				
Board of Directors	18				
Senior Management	20				

Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes. Some of the images used in this report are purely for illustrative purposes only and hence they are not the photos/images of our facilities, products or of any such nature/kind.

EMPOWERING TECHNOLOGY WITH STRATEGIC THINKING

“In this competitive and demanding digital era, Intelligent and Strategic Empowerment offers a new lens to look into the bright future.”

Innovation in future technologies involves long-term thinking. We are strategic about the technologies in which we invest our time and money. Keeping in view of the markets in which we compete, and inevitable changes that impact businesses, innovation becomes key for which technologies are empowered with foresight. Our Strong Domain expertise and thorough understanding on demanding future applications makes us to invest on technologies with strategic thinking.

KEY HIGHLIGHTS

Revenue

₹ **22199** Lakhs

PBT

₹ **3095** Lakhs

PAT

₹ **1916** Lakhs

EBIDTA

₹ **5535** Lakhs

NET WORTH

₹ **25558** Lakhs

RoCE

20.3%

A LANDMARK YEAR FOR THE COMPANY IN MULTIPLE WAYS



Integrity and transparency are key to our corporate governance practices to ensure that we gain and retain the trust of our stakeholders at all times

Dear Shareholders,

I take pleasure to present the Annual Report of your Company for FY18. The year assumes particular importance in the Company's history as it went public through an Initial Public Offer (IPO).

FY18 was a landmark year for the company in multiple ways. On January 22, 2018 the company's shares got listed on bourses i.e. BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). Our ₹ 156-crore IPO received an overwhelming response from the investors. The issue was subscribed by 248.51 times. I thank all the investors for reposing faith in our company.

Key Drivers of our Business

We are influenced by our market segments. Currently our operational environment is predominantly driven by heightened national security threats and we see an increase in defence budgets. Defence and avionics and satellite space markets continue to see volume growth. Government of India's "Make in India" initiative aims at boosting the nation's domestic manufacturing sector as well as to export markets. The defence electronics manufacturing sector is expected to create ₹ 4 trillion worth market opportunity during FY16–FY26E. The demand for electronics hardware in the country is projected to touch USD 400 billion by 2020, which is expected to create a unique opportunity for companies like AMS.

Governance

Integrity and transparency are key to our corporate governance practices to ensure that we gain and retain the trust of our stakeholders at all times. Our Board exercises its fiduciary responsibilities in widest sense.

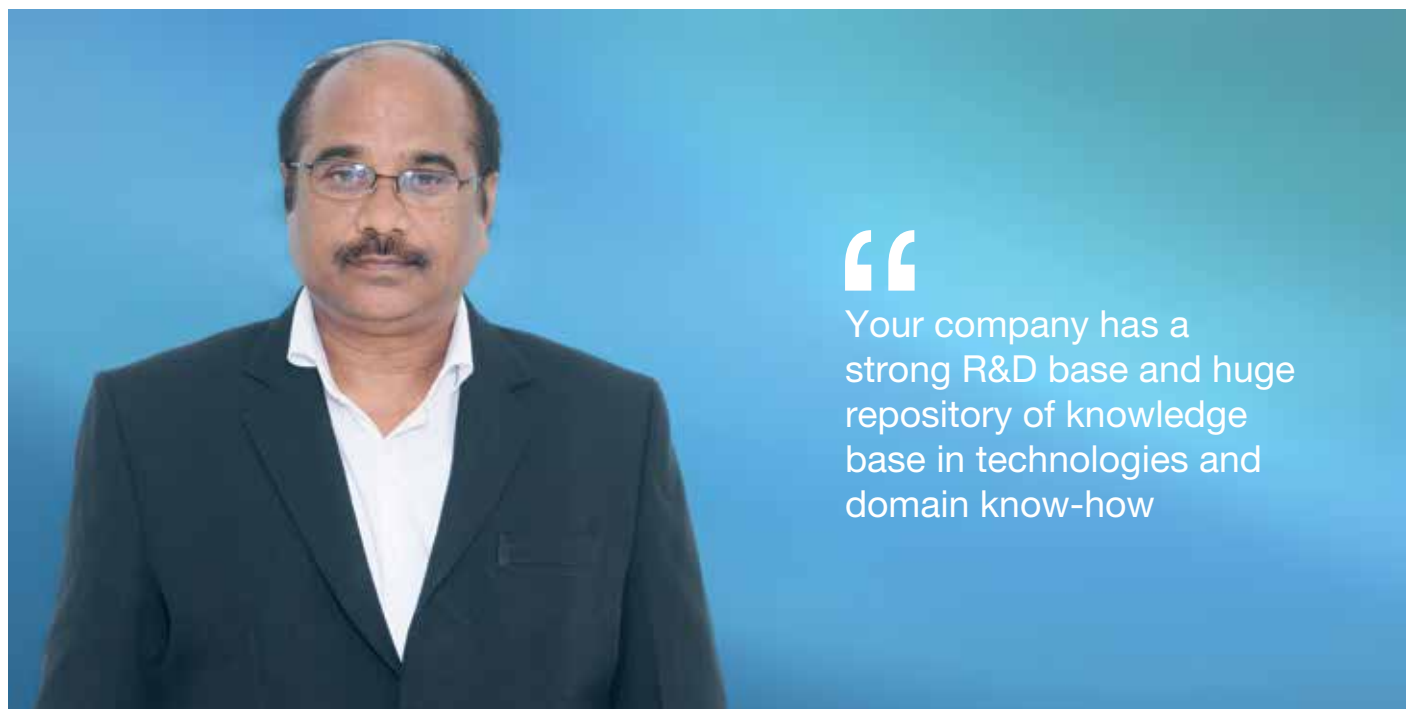
We have adopted the code of conduct for the Board of Directors and senior management personnel ensuring compliance with laws, rules and regulations and achieve the highest standard of corporate governance keeping in view the interest of all the stakeholders.

I take this opportunity to thank all our stakeholders for their never ending support and cooperation which enabled us to be the company we are. We will continue to strive to make your company as a preferred employer and Partner by co-creating values and deliver growth that is consistent, competitive, profitable and responsible.

Regards

Raghupathy Goud Theegala
Chairman & Independent Director

TODAY AMS IS KNOWN FOR ITS DIFFERENTIATED TECHNOLOGICAL CAPABILITIES



Your company has a strong R&D base and huge repository of knowledge base in technologies and domain know-how

Our Performance

During the year we enhanced our operational, technological and people capabilities to achieve the next level of growth. On the product development front, our innovation, and execution capabilities and to meet the expectations of our customers are visible in the 25% revenue CAGR over FY13-18.

Our fiscal 2018 results are detailed in this annual report and reflect the underlying strength of our business operations. Our revenue from operations stands at ₹ 22046.14 Lakhs as against ₹ 20086.71 Lakhs in fiscal 2017. PBT increased from ₹ 2712.32 Lakhs in the previous year to ₹ 3095.81 Lakhs during the year. Our Profit after Tax stood at ₹ 1916.65 Lakhs in fiscal 2018 which increased by 10% as compared to previous year.

Your company has a strong R&D base and huge repository of knowledge base in technologies and domain know-how. In Fiscal 2018, your company has spent

₹ 1578.37 Lakhs towards R&D activities for developing new technologies and for enhancement of legacy system designs which is key in Defence sector.

As Founder of the company when I look at the journey of AMS it create a sense of accomplishment about the operational and revenue milestones we were able to meet since the past 20 years with support of all. Today AMS is known for its differentiated technological capabilities and know-how to address a diversified portfolio of clients. This gives me confidence in our medium as well as long term prospects.

Going Forward

Our long term vision is to emerge as a world-class company and an unique solution provider with "Total solutions under one roof"

We believe in going forward by exploring up the new avenues/opportunities not only to defence but also in non defence sectors to leverage the technological advantage we hold on account of huge repository of

technologies which we have developed for past several decades. We intend to create our presence in civil applications like smart city projects, mine automation, raliway requirements and through Make in India penetrate more into different sectors and to be a strong contender for import substitution.

I take this platform as an opportunity to congratulate and thank every talent resource in the company for their continual effort, dedication and ability to assimilate to the growing needs of customers.

Our strategy going forward is to:

- Focus on key strategic pursuits - Technology and mission assurance to protect, grow and consolidate our position in defence sector and foray into other sectors leveraging the huge repository of technology base developed by company
- Be a Customer Focused, people driven company based on Research, Relationship and Results.

ABOUT US

Apollo Micro Systems Limited (AMS) is an electronic, electro-mechanical, engineering designs, manufacturing company which supplies rugged software and hardware for mission critical defence avionics systems, aerospace, missiles, naval systems, satellite space systems and homeland security. The company also provide solutions for Railways and automotive sectors. AMS on board and ground support products and solutions are used in many prestigious missile programmes, underwater electronic warfare and satellite launchers.

Vision

To emerge as a world-class company and a unique solution provider with “Total Solutions Under One Roof”.

Mission

AMS mission is to convert concepts of our customers into reality by using state of the art technologies.

Quality Policy

To design, manufacture and supply our customers, products of high quality on time with ever improving customer satisfaction and to strive for continual improvement.

Capabilities & Credentials

- Continuous investments in product research and development.
- Qualified and experienced workforce with attrition rates below the industry average.

Key Milestones

1101001 1010 **2017** 1101001 101000 100 1101001 1010 11010010 11010010 1010000 110010 110010 **2016** 110010 1101001 1010000 11

Our Company received the design approval certificate from Centre for Military Airworthiness and Certification.

Our Company got registered as a vendor of test equipment (outsourcing) with Hindustan Aeronautics Limited.

Received management system certificate for conforming the quality management system standard ISO 9001: 2015 for design, development and manufacturing of electronic systems including hardware and software.

110010 110010 **2013** 1101001 10100 1010110010 110010 **2012** 1101001 10100 100101101001 **2006** 1101001 1010000 110010 1100

Certificate of registration as vendor of electronics and control system with Defence Research and Development Organisation.

Certificate of registration as assembler, manufacturer, fabricator and service contractor with Defence Electronics Research Lab, Ministry of Defence.

Certificate of conformity with ISO 9001:2008 for design, development and manufacturing of electronic systems including hardware and software.

Certificate of registration as vendor of scientific instruments with Defence Laboratory, Jodhpur.

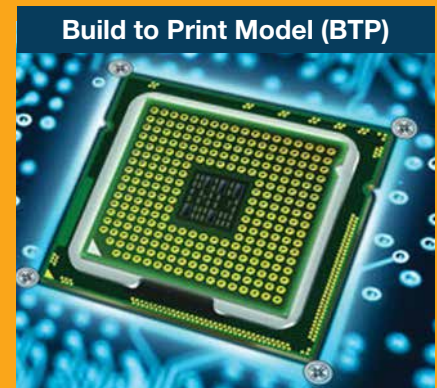
Supply of signal analyser cards to Naval Science and Technological Lab.

OUR STRATEGY

The key internal strategy of AMS is aimed at delivering quality services and solutions through R&D as well as by co-creating valued added products and solutions with our customers and technology partners. Our external strategy is to expand our outreach in the existing and new domains with advanced technology and efficient execution as the key differentiators. To strengthen and sustain our strategic intent we will capitalise on Build to Print (BoP) opportunity. AMS is also exploring selective acquisitions across geographies to enhance the existing capabilities.

Strategic Environment

Defence expenditure in India is expected to increase and currently, 60% of India's defence requirements are met through imports. ESDM (Electronic System, Design and Manufacturing) sector in India too relies heavily on imports. Govt's 'Make in India' initiative aims to achieve 70% indigenization, and the Defence Offset policy will involve private participation, This, along with non-defence opportunities arising out of the Digital India program, is expected to provide sufficient opportunities for AMS.



Apollo has established BTP business vertical with existing infrastructure and skills sets

In BTP business, the customer provides work instructions, assembly drawings, etc., which is used in building its parts along with the specification of component's functional requirements. Apollo has established BTP business vertical with existing infrastructure and skills sets. This vertical has helped in generating incremental revenue and profits with low working capital cycle. Thus, the company expects BTP to be a strong revenue driver in the defence electronics space

2015

Certificate for recognition of organizing National Level Vendor Development Programme.

Our Company reached a turnover of ₹ 100 crore.

2014

Certificate of registration as manufacturer with Naval Dockyard, Visakhapatnam.

Certificate of registration as approved vendor for supplier of mechanical power transmission equipment, metalworking machinery with Research Centre IMARAT, Hyderabad.

2004

Certificate of Quality System Assessment for design, development and manufacturing of electronic systems including hardware and software in conformity with ISO 9001 and Q9001:2000.

2000

First Indigenous Pay-Load Checkout System supplied to ISRO replacing Legacy Imported Systems.

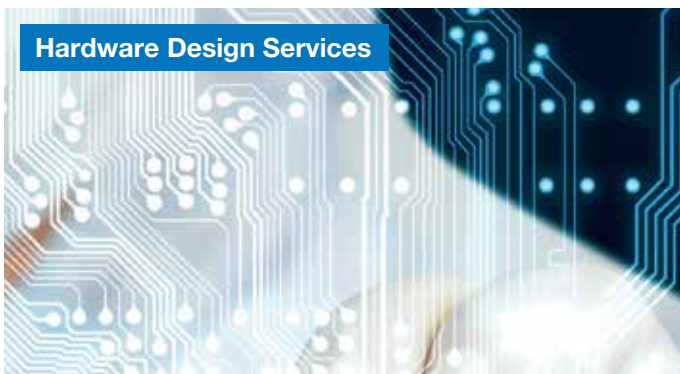
AMS EXPERTISE

AMS offers end to end design, assembly and testing services. The company has in-house design capabilities for developing reliable futuristic solutions for various customer segments. The core team at AMS comprises of engineers having expertise in design, engineering and life cycle support for AMS solutions for a varied market verticals such as aerospace, avionics, naval and automotive.

WHAT WE DO



We at AMS offers single source Electronic Manufacturing Services (EMS) such as conceptual system design, layout design, manufacturing and testing of high reliability PCBs, PCBA's, System integration solutions, Cable Harness solutions for Aerospace, Defence and other market segments. Our EMSD is equipped with fully automated SMT lines, AOI and 3D X-Ray machine for BGA components. AMS provides scalable electronic manufacturing solutions, help our customers to achieve their goal of lower Total Cost of Ownership(TCO) and less time to market.



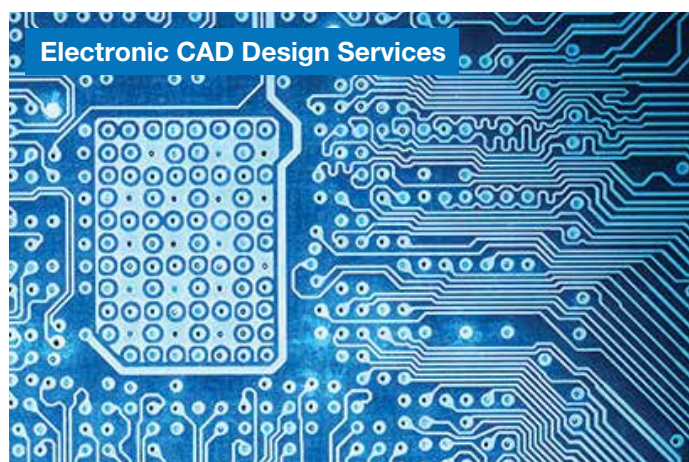
AMS hardware design services for electronic and embedded applications includes CAD / PCB layout, board design, HDL

coding, integrating FPGAs, DSPs, microprocessors, complex mixed signal design components, power systems and enclosure designs to offer end to end electronic design solutions.



AMS has been providing various custom-built electronic systems for versatile applications. Some of these systems are application ready systems and our end customers will write the algorithms and required code. AMS also provide application software development as an extended service. AMS is capable in undertaking such services. Our software engineers are experienced in writing intuitive software code generations spanning across many programming languages.

Over the years the company has built strong domain expertise with a track record of supplying state of the art solutions. AMS R&D is CEMILAC certified to develop airworthiness systems.



AMS have a rich Expertise working with High Speed Designs. Our E-CAD team works in consultation with Our R & D team to design PCBs upto Board Level bring up.



AMS offers a wide range of mechanical precision engineering services for aerospace, defence, space, automotive and navy, such as product design engineering and development, value engineering services, reverse engineering services, structural stress analysis, 3D models and prototyping services.



Our Company's manufacturing facility in Hyderabad, India is well equipped with modern quality checking and testing equipment's for quality assurance. The infrastructure consists of Precision Machining Facility for Mechanical Fabrication, State of the art SMT Line for Large scale PCB assembly, Climatic Chambers for Hot and Cold simulation on Electronics, Vibration Facility, Inspection systems like X-Ray Inspection systems, Digital Scopes and Gauges.

DEFENCE SYSTEMS

The defence systems of Apollo Micro Systems (AMS) can be broadly classified as on-board systems and Ground support equipments. On-board systems are electronic systems which are integrated on-Board a weapon or a combat vehicle, which are used for various applications such as navigation, computation, instrumentation & control, telemetry, payload acquisition & encoding, command & guidance, signal processing, seeker data processing, height analysis (altimeter), power electronics as well as to power on-board electronics.

Ground support equipments are for communicating with on-board equipments or other support systems as part of command control, ground checkout or launch of vehicles.

Defence-Naval Systems: ●-----

AMS offer on-board weapon system electronics and ground support systems for under water missiles (Torpedoes), anti torpedo decoys and jammers, submarines and Ships.





Defence Aerospace Systems:

AMS develops and supply on-board weapon systems and ground checkout and launcher controller systems for missiles.

Defence Avionics Systems

AMS safety critical Avionic Systems are used in aircrafts or UAVs for on-board as well as ground support applications. The systems are approved by quality assurance agencies like CEMILAC and CRE-CRI.



SATELLITE SPACE SYSTEMS

AMS offers ground checkout systems and earth station acquisition systems for space applications. These are configured for communication and other satellite programs. These solutions consists of frame synchronizer, bit synchronizer, pay load checkout system, data simulator and similar ground support equipments.



HOMELAND SECURITY & TELEMATICS

AMS develops and supplies telematic and integrated surveillance systems like GPS based vehicle tracking system, integrated surveillance systems consisting of RFID, CCTV, Automatic Vehicle location system and boom barriers. The company has developed live tracking solutions for cargo carriers, transport vehicles and for vehicles used by mining companies.



TRANSPORTATION

In Transportation sector, AMS has developed solutions related to telematics, data handling systems and automotive electronics. These solutions consist of coach guidance display systems for Indian railways, tyre pressure monitoring systems for off road vehicles such as dumpers in mining.

CORPORATE INFORMATION

Board Of Directors:

Raghupathy Goud Theegala
Chairman and Non executive
Independent director
DIN: 07785738

Karunakar Reddy Baddam
Managing Director
DIN: 00790139

Sri Lakshmi Reddy Vangeti
Non Executive Director
DIN: 02757567

Krishna Sai Kumar Addepalli
Whole Time Director (Operations)
DIN: 03601692

Venkata Siva Prasad Chandrapati
Whole Time Director (Technical)
DIN: 03601703

Srinivas Pagadala*
Non executive Independent director
DIN: 02669528

Karunasree Samudrala**
Non executive Independent director
DIN: 06960974

(*Up to August 02, 2018)

(**appointed as an Additional director in the capacity of
Non Executive Independent Director with effect from
May 29, 2018)

Chief Financial Officer:

Sudarshan Chiluveru

Company Secretary:

Vitta Chaitanya Siva Shankar

Registered Office:

Plot No 128/A, Road No. 12, BEL
Road IDA Mallapur, Uppal Mandal,
Hyderabad, Rangareddy
Telangana – 500076
Email : cs@apollo-micro.com
Phone : 91 40 27167000
Fax: 91 40 27150820
Website : www.apollo-micro.com
CIN : U72200TG1997PLC026556

Statutory Auditors:

M/s. S T Mohite & Co.,
Chartered Accountants,
G-5/B, Paragon Venkatadri Apts,
Street No.1, Barkatpura,
Hyderabad– 500029

Internal Auditors:

M/s. Surya Pavan & Co.,
Chartered Accountants
D.No.29-7-3,
Vishnuvardhan Rao Street,Suryarao pet,
Vijayawada 520010

Secretarial Auditors:

Datla Venkatesh
Practicing Company Secretary
6-3-552/2, Flat No.: 203, Classic Court
Annexe, Banjara Hills Road, Erramanzil,
Hyderabad, Telangana-500082

Committees of the Board:

Audit Committee:

Srinivas Pagadala, Chairman*
Raghupathy Goud Theegala, Member
Krishna Sai Kumar Addepalli, Member

Nomination and Remuneration

Committee:

Srinivas Pagadala, Chairman *
Sri Lakshmi Reddy Vangeti, Member
Raghupathy Goud Theegala, Member

Stakeholders Relationship

Committee:

Raghupathy Goud Theegala, Chairman
Karunakar Reddy Baddam, Member
Venkata Siva Prasad Chandrapati,
Member

CSR Committee:

Karunakar Reddy Baddam, Chairman
Sri Lakshmi Reddy Vangeti, Member
Krishna Sai Kumar Addepalli, Member

Risk Management Committee:

Venkata Siva Prasad Chandrapati,
Chairman
Karunakar Reddy Baddam, Member
Srinivas Pagadala, Member *

*Mr. Srinivas Pagadala (DIN: 02669528) resigned w.e.f August
2, 2018 and Mrs. Karunasree Samudrala (DIN: 06960974) was
inducted in his place w.e.f August 09, 2018

Bankers to the Company:

1. State Bank of India
Commercial Branch Hyderabad
P.O Kothi (Putli Bowli),
Bank Street, Kothi Hyderabad

2. ICICI Bank Limited
Commercial Branch
6-2-1012, TGV Mansion
Khairatabad, Hyderabad

3. RBL Bank Limited
D No 6-3-865, Ground Floor
My Home Jupally
Opp. Green Park, Green Lands,
Hyderabad

4. Axis Bank Limited
Corporate Banking Branch
1st Floor, G. Pullareddy Building,
Greenlands, Begumpet Road,
Hyderabad-500 016

Registrar and Transfer Agent:

Bigshare Services Private Limited
1st Floor, Bharat Tin Works Building,
Opposite Vasant Oasis Makwana Road,
Marol, Andheri (East) Mumbai – 400 059.
Maharashtra, India
Phone: 91 22 62638200
Fax No.: 91 22 62638299
Email: ashok@bigshareonline.com;
Website: www.bigshareonline.com
Investor Grievance
Email: investor@bigshareonline.com;
SEBI Registration No.: INR000001385

Listing:

BSE Limited (BSE)
National Stock Exchange of India
Limited (NSE)

HOW WE CREATE VALUE

AMS offers end to end electronic design, assembly and testing services
AMS develops futuristic solutions generating long-term value for customers

INPUT

Market Needs

Our customers in Defence, Aerospace, homeland security, railways and automotive sectors are looking for solutions for mission critical applications.

Customer Needs

Customers are looking for Customized solutions to meet their ground level challenges which cannot be met by OFF THE SHELF solutions.

Our Relationships

Relationships

Customers

Our People

Suppliers

Investors

Our Assets

Research & Development

Intellectual Property

Our facilities

Strong Cashflow



Apollo Micro Systems Ltd

Delivering Value across our market segments

Defence & Satellite Aerospace

AMS On-Board Systems and Ground support electronic equipments and solutions for the defence sector are used for navigational requirements, on-board computation, instrumentation & control, telemetry, payload acquisition and encoding, command & guidance, signal processing, seeker data processing, height analyzers requirement (altimeter) and power electronics to power the on-board electronics. Ground support systems are for communicating with on-board equipments or other support equipments which are required for command control communication, ground checkout, launch of vehicles and other associated systems.

Engage

We at AMS work very closely with our customers and supply chain partners to identify unmet customer needs.

Create

We create innovative and cutting edge solutions and products to meet the customer needs.



Output

Customers use our innovative and sustainable Solutions to enhance their mission critical operational performance.

The country and its citizens benefit from the performance of our products in our customer's mission critical operations.

[Read more on the value we add](#)

[Read more about sustainable product innovation on page 17](#)

[Read more about our financial performance on page 14-15](#)

[Read more about people on page 16](#)

Homeland Security & Telematics

AMS telematic and integrated surveillance systems like GPS based vehicle tracking system, integrated surveillance systems consisting of CCTV and boom barriers are used for Homeland security. We have developed live tracking solutions for cargo carriers and transport vehicles and for effective productivity monitoring for Ore Mining companies. Our focus on this sector is only for deployment of systems which can withstand harsh environmental conditions, as our core expertise supply of defence systems which can withstand harsh environmental conditions.

Make

Our state of the art facilities and R&D exhibit technological agility and run on high standards.



Transportation

AMS solutions for transportation sector includes telematics, data handling systems and automotive electronics. Our solutions are configured for Indian railways for applications such as Coach Guidance Display Systems, Tyre Pressure Monitoring Systems for Off Road vehicles such as Dumpers in mining, Token Display System, Arrival/Departure Information Display System, Destination Display Boards, Advertising Displays, Station Announcement Systems (Digital Tape Recorder).

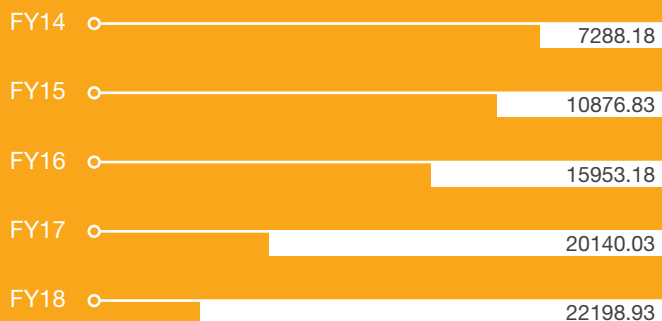
Sell

We generate revenue through selling Solutions and Systems.

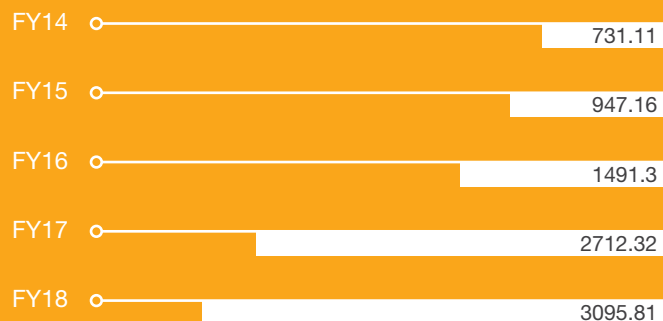


FINANCIAL HIGHLIGHTS

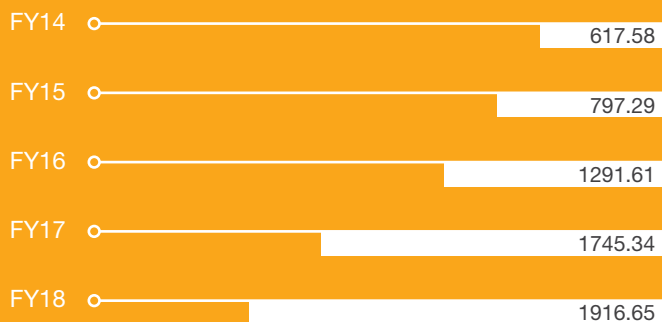
Revenue (₹ Lakhs)



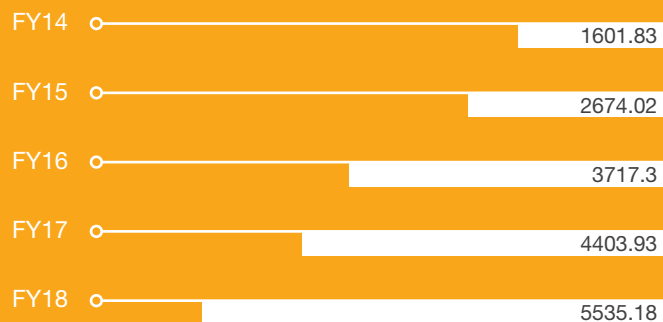
PBT (₹ Lakhs)



PAT (₹ Lakhs)



EBIDTA (₹ Lakhs)



NET WORTH (₹ Lakhs)



RoCE



FIVE YEARS AT A GLANCE

(Amount in ₹)

Statement of Profit and Loss					
	2017-18	2016-17	2015-16	2014-15	2013-14
Total revenue	2,21,98,93,229.00	2,01,40,02,797.00	1,59,53,17,854.00	1,08,76,82,888.00	72,88,18,022.00
EBIDTA	55,35,17,696.00	44,03,92,808.00	37,17,30,099.00	26,74,02,018.00	16,01,83,168.00
Depreciation	6,49,84,582.00	3,92,59,661.00	2,72,37,059.00	3,94,30,848.00	35,09,823.00
Finance costs	12,16,58,491.00	11,43,75,551.00	8,14,36,795.00	5,11,21,542.00	2,71,30,968.00
Profit before exceptional items and tax	32,17,73,041.00	25,78,22,929.00	14,91,29,897.00	9,47,15,580.00	7,31,10,937.00
Exceptional items	(1,21,92,105.00)	1,34,09,440.00	-	-	-
Profit before tax	30,95,80,936.00	27,12,32,369.00	14,91,29,897.00	9,47,15,580.00	7,31,10,937.00
Tax	11,79,15,736.00	9,66,97,406.00	1,99,68,652.00	1,49,86,676.00	1,13,52,384.00
Profit after tax	19,16,65,200.00	17,45,34,963.00	12,91,61,245.00	7,97,28,904.00	6,17,58,553.00
EBIDTA / Revenue	24.9%	21.8%	23.3%	24.6%	22.0%
PBT / Revenue	13.9%	13.5%	9.3%	8.7%	10.0%
PAT / Revenue	8.6%	8.7%	8.1%	7.3%	8.5%
Balance sheet					
Share capital	20,76,38,860.00	13,71,17,000.00	13,71,17,000.00	13,71,17,000.00	13,71,17,000.00
Reserves and surplus	2,34,82,42,132.00	49,91,47,191.00	35,86,02,014.00	23,34,80,964.00	15,51,49,569.00
Share warrants	-	-	-	-	-
Networth	2,55,58,80,992.00	63,62,64,191.00	49,57,19,014.00	37,05,97,964.00	29,22,66,569.00
Non-current liabilities					
Long-term liabilities and provisions	4,75,64,688.00	13,88,74,448.00	22,79,84,902.00	20,58,21,736.00	7,99,97,277.00
Deferred tax liability	12,12,12,106.00	6,83,85,601.00	65,42,159.00	36,47,666.00	27,39,241.00
Current liabilities	1,90,98,90,032.00	1,61,50,59,144.00	1,26,31,16,013.00	74,87,39,516.00	45,99,80,142.00
Total liabilities	4,63,45,47,818.00	2,45,85,83,384.00	1,99,33,62,088.00	1,32,88,06,882.00	83,49,83,229.00
Non-current assets					
Gross fixed assets	39,46,90,757.00	33,90,79,647.00	40,60,72,046.00	30,97,70,018.00	8,22,75,315.00
Accumulated depreciation	10,42,44,243.00	3,92,59,661.00	9,35,25,387.00	6,62,88,328.00	2,68,57,480.00
Unallocated expenditure pending capitalisation	-	-	-	-	-
Net fixed assets	29,04,46,514.00	29,98,19,986.00	31,25,46,659.00	24,34,81,690.00	5,54,17,835.00
Capital work in progress	28,69,16,657.00	12,86,45,850.00	-	-	12,36,59,339.00
Investments	-	-	-	-	-
Other non-current assets	2,59,15,382.00	4,35,90,382.00	-	-	-
Current assets	4,03,12,69,265.00	1,98,65,27,165.00	1,68,08,15,429.00	1,08,53,25,192.00	65,59,06,055.00
Total assets	4,63,45,47,818.00	2,45,85,83,383.00	1,99,33,62,088.00	1,32,88,06,882.00	83,49,83,229.00
Return on capital employed	20.3%	52.6%	50.9%	46.1%	27.6%
Return on networth	7.5%	27.4%	26.1%	21.5%	21.1%
Debt / equity	0.07	0.33	0.47	0.57	0.28
Current ratio	2.11	1.23	1.33	1.45	1.43
Per share					
	2017-18	2016-17	2015-16	2014-15	2013-14
Book value per share - ₹	123.09	46.40	36.15	27.03	21.32
Earnings per share (basic) - ₹	12.46	12.73	9.42	5.81	4.50
Earnings per share (dilluted) -₹	12.08	12.73	9.42	5.81	4.00
Dividend per share -₹	-	-	-	-	-
No. of Shares	2,07,63,886	1,37,11,700	1,37,11,700	1,37,11,700	1,37,11,700

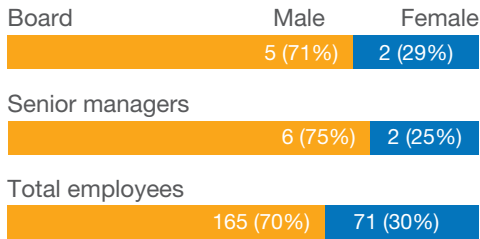
Note: The figures pertaining to Fiscal 2018 & 2019 and are in accordance with the Indian Accounting Standards ("Ind AS") as prescribed under section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standard) Rules, 2015, as amended and the figures pertaining to Fiscal 2016, 2015 & 2014 are in accordance with Indian GAAP.

OUR PEOPLE

Recruiting and retaining talented people, training, providing a conducive working atmosphere and making the employees proudly feel that they are AMSians is our key priority.

At AMS we provide our employees a prospect to explore their true potential and a atmosphere for continual growth and opportunity to work on the latest technologies in the ESDM sector. We ensure that our 360-degree appraisal system provides feedback at all levels helping the overall development of our staff. We ensure fair practices and merit system in the career progression of our employees.

Gender Diversity



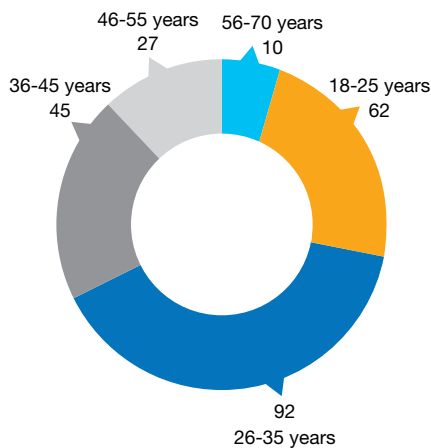
Diversity

Diversity inspires inventiveness, drives innovation and better enable AMSians to resolve our customers' complex technological challenges. Our HR initiatives are aimed at creating an inclusive environment with a gender diverse workforce from a varied social backgrounds.

Reward

We provide our employees with reward packages which encourages them to unleash individual responsibilities and capabilities and thereby contribute to our business performance. We recognize individual and team successes. Employees are offered a range of benefits, which include medical, accident insurance and performance based awards on attendance, participation, customer service, innovation, leadership, commitment, flexibility, interpersonal skills and quality.

Age Diversity



Training & Development

We want to enable every employee to reach their full potential and feel rewarded for what they do. We support this through our comprehensive career frameworks, development programs and trainings. Our focus on professional development throughout our employee's career supports their continued personal and professional growth, and ensures that we have the skills to meet our customer's current and future requirements.



RESEARCH & DEVELOPMENT

The electronic engineering research and development industry is characterized by rapid technological changes, evolving industry standards, changing customer preferences and new service and solution introductions that could result in product obsolescence and short product life cycles. The success of our business depends on our ability to innovate and continuously provide services and solutions that address the varied and expanding requirements of our customers.

In the defence and satellite space sectors, it is critical for sub-system manufacturers like AMS to work closely with the customers for designing, developing and production activities. A strong understanding of the futuristic customer requirements and an ability to design and manufacture these systems with cutting edge technology is a key differentiator.

At AMS we have a trained, technologically agile R&D team comprising of 56 engineers. The core competencies of our R&D is profound knowhow on Embedded Hardware and Software along with engineering designs. Our R&D team has varied skills in electronics and electro - mechanical engineering.

We undertake dedicated R&D in our existing services and solutions primarily with a focus to improve yields and process efficiencies. We focus our R&D efforts in areas where we believe there is significant growth potential. We believe that our emphasis on R&D has been critical to our success and a differentiating factor from our competitors. By developing new solutions with our customers and by offering a broad range of services across segments, we are able to position ourselves as a preferred supplier to defence ESDM Sector. In Fiscal 2018 we spent ₹ 1578 Lakhs towards our R&D activities.

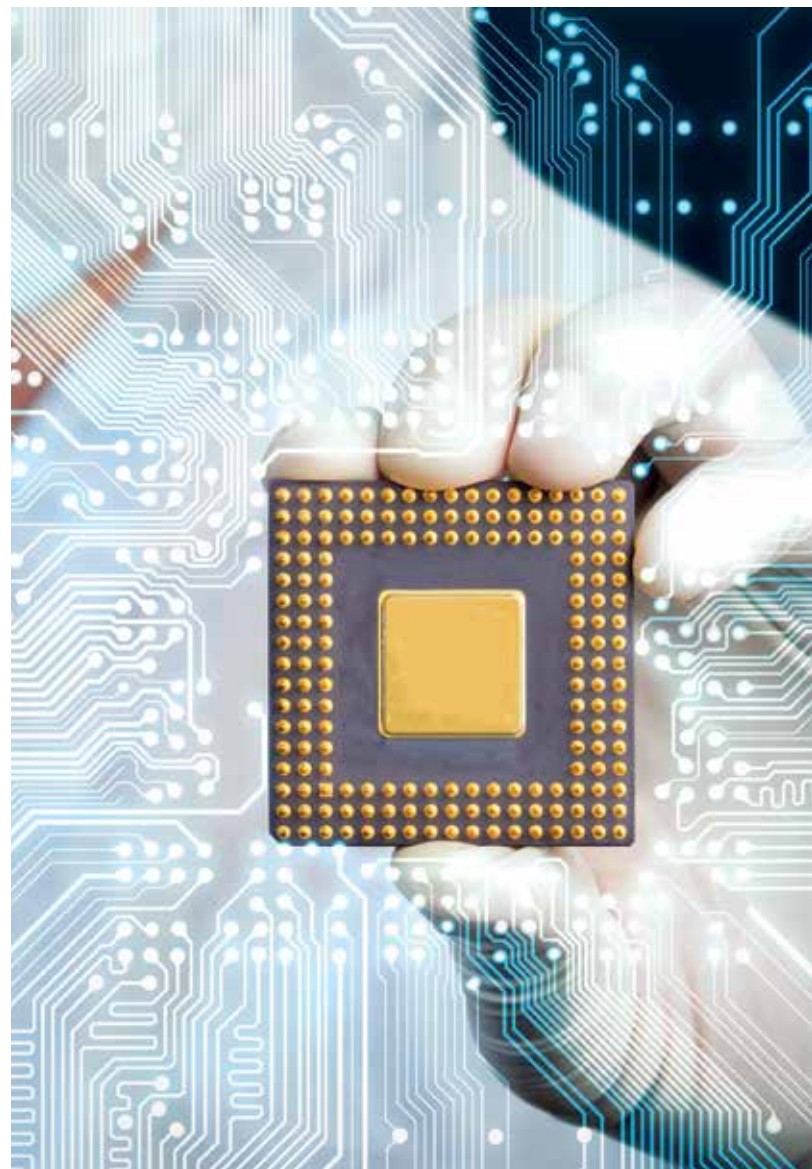
KEY R&D HIGHLIGHTS

AMS R&D Team

56 Engineers

FY18 R&D Outlay

₹ **1578** Lakhs



BOARD OF DIRECTORS



- 1** **Raghupathy Goud Theegala**
Chairman and Independent Director
- 2** **Baddam Karunakar Reddy**
Founder and Managing Director
- 3** **Sri Lakshmi Reddy Vangeti**
Non – Executive Director
- 4** **Srinivas Pagadala**
Non executive Independent director
- 5** **Chandrapati Venkata Siva Prasad**
Whole-time Director (Technical)
- 6** **Addepalli Krishna Sai Kumar**
Whole-time Director (Operations)
- 7** **Karunasree Samudrala**
Non executive independent director

Raghupathy Goud Theegala

Chairman and Independent Director

He holds a Bachelor's degree in commerce from Osmania University and a Bachelor's degree in law from Bangalore University. Prior to joining our Company, he worked with the Andhra Pradesh Lokayukta and Upa – Lokayukta and is experienced in handling matters related to financial irregularities, abuse of power and corruption etc. He has been on the board of our Company since August 21, 2017.

Srinivas Pagadala

Non executive Independent director

He holds a Bachelor's degree in commerce from Osmania University and is a certified Chartered Accountant from the Institute of Chartered Accountants of India. He is experienced in mergers and acquisitions, corporate restructuring, capital market, income tax and company law matters. He has been on the board of our Company since August 21, 2017.

(Resigned with effect from August 02, 2018)

Karunasree Samudrala

Non Executive Independent Director

she is a Fellow Member of the Institute of Chartered Accountants of India and a Commerce Graduate from Kakatiya University, Telangana, having 20 years of experience in Accounting, Audit, and Taxation.

Baddam Karunakar Reddy

Founder and Managing Director

He founded AMS in 1985 as a Proprietary Company and in 1997 and converted into a Private Limited company. Under his leadership, AMS has grown from a design company to a turnkey solution provider. He was instrumental in developing solutions for defence & space programmes with his innovative ideas and miniaturization techniques. He is a visionary behind developing import substitution.

Chandrapati Venkata Siva Prasad

Whole-time Director(Technical)

He is a M.Tech in Digital Signal Processing with over 21 years of experience. With expertise in design and product development he handles the R&D at AMS. He joined AMS in 1999,. He is the architect who has built complex weapon system electronics which have contributed to the success of several indigenous defence programmes. His profound knowledge on Space systems has delivered complex Payload Checkout systems and Telemetry Systems for Space Programmes.

Sri Lakshmi Reddy Vangeti

Non – Executive Director

She holds a Bachelor's degree in Science from Osmania University. She is experienced in human resources and management. She has been on the board of our Company since April 1, 1999.

Addepalli Krishna Sai Kumar

Whole-time Director(Operations)

He is the Whole-time Director (Operations) of Apollo Microsystems Ltd. He is an Engineering Graduate in Electronics and Communication with 17 Years of varied experience in marketing, finance & operations. He is serving AMS since 2003, and was instrumental in expanding its customer base, diversifying the company into various markets and implementing reforms in quality processes, building robust supply chain management.

SENIOR MANAGEMENT



R. Narasimha Reddy
Chief Operating Officer



Ch. Sudarshan
Chief Financial Officer



Supriya Kondap
Associate Vice President (Projects)



Satpal Singh Chowdhary
Associate Vice President
Business Development
(Northern Region)



A. Venkateswara Rao
Sr. GM-Marketing & Sales



Vijendra Bidri
Sr. GM-Marketing



J. Sultana Begum
Manager- Quality Control



Vitta Chaitanya Siva Shankar
Company Secretary & Compliance Officer

APOLLO MICRO SYSTEMS LIMITED

(Formerly Known as Apollo Micro Systems Private Limited)

CIN: U72200TG1997PLC026556

Registered Office: Plot No 128/A, Road No. 12, BEL Road IDA Mallapur,

Uppal Mandal, Rangareddy, Hyderabad, Telangana 500076

Tel. No. 91 40 27167000 • Fax No. 91 40 21750820

Website: www.apollo-micro.com • E-mail: cs@apollo-micro.com

NOTICE

Dear Member,

“Notice is hereby given that the Twenty First (21st) Annual General Meeting of the Members of **Apollo Micro Systems Limited** will be held at KLN Prasad Auditorium, The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI), Federation House, Red Hills, Hyderabad - 500 004, Telangana, (Location of which is given in page No. 111) on Thursday, the **September 20, 2018** at 9.00 A M to transact the following business

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statement of the Company for the financial year ended March 31, 2018 together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs. Sri Lakshmi Reddy Vangeti [DIN 0275767], who retires by rotation and, being eligible, offers herself for re-appointment and in this connection to consider and if deemed fit, to pass the following Resolution as an Ordinary Resolution:
“**RESOLVED THAT** pursuant to the provisions of Section 152(6) of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 Mrs. Sri Lakshmi Reddy Vangeti, having [DIN 0275767], be and is hereby re-appointed as a Director of the Company, who is liable to retire by rotation.”
3. To ratify the appointment of M/s. S T Mohite & Co., Chartered Accountants, G-5, B-Block, Paragon Venkatadri Apartments, 3-4-812, Street No 1. Barkatpura, Hyderabad-500027(having its Firm Registration Number – 011410S) as Statutory Auditors of the Company pursuant to the provisions of Section 139, 142 and other applicable provisions of the Companies Act, 2013, who was appointed in the previous Annual General meeting held for a period of five (5) years (Financial Year 2017-18 to 2021-22) to hold office until the conclusion of the 25th Annual General Meeting of the company, at such remuneration, reimbursement of out of pocket expenses and other terms and conditions, as may be approved by the Board of Directors of the Company.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:

“**RESOLVED** that Mrs. Karunasree Samudrala (DIN: 06960974), who was appointed as an Additional Director of the Company with effect from May 29, 2018 by the Board of Directors and who holds office up to the date of this Annual General Meeting of the Company under Section 161(1) of the Companies Act, 2013 (“the Act”) and Article 82 of the Articles of Association of the Company, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from herself proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company.”

“**RESOLVED FURTHER** that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Act read with Schedule IV of the Act (including any statutory modification or re-enactment thereof for the time being in force) and the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended from time to time, the appointment of Mrs. Karunasree Samudrala (DIN: 06960974), who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Act and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and who is eligible for appointment as an Independent Director of the Company, not liable to retire by rotation, for a term of five years commencing from May 29, 2018 up to May 28, 2023 be and is hereby approved.

**By Order of the Board
For Apollo Micro Systems Limited**

Sd/-

**Vitta Chaitanya Siva Shankar
Company Secretary and
Compliance Officer**

Place: Hyderabad
Date: August 09, 2018

Notes:

- a. **The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (“the Act”) in respect of the business under item no. 4 set out above is annexed hereto.**
- b. Details of Directors seeking appointment/re-appointment as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India in respect of directors seeking appointment / re-appointment at this Annual General Meeting (“AGM”/ “the meeting”) is annexed hereto.
- c. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, September, 17, 2018 to Thursday, September 20, 2018 (both days inclusive) for the purpose of Annual General Meeting.
- d. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. A PERSON CAN ACT AS PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY(50) AND HOLDING IN THE AGGREGATE NOT MORE THAN 10% OF THE TOTAL SHARE CAPITAL OF THE COMPANY.**
- e. The duly completed and signed instrument appointing a proxy as per the format included in the Annual Report should be returned to the Registered Office of the Company not less than forty-eight hours before the time for holding the AGM. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution/authority, as applicable, issued by the member organization.
- f. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the Meeting.
- g. The Register of Directors and Key Managerial Personnel and their shareholding as maintained under Section 170 of the Act, the Register of Contracts or Arrangement in which the Directors are interested as maintained under Section 189 of the Act and relevant documents referred to in the Notice and the Explanatory Statement are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, during business hours up to the date of the meeting and also at the venue during the meeting.
- h. The Company’s Registrar and Transfer Agents for its share registry work (Physical and Electronic) are **Bigshare Services Private Limited** (herein after referred to as “RTA”).
- i. Members can avail the facility of nomination in respect of securities held by them in physical form pursuant to the provision of Section 72 of the Companies Act, 2013. Members desiring to avail this facility may send their nomination in the prescribed form duly filled-into RTA. Members holding shares in electronic mode may contact their respective Depository Participant (DP) for availing this facility.
- j. Members are requested to-
 - a. Intimate to the DP, changes if any, in their registered addresses and/or changes in their bank account details, if the shares are held in dematerialized form.
 - b. Intimate to the Company’s RTA, changes if any, in their registered addresses, in their bank account details, if the shares are held in physical form (share certificates).
 - c. Consolidate their holdings into one folio in case they hold Shares under multiple folios in the identical order of names.
 - d. **Dematerialize their Physical Shares to Electronic Form (Demat) to eliminate all risks associated with Physical Shares. Our Registrar and Transfer Agents viz., Bigshare Services Private Limited, Hyderabad (Phone 91 40 401 44582) may be contacted for assistance, if any, in this regard.**
- k. The route map for the AGM Venue is annexed.
- l. Only bona fide members of the Company whose names appear on the Register of Members/Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
- m. In order to enable us to register your attendance at the venue of the Annual General Meeting, we request you to bring your folio number/demat account number/DP ID-Client ID to enable us to give you a duly filled attendance slip for your signature and participation at the meeting
- n. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote
- o. Members/Proxies attending the Meeting are requested to complete and bring the Attendance Slip enclosed with the Annual Report, duly filled in & signed, and hand over the same at the entrance of the meeting hall.
- p. The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the Depositories for payment of dividend through National Electronic Clearing Service (NECS) to investors wherever NECS and bank details are available. In the absence of NECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of dividend. The Company will not entertain any direct request from Members holding shares in electronic mode for deletion of/change in such bank details.

q. **The Securities and Exchange Board of India has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form who have not done so are requested to submit the PAN to their Depository Participant with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to RTA.**

r. Members are requested to refer to the Corporate Governance Report for information in connection with the unpaid / unclaimed dividend along with underlying shares thereto liable to be transferred to Investor Education and Protection Fund (IEPF) administered by the Central Government. Members are requested to refer the website of the Company for the details made available by the Company pursuant to the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017.

As per Section 124(6) of the Act read with the IEPF Rules as amended from time to time, all the shares in respect of which dividend has remained unpaid/unclaimed for seven consecutive years or more are required to be transferred to an IEPF Demat Account. In case the dividends are not claimed by the respective shareholders, necessary steps will be initiated by the Company to transfer shares held by the members to IEPF along with dividend remaining unpaid/unclaimed thereon.

Members may please note that in the event of transfer of such shares and the unclaimed dividends to IEPF, members are entitled to claim the same from IEPF authorities by submitting an online application in the prescribed Form IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same duly signed to the Company along with the requisite documents enumerated in the Form IEPF- 5. Members can file only one consolidated claim in a financial year as per the IEPF Rules.

s. **In order to save the natural resources Members are requested to register their e-mail address/ addresses and Bank Account details with the Depository Participants, if the shares are held in dematerialized form and with the Company's Registrar and Transfer Agents, if the shares are held in physical form, in case you have not registered your email ids till now.**

t. Voting through electronic means:

In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited (CDSL).

The remote e-voting period commences on Monday, September 17, 2018 (9:00 am) and ends on Wednesday, September 19, 2018 (5:00pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e., Friday, September 14, 2018, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by CDSL for voting after September 19, 2018(5:00pm). Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.

A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting or voting at the AGM through electronic means.

A copy of this notice has been placed on the website of the Company (www.apollo-micro.com) and the website of CDSL (www.evotingindia.com).

Datla Venkatesh, Practicing Company Secretary (ACS: 36504 CP: 14074) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 48 hours of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.apollo-micro.com and on the website of CDSL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai and National Stock Exchange of India Limited, Mumbai.

The process and manner for remote e-voting is as under:

- (i) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID-
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DPID followed by 8 Digits Client ID,

- c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company / Depository Participant are requested to use the sequence number which is printed on e-voting form.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login. If both the details are not recorded with the Depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on “SUBMIT” tab.

Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on the EVSN of Apollo Micro Systems Limited on which you choose to vote.
- (xi) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xiv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take a print of the votes cast by clicking on “Click here to print” option on the Voting page.

- (xvi) If a demat account holder has forgotten the changed login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

- (xvii) Shareholders can also cast their vote using CDSL’s mobile app m-Voting available for android based mobiles. Them-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xviii) Note for Non-Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF and NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

-
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at help section or write an email to helpdesk.evoting@cdslindia.com.
- (xx) The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date i.e., **Friday September 14, 2018.**

**By Order of the Board
For Apollo Micro Systems Limited**

Place: Hyderabad
Date: August 09, 2018

**Sd/-
Vitta Chaitanya Siva Shankar
Company Secretary and
Compliance Officer**

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The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (“the Act”), given hereunder sets out all material facts relating to the special business mentioned at Item No. 4 of the accompanying Notice dated August 09, 2018

Item No. 4

On the recommendation of the Nomination & Remuneration Committee, the Board at its meeting held on May 29, 2018 Mrs. Karunasree Samudrala [DIN: 06960974] was appointed as an Additional Director of the company in the capacity of Non Executive Independent Director .

Further, the Board at its meeting held on August 09, 2018 has recommended the appointment of Mrs. Karunasree Samudrala [DIN: 06960974] as an Independent Director of the Company for a period of five years from May 29, 2018, for the approval of the shareholders.

Mrs. Karunasree Samudrala is a Fellow Member of the Institute of Chartered Accountants of India and a Commerce Graduate from Kakatiya University, Telangana, having approx. 20 years of experience in handling Corporate Audits – Statutory, Internal and Tax Audits, FMCG, stock market, Bank Audits etc., working and Liaisoning with Statutory Auditors, Income Tax Authorities and handling Investor Relationship Management. She is a Certified Independent director from Institute of Independent directors. She also holds various certifications like International Financial Reporting Standards (IFRS), Certified Internal Auditor (CIA), and Concurrent Audit of Bank from Institute of Chartered Accountants of India (ICAI).

The Company has received from Mrs. Karunasree Samudrala (i) consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that she is not disqualified under sub-section (2) of Section 164 of the Act and (iii) a declaration to the effect that she meets the criteria of independence as provided in sub-section (6) of Section 149 of the Act (iv) and an amount of ₹ 1,00,000 deposit as per the provisions of section 160 of the Companies act 2013.

Mrs. Karunasree Samudrala, being eligible and offering herself for appointment, is proposed to be appointed as an Independent Director of the Company for a term of five consecutive years from May 29, 2018 up to May 28, 2023 in compliance with Section 149 of the Act read with Schedule IV to the Act. Pursuant to the provisions of Section 160 (1) of the Act, the Company has received notice from herself signifying her intention to be appointed as a Director.

In the opinion of the Board of Directors, Mrs. Karunasree Samudrala, the Independent Director proposed to be appointed, fulfils the conditions specified in the Act, the Rules made thereunder and the Listing Regulations and she is independent of the Management. She does not hold any shares in the Company in her individual capacity or on a beneficial basis for any other person. A copy of the draft letter of appointment of Mrs. Karunasree Samudrala as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day except Saturdays up to the date of the AGM.

Except for Mrs. Karunasree Samudrala and/or her relatives, no other Director, Key Managerial Personnel or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING [PURSUANT TO REGULATIONS 26(4) AND 36(3) OF THE SEBI LISTING REGULATIONS AND SECRETARIAL STANDARDS ON GENERAL MEETINGS

Particulars	Mrs. Lakshmi Reddy Vangeti	Mrs. Karunasree Samudrala
Director Identification Number (DIN)	02757567	06960974
Date of Birth / Age	20/06/1974 (44 Years)	01/07/1972 (46 Years)
Date of first appointment on the Board	April 01, 1999	May 29, 2018
Educational Qualification	Bachelor's degree in Science from Osmania University.	Fellow Member of the Institute of Chartered Accountants of India and a Commerce Graduate
Experience (including expertise in specific functional areas) / Brief Resume	She has experience in human resources and management.	She has a 20 years of experience in handling Corporate Audits – Statutory, Internal and Tax Audits, FMCG, stock market, Bank Audits etc., working and Liaisoning with Statutory Auditors, Income Tax Authorities and handling Investor Relationship Management.
Directorships held in other companies	Nil	Roopa Industries Limited
Memberships/ Chairmanships of committees across companies	Apollo Micro Systems Limited-Member of Nomination and Remuneration Committee and Corporate Social Responsibility Committee	Roopa Industries Limited- Member of Audit Committee. <i>(Apollo Micro Systems Limited-Chairman of Audit Committee.</i> <i>Apollo Micro Systems Limited-Chairman of Nomination & Remuneration Committee</i> <i>Apollo Micro Systems Limited-Member of Risk Management Committee)*</i> <i>* w.e.f. August 09, 2018</i>
Relationship with other Directors/Key Managerial Personnel	Related to the Managing Director of the Company.	Not related to any Director / Key Managerial Personnel of the Company.
No. of shares held in the Company either by self or on a beneficial basis for any other person	Ten (10) Equity shares	Nil

For details regarding the number of meetings of the Board/Committees attended by the above Directors during the year and remuneration drawn/sitting fees received, please refer to the Boards' Report and the Corporate Governance Report forming part of the Annual Report.

In terms of the provisions of Section 152(6) of the Act, Mrs. Lakshmi Reddy Vangeti (DIN: 02757567), retires by rotation at the meeting. The Board of Directors recommends her re-appointment.

DIRECTOR'S REPORT

To
The Members of
APOLLO MICRO SYSTEMS LIMITED

Your Directors have pleasure in presenting their 21st Annual Report on the business and operations of the Company together with the Audited Financial Statements for the financial year ended March 31, 2018.

FINANCIAL RESULTS AND OPERATIONS

The summary of financial performance for the Financial Year ended March 31, 2018 and the corresponding figures for the Financial Year ended March 31, 2017 are as under:

(Amount in ₹)

Particulars	For the financial year ended	
	March 31, 2018	March 31, 2017
Revenue from Operations	2,20,46,13,913	2,00,86,70,952
Other Income	1,52,79,316	53,31,845
Total Revenue	2,21,98,93,229	2,01,40,02,797
Cost of materials consumed	2,03,85,79,062	1,94,19,69,377
Changes in inventories of finished goods, WIP, stock- in -trade	(43,61,78,739)	(42,91,41,144)
Employee Benefit Expenses	6,39,75,210	6,07,81,756
Profit Before Interest, Depreciation & Tax	55,35,17,696	44,03,92,808
Financial charges	12,16,58,491	11,43,75,551
Depreciation	6,49,84,582	3,92,59,661
Other Expenses	4,51,01,582	2,89,34,667
Profit or Loss Before exceptional and extraordinary items and tax	32,17,73,041	25,78,22,929
Exceptional Items	(1,21,92,105)	1,34,09,440
Profit or Loss Before Tax	30,95,80,936	27,12,32,369
Tax Expenses (including prior period taxes)	11,79,15,736	96,6,97,406
Net Profit or Loss After Tax	19,16,65,200	17,45,34,963
Earnings Per Share (Basic)	12.46	12.73
Earnings Per Share (Diluted)	12.08	12.73

(Previous year figures have been regrouped wherever necessary to confirm to the current year's presentation)

The financial statements for the year ended March 31, 2018 have been prepared under Ind AS (Indian Accounting Standards). The financial statements for the year ended March 31, 2017 have been restated in accordance with Ind AS for comparative information.

PERFORMANCE REVIEW & THE STATE OF COMPANY'S AFFAIRS

During the year under review, your company sales have gone up by 9.8% to ₹ 2,20,46,13,913 from ₹ 2,00,86,70,952 during previous year.

Profit Before Interest, Depreciation & Tax increased by 25.68% to ₹ 55,35,17,696 from ₹ 44,03,92,808.

Profit before tax increased by 14.1% to ₹ 30,95,80,936 from ₹ 27,12,32,369.

Net Profit After Tax increased by 10% to ₹ 19,16,65,200 from ₹ 17,45,34,963.

During the year under review the Earning per Share of the company is ₹ 12.46(Basic) and ₹ 12.08 (Diluted)

BUSINESS OUTLOOK:

The changing global security paradigm requires new ways of thinking: new threats therefore new weapon systems, new technologies and new organizational structures and partnerships for cooperation and risk-mitigation. This new security environment is driving India's need for cutting-edge technology weapons and equipment. Encouragement of Private Industry in Defense Production by Government and G2G contracts for Weapon and other Defense System exports is a boost for Defense Electronics companies.

Your company has been working on cutting edge technologies in Electronics and Electro -Mechanical systems which are custom built, specific to client needs. These systems are integrated as On-Board equipment and Ground Support Equipment for Aerospace, Defense and Space markets. There is a constant requirement for growth in the Programs which we have been working and we expect the existing facility to meet these requirements.

We are also contemplating to bid for turnkey projects which significantly consolidate our market position aiming to enter niche league of business not only in Defence but also in emerging markets like Smart City projects by leveraging the existing technologies developed by the company. We are looking forward to steer in these areas by strategic partnerships, Joint Ventures and MOU's with domestic and international companies. Our company is looking forward for selective acquisitions to consolidate its presence in the existing sectors

CREDIT RATING

In April 2018, ICRA Limited, after due consideration, has assigned the long-term rating of "[ICRA] BBB" (pronounced ICRA triple B) and the, short-term rating of '[ICRA] A3+' (pronounced ICRA A three plus) to the ₹ 142 Crores Line of Credit of the Company. The outlook on the long term rating is 'Stable'.

INITIAL PUBLIC OFFER

The Directors are pleased to inform that the Company's Initial Public Offering (IPO) of 57,63,886 Equity Shares of face value of ₹ 10/- (Rupees Ten only) by way of Book Building Process received an overwhelming response from the investors. The Issue was opened on 10th January, 2018 and closed on 12th January, 2018. The issue was oversubscribed by 248.51 times, with QIB portion getting oversubscribed by 101.93 times, non-institutional portion by 958.04 times and the retail portion by 40.19 times and Employees portion 16.04 times. The allotment of 57, 63,886 Equity Shares of ₹ 10/- each for cash at a premium of ₹ 265/- per share (Discount of ₹ 12/- per share to Retail Individual Investors ("Retail Discount") and to Eligible Employees Bidding in the Employee Reservation Portion ("Employee Discount") aggregating to ₹ 15,600 Lakhs under the said IPO. Subsequent to the completion of IPO, the paid up equity share capital of the Company got increased from ₹ 1,500 Lakhs to ₹ 2,076.38 Lakhs.

The trading of Equity Shares of the Company commenced on National Stock Exchange of India Limited and BSE Limited from 22nd January, 2018. The success of IPO reflects the trust, faith and confidence that customers, business partners and markets have reposed in your Company.

UTILISATION OF IPO PROCEEDS

The proceeds realized by the Company from the Issue shall be utilized as per the Objects of the Issue i.e. Working Capital Requirement and General Corporate Purpose. The proceeds of the issue are being utilized to meet additional working capital requirements of the company and General Corporate Purposes.

There has been no deviation in the utilisation of the IPO proceeds of the Company.

SHARE CAPITAL

During the period under review, the Authorised Share capital of the Company increased from ₹ 14,00,00,000 (Rupees Fourteen Crores only) divided into 1,40,00,000 (One Crore Forty Lakhs) Equity shares of ₹ 10/- (Rupees Ten Only) each to ₹ 27,00,00,000/- (Rupees Twenty Seven Crore only) divided into 2,70,00,000 (Two Crore Seventy Lakh) Equity shares of ₹ 10/- (Rupees Ten Only) each in two tranches and Capital Clause of Memorandum of Association is altered accordingly.

During the year, the company issued and allotted 10,00,000 (Ten Lakh) unrated, unsecured compulsory convertible Debentures on private placement basis to OHM Commodity Broker Private Limited and OHM Equity Solution India Private Limited at a face value of ₹ 200/- each aggregating to ₹ 20,00,00,000 (Rupees Twenty Crore only) on May 31, 2017, further the same were converted in to Equity on November 24, 2017 by issuing 10,00,000 Equity shares of face value of ₹ 10/- per share at a price of ₹ 200/- per share at a premium of ₹ 190/- per share aggregating to ₹ 20,00,00,000/- (Rupees Twenty Crores only).

In addition to the above, Company has also offered 2,88,300 (Two Lakhs Eighty Eight Thousand and Three hundred) Equity Shares of the Company of face value of ₹ 10/- each at a price of ₹ 200/- (including a premium of ₹ 190/- per share) aggregating to ₹ 5,76,60,000/- (Rupees Five Crores Seventy Six Lakhs Sixty Thousands only) on Private Placement basis to 12 investors on June 13, 2017.

During the year the company made an allotment of 57,63,886 Equity Shares of ₹ 10/- each for cash at a premium of ₹ 265/- per share (Discount of ₹ 12/- per share to Retail Individual Investors ("Retail Discount") and to Eligible Employees Bidding in the Employee Reservation Portion ("Employee Discount") through Initial Public Offering (IPO). Post IPO the paid up Equity Share Capital of the Company as on March 31, 2018 amounted to ₹ 2,076.38 Lakhs.

The Company has not issued any shares with differential rights as to dividend, voting or otherwise.

EXTRACT OF THE ANNUAL RETURN [SECTION 134 (3) (a) & SECTION 92(3)]:

The details forming part of the extract of the Annual Return in Form MGT-9 is enclosed as Annexure – 1

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS [SECTION 134 (3) (b)]:

During the financial year 2017-18, the Board of Directors has met 21 times viz., 03.04.2017, 20.04.2017, 16.05.2017, 20.05.2017, 29.05.2017, 31.05.2017, 01.06.2017, 13.06.2017, 11.08.2017, 21.08.2017, 26.08.2017, 01.09.2017, 23.09.2017, 24.11.2017, 19.12.2017, 22.12.2017, 09.01.2018, 13.01.2018, 16.01.2018, 18.01.2018 and 13.02.2018. Details of attendance of directors more clearly explained in Corporate Governance Report

In terms of requirements of Schedule IV of the Act, a separate meeting of Independent Directors was also held on 13th February, 2018 to review the performance of Non Independent Directors (including the Chairpersons), the entire Board and its Committees thereof, quality, quantity and timelines of the flow of information between the Management and the Board.

DIRECTORS' RESPONSIBILITY STATEMENT [SECTION 134 (3) (c) & 134(5)]:

Pursuant to Section 134(5) of the Companies Act, 2013, Directors of your Company hereby state and confirm that:

- (a) in the preparation of the annual accounts for the period ended March 31, 2018 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- (c) the directors had 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;
- (d) the directors had prepared the annual accounts on a going concern basis;
- (e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and

Governance

- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS [SECTION 134 (3) (c) & 134(5)]:

The Company has received and taken on record the declarations received from the Independent Directors of the Company in accordance with the Section 149(6) of the Companies Act, 2013 confirming their independence.

FAMILIARISATION PROGRAMME

In compliance with the requirements of the Listing Regulations, the Company has put in place a familiarisation programme for the Independent Directors to familiarise them with their roles, rights and responsibilities as Independent Directors, the working of the Company, nature of the industry in which the Company operates, business model and so on. The same is also available on the Company website at www.apollo-micro.com

AUDIT COMMITTEE, NOMINATION AND REMUNERATION COMMITTEE & STAKEHOLDERS RELATIONSHIP COMMITTEE [SECTION 134(3) (e) & 178]:

Please refer to Corporate Governance Report as annexed to this report.

EXPLANATIONS OR COMMENTS BY THE BOARD ON EVERY QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE [SECTION 134 (3) (f)]:

- a) by the Auditor in their report : has no qualification or adverse remarks
- b) by Company Secretary in Practice in Secretarial Audit Report : has no qualification or adverse remarks

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 [SECTION 134 (3) (g)]:

During the period under review, the Company has not given any loans or guarantees to any person or other bodies corporate or acquired securities of any other body corporate as referred to in Section 186 of the Companies Act, 2013 and the Companies (Meetings of Board and its Powers) Rules, 2014. Further the company has not made any investment during the period under review.

SUBSIDIARIES AND ASSOCIATES [RULE 8(5)(iv) OF COMPANIES (ACCOUNTS) RULES, 2014]

Our Company does not have subsidiaries/joint ventures/Associate Companies, during the period under review.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES [SECTION 134 (3) (h)]:

All related party transactions entered into by the Company during the financial year were in the ordinary course of business and on arm's length basis and in compliance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations. During the financial year under review, none of the transactions entered into with related parties were material as defined under the Act and Listing Regulations.

The particulars of contract or arrangements entered into by the Company, during the financial year 2017-18, with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto has been disclosed in Form No. AOC -2, attached to the Board's report as Annexure – 2. The Policy on Related Party Transactions as approved by the Board is uploaded on the Company's website at www.apollo-micro.com

RESERVES [SECTION 134 (3) (j)]:

During the Financial Year under review, The Board of Directors has not recommended transfer of any amount of profit to any reserves. Hence, the amount of profit for the financial year under review has been carried forward to the Statement of Profit and Loss.

DIVIDEND [SECTION 134 (3) (k)]:

With a view to conserve resources and expansion of business, your Directors have thought it prudent not to recommend any dividend for the financial year under review.

DIVIDEND DISTRIBUTION POLICY

Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") mandates top 500 Listed Companies based on their market capitalization to formulate Dividend Distribution Policy. As per Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your company has voluntarily adopted Dividend Distribution policy.

Accordingly, the policy was adopted to set out parameters and circumstances that will be taken into account by the Board in determining the distribution of dividend to the shareholders. The Policy is also available on the Company's website under the available on the Company's Website www.apollo-micro.com.

MATERIAL CHANGES AND COMMITMENTS, IF ANY [SECTION 134 (3) (l)]:

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

CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO [SECTION 134 (3) (m)]:

A. Conservation of Energy

The operations of the company are not energy intensive. Adequate measures are taken to conserve and reduce the energy consumption like usage of LED Lights and power saving centralized air conditioners.

Research & Development

During the year our R&D team has worked on fresh development activity for futuristic requirements along with re-engineering of legacy designs to address obsolescence. We focus our R&D efforts in areas where we believe there is significant growth potential. Our R&D team has focused to leverage the existing technologies to develop products for Non Defence verticals. By developing new solutions

Governance

and by offering a wide range of systems across segments, which enables us to increase customer portfolio and position ourselves across all sectors in ESDM. In Fiscal 2018 we have spent ₹1578.37 Lakhs towards our R&D activities.

B. Technical Absorption

The Company works on in house Technology.

C. Foreign Exchange Earnings and Outgo:

Foreign Exchange outgo and earnings

(Amount in ₹)

Particulars	Year ended 31-03-2018	Year ended 31-03-2017
Value of imported raw-materials on CIF basis	14,61,28,193	2,50,69,030
Earnings in foreign currency:		
FOB Value of Exports	-	6,96,211
For Services Rendered	-	-

RISK MANAGEMENT POLICY [SECTION 134 (3) (n)]:

Our Risk Management Committee was constituted pursuant to resolution of our Board dated February 24, 2017 and was reconstituted on August 26, 2017, which has been entrusted with the responsibility to assist the Board in overseeing and approving the Company's enterprise wide risk management framework.

Sr. No.	Name of Member	Designation
1.	Venkata Siva Prasad Chandrapati	Chairman
2.	Karunakar Reddy Baddam	Member
3.	Srinivas Pagadala	Member

(Note: The Risk Management Committee was reconstituted w.e.f. August 09, 2018 due to resignation of Mr. Srinivas Pagadala (DIN: 02669528) and in his place Mrs. Karunasree Samudrala (DIN: 06960974) was inducted.)

The Company Secretary shall act as the secretary of the "Risk Management Committee". The terms of reference and role of the Risk Management Committee of our Company include the following:

1. To recommend risk management plan to the Board for implementation;
2. To monitor and review the risk management plan;
3. To lay down procedures to inform Board members about the risk assessment and minimization procedures;
4. To develop and implement the risk management policy for the company, identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company; and
5. To perform such other functions which are appropriate and necessary to manage the risk.

CORPORATE SOCIAL RESPONSIBILITY (CSR) [SECTION 134(3) (o)]:

Our Corporate Social Responsibility Committee was constituted pursuant to resolution of our Board dated February 24, 2017 and

was reconstituted on August 26, 2017. The Corporate Social Responsibility Committee comprises of the following:

Sr. No.	Name of Member	Designation
1.	Karunakar Reddy Baddam	Chairman
2.	Raghupathy Goud Theegala	Member
3.	Sri Lakshmi Reddy Vangeti	Member

The Company Secretary shall act as the secretary of the Corporate Social Responsibility Committee.

The terms of reference, powers and scope of the Corporate Social Responsibility Committee of our Company is in accordance with Section 135 of the Companies Act, 2013. The Committee is entrusted with the responsibility of:

- Formulating and recommending to the Board, Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken,
- monitoring the implementation of the framework of the CSR Policy, and
- recommending the CSR amount to be spend on the CSR activities.

The Committee formulated and recommended to the Board the CSR Policy. On the recommendations of the CSR Committee, the Board approved and adopted the CSR Policy of the Company. The Corporate Social Responsibility Policy is posted under the Investors section of the Company's website "www.apollo-micro.com".

The Company believes in undertaking business in such a way that it leads to overall development of all stake holders and society.

As per Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, annual report on CSR is prepared and the same is enclosed as Annexure – 3 to this Report.

Apollo considers social responsibility as an integral part of its business activities and endeavors to utilize allocable CSR budget for the benefit of society.

During the year under review the company has spent an amount of ₹ 3,25,000/-towards CSR Expenditure by contributing to Prime Minister's National Relief Fund (PMNRF).The Company is searching for the new owned avenues or projects in the direction of Company's CSR Policy so that the benefits of such an initiative can reach to the downtrodden people, hence could not spent full amount.

ANNUAL EVALUATION ON PERFORMANCE [SECTION 134(3) (p)]:

Pursuant to the captioned requirements, an annual evaluation had been carried out and the Board is pleased to report that the result thereof show that the Company is well-equipped in the management as well as the governance aspects.

In a separate meeting of Independent Directors held on February 13, 2018 performance of Non-Independent Directors and performance of the Board as a whole was evaluated. The

Governance

Independent Directors were satisfied with the overall functioning of the Board, its various committees and performance of other Non-Executive and Executive Directors.

OTHER MATTERS [SECTION 134(3) (q)]:

Listing approval on Recognised Stock Exchanges:

The Company which went for IPO during the year under review received Listing approval from BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) on January 19, 2018 and admitted to deal on Exchanges with effect from January 22, 2018.

EMPLOYEE STOK OPTIONS SCHEME [RULE 12(9) OF COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES, 2014]:

There were no such instances during the financial year under review.

CHANGE IN THE NATURE OF BUSINESS [RULE 8(5)(ii) OF COMPANIES (ACCOUNTS) RULES, 2014]

There is no change in the nature of the business of the Company during the financial year under review.

CHANGE IN THE DIRECTORS OR KEY MANAGERIAL PERSONNEL [RULE 8(5)(iii) OF COMPANIES (ACCOUNTS) RULES, 2014]

DIRECTORS

The constitution of the Board of Directors is in accordance with Section 149 of the Companies Act and Listing Regulations.

Appointments

Mr. Raghupathy Goud Theegala (DIN: 07785738) and Mr. Srinivas Pagadala (DIN: 02669528) were appointed as Independent Director under Section 161 of the Companies Act, 2013 w. e. f August 21, 2017. The Shareholders of the Company at their Adjourned 20th Annual General Meeting (AGM) held on August 26, 2017 approved the appointment of Mr. Raghupathy Goud Theegala and Mr. Srinivas Pagadala as Independent Director of the Company, for a term of five years as per the provisions of Section 149 of the Companies Act, 2013 read with rules made thereunder.

Re-appointments

Mr. Karunakar Reddy Baddam (DIN: 00790139) was re-appointed as a Managing Director and Key Managerial Person of the company. The Shareholders of the Company at their Adjourned 20th Annual General Meeting (AGM) held on August 26, 2017 approved the re-appointment of Mr. Karunakar Reddy Baddam (DIN: 00790139) as a Managing Director and Key Managerial Person of the company for a term of five years as per the provisions of the Companies Act, 2013 read with rules made thereunder and revision in remuneration pursuant to the Provisions of Section 196, 197 read with Part-I and Section I of Part II of schedule V and other applicable provisions, if any, of the Companies Act, 2013.

Mr. Addepalli Krishna Sai Kumar (DIN: 03601692) and Mr. Chandrapati Venkata Siva Prasad (DIN:03601703) were

re-appointed as Whole Time Director (Operations) and Whole Time Director (Technical) respectively. The Shareholders of the Company at their Adjourned 20th Annual General Meeting (AGM) held on August 26, 2017 approved the re-appointment of Mr. Addepalli Krishna Sai Kumar (DIN: 03601692) and Mr. Chandrapati Venkata Siva Prasad (DIN:03601703) as Whole Time Director (Operations) and Whole Time Director (Technical) respectively for a term of five years as per the provisions of the Companies Act, 2013 read with rules made thereunder and revision in remuneration pursuant to the Provisions of Section 196, 197 read with Part-I and Section I of Part II of schedule V and other applicable provisions, if any, of the Companies Act, 2013.

Retire by rotation

Further, Mrs. Sri Lakshmi Reddy Vangeti (DIN:02757567) retires by rotation at the ensuing Annual General Meeting and being eligible, offers herself for reappointment.

Key Managerial Persons (KMP)

During the year under review, the Company has appointed Mr. Sudarshan Chiluveru, as Chief Financial Officer (CFO), in compliance with the provisions of Section 203 of Companies Act, 2013 and Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, with effect from April 01, 2017.

DEPOSITS [RULE 8(5) (v) OF COMPANIES (ACCOUNTS) RULES, 2014]

The Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014. There are no unpaid or unclaimed deposits as the Company has never accepted deposits within the meaning of the Act and the rules made thereunder.

SIGNIFICANT AND MATERIAL ORDERS [RULE 8(5) (vii) OF COMPANIES (ACCOUNTS) RULES, 2014]

The Company hasn't received any significant and material orders that impact the going concern status and company's operations in future

INTERNAL FINANCIAL CONTROLS [RULE 8(5)(viii) OF COMPANIES (ACCOUNTS) RULES, 2014]

The Company has kept in place adequate financial controls to check and control any defects and frauds in the Company. Adequate internal control systems commensurate with the nature of the Company's business, its size, and complexity of its operations are in place and have been operating satisfactorily. Internal control systems comprising policies and procedures are designed to ensure reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedure, applicable laws and regulations and that all assets and resources are acquired economically, used efficiently and adequately protected.

PARTICULARS OF EMPLOYEES

Disclosure with respect to remuneration of Directors and employees as required under Section 197 of the Companies Act,

Governance

2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of the Board's Report Annexure – 4.

AUDIT REPORT

The statutory auditors' report is forming the part of this report. The notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. There are no specifications, reservations, adverse remarks on disclosure by the statutory auditors in their report. They have not reported any incident of fraud to the Board of the Company during the year under review.

STATUTORY AUDITOR'S:

M/s. S T Mohite & Co. (FRN 011410S), were appointed as Statutory Auditors of the Company in the adjourned Annual General Meeting held on August 26, 2017 for a period of 5 Years and holds office until the conclusion of the 25th Annual General Meeting to be held in the calendar year 2022 (subject to ratification by the shareholders at each Annual General Meeting). The Members year on year will be requested to ratify their appointment as Statutory Auditors and to authorise the Board of Directors to fix their remuneration.

Accordingly the appointment of M/s. S T Mohite & Co., Statutory Auditors of the Company, is placed for ratification by the shareholders at the ensuing Annual General Meeting. The Members are requested to ratify their appointment as Statutory Auditors and to authorise the Board of Directors to fix their remuneration.

Further M/s. S T Mohite & Co., has confirmed their eligibility to the effect that their re-appointment, if made, would be within the prescribed limits under the Act and that they are not disqualified for re-appointment.

The Auditors' Report does not contain any qualifications, reservations or adverse remarks. Notes to Accounts and Auditors remarks in their Report are self-explanatory and do not call for any further comments.

INTERNAL AUDITORS, COST AUDITORS, SECRETARIAL AUDIT:

INTERNAL AUDITOR

M/s. Surya Pavan & Co., Chartered Accountants were the Internal Auditors for the Year 2017-18 and they being eligible, the Board has re-appointed them for the Financial Year 2018-19.

COST AUDITOR

As per Cost Audit applicability, cost compliance is not applicable for FY 2017-18 as the Company is small scale industry under The Micro, Small and Medium Enterprises Development Act, 2006.

SECRETARIAL AUDIT

Secretarial Audit Report, pursuant to the provisions of Section 204 read with Section 134(3) of the Companies Act, 2013, was obtained from Datla Venkatesh, Practicing Company Secretary in Form MR-3 for the period under review. The said Report is attached and forms part to this report as Annexure – 5.

MANAGEMENT DISCUSSION AND ANALYSIS

A report on management discussion and analysis is placed as a separate section in the annual report.

REPORT ON CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance requirements under the Companies Act, 2013, and as stipulated under the Listing Regulations. A separate section titled 'Corporate Governance Report' Annexure – 6 under the Listing Regulations along with a certificate from the Practicing Company Secretary in the Annexure – 7 and CFO Certificate in the Annexure – 8 forms the part of this report.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Audit Functions reports to the Board. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Board.

VIGIL MECHANISM:

The Company's Board of Directors, pursuant to the provisions of Section 177(9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014, has framed 'Whistle Blower Policy' for Directors and employees of the Company. The policy is to provide a mechanism, which ensures adequate safeguards to employees and Directors from any victimisation on raising of concerns of any violations of legal or regulatory requirements, incorrect or misrepresentation of any, financial statements and reports, and so on. The employees of the Company have the right/option to report their concern/grievance to the Chairman of the Audit Committee. The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations. The Whistle Blower Policy is hosted on the Company's website www.apollo-micro.com

HUMAN RELATIONS:

The Company continues to have cordial and harmonious relationship with its employees and thank all employees for their cooperation and the contribution towards harmonious relationship and progress of the company.

POLICY ON SEXUAL HARASSMENT:

The Company has in place a policy for prevention of sexual harassment in accordance with the requirements of the Sexual Harassment of women at workplace (prevention, Prohibition, & Redressal) Act, 2013. Internal complaints committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, trainees, temporary) are covered under this policy. The Company did not receive any complaint during the period under review.

ACKNOWLEDGEMENTS:

Your Directors gratefully acknowledge the continued support, co-operation and wise counsel extended by the Government Authorities, Banks, and Financial Institutions.

Your Directors place on record their sincere appreciation for the significant contribution made by the employees through their dedication, hard work and commitment.

Your Directors sincerely acknowledge the confidence and faith reposed in the Company by the Shareholders, Creditors and other stake holders.

For and on behalf of the Board
APOLLO MICRO SYSTEMS LIMITED

Place: Hyderabad
Date: August 09, 2018

Sd/-
Karunakar Reddy Baddam
Managing Director (DIN 00790139)

Sd/-
Krishna Sai Kumar Addepalli
Whole Time Director (Operations)
(DIN 03601692)

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ANNEXURE – 1

**Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the March 31, 2018**

[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	U72200TG1997PLC026556
ii	Registration Date	03/03/1997
iii	Name of the Company	Apollo Micro Systems Limited <i>*(Was Private Limited Company until March 31, 2016. Converted to Limited Company w.e.f. April 1, 2017)</i>
iv	Category / Sub-Category of the Company	Company Limited by Shares Non-Government Indian Company
v	Address of the Registered Office and contact details	Plot No 128/A, Road No. 12, BEL Road IDA Mallapur, Uppal Mandal, Hyderabad, Rangareddy, Telangana, India – 500076 Phone: 91 40 27167000; Fax No. 91 40 27150820 Email id: cs@apollo-micro.com
vi	Whether listed company	Listed Company
vii	Name, Address and Contact details of Registrar and Transfer Agent, if any	Bigshare Services Private Limited SEBI Registration No: INR000001385 1st Floor, Bharat Tin Works Building, Opposite Vasant Oasis, Makwana Road, Marol, Andheri (East) Mumbai, Maharashtra, India - 400059 Email:marketing@bigshareonline.com Website: www.bigshareonline.com Tel No.: 91 22 62638200; Fax No.: 91 22 62638299

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1	Manufacture of electronic components	2610	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

S. No.	Name and address of the company	CIN/GLN	Holding/ Subsidiary/Associate Company	% of shares held	Applicable section
1	NIL	NIL	NIL	NIL	-

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	Demat	Physical			
A. Promoters							
(1) Indian							
a) Individual /HUF	0	1,32,71,700	1,32,71,700	96.79	1,32,71,700	63.92	-32.87
b) Central Govt	0	0	0	0	0	0	0
c) State Govt (s)	0	0	0	0	0	0	0
d) Bodies Corp.	0	0	0	0	0	0	0
e) Banks / FI	0	0	0	0	0	0	0
f) Any Other	0	0	0	0	0	0	0
Sub-total (A) (1):-	0	1,32,71,700	1,32,71,700	96.79	1,32,71,700	63.92	-32.87
(2) Foreign							
a) NRIs - Individuals	0	0	0	0	0	0	0
b) Other -Individuals	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0
e) Any Other....	0	0	0	0	0	0	0
Sub-total (A) (2):-	0	1,32,71,700	1,32,71,700	96.79	1,32,71,700	63.92	-32.87
Total shareholding of Promoter (A) =(A) (1)+(A)(2)	0	1,32,71,700	1,32,71,700	96.79	1,32,71,700	63.92	-32.87
B. Public Shareholding							
1. Institutions							
a) Mutual Funds	0	0	0	0	14,90,443	7.18	7.18
b) Banks / FI	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0
g) FIs	0	0	0	0	36,442	0.18	0.18
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0
i) Others (specify)-Foreign Portfolio Investor	0	0	0	0	9,60,486	4.63	4.63
Sub-total (B)(1):-	0	0	0	0	24,87,371	11.97	11.97
2. Non-Institutions							
a) Bodies Corp.	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	0	0	0	0	26,39,843	12.81	12.81
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	0	5,00,000	5,00,000	3.21	2,52,500	1.22	-1.99
c) Others (specify)	0	0	0	0	20,92,472	10.08	10.08
Sub-total (B)(2):-	0	5,00,000	5,00,000	3.21	49,84,815	20.00	20.00
Total Public Shareholding (B)=(B)(1)+(B)(2)	0	5,00,000	5,00,000	3.21	74,72,186	36.1	32.89
C. Shares held by Custodian for GDRs & ADRs							
Grand Total (A+B+C)	0	1,37,11,700	1,37,11,700	100	2,07,43,886	100	0

ii) Shareholding of Promoters

Sl. No	Shareholder's Name	Shareholding at the beginning of the year			Share holding 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	Karunakar Reddy Baddam	1,32,71,690	96.79%	0	1,32,71,690	63.92%	0	-32.87%
2	Sri Lakshmi Reddy Vangeti *	10	Negligible	0	10	Negligible	0	0
Total		1,32,71,700	96.79%	0	1,32,71,700	63.92%	0	-32.87%

* Forms part of Promoter Group

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

Sl. No.	Name of the Promoter	Shareholding at the beginning of the year		Date wise increase/(decrease) during the year specifying the reasons(e.g. buy, sell, allotment, transfer)			Cumulative Shareholding till end of the Year	
		No. of shares	% of total shares of the company	Date	Number of Shares	Nature	No. of shares	% of total shares of the company
1.	Karunakar Reddy Baddam	1,32,71,690	96.79				1,32,71,690	63.92
There was no change in number of shares however there was decrease in % of shareholding due to allotment of new equity shares under Private placement, Conversion of Compulsory Convertible Debentures ("CCD'S") and Initial public offering during the year under review.								
2.	Sri Lakshmi Reddy Vangeti	10	Negligible	-	-	-	10	Negligible
Total							1,32,71,700	63.92

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) (As on 31.03.2018):

Sl. No.	Name of the Shareholder	No. of Equity Shares held of ₹ 10/- each	% of holding
1	National Westminster Bank Plc As Trustee Of The Jupiter India Fund	6,77,913	3.26%
2	Sundaram Mutual Fund A/C Sundaram Infrastructure Advantage Fund	5,34,000	2.57%
3	OHM Commodity Broker Private Ltd.	5,00,000	2.41%
4	OHM Equity Solution India Pvt.Ltd.	5,00,000	2.41%
5	Sundaram Mutual Fund A/C Sundaram Smile Fund	3,64,000	1.75%
6	BOI AXA Mid Cap Equity And Debt Fund	1,94,376	0.94%
7	Jupiter South Asia Investment Company Limited - South Asia Access Fund	1,81,900	0.88%
8	Arindam Bhattacharjee	1,80,000	0.87%
9	Suneeta Varadraya Kamath	1,00,000	0.48%
10	Atul Kayan	87,500	0.42%
Total		33,19,689	15.99

Governance

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Date wise increase/(decrease) during the year specifying the reasons(e.g. buy, sell, allotment, transfer)			Cumulative Shareholding till end of the year	
		No. of shares	% of total shares of the company				No. of shares	% of total Shares of the company
1	Karunakar Reddy Baddam	1,32,71,690	96.79	There was no change in number of shares however there was decrease in % of shareholding due to allotment of new equity shares under Private placement, Conversion of Compulsory Convertible Debentures("CCD'S") and Initial public offering during the year under review			1,32,71,690	63.92
2	Sri Lakshmi Reddy Vangeti	10	0.01	-	-	-	10	Negligible
3.	Krishna Sai Kumar Addepalli	40,000	0.29	18.01.2018	1,900	Allotment	41,900	0.20
				22.01.2018	10	Buy	41,910	0.20
4.	Venkata Siva Prasad Chandrapati	50,000	0.36	18.01.2018	1550	Allotment	51,550	0.25
				02.02.2018	450	Sell	511,00	0.25
5.	Raghupathy Goud Theegala	-	-	-	-	-	-	-
6.^	Srinivas Pagadala	-	-	-	-	-	-	-
7.*	Karunasree Samudrala	-	-	-	-	-	-	-
8.**	Sudarshan Chiluveru CFO	-	-	18.01.2018	1900	Allotment	1900	0.01
9.	Vitta Chaitanya Siva Shankar Company Secretary	-	-	18.01.2018	750	Allotment	750	Negligible

^ Up to August 02, 2018

* Appointed with effect from May 29, 2018

** Appointed with effect from April 01, 2017

V. INDEBTEDNESS:

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

(Amount in ₹)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	75,01,18,339	4,08,26,673	-	79,09,45,012
ii) Interest due but not paid	-	-	-	
iii) Interest accrued but not due	-	-	-	
Total (i+ii+iii)	75,01,18,339	4,08,26,673	-	79,09,45,012
Change in Indebtedness during the financial year				
• Addition	21,45,29,761	29,15,929	-	21,74,45,690
• Reduction	23,12,32,028	-	-	23,12,32,028
Net Change	-	-	-	
Indebtedness at the end of the financial year				
i) Principal Amount	73,34,16,072	4,37,42,602	-	77,71,58,674
ii) Interest due but not paid	-	-	-	
iii) Interest accrued but not due	-	-	-	
Total (i+ii+iii)	73,34,16,072	4,37,42,602	-	77,71,58,674

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

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

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount (in ₹)
		Karunakar Reddy Baddam (Managing Director)	Venkata Siva Prasad Chandrapati (Whole Time Director-Technical)	Krishna Sai Kumar Addepalli (Whole Time Director-Operational)	
1.	Gross salary (IT Act) (a) Salary (b) Value of perquisites (c) Profits in lieu of salary	60,00,000	19,35,000	15,50,000	94,85,000
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total (A)	60,00,000	19,35,000	15,50,000	94,85,000
	Ceiling as per the Act	₹ 181.21 Lakhs (being the 10% of the Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013.)			

B. Remuneration to other directors: Nil

Sl. No.	Particulars of Remuneration	of	Name of MD/WTD/Manager/other Directors			Total Amount (in ₹)
			Sri Lakshmi Reddy Vangeti	Raghupathy Goud Theegala (Independent Director)	Srinivas Pagadala (Independent Director)	
1.	Gross salary (IT Act) (a) Salary (b) Value of perquisites (c) Profits in lieu of salary		-	-	-	-
2.	Stock Option		-	-	-	-
3.	Sweat Equity		-	-	-	-
4.	Commission - as % of profit - others, specify...		-	-	-	-
5.	Others-Sitting Fees paid for attending Board and Committee Meetings		-	3,20,000	3,20,000	-
	Total (A)		-	3,20,000	3,20,000	6,40,000

* Appointed with effect from 29th May, 2018

Governance

C. Remuneration to key managerial personnel other than MD/Manager/WTD:

Sl. No.	Particulars Remuneration	of key managerial personnel other than MD/Manager/WTD		Total Amount (in ₹)
		Sudarshan Chiluveru, Chief Financial Officer (CFO)	Vitta Chaitanya Siva Shankar, Company Secretary	
1.	Gross salary (IT Act) (a) Salary (b) Value of perquisites (c) Profits in lieu of salary	13,20,000	3,00,000	16,20,000
2.	Stock Option	-	-	
3.	Sweat Equity	-	-	
4.	Commission - as % of profit - others, specify...	-	-	
5.	Others, please specify	-	-	
	Total (A)	-	-	-
	Ceiling as per the Act	-	-	-

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			NIL		
Compounding					
B. Directors					
Penalty					
Punishment			NIL		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			NIL		
Compounding					

For and on behalf of the Board
APOLLO MICRO SYSTEMS LIMITED

Place: Hyderabad
Date: August 09, 2018

Sd/-
Karunakar Reddy Baddam
Managing Director (DIN 00790139)

Sd/-
Krishna Sai Kumar Addepalli
Whole Time Director (Operations)
(DIN 03601692)

ANNEXURE – 2

FORM NO. AOC -2

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

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of Section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis: Nil
2. Details of contracts or arrangements or transactions at Arm's length basis:

(Amount in ₹)

S. No.	Particulars	Directors and Key Managerial Personnel					
		Karunakar Reddy Baddam, Managing Director		Krishna Sai Kumar Addepalli, Director		Venkata Siva Prasad Chandrapati, Director	
1	Name (s) of the related party and nature of relationship	Karunakar Reddy Baddam, Managing Director		Krishna Sai Kumar Addepalli, Director		Venkata Siva Prasad Chandrapati, Director	
2	Nature of contracts/ arrangements/ transaction	Unsecured Loan, Rent paid, Remuneration		Remuneration		Remuneration	
3	Duration of the contracts/ arrangements/ transaction	Continuous transaction		Continuous transaction		Continuous transaction	
4	Salient terms of the contracts or arrangements or transaction including the value, if any	Unsecured Loan from Karunakar Reddy Baddam	₹ 3,38,01,903	Remuneration paid	₹ 15,50,000	Remuneration paid	₹ 19,35,000
		Rent paid to Karunakar Reddy Baddam	₹ 8,40,000	-	-	-	-
		Remuneration paid	₹ 60,00,000	-	-	-	-
5	Date of approval by the Board	Continuous transaction		Continuous transaction		Continuous transaction	
6	Amount paid as advances, if any	-		-		-	

Contd..

S. No.	Particulars	Relative(s) of Directors and Key Managerial Personnel					Enterprises with which transactions held				
1	Name (s) of the related party and nature of relationship	-	-	-	-	-	-	-	-	-	-
2	Nature of contracts/ arrangements/ transaction	-	-	-	-	-	-	-	-	-	-
3	Duration of the contracts/ arrangements/ transaction	-	-	-	-	-	-	-	-	-	-
4	Salient terms of the contracts or arrangements or transaction including the value, if any	-	-	-	-	-	-	-	-	-	-
5	Date of approval by the Board	-	-	-	-	-	-	-	-	-	-
6	Amount paid as advances, if any	-	-	-	-	-	-	-	-	-	-

For and on behalf of the Board
APOLLO MICRO SYSTEMS LIMITED

Place: Hyderabad
Date: August 09, 2018

Sd/-
Karunakar Reddy Baddam
Managing Director (DIN 00790139)

Sd/-
Krishna Sai Kumar Addepalli
Whole Time Director (Operations)
(DIN 03601692)

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ANNEXURE – 3

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY AS PER RULE 8 OF THE COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:

On the recommendations of the Corporate Social Responsibility Committee, the Board approved and adopted the Corporate Social Responsibility Policy of the Company. The Company proposes to adopt projects or programmes under one or more of the activities as prescribed under Schedule VII of the Companies Act, 2013, as amended from time to time and as stated in the Corporate Social Responsibility Policy.

The Corporate Social Responsibility Policy is posted under the Investors section of the Company's website at: www.apollo-micro.com.

2. Composition of the CSR Committee:-

Sr. No.	Name of Member	Designation
1.	Karunakar Reddy Baddam	Chairman
2.	Raghupathy Goud Theegala	Member
3.	Sri Lakshmi Reddy Vangeti	Member

3. Average net profit of the Company for the last Three financial years

Financial Year	Profit Before Tax (in ₹)
2014-15	9,47,15,580
2015-16	14,91,29,897
2016-17	25,82,75,805
Total	50,21,21,282
Average of the PBT	16,73,73,760.7

4. Prescribed CSR expenditure (2% of Average Net Profits): ₹ 33,47,475.21/-

5. Details of CSR spent during the financial year 2017-18:

(a) Total amount to be spent for the financial year: ₹ 33,47,475.21/-

(b) Amount unspent, if any: ₹ 73,55,242.2/-

In addition to the CSR obligation for the FY 2017-18, the above amount also includes CSR obligation of ₹ 18,94,312/- for the financial year 2015-16 and ₹ 24,38,455/- for the financial year 2016-17, which is yet to be spent by our company. Our Company has not made any provisions in the books of accounts for the financial year 2015-16 and *petition for compounding with appropriate authorities has been filed.*

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

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Project or programme (1) Local area or other (2) Specify the state and district where projects or programmes was undertaken	Amount outlay (budget) project or programme wise.	Amount Spent on the projects or programmes sub heads (1) Direct expenditure on projects and programmes (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent Direct or through implementing agency
1.	Contribution to Prime Minister's National Relief Fund (PMNRF)	Relief for Riots, Flood, Drought, Earthquakes, Cyclone, Tsunami, Medical etc.	Pan India	-	3,25,000/-	3,25,000/-	Amount spent directly to Prime Minister's National Relief Fund(PMNRF)

6. **In case the company has failed to spend the two percent of the average of the net profit of the last two financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.**

CSR Committee of the company has framed the CSR policy and the same has been adopted by the Board on 10-March-2017. The CSR Committee is in the process of identifying its owned projects and avenues to be set up by the company for making CSR expenditure within the policy framework and our company shall incur substantial portion of CSR obligation during the financial year 2018-19.

7. **The CSR Committee Confirms that the implementation and monitoring of the CSR Policy will be in compliance with the CSR objectives and policy of the Company.**

For and on behalf of the Board
APOLLO MICRO SYSTEMS LIMITED

Place: Hyderabad
Date: August 09, 2018

Sd/-
Karunakar Reddy Baddam
Chairman of the CSR Committee
and Managing Director
(DIN 00790139)

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ANNEXURE – 4

Particulars of remuneration and other Disclosures

A. Details pertaining to remuneration as required under section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of managerial personnel) Rules, 2014.

- (a) The percentage increase in remuneration of each Director & other Key Managerial Personnel (KMP) and Ratio of the remuneration of each director to the median remuneration of the employees of the company during the financial year 2017-18 are as under:

Sl. No	Name	Designation	Amount of Remuneration paid for the year (Amt. in ₹)		Increase/ (Decrease) (Amt. in ₹)	Increase/ (Decrease) %	Ratio to median remuneration of Employees
			2017-18	2016-17			
1.	Karunakar Reddy Baddam	Managing Director	60,00,000.00	48,00,000.00	12,00,000.00	25	26.32
2.	Chandrapati Venkata Siva Prasad	Whole Time Director(Technical)	19,35,000.00	12,00,000.00	7,35,000.00	61.25	8.49
3.	Addepalli Krishna Sai Kumar	Whole Time Director(Operations)	15,50,000.00	9,35,000.00	6,15,000.00	65.78	6.80
4.	Raghupathy Goud Theegala	Chairman & Independent Director	3,20,000.000	-	-	-	N.A
5.	Srinivas Pagadala	Independent Director	3,20,000.000	-	-	-	N.A
6.	Karunasree Samudrala ^	Independent Director	-	-	-	-	-
7.	Sudarshan Chiluveru	CFO	13,20,000.00	-*	-	-	5.80
8.	Vitta Chaitanya Siva Shankar	CS	3,00,000.00	50,000/- **	-	-	1.32

^Appointed on May 29, 2018

*Appointed on April 01, 2017

** Appointed on February 01, 2017

- Median Ratio of the Employees was ₹ 2,28,000.00/-Per annum (FY 2017-18) and the ratio of the remuneration of each director to the median remuneration of the employees of the company for the period under review is provided in the above table. The Median Ratio of the Employees was ₹ 1,92,000.00/- Per annum in the FY 2016-17
Independent Directors were paid only sitting fees during the financial year under review. Hence, their ratio to Median Remuneration has been shown as Not Applicable.
- Median Ratio of the Employees during the year 2017-18 increased by 18.5 % compared to 2016-17
- Number of Permanent employees on the Rolls of the company as on March 31, 2018, was 186.
- Remuneration has been paid as per remuneration policy.
- Remuneration does not include insurance, which is paid for the Company as a whole and gratuity as this is provided in the books of accounts on the basis of actuarial valuation for the Company as a whole and hence individual amount cannot be determined.

B. Information as per Rule 5(2) of the Companies (Appointment and Remuneration of managerial personnel) Rules, 2014

- (a) Particulars of top ten Employees in terms of Remuneration and also who were in receipt of remuneration not less than one Crore and two lakh rupees per annum or eight lakh and fifty thousand rupees per month during the year 2017-18.

SI No.	Employee Name	Designation	Remuneration (Amt. in ₹)	Nature of Employment- contractual or otherwise	Qualification, Date of Joining, Experience, Date of Birth and Age	Last Employment & Designation	No and % of Equity shares held at year end	Relationship to any Director
1.	Karunakar Reddy Baddam	Managing Director	60,00,000.00	Contractual	BA 03-Mar-1997 33 Years 06-June-1962 56 Years		13271690 63.9	None
2.	Chandrapati Venkata Siva Prasad	Whole Time Director (Technical)	19,35,000.00	Contractual	Master of Technology in Instrumentation 10-Jan-2000 21 Years 21-Apr-1971 47 Years	Hyderabad Tulaman Limited (Sr. Engineer [R&D])	51100 0.25	None
3.	Addepalli Krishna Sai Kumar	Whole Time Director (Operations)	15,50,000.00	Contractual	Bachelor of Engineering (Electronics & Communication) 24-Apr-2003 17 Years 12-Oct-1979 39 Years	JVR Infotech Private Limited (Senior Marketing Executive)	41910 0.20	None
4.	Venkateswara Rao Aluri	Senior General Manager (Sales)	14,40,000.00	Permanent	Masters Of Business & Administration –Sales & Marketing 02-July-2016 22Years 05-June-1972 46Years	HBL Power Systems Limited (General Manager Sales (Eng /R&D)	650 Negligible	None
5.	Chukka Visweswara Rao	Senior Manager	14,00,000.00	Permanent	07-Sep-2017 32Years 10-Mar-1965 52Years	Smarttrak Solar Systems Pvt. Ltd. (Manager)	100 Negligible	None
6.	Sudarshan Chiluveru	Chief Financial Officer	13,20,000.00	Permanent	Associate Certificate- The Indian Institute of Bankers 01-Apr-2017 35Years 25-May-1953 65Years	State Bank of Hyderabad (Chief Manager)	1900 Negligible	None
7.	Satpal Singh Choudhary	Associate Vice President (Northern Region)	13,20,000.00*	Permanent	Bachelor of Science(Electrical Engineering) 05-Mar-2018 38 Years 17-June-1955 63Years	Bharat Electronics Limited (Additional General Manager)	Nil	None
8.	Ramidi Narasimha Reddy	Chief Operating Officer (COO)	12,00,000.00	Permanent	Bachelor of Engineering in Electronics & Communication 04-Mar-2016 47 Years 21-June-1946 72Years	Vem Technologies Private Limited (Vice President)	374 Negligible	None
9.	Balakrishna Dumala	General Manager (Production)	10,80,000.00	Permanent	Diploma in Electronics 15-June-2016 47 Years 25-June-1946 72 Years	Nucon (General Manager)	Nil	None
10.	Paruchuri Jyothsana	E-CAD Head	6,24,000.00**	Permanent	Diploma in Electronics 26 Years 01-Feb-2006 25-June-1972 46Years	Viratronics (E-CAD Head)	200 Negligible	None

*new employees with less than 12 Months service; remuneration annualised.

**Last drawn salary for the year 2017-18 i.e. for the month of March has been annualised.

- (b) During the year under review, there was no employee in receipt of remuneration which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director and holds by himself or along with his/her spouse and dependent children, not less than two percent of the equity shares of the company.

ANNEXURE – 5

FORM NO MR-3

SECRETARIAL AUDIT REPORT

For the Financial Year Ended 31 March, 2018

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

To,

The Members,

APOLLO MICRO SYSTEMS LIMITED

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by APOLLO MICRO SYSTEMS LIMITED (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of APOLLO MICRO SYSTEMS LIMITED's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2018 generally complied with the statutory provisions listed here under and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. We have examined the books, papers, minute books, forms and returns filed and other records made available to us and maintained by APOLLO MICRO SYSTEMS LIMITED for the financial year ended on 31 March, 2018 according to the provisions of:
 - i. The Companies Act, 2013 (the Act) and the rules made thereunder;
 - ii. The Securities Contract (Regulation) Act, 1956 (SCRA) and the rules made thereunder;
 - iii. The Depositories Act, 1996 and the Regulations and Byelaws framed thereunder;
 - iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
 - v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act)
 - a) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - e) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - f) Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; and
 - g) Other regulations of the Securities and Exchange Board of India as may be applicable to the Company.
 - vi. The Payment of Wages Act, 1936
 - vii. The Minimum Wages Act, 1948
 - viii. The Employees Provident Fund and Misc. Provisions Act, 1952
 - ix. The Employees State Insurance Act, 1948
 - x. The Income Tax Act, 1961

Governance

- xi. The Payment of Gratuity Act, 1972
 - xii. The Telangana Value added tax
 - xiii. The Finance Act, 1944 (Service Tax)
 - xiv. The Insurance Act, 1938 [As Amended By Insurance (Amendment) Act, 2002]
 - xv. The Payment of Bonus Act, 1965
 - xvi. The Negotiable Instrument Act 1881
 - xvii. The Water (Prevention & Control of Pollution) Act 1974 and rules there under
 - xviii. The Air (Prevention & Control of Pollution) Act 1981 and rules there under
 - xix. The Environment (Protection) Act, 1986
 - xx. The Customs Act, 1962
 - xxi. The Newspaper Publications
 - xxii. The Central Excise Act, 1944
 - xxiii. The Factories Act, 1948
 - xxiv. The Workmen's Compensation Act, 1923
 - xxv. The Shops and establishment Act
 - xxvi. The Goods and Services Tax Act,
 - xxvii. The Trade Marks Act, 1999
 - xxviii. Secretarial Standards with respect to Board and general meetings issued by The Institute of Company Secretaries of India to the extent they are applicable.
2. We have also examined compliance with the applicable clauses of the Listing Agreements entered into by the Company with the BSE Limited, National Stock Exchange of India Limited.
3. We further report that the Company has, in my opinion, complied (to the extent applicable) with the provisions of the Companies Act, 2013 and the Rules made under that Act as notified by the Ministry of Corporate Affairs and the Memorandum and Articles of Association of the Company, with regard to:
- i. Closure of the Register of Members.
 - ii. Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and the Central Government;
 - iii. Service of documents by the Company on its Members, Auditors and the Registrar of Companies;
 - iv. 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.
 - v. 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.
 - vi. Approvals of the Members, the Board of Directors, the Committees of Directors and the government authorities, wherever required;
 - vii. Payment of remuneration to Directors including the Managing Director and Whole-time Directors;
 - viii. Appointment and remuneration of Statutory Auditors;
 - ix. Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund and uploading of details of unpaid and unclaimed dividends on the websites of the Company and the Ministry of Corporate Affairs;
 - x. Borrowings and registration, modification and satisfaction of charges wherever applicable;

Governance

- xi. Investment of the Company's funds including investments and loans to others;
 - xii. Format of Balance Sheet and statement of profit and loss is as per Schedule III of the Companies Act 2013 read with Companies (Indian Accounting Standard (Ind AS) Rules 2015; Report of the Board of Directors as per Section 134 of the Companies Act 2013;
 - xiii. The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the Code of Business Conduct & Ethics for Directors and Management Personnel;
4. We further report that:
- i. The Company has complied with the requirements under the Equity Listing Agreements entered into with BSE Limited, National Stock Exchange of India Limited;
 - ii. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2013; including the provisions with regard to disclosures and maintenance of records required under the said Regulations;
 - iii. The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the said Regulations;
 - iv. The Company has complied with the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made under that Act, with regard to maintenance of minimum public shareholding;
 - v. There was no prosecution initiated and no fines or penalties were imposed during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement rules, regulations and Guidelines framed under these Acts against / on the Company, its Directors and Officers;
5. We Further Report That:
- i. The Company is paying wages to all employees as per the provisions of Minimum Wages Act, 1948 and The Payment of Wages Act, 1936;
 - ii. The Company is paying bonus to employees as per the provisions of The Payment of Bonus Act, 1965 and all returns are filed in Required Forms as per the Act;
 - iii. The Company falls under the pollution category of "White" under Telangana State Pollution Control Board, as per the provision of Water (Prevention & Control of Pollution) Act, 1974;
 - iv. The Company is regular in paying all statutory dues like PF, ESI, Sales tax, VAT, Service tax, GST etc.
 - v. The Company is regular in payment of gratuity as per the rules of the Payment of Gratuity Act, 1972.
 - vi. The Company is regular in publishing Audited and Unaudited Financial Result.
 - vii. The Company has renewed the Insurance Policy under Employees State Insurance Act, 1948.
 - viii. The Company has renewed the Policy with LIC for Gratuity under Payment of Gratuity Act, 1972.
 - ix. The Company Website is well acquainted with all statutory required information.
6. We further report that based on the information received and records maintained there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
7. We further report that during the period under audit:
- i. The Company has issued and allotted 10,00,000 (Ten Lakh) unrated, unsecured compulsory convertible Debentures on private placement basis to OHM Commodity Broker Private Limited and OHM Equity Solution India Private Limited at a face value of ₹ 200/- each aggregating to ₹ 20,00,00,000 (Rupees Twenty Crore only) on May 31, 2017.
 - ii. The Company has issued and allotted 2,88,300 (Two Lakhs Eighty Eight Thousand and Three hundred) Equity Shares of the Company of face value of ₹ 10/- each at a price of ₹ 200/- (including a premium of ₹ 190/- per share) aggregating to ₹ 5,76,60,000/- (Rupees Five Crores Seventy Six Lakhs Sixty Thousands only) on Private Placement basis to 12 investors on June 13, 2017.
 - iii. The 10,00,000 (Ten Lakh) unrated, unsecured compulsory convertible Debentures issued on private placement basis as mentioned in point no (i) above were converted in to Equity on November 24, 2017 by issuing 10,00,000 Equity shares of face value of ₹ 10/- per share at a price of ₹ 200/- per share at a premium of ₹ 190/- per share aggregating to ₹ 20,00,00,000/- (Rupees Twenty Crores only).

Governance

- iv. The Equity shares of the Company has been listed on Bombay Stock Exchange(BSE) and National Stock Exchange(NSE) on January 22nd, 2018 by way of public issue of 57,63,886 Equity Shares (Fresh issue of 57,63,886 Equity Shares) and the same was allotted at an Issue Price of ₹ 275/- per share, including a share premium of ₹ 265/- per share (Discount of ₹ 12/- per share to Retail Individual Investors (“Retail Discount”) and to Eligible Employees Bidding in the Employee Reservation Portion (“Employee Discount”)to the respective applicants in various categories in terms of basis of allotment approved in consultation of Designated Stock Exchange BSE limited. The applicable provisions of the Securities Contracts (Regulation) Rules 1957, SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Foreign Exchange Management Act, 1999 (FEMA) and the Companies Act, 2013 have been duly complied with.

For Datla Venkatesh

Sd/-

Company Secretary in Practice

ACS No. 36504, C.P. No. 14074

Place: Hyderabad
Date: August 09, 2018

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

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'ANNEXURE A'

To,

The Members

APOLLO MICRO SYSTEMS LIMITED

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards are the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Datla Venkatesh

Sd/-

**Company Secretary in Practice
ACS No. 36504, C.P. No. 14074**

Place: Hyderabad

Date: August 09, 2018

ANNEXURE – 6

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

Transparency and accountability are the two basic tenets of Corporate Governance which are integral part of our business and endeavour to ensure fairness for every stakeholder- our customers, investors, vendors and the communities wherever we operate. At APOLLO, we feel proud to belong to a Company whose visionary founders laid the foundation stone for good governance long back and made it an integral principle of the business. We always seek to ensure that our performance is driven by integrity, value and ethics. Responsible corporate conduct is integral to the way we do our business.

We, at APOLLO, ensure that we evolve and follow the corporate governance guidelines and best practices. The norms and processes of Corporate Governance reflect our commitment to disclose timely and accurate information regarding our financial and operational performance, as well as the Company's leadership and governance structure.

Our Board is responsible for shaping the long-term vision and policy approach to steadily elevate the quality of governance in our Organisation. At APOLLO, we firmly believe that an active, well-informed and independent Board is necessary to ensure the highest standards of Corporate Governance to bring objectivity and transparency in the Management. This belief is reflected in our governance practices, under which we strive to maintain an effective, informed and independent Board. We keep our governance practices under continuous review and benchmark ourselves to best practices across the globe.

VISION

The APOLLO vision is anchored in our rigorous focus on long lasting relationships with our customers and our commitment to build the power of our brands, underpinned by our peoples will to win.

Our vision for the future goes way beyond timekeeping. We will delight and surprise our customers through innovation in design, technology and application of our brands and deliver a superior customer experience. This will lead to enhanced values for our shareholders and increase returns on investments and assets.

Our Competitive Strengths

- Proven track record in developing new technological systems and order execution
- Recurring orders from existing programs
- Strong R&D Capabilities
- Qualified and experienced workforce and senior management
- Quality control
- Focus on R&D to develop complete systems to enhance the long-term prospects of our Company
- Improving our productivity and competitiveness
- Continue to grow our overall market share by leveraging our presence in existing business verticals

BOARD OF DIRECTORS

a) Composition of Board

The composition of Board of Directors of the Company is in conformity with the requirements of Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as well as section 149 of Companies Act 2013. As on March 31, 2018, the Board consists of 6 Directors comprising 3 Executive Directors, 2 Non-Executive and Independent Directors, and 1 Non-Executive Director. The Board is chaired by Mr. Raghupathy Goud Theegala as a Non-Executive and Independent Director as Chairman. All the Directors are well Experienced in their respective arenas. The Board has no institutional nominee directors. We believe that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance.

Governance

The composition and category of Directors on Board of the Company as on March 31, 2018 are as follows:

Name of the directors	Category	Number of shares held	No. of Directorship held in other Companies	No. of Membership/ Chairmanship in other Board Committees (2)
Raghupathy Goud Theegala	Chairman and Non Executive Independent Director	Nil	Nil	0
Karunakar Reddy Baddam	Managing Director	1,32,71,690	1	0
Sri Lakshmi Reddy Vangeti	Non-Executive Director	10	Nil	0
Chandrapati Venkata Siva Prasad	Whole Time Director	51,100	Nil	0
Addepalli Krishna Sai Kumar	Whole Time Director	41,910	1	0
Srinivas Pagadala	Non-Executive- Independent Director	Nil	1	0
Karunasree Samudrala (1)	Non-Executive- Independent Director	Nil	1	1

- (1) Mrs. Karunasree Samudrala was appointed on May 29, 2018 as an additional director in the capacity of Non-Executive- Independent Director.
- (2) Only Audit Committee and Stakeholders Relationship Committee of the Public Limited Company have been considered for the purpose of ascertaining no. of membership & Chairmanship of Committee.
- (3) Mr. Srinivas Pagadala resigned due to his preoccupation vide his letter dated August 02, 2018 and the same was approved in the duly convened Board Meeting held on August 09, 2018.

b) Appointment/Re-appointment of Director(s)

As per the Companies Act, 2013, one-third of the Directors retires by rotation and, if eligible, seeks re-appointment at the AGM of shareholders. Mrs. Sri Lakshmi Reddy Vangeti will retire at the ensuing AGM and being eligible, seeks re-appointment.

The Board has recommended her re-appointment.

On the recommendation of the Nomination & Remuneration Committee, the Board at its meeting held on May 29, 2018 Mrs. Karunasree Samudrala [DIN: 06960974] was appointed as an Additional Director of the company in the capacity of Non Executive Independent Director .

Further, the Board at its meeting held on August 09, 2018 has recommended the appointment of Mrs. Karunasree Samudrala [DIN: 06960974] as an Independent Director of the Company for a period of five years from May 29, 2018, for the approval of the shareholders in th ensuing Annual General Meeting.

c) Board Meetings

The Board meets at regular intervals to discuss and decide on Company / business policy and strategy apart from other Board businesses. The Board / Committee Meetings are pre-scheduled and a tentative annual calendar of the Board and Committee Meetings is circulated to the Directors well in advance. Agenda papers are sent to the Directors generally one week before the meeting to facilitate meaningful and focused discussions at the meeting.

The Board met 21 times viz., 03.04.2017, 20.04.2017, 16.05.2017, 20.05.2017, 29.05.2017, 31.05.2017, 01.06.2017, 13.06.2017, 11.08.2017, 21.08.2017, 26.08.2017, 01.09.2017, 23.09.2017, 24.11.2017, 19.12.2017, 22.12.2017, 09.01.2018, 13.01.2018, 16.01.2018, 18.01.2018 and 13.02.2018 to consider amongst other business matters, the quarterly performance of the Company and financial results. The maximum interval between any two meetings was well within the maximum allowed gap of 120 days. Directors attending the meeting actively participated in the deliberations at these meetings.

Board/ General Meetings and Attendance

Details of Attendance of Directors at various Board Meetings and at the Annual General Meeting held during the Financial year 2017-18 are as under:

Names	No of Meetings attended	Attendance at last AGM
Raghupathy Goud Theegala (1)	11	N.A
Karunakar Reddy Baddam	21	Yes
Sri Lakshmi Reddy Vangeti	14	Yes
Chandrapati Venkata Siva Prasad	21	Yes
Addepalli Krishna Sai Kumar	21	Yes
Srinivas Pagadala (2)	11	N.A
Karunasree Samudrala (3)	Nil	N.A

(1) Appointed on August 21, 2017

(2) Appointed on August 21, 2017

(3) Appointed on May 29, 2018 as an additional director in the capacity of Non-Executive- Independent Director.

• **Board Independence**

The definition of ‘Independence’ of Directors is derived from Section 149(6) of the Companies Act, 2013 and the rules made there under, and Regulation 16(1) (b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Based on the confirmation /disclosures received from the Independent Directors and on evaluation of their relationships disclosed, they are Independent in terms of Section 149(6) of the Companies Act, 2013 and the rules made there under, and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

• **Information provided to the Board**

The Board has unrestricted access to all Company-related information including that of our employees. Presentations are also made to the Board by different functional heads on important matters from time to time. Directors have separate and independent access to the officers of the Company. The Board was presented with the information broadly on all suggested matters in terms of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company has an effective post Board meeting follow up procedure. Action taken report on the decisions taken in a meeting is placed at the immediately succeeding meeting for information of the Board. The Board has established procedures to periodically review Compliance Report pertaining to all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliance.

INDEPENDENT DIRECTORS MEETING

A meeting of Independent Directors of the Company was held on whereat the following items as enumerated under Schedule IV to the Companies Act, 2013 and Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 were discussed:

- a) Review of performance of Non-Independent Directors and the Board as a whole;
- b) Review of performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors;
- c) Assessment of the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

FAMILIARIZATION PROGRAMME

In compliance with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has put in place a familiarization programme for the Independent Directors to familiarize them with their roles, rights and responsibility as Directors, the working of the Company, nature of the industry in which the Company operates, business model etc. The details of

familiarization programmes arranged for the Independent Directors have been disclosed on the website of the company i.e www.apollo-micro.com.

BOARD COMMITTEES

The Board Committees play a crucial role in the governance structure of the Company and have been constituted as per the requirement of the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Board Committees are set up under the formal approval of the Board to carry out clearly defined roles. The minutes of the meetings of all Committees are placed before the Board for review. The Board Committees request special invitees to join the meeting, as and when considered appropriate.

a) Audit Committee

The Company has adequately qualified and independent Audit Committee. Currently, the Audit Committee comprises of the following:

Sr. No.	Name of Member	Designation
1.	Srinivas Pagadala	Chairman
2.	Raghupathy Goud Theegala	Member
3.	Krishna Sai Kumar Addepalli	Member

(Note: The Audit Committee was reconstituted w.e.f. August 09, 2018 due to resignation of Mr. Srinivas Pagadala (DIN: 02669528 and in his place Mrs. Karunasree Samudrala (DIN: 06960974) was inducted.)

Two of the three members on the Committee are independent directors. The Committee is chaired by Mr. Srinivas Pagadala, who is an independent Director having vast experience and expertise in the area of finance and accounts.

The Company Secretary of the Company acts as the Secretary to the Committee.

The role of the audit committee shall include the following:

- 1. Oversight of the Company’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- 2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- 3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- 4. Reviewing, 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’s 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 management;
 - 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;
 - vii. modified opinion(s) in the draft audit report;
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
 6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
 7. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
 8. Approval or any subsequent modification of transactions of the Company with related parties;
 9. Scrutiny of inter-corporate loans and investments;
 10. Valuation of undertakings or assets of the Company, wherever it is necessary;
 11. Evaluation of internal financial controls and risk management systems;
 12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
 13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
 14. Discussion with internal auditors of any significant findings and follow up there on;
 15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
 16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

17. 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;
18. To review the functioning of the whistle blower mechanism;
19. Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the audit committee.

Audit Committee's composition and terms of reference are in compliance with the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. During the year under review, the Audit Committee met three times on September 01, 2017, November 24, 2017, and February 13, 2018.

The details of member's attendance at the Audit Committee Meetings during the financial year 2017-18 are as under:

Names	No of Meeting attended
Srinivas Pagadala	3
Raghupathy Goud Theegala	3
Krishna Sai Kumar Addepalli	3

The minutes of each Audit Committee meeting are placed and confirmed in the next meeting of the Board.

b) Nomination and Remuneration Committee

Currently, the Committee comprises of three Non-Executive Directors comprises of the following:

Sr. No.	Name of Member	Designation
1.	Srinivas Pagadala	Chairman
2.	Sri Lakshmi Reddy Vangeti	Member
3.	Raghupathy Goud Theegala	Member

(Note: The Nomination and Remuneration Committee was reconstituted w.e.f. August 09, 2018 due to resignation of Mr. Srinivas Pagadala (DIN: 02669528) and in his place Mrs. Karunasree Samudrala (DIN: 06960974) was inducted.)

The Committee meets periodically as and when required. Except Managing Director and Whole Time Directors, no other director draws remuneration from the Company. Terms of reference of the Committee, inter alia, includes the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, Key Managerial Personnel and other employees;

Governance

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- Formulation of criteria for evaluation of performance of independent directors and the board of directors;
- Devising a policy on diversity of board of directors;
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the board of directors their appointment and removal;
- To extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

The Nomination and Remuneration Committee's composition and terms of reference are in compliance with the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. During the year under review, the Committee met One times on November 24, 2017.

The details of member's attendance at the Nomination & Remuneration Committee Meetings during the financial year 2017-18 are as follows:

Names	No of Meeting attended
Srinivas Pagadala	1
Sri Lakshmi Reddy Vangeti	1
Raghupathy Goud Theegala	1

Performance evaluation criteria for Independent Directors

The Nomination and Remuneration Committee have developed parameterized feedback forms for the evaluation of the Independent Directors of the Company.

c) Stakeholders Relationship Committee

The Committee comprises of three Directors as follows:

Sr. No.	Name of Member	Designation
1.	Raghupathy Goud Theegala	Chairman
2.	Karunakar Reddy Baddam	Member
3.	Venkata Siva Prasad Chandrapati	Member

The Company Secretary is the Secretary of the Committee and attends its meetings.

The terms of reference, powers and scope of the Stakeholders' Relationship Committee of our Company include:

- To look into the redressal of grievances of shareholders, debenture holders and other security holders;

- To investigate complaints relating to allotment of shares, approval of transfer or transmission of shares;
- To consider and resolve the grievances of the security holders of the company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends; and
- To carry out any other function as prescribed under the SEBI Listing Regulations as and when amended from time to time.

The Stakeholders Relationship Committee's composition and terms of reference are in compliance with the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. During the year under review, the Stakeholders Relationship Committee hasn't met during the year.

The details of complaints received and resolved during the Financial Year ended January 19, 2018 are given in the table below:

Complaints outstanding as on April 1, 2017	Nil
Complaints received during the year ended March 31, 2018	1
Complaints resolved during the year ended March 31, 2018	0
Complaints pending as on March 31, 2018	1

Note: The Company got its listing approval on 19th January 2018 and trading started from January 22, 2018.

Name and designation of compliance officer: Mr. Vitta Chaitanya Siva Shankar, Company Secretary & compliance officer.

Address: Plot No 128/A, Road No. 12, Bel Road Ida Mallapur, Uppal Mandal Hyderabad - 500076

d) Corporate Social Responsibility Committee

The Committee comprises of the following:

Sr. No.	Name of Member	Designation
1.	Karunakar Reddy Baddam	Chairman
2.	Raghupathy Goud Theegala	Member
3.	Sri Lakshmi Reddy Vangeti	Member

The Company Secretary is the Secretary of the Committee.

Terms of reference of the Committee includes the following:

- To 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 as amended from time to time;
- To recommend the amount of expenditure to be incurred on the activities referred to in clause (a) subject to the limit provided under Section 135 of the Companies Act;

Governance

3. To monitor the corporate Social Responsibility Policy of our Company from time to time;
4. To institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company;
5. Any other matter as the Corporate Social Responsibility Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.

There was no meeting of the Corporate Social Responsibility Committee held during the year.

e) Risk Management Committee

Our Risk Management Committee was constituted pursuant to resolution of our Board dated February 24, 2017 and was reconstituted on August 26, 2017. The Risk Management Committee comprises of the following:

Sr. No.	Name of Member	Designation
1.	Venkata Siva Prasad Chandrapati	Chairman
2.	Karunakar Reddy Baddam	Member
3.	Srinivas Pagadala	Member

(Note: The Risk Management Committee was reconstituted w.e.f. August 09, 2018 due to resignation of Mr. Srinivas Pagadala (DIN: 02669528) and in his place Mrs. Karunasree Samudrala (DIN: 06960974) was inducted.)

The Company Secretary shall act as the secretary of the Risk Management Committee. The terms of reference and role of the Risk Management Committee of our Company include the following:

1. To recommend risk management plan to the Board for implementation;
2. To monitor and review the risk management plan;
3. To lay down procedures to inform Board members about the risk assessment and minimization procedures;
4. To develop and implement the risk management policy for the company, identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company; and
5. To perform such other functions which are appropriate and necessary to manage the risk.

In addition to the above our Company had IPO Committee to look after the IPO process of the Company which was successfully completed on 19th January 2018.

f) IPO Committee

The IPO Committee was constituted pursuant to resolution of our Board dated August 26, 2017 passed by the Directors of our Company. The IPO Committee comprises of the following:

Sr. No.	Name of Member	Designation
1.	Karunakar Reddy Baddam	Chairman
2.	Raghupathy Goud Theegala	Member
3.	Sri Lakshmi Reddy Vanjeti	Member

The Company Secretary shall act as the secretary of the IPO Committee.

The terms of reference, powers and role of the IPO Committee include the following:

1. to issue, offer and allot the Equity Shares, and to do other matters in connection with or incidental to the IPO including the Offer for Sale, including determining the anchor investor ("Anchor Investor") portion and allocate such number of Equity Shares to Anchor Investors in accordance with the SEBI ICDR Regulations;
2. authorisation to any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorney, to do such acts, deeds and things as such authorized person in his/her/its absolute discretion may deem necessary or desirable in connection with the issue, offer and allotment of the Equity Shares;
3. giving or authorising any concerned person to give such declarations, affidavits, certificates, consents and authorities as may be required from time to time;
4. seeking, if required, any approval, consent or waiver from the Company's lenders, and/or parties with whom the Company has entered into various commercial and other agreements, and/or any/all concerned government and regulatory authorities in India, and/or any other approvals, consents or waivers that may be required in connection with the issue, offer and allotment of the Equity Shares;
5. deciding the pricing and terms of the Equity Shares, and all other related matters, including the determination of the minimum subscription for the Issue, in accordance with applicable laws;
6. deciding the pricing, the terms of the issue of the Equity Shares, and all other related matters regarding the Pre-IPO Placement, including the execution of the relevant documents with the investors;
7. taking on record the approval of the offer for sale by the selling shareholders;
8. approval of the draft red herring prospectus ("DRHP"), the red herring prospectus ("RHP") and the prospectus ("Prospectus") (including amending, varying or modifying the same, as may be considered desirable or expedient) in relation to the IPO including the Offer for Sale as finalized in consultation with the BRLMs, in accordance with all applicable laws, rules, regulations and guidelines;
9. seeking the listing of the Equity Shares on any recognised stock exchange, submitting the listing

- application to such stock exchange and taking all actions that may be necessary in connection with obtaining such listing;
10. finalisation of and arrangement for the submission of the DRHP to be submitted to the SEBI and the Stock Exchange(s) for receiving comments, the RHP and the Prospectus to be filed with the Registrar of Companies, and any corrigendum, amendments supplements thereto;
 11. authorisation of the maintenance of a register of holders of the Equity Shares;
 12. finalisation of the basis of allotment of the Equity Shares;
 13. acceptance and appropriation of the proceeds of the IPO; and
 14. to do any other act and/or deed, to negotiate and execute any document(s), application(s), agreement(s), undertaking(s), deed(s), affidavits, declarations and certificates, and/or to give such direction as it deems fit or as may be necessary or desirable with regard to the IPO.
 15. to decide on the actual size (including any reservation for employees, employees or shareholders of promoting companies/ group companies and/or any other reservations or firm allotments as may be permitted), timing, pricing, reservation and discounts, if any, and all the terms and conditions of the issue of the Equity Shares for the IPO, including the price, and to accept any amendments, modifications, variations or alterations thereto;
 16. to invite the existing shareholders of the Company to participate in the IPO to offer for sale Equity Shares held by them at the same price as in the IPO;
 17. to finalise, settle, execute and deliver or arrange the delivery of the syndicate agreement, underwriting agreement, escrow agreement and all other documents, deeds, agreements, memorandum of understanding and other instruments whatsoever with the registrar to the IPO, legal advisors, auditors, stock exchanges, BRLMs and any other agencies/ intermediaries in connection with the IPO with the power to authorise one or more officers of the Company to execute all or any of the afore stated documents;
 18. to finalise, settle, approve and adopt the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, and the preliminary and final international wrap for the IPO and take all such actions as may be necessary for filing of these documents including incorporating such alterations/ corrections/ modifications as may be required by SEBI or any other relevant governmental and statutory authorities;
 19. to make applications, if necessary, to the Foreign Investment Promotion Board, the Reserve Bank of India or to any other statutory or governmental authorities in connection with the IPO and, wherever necessary, incorporate such modifications/ amendments/ alterations/ corrections as may be required in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus;
 20. to open and operate bank account(s) of the Company in terms of the escrow agreement for handling of refunds for the IPO and to authorise one or more officers of the Company to execute all documents/ deeds as may be necessary in this regard;
 21. to approve code of conduct as may be considered necessary by the IPO Committee or as required under applicable laws, regulations or guidelines for the Board, officers of the Company and other employees of the Company;
 22. to approve a suitable policy on insider trading as required under applicable laws, regulations and guidelines;
 23. to seek, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, and any other consents that may be required in connection with the IPO, if any;
 24. approving any corporate governance requirement that may be considered necessary by the Board or the IPO Committee or as may be required under applicable laws, regulations or guidelines in connection with the IPO;
 25. to open and operate a bank accounts of the Company in terms of Section 40(3) of the Companies Act, 2013 and to authorise one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
 26. to determine and finalise the floor price/price band for the IPO, approve the basis for allocation and confirm allocation of the Equity Shares to various categories of persons as disclosed in the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, in consultation with the BRLMs and do all such acts and things as may be necessary and expedient for, and incidental and ancillary to, the IPO;
 27. to issue receipts/allotment letters/confirmation of allocation notes either in physical or electronic mode representing the underlying Equity Shares in the capital of the Company with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more Indian stock exchange(s), with power to authorise one or more officers of the company to sign all or any of the afore stated documents;
 28. to make applications for listing of the shares in one or more Indian stock exchange(s) for listing of

the Equity Shares of the Company and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s);

29. to do all such deeds and acts as may be required to dematerialize the Equity Shares of the Company and to sign and/or modify, as the case may be, agreements and/or such other documents as may be required with National Securities Depository Limited, Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, as may be required in this connection with power to authorise one or more officers of the Company to execute all or any of the afore stated documents;
30. to authorize and approve the incurring of expenditure and payment of fees, commissions, remuneration and expenses in connection with the IPO;
31. to do all such acts, deeds, matters and things and execute all such other documents, etc. as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, determine the anchor investor portion and allocation to anchor investors, finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of share certificates in accordance with the relevant rules;
32. to settle all questions, difficulties or doubts that may arise in regard to such issues or allotment as it may, in its absolute discretion deem fit;
33. to take such action, give such directions, as may be necessary or desirable as regards the IPO and to do all such acts, matters, deeds and things, including but not limited to the allotment of Equity Shares against the valid applications received in the IPO, as are in the best interests of the Company;
34. to execute and deliver any and all other documents or instruments and doing or causing to be done any and all acts or things as the IPO Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of the foregoing or in connection with the IPO and any documents or instruments so executed and delivered or acts and things done or caused to be done by the IPO Committee shall be conclusive evidence of the authority of the IPO Committee in so doing; and
35. to delegate any power (s) specified herein to any Director/ KMP/Officer of the company for any specific purpose.

PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

The Company has zero tolerance towards sexual harassment at the workplace. The Company has in place a policy for prevention of sexual harassment in accordance with the requirements of the Sexual Harassment of women at workplace (prevention, Prohibition, & Redressal) Act, 2013. Internal complaints committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, trainees,

temporary) are covered under this policy. The Company did not receive any complaint during the FY 2017-18.

CODE OF CONDUCT

In compliance with Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013, the Company has formulated and adopted a Code of Conduct for its Board of Directors and senior management and has put the same on the company's website www.apollo-micro.com. The Code has been circulated to all members of the Board and Senior Management and they have affirmed the compliance of the same. A declaration signed by the Managing Director of the Company regarding affirmation of the compliance with the code of conduct by Board Members and Senior Management for the financial year ended March 31, 2018, is herein below.

Declaration as to adherence to the Code of Conduct

All the directors and senior management of the Company have affirmed compliance with the Company's code of conduct for the financial year ended March 31, 2018.

Sd/-

Date: 09.08.2018
Hyderabad

Karunakar Reddy Baddam
Managing Director

DISCLOSURES

a) Related party transactions

Audit Committee reviews the Related Party Transactions periodically. All transactions entered into with related parties as defined under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure requirements) Regulations 2015 during the financial year were in ordinary course of business and on arm's length basis.

None of the transactions with any of the related parties was in conflict with the Company's interest. Attention of members is drawn to the disclosure of transactions with related parties set out in **Note no. 32** of Financial Statements, forming part of the Annual Report. Company has formulated a "Related Party Transaction Policy" to ensure the proper approval and reporting of transactions between the Company and its Related Parties. This Policy as considered and approved by the Board has been uploaded on the website of the Company at www.apollo-micro.com. The Audit Committee/ Board may review and amend this policy from time to time.

b) Details of Non-compliance

The Company has complied with the requirements of the BSE Ltd., National Stock Exchange of India Limited SEBI and other statutory authorities on all matters relating to capital markets during the last year. A report on the compliances on the applicable laws for the Company is placed before the Board on a quarterly basis for its review and consideration. There has been no instance of non-compliance with any legal requirements, nor have there been any strictures imposed by any stock exchange or SEBI, on any matters relating to the capital market over the last three years.

c) Whistle Blower Policy

The Company is committed to adopt the best Corporate Governance Practices and to follow the highest possible moral, legal and ethical standards in the conduct of its business. In line with this commitment, Whistle blower Policy was designed to provide a mechanism for employees / Board Members and others to raise good faith concerns about unethical behaviour, actual or suspected fraud or violation of Company's Code of Conduct and to protect the individuals who take such actions from retaliation or any threat of retaliation.

During the year under review, no personnel were denied the access to the Audit Committee.

d) Details of compliance with mandatory requirements and adoption of the discretionary requirements

The Company has fully complied with the mandatory requirements of the Code of Corporate Governance as specified in Regulation 17 to 27 and clauses (b) to (i) of sub regulation (2) of Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In addition, the Company has also adopted the following non mandatory requirements to the extent mentioned below:

- Separate posts of Chairman and Managing Director: The Company has maintained separate posts for Chairperson and Managing Director of the Company.
- Reporting of Internal Auditor: The Internal Auditor of the Company directly reports to the Audit Committee on functional matters.

e) Accounting treatment in preparation of financial statement

The Company has followed the Accounting standards notified by the Institute of Chartered Accountants of India, as amended from time to time, in preparation of its financial statements.

f) Certificate for transfer of Shares and Reconciliation of Share Capital

Pursuant to Regulation 40(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, certificates on half-yearly basis, have been issued

by a Company Secretary-in-Practice with respect to due compliance of share transfer formalities by the Company.

Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary-in-Practice reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued / paid-up capital of the Company and submitted the same to the BSE Ltd and National Stock Exchange Limited where the securities of the Company are listed within 30 days of the end of each quarter.

g) Risk management

The Company has established a risk management framework where in a Committee comprising of the senior executives of the Company has been established which periodically identify potential risks to the strategy of the Company and take effective measures to mitigate the same in the best possible manner. The Board is also periodically updated on the key risks, steps and processes initiated for reducing and, if feasible, eliminating various risks.

h) CEO/CFO certification

As required under Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Chief Financial Officer of the Company has certified to the Board regarding the Financial Statements for the year ended on March 31, 2018 which is annexed to this Report.

i) Foreign currency risk and hedging activities

The Company is exposed to foreign currency risk due to imports of components and circuits and export of mother boards. The Company had not indulged in currency hedging activities during the year under report.

j) Commodity price risk and commodity hedging activities

The Company is exposed to commodity price risk as per nature of its business. The Company had not indulged into commodity hedging activities during the year under report.

Governance

DIRECTORS REMUNERATION

Non Executive Directors including Independent Directors do not have any pecuniary relationships or transactions with the Company. However, the independent directors were paid sitting fees of ₹ 20,000/- each for attending the meetings of the Board of Directors or Committees.

Remuneration of Executive Directors is decided by the Board of Directors, subject to the approval of shareholders, based on recommendation of Nomination and Remuneration Committee.

Details of remuneration paid to Directors of the Company for the financial year ended March 31, 2018 are as follows-

(Amount in ₹)

Sl. No	Name	Sitting Fees	Salary and Benefits	Performance Bonus	Retrials	Total**
1.	Karunakar Reddy Baddam	-	60,00,000	-	-	60,00,000
2.	Addepalli Krishna Sai Kumar	-	15,50,000	-	-	15,50,000
3.	Chandrapati Venkata Siva Prasad	-	19,35,000	-	-	19,35,000
4.	Raghupathy Goud Theegala	3,20,000	-	-	-	3,20,000
5.	Srinivas Pagadala	3,20,000	-	-	-	3,20,000
6.	Karunasree Samudrala*	-	-	-	-	-
7.	Sri Lakshmi Reddy Vangeti	-	-	-	-	-

* Appointed with effect from May 29, 2018 as an Additional Director in the capacity on Non Executive Independent director.

** Remuneration does not include insurance, which is paid for the Company as a whole and gratuity as this is provided in the books of accounts on the basis of actuarial valuation for the Company as a whole and hence individual amount cannot be determined.

MEANS OF COMMUNICATION

In accordance with Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has maintained a functional website at www.apollo-micro.com containing information about the Company viz., details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances, details of conference calls/presentations to institutional investors or analysts etc. The contents of the said website are updated within 2 working days from the date of such change.

The quarterly and annual results are generally published in Business Standard (English edition) & Nava Telangana (Telugu Edition) and also displayed on the Company's website.

Further, the Company disseminates to the Stock Exchange (i.e. BSE Ltd and Natioanl Stock Exchange of India Limited), wherein its equity shares are listed, all mandatory information and price sensitive/ such other information, which in its opinion, are material and/ or have a bearing on its performance/ operations and for the information of the public at large.

Governance

GENERAL SHAREHOLDER INFORMATION

AGM: Day, Date, time and venue	Thursday, 20th September, 2018 Time: 09:00 A.M Venue: KLN Prasad Auditorium, The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry, Federation House, Red Hills, Hyderabad - 500 004, Telangana
Financial Year	April 1, 2017- March 31, 2018
Tentative calendar of events for the financial year 2017-18	22nd January, 2018- The trading of Equity Shares of the Company commenced on National Stock Exchange of India Limited and BSE Limited
Book closure Date	Monday, September, 17, 2018 to Thursday, September 20, 2018 (both days inclusive)
Listing of shares on Stock Exchanges	The Company's equity shares are Listed at: 1. BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai-400001 Stock Code: 540879 2.National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai – 400 051 Symbol: APOLLO Series: EQ
Registered Office	Plot No 128/A, Road No. 12, BEL Road IDA Mallapur, Uppal Mandal Hyderabad Rangareddy Telangana 500076
Listing Fees	The Listing fees for the year 2017-18 has been paid to the above stock exchanges (BSE &NSE)
Registrar & Share Transfer Agents of the Company for both physical and electronic mode of share transfers.	BIGSHARE SERVICES PRIVATE LIMITED Add: 1st Floor, Bharat Tin Works Building, Opposite Vasant Oasis Makwana Road, Marol, Andheri (East) Mumbai – 400 059.Maharashtra, India Tel No.: +91 22 62638200 Fax No.: +91 22 62638299 Email: ashok@bigshareonline.com; Website: www.bigshareonline.com Investor Grievance Email: investor@bigshareonline.com; SEBI Registration No.: INR000001385

SHARE TRANSFER SYSTEM

The Company has appointed Bigshare Services Private Limited as Registrar and Shares Transfer Agent. Shares sent for transfer in physical form are registered by the Registrar and Share Transfer Agents within fifteen days of receipt of the documents, if found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares are processed, if found in order and confirmation is given to the respective depositories i.e. National Securities Depository Ltd (NSDL) and Central Depository Services (India) Limited (CDSL) within twenty-one days.

The Board has delegated the authority for approving transfer, transmission etc of the Company's securities to the Registrar and Shares Transfer Agent. A summary of transfer, transmission of securities of the company so approved by the Share Allotment and Transfer Committee is placed at the Board Meeting.

Venue and time of the Last Three Annual General Meetings

Date	Category	Venue	Time	No of Special Resolution(s)
26th August, 2017	Members	Plot No 128/A, Road No. 12, BEL Road IDA Mallapur, Uppal Mandal, Hyderabad, Rangareddy, Telangana 500076	03:00 P.M	Four(4)
30th September, 2016	Members	Vaishanavi Complex, 1st Floorstreet No.6, Habsiguda, Hyderabad, Telangana- 500007*	11:00 A.M	-
30th September, 2015	Members	Vaishanavi Complex, 1st Floorstreet No.6, Habsiguda, Hyderabad, Telangana- 500007*	11:00 A.M	-

* Annual General Meeting for the F.Y 2016-17 originally held on August 21, 2017 and thereafter adjourned to August 26, 2017

*The registered office address changed to present address with effect from April 03, 2017.

POSTAL BALLOT

There is no proposal for passing any resolution through Postal Ballot.

STOCK PERFORMANCE

Market price data: The monthly high and low stock quotations during the last financial year at the BSE Ltd and National Stock Exchange Limited and performance in comparison to BSE Sensex and NIFTY during the year 2017-18 are given below:

Market Price Data (BSE) High/Low during each month during the year 2017-18

	High	Low
Jan-18	454.1	351.5
Feb-18	343.2	280.35
Mar-18	302.9	245.7

Market Price Data (NSE) High/Low during each month during the year 2017-18

	High	Low
Jan-18	480.00	326.55
Feb-18	364.50	275.60
Mar-18	309.40	250.05

STOCK CODE

The stock code of the Company at BSE Ltd. **540879**

ISIN allotted by National Securities Depository Limited and Central Depository Services (India) Limited for Equity Shares **INE713T01010**

The Company's shares are covered under the compulsory dematerialization list and are transferable through the depository system. Shares received for physical transfers are registered within a maximum period of two weeks from the date of receipt, if the documents are clear in all respects.

AS ON 31st MARCH 2018, THE DISTRIBUTION OF COMPANY'S SHAREHOLDING WAS AS FOLLOWS:

SHAREHOLDING OF NOMINAL	NUMBER OF SHAREHOLDERS	PERCENTAGE OF TOTAL	SHARE AMOUNT (₹)	PERCENTAGE OF TOTAL	
1	5000	31322	97.9700	1,82,44,850	8.7868
5001	10000	305	0.9540	24,13,610	1.1624
10001	20000	139	0.4348	21,33,420	1.0275
20001	30000	47	0.1470	11,72,980	0.5649
30001	40000	32	0.1001	11,80,180	0.5684
40001	50000	33	0.1032	14,67,940	0.7070
50001	100000	39	0.1220	30,12,150	1.4507
100001	999999999	54	0.1689	17,80,13,730	85.7324
Total	31971			20,76,38,860	100.00

DEMATERIALIZATION OF SHARES

Members are requested to convert their physical holdings to demat/electronic form through the registered Depository Participants (DPs) to avoid the hassles involved in dealing in physical shares such as possibility of loss, mutilation, etc. and also to ensure safe and speedy transaction in respect of the shares held. Shares received for dematerialization are generally confirmed within a maximum period of twenty one days from the date of receipt, if the documents are clear in all respects. There are 31931 no. of shareholders holding their shares in dematerialized form, which represent 99.99% of the paid up capital of the Company, leaving only 2 share holder who hold in physical form.

PLANT LOCATION

APOLLO MICRO SYSTEMS LIMITED

Plot No 128/A, Road No. 12, BEL Road IDA Mallapur, Uppal Mandal, Hyderabad, Rangareddy, Telangana 500076

ADDRESS FOR CORRESPONDANCE

APOLLO MICRO SYSTEMS LIMITED

Plot No 128/A, Road No. 12, BEL Road IDA Mallapur, Uppal Mandal, Hyderabad, Rangareddy, Telangana 500076

Email: cs@apollo-micro.com

For and on Behalf of the Board

Sd/-

Raghupathy Goud Theegala

Chairman

DIN:07785738

Place: Hyderabad

Date: August 09, 2018

ANNEXURE – 7

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
Apollo Micro Systems Limited

We have examined the compliance of conditions of Corporate Governance by Apollo Micro Systems Limited (the Company) for the year ended 31 March, 2018, as stipulated in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Regulations).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examinations have been limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the Regulations. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

For Datla Venkatesh

Sd/-

**Company Secretary in Practice
ACS No. 36504, C.P. No. 14074**

Place: Hyderabad
Date: August 09, 2018

ANNEXURE – 8

CFO CERTIFICATION

I the undersigned, in my capacity as Chief Financial Officer of Apollo Micro Systems Limited (“the Company”) to the best of my knowledge and belief certify that:

- A. I have reviewed financial statements and the cash flow statement for the year ended March 31, 2018 and that to the best of my knowledge and belief, I state that:
- 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 listed entity’s affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. I further state that to the best of my knowledge and belief, no transactions entered into by the listed entity during the year which are fraudulent, illegal or violative of the listed entity’s code of conduct.
- C. I am responsible for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the listed entity pertaining to financial reporting and they have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- D. I have indicated to the auditors and the Audit committee:
- i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. Instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity’s internal control system over financial reporting.

For Apollo Micro Systems Limited

Place: Hyderabad
Date: May 29, 2018

Sd/-
Sudarshan Chiluveru
Chief Financial Officer (CFO)

MANAGEMENT DISCUSSION & ANALYSIS

1. Company Overview

Apollo Micro Systems (AMS) operates in the Electronic Systems Design and Manufacturing (ESDM) space. AMS designs, manufactures and supplies electronic and electro-mechanical solutions. It caters to defence, space, transport and home land security for Ministry of Defence, Govt. controlled Public Sector Undertakings (PSUs) and private sector. It has participated in several indigenous missile programmes, underwater electronic warfare and underwater missiles amongst others. The defence system supplies are classified into On-Board Systems (on Weapon or Vehicle) and Ground support (associated or communicates with On-Board) equipment. AMS' key products include defence avionic systems, defence naval systems, defence aerospace systems and satellite space systems.

AMS business is influenced by the dynamics in the global electronic sector, defence and aerospace, industrial and automotive sector.

2. Global Economy 2017

In 2017, the cyclical upswing since mid-2016 continued to strengthen, and the global economy witnessed pickup in growth. According to the International Monetary Fund (IMF), the year reported the broadest synchronized global

growth upsurge since 2010. The US economy remained in robust shape, with growth in GDP, industrial production, and investment holding up well. The US growth forecast has been raised from 2.3% to 2.7% in 2018 and from 1.9% to 2.5% in 2019. In 2017, the euro zone turned in its fastest pace of growth over the last decade. Emerging markets contributed to the uptick last year, and many are on track to turn in an even better growth performance in 2018. China's growth remained robust and well-balanced across sectors and across categories of domestic demand.

Outlook

The global economic growth should remain strong in 2018, as both advanced and emerging economies enjoy a harmonized upturn. According to the IMF, global growth will inch up from 3.8% in 2017 to 3.9% in 2018 and 2019. Corporate capital expenditure should become a more prominent growth driver, inflation is unlikely to rise much, and central banks will reduce liquidity and raise interest rates in response to better growth. Faster growth in the US, Japan, and China would largely drive global growth during 2019. An encouraging trade and investment environment, along with easing financial conditions, would also impact the global economic conditions.



3. Indian Economy 2017-18

India retained its position as the world's fastest growing major economy in the January-March quarter. India's GDP growth accelerated to 7.7% in the March quarter – the fastest pace of growth in seven quarters.

Strong growth in the agriculture, manufacturing, and construction sectors contributed to the overall growth. For the full year (2017-18), GDP expanded at 6.7%. There was as strong rebound in the second half of the year on the back of a turnaround in investment demand. This was reinforced by an acceleration in manufacturing, rise in sales growth, a pickup in capacity utilization, strong activity in the services sector and a record agricultural yield.

The Goods and Services Tax (GST), which was implemented from July 2017, reformed the system of indirect taxes by streamlining payments and credit and improving the efficiency of movement of goods across the country.

During the year, the Government of India took various initiatives to improve the confidence in the Indian economy and boost its growth.

Outlook

The outlook for India remains largely positive, reinforced by robust private consumption and public investment, as well as the ongoing structural reforms. Global demand has been improving, which should encourage exports and fresh investments.

4. Industry Overview - Electronics Sector

The total global electronics hardware industry is pegged at US \$ 2 Trillion, out of which, India's Production was about US\$ 47 billion during the year 2016-17. The domestic consumption in India was about \$ 86.4 billion during the year 2016-17, while exports were about US\$ 6 billion.

The Electronics sector has several verticals in terms of its main constituents. Ministry of Electronics and Information Technology, India has gathered information on Consumer Electronics, Industrial Electronics, Computer Hardware, Mobile Phone, Strategic (Defence) Electronics, Electronic Components & Light Emitting Diodes (LED). In FY18 the total product of these verticals is estimated to be ₹ 387,525 Cr

Electronic Systems Design and Manufacturing: India's electronic system design and manufacturing (ESDM) industry is expected to reach \$400 billion by 2022. By 2020, total production of electronics hardware in the country is expected to reach \$104 billion, creating a gap of USD 296 billion in demand and production. This creates a unique opportunity for companies like AMS in the ESDM (Electronic System Design & Manufacturing) sector to look at India as a potential market to cater to the domestic Indian demand as well as act as an exports hub.

The ESDM industry includes subsectors such as electronic products, electronic components, semiconductor design, and electronics manufacture.

User Segment - Strategic Electronics

The production is estimated to be about ₹ 23,562 crore during 2017-18, exhibiting a growth of about 13.5% over 2016-17 in this segment

Electronics is a key area of defence technologies and become a vital component of nearly all the

eapon systems, platforms and equipment designed and developed for defence purpose. The strategic electronics segment consists of Military Communication systems, Radars and Sonars, Network Centric systems, Electronic Warfare systems, Weapon systems, Satellite based Communication, Navigation and Surveillance systems, Navigational aids, Underwater electronic systems, Infra-Red (IR) based detection and ranging system, Disaster management system, Internal security system etc.

However, the sector is dependent on imports and foreign technology. In the Recently, few domestic small and medium scale companies have come up and they have the capability to absorb technology and meet stringent requirements of strategic equipment. Some of these companies provide EMS services and meet critical supply requirements of MNCs as well as Defence PSUs.

As per ELCINA, the production of Strategic Electronics has grown from ₹ 18,055 crore during 2015-16 to ₹ 20,760 crore during 2016-17. The production is estimated to be about ₹ 23,562 crore during 2017-18, exhibiting a growth of about 13.5% over 2016-17.

India's defence, aerospace and nuclear sectors are poised for substantial growth on the back of economic growth and the need to maintain national and energy security.

Various categories of ESDM consumption in the defence segments includes

- Military hardware: Machinery, equipments and weapons
- Air defence systems
- Missile defence systems
- Naval defence systems
- Homeland security (HLS)

User Segment - Industrial Electronics

The total production of Industrial Electronics during 2017-18 is estimated to be about ₹ 69,057 crore, as against ₹ 62,214 crore during 2016-17, exhibiting a growth of about 11%.The market opportunity for aerospace and defence (A&D) electronics in India is pegged to be at \$70-72 billion in next 10-12 years

Fresh investments in engineering, electrical, automotive and electronics segments are driving the growth of Industrial Electronics sector. The key application segments of the Industrial Electronics industry are process control equipment, test & measuring equipment, power electronics equipment, automation and analytical instruments. These technologies are gaining ground as modernization, automation and robotics are the future growth areas. Information Technology and software are

playing a major role in value added Industrial electronics. The Industrial electronics segment viz., power electronics, process control and automation equipments with built-in software and analytical instruments account for nearly 81% of the total industrial electronics production. Most of the domestic demand is catered to by domestic manufacturing.

As per estimates provided by ELCINA, the total production of Industrial Electronics during 2017-18 is estimated to be about ₹ 69,057 crore, as against ₹ 62,214 crore during 2016-17, exhibiting a growth of about 11%.

5. Key Drivers of the industry with respect to AMS business

Indian Defence Scenario: India has the third largest armed forces in the world. According to a report by International Institute for Strategic Studies (IISS) India overtook the UK as the fifth-largest defence spender in the world in 2017 at \$52.5 billion, up from \$51.1 billion in 2016. The situation in India's immediate South Asian neighbourhood remains difficult, with the overall security and political context in most neighbouring states continuing to remain volatile.

DPP 2016: Defence Procurement Policy 2016 gives increased thrust on indigenous products which is expected to have a multiplier effect on the economy and can improve India's self-reliance in defence production.

Indigenization: About 60% of India's defence requirements are met through imports. This includes India's USD75bn worth ESDM (Electronic System, Design and Manufacturing) sector. In order to reduce dependence on imports, GoI (Government of India) has set for itself a challenging target of achieving 70% indigenization. Accordingly, GoI has laid out the Defence Offset policy and transparent bidding guidelines for defence procurement procedure (DPP). This provides tremendous growth opportunities to existing Indian players like AMS in the ESDM sector – for both defence and non-defence.

Technology Driven Modernization : Indian Aerospace & Defence is advancing with the adoption of new technologies and renewed thrust on research and development. USD 53-54 billion is expected to be spent on electronics as part of platform and about USD17-18 billion is expected to be spent on Indian Army's Project like Battlefield Management System (BMS) and Tactical Communication Systems (TCS). The capital acquisitions of defence hardware over next 10 years is expected to be approximately INR15 trillion, of which around INR5.2 trillions is expected to be spent on aerospace, INR3.5trillion on naval system, INR6 trillion on land systems and INR0.3 trillion on security.

Over the past two years the Defence Acquisition Council (DAC) was on an acquisition spree giving approvals to 66 capital acquisitions worth INR1.98trillion. The government is bullish about domestic production, which will give a major boost to the defence manufacturing sector. It aims to achieve 70% indigenization by 2027. The majority of the growth in the coming years is expected to be driven by the aerospace, electronics and shipbuilding segments.

6. Review of Operations

AMS is into electronic, electro-mechanical, engineering designs, manufacturing and supplies. The company designs, develops and sells high-performance, mission and time critical solutions to Defence, Space and Home Land Security for Ministry of Defence, government controlled public sector undertakings and private sectors.

Our customised solutions are developed using common hardware and software technology which can be re-configured to suit the end application and domain requirements of end customer. The huge repository of knowledge and technology base of AMS developed since inception is a key advantage and also give the much needed agility to constantly upgrade the technologies to meet present and futuristic requirements of our customers. AMS offers custom built COTS (Commercially off-the shelf) solutions based on specific requirements to defence and space customers. The systems undergo various stages of approvals right from design, prototyping, functional acceptance, manufacturing and qualification testing.

AMS has sold its technology for using in many indigenous missile programmes, underwater electronic warfare, under water missiles, indigenous submarine programmes UAV's long and short endurance, ships and space programmes.

The defence systems supplies can be broadly classified as On-Board Systems and Ground support equipment. On-Board systems are electronic systems which are integrated On-Board a Weapon or a Vehicle (Vehicle could be a Missile, Aircraft, Ship, Submarine or Battle Tank) which are used for navigational requirements, on-board computation, instrumentation & control, telemetry, Payload acquisition and encoding, command & Guidance, Signal Processing, Seeker data processing, Height Analyzers requirement (Altimeter), Power Electronics and to power the On-Board Electronics. Ground Support Equipment means any other electronics which are associated and communicate with On-Board equipment or other support equipment which are required for command control communication, Ground Checkout, Launch of Vehicles and other associated systems. We offer both On-Board Systems as well as Ground support equipment.

Financial Performance:

During the year under review, your company sales have increased by 9.8% to ₹ 2,20,46,13,913 from ₹ 2,00,86,70,952 in the previous year. Profit before tax increased by 14.1% to ₹ 30,95,80,936 from ₹ 27,12,32,369. Net Profit After Tax increased by 10% to ₹ 19,16,65,200 from ₹ 17,45,34,963. During the year under review the basic earnings per Share of the company is ₹ 12.46 and the diluted earnings per share stands at ₹ 12.08.

7. Human Resources

Skilled and experienced Human Resources is key to the success of AMS. As at March 31, 2018 the company has a headcount of 186 and the average age of the employees is around 31 years. The key HR focus is to train and retain

talent. The company on a regular basis conducts various technical and managerial skill development programmes for the employees. Employees are given health and accident insurance coverage. Subsidised accommodation is provided for those who are in need. Company has a fair and transparent performance appraisal systems giving sufficient opportunities for the employees to professionally grow in the organisation. The employee attrition rate at AMS is below 2% which is far below the industry standards.

8. Risk & Risk Mitigation

Various risks identified with probability, impact and mitigation plans includes risks related to business, finance, operations, supply chain and technology.

Business Risk: The company is predominantly dependent on defence & avionics sector, through various PSUs and Government Research organisations. A weakening or decrease in the Indian defence budget orders, termination of contracts or failure to succeed in tendering projects and deviations in the short term and long term policies of our customers in the future will have a material adverse impact on our business, financial condition, and results of operations, growth prospects and cash flows.

Risk Probability: Low/Medium
Risk Impact: High

Mitigation : The company as of now has orders from multiple programmes and delay due to approvals for bulk production clearance or for any other reason is mitigated by presence in large number of programmes instead of depending on single programme. At the same time company is working continuously to consolidate its IP's and leverage the benefit of them for many other applications which would reduce the dependency on Defence programmes for future growth. However Government being the largest spender directly or indirectly the business would continue to have the dependency on the policies of the government. However, no impact is foreseen on strategic programmes of the country on long scale. The company has believed that R&D is its heart and it would continue to develop new technologies to be abreast in the market and mitigate the effects or risks perceived due to any specific sector and work for multiple sectors under ESDM.

Financial Risk: Volatility in cash needs related to working capital requirements and investment activity may expose us to the inability to find the necessary liquidity sources.

Risk Probability: Low/Medium
Risk Impact: High

Mitigation: Being the same in the view, our main object for the IPO is for working capital needs. Being a working capital oriented company, we are planning for various ways to meet the future demands for liquid funds. The Cash flows risk will be improved by working with variety mix of BTS, BTP and system integration projects and improving the mix which contributes for a better cash flows.

Operational & Labour Risk: The company's operations are based out its unit in Hyderabad. The loss of, or shutdown of, our operations will have a material adverse effect on our business, financial condition and results of operations.

Risk Impact: High/Medium
Risk Probability: Low

Mitigation: Building strong HR team to look after the morale of employees, their motivation levels and in the process of revising the pay bands based on situation.

Supplier /Service Provider Risk : Company is dependent on multiple key original equipment manufacturers and service providers in the supply chain. Any failure on the performance of any of them could have a material impact on our operations.

Risk Probability: Low
Risk Impact : Medium

Mitigation: In the view of the above we have strong purchase team who will look after the entire supplies in well advance and trying to have alternative supplier or technology provider in as many cases as possible. Further we are equipping ourselves with such instruments depending on the cost involved or appointing alternatives, in such areas we are of the opinion that we may face any issue.

Technology Risk: We design and manufacture products that incorporate advanced technologies. The introduction of new products and technologies involves risks and we may not realize the degree or timings of benefits initially a Risk Probability: Low

Risk Probability: Low
Risk Impact: High

Mitigation: In the view of the above the company is in the process of strengthening its R&D team to face and maintain for future obsolescence

9. Internal Control Systems and its adequacy

Your Company has put in place all required internal controls and systems appropriate with its size and nature of the business. The effectiveness of the internal controls is continuously monitored by an in house Internal Audit Department comprising of professionally qualified team. The Internal Audit's main objective is to provide to the Audit Committee and the Board of Directors, an independent, objective and reasonable assurance of the adequacy and effectiveness of the organization's risk management, control and governance processes. The scope of the Internal Auditor is approved by the Audit Committee of the Board. Appointment of External audit firms has been continued to ensure adequacy and report thereon. These external audit firms are in addition to the in house Internal Audit Department to provide an independent review of the risks, control and governance process of the Organization. A detailed analysis of reports of Internal Auditor of your Company are placed before the Audit Committee for its review and advice.

a) Cost reduction initiatives:

Your company is constantly working towards cost reduction initiatives in all areas especially in procurement process. Purchase department is working towards consolidation of all projects for procurement of raw material to take advantage of Minimum order quantity and identifying new players who would extend better terms in delivery and payment schedule while maintaining and improving the quality. Project management group is optimizing the resource utilization with multiple projects and thereby steering the programmes to meet schedule and relative idle period between projects due to delay in customer approvals or some other linked process is utilized by concentrating on new projects. Constant monitoring and control options are initiated across all departments to optimize the strengths and reduce the overall cost incurred by the company.

b) Usage of IT (ERP)

Your company is in the process of implementation of ERP and have tied up with TCS. The implementation of ERP has actively improved the purchase process and the benefits of the ERP can be observed in next 12 months.

10. OPPORTUNITIES

The constant push by Government of India to promote Make in India systems through various initiatives like Digital India, Make in India as a special drive and new initiatives like Smart Cities and Indigenization Initiatives taken by Army, Navy, Airforce are throwing huge opportunity for the companies working in ESDM sector. The opportunities coming out of these initiatives is very large and it has thrown a challenge to the industry to meet the requirements arising out of these which is a positive sign for the industry.

THREATS

With growth in opportunities there is also growing competition in this space. Although the survival of the competition is purely dependent on their sustenance in this long product life cycle gestation defence market still it can be taken into account as threat, which brings in new challenge to outperform in technology development and constantly extending support to customer to make their programmes successful.

Cautionary Statement

Statements in this Management Discussion and Analysis 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. Important developments that could affect the Company's operations include a downtrend in the industries in which the Company operates, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest, and other costs.

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INDEPENDENT AUDITOR'S REPORT

To
The Members of
Apollo Micro Systems Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Apollo Micro Systems Limited (the Company), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss, statement of changes in Equity and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information for the year then ended.

Management's Responsibility for the Financial Statements

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 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 prescribed under section 133 of the Act, as applicable.

This responsibility also includes 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 the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting 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 the audit report under the provisions of the Act and the Rules made thereunder and the Order under section 143 (11) of the Act.

We conducted our audit of the financial statements 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks

of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial 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 the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, and its profit and its cash flows and the changes in equity for the year ended on that date.

Other Matters

The previous year's comparative financial information of the Company for the year ended March 31, 2017 and the transition date balance sheet as at April 01, 2016 (the Comparative financial information) prepared and restated in compliance of provisions as per Indian Accounting Standards (Ind AS) read with the Companies (Indian Accounting Standards) Rules, 2015 are included in these financial statements. The comparative financial information are based on the statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by us for the year ended March 31, 2017 and the predecessor auditor for the year ended March 31, 2016 and expressed an unmodified opinion on those statutory financial statements, and these have been restated to comply with Ind AS. Adjustments made to the previously issued said financial information prepared in accordance with the Companies (Accounting Standards) Rules, 2006 to comply with Ind AS have been audited by us.

Our opinion on the financial statements is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. 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 it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement and statement

Governance

- of changes in equity dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act.
- e) On the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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 of the Company and the operating effectiveness of such controls, 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 the best of our information and according to the explanations given to us:
- (i) There are no pending litigations which would impact the financial position of the company;
 - (ii) The Company has no foreseeable losses on long-term contracts and has no derivative contracts outstanding as at 31st March, 2018;
 - (iii) The company has no dues required to be transferred to the Investor Education and Protection Fund;
2. As required by the Companies (Auditor's Report) Order, 2016 (the Order) issued by the Central Government in terms of Section 143(11) of the Act, we give in Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

For S.T Mohite & Co.
Chartered Accountants (Regd No: 011410S)

Sd/-
M.T. Sreenivasa Rao
Partner (Membership No. 015635)

Place: Hyderabad
Date: May 29, 2018

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ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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 Apollo Micro Systems Limited ("the Company") as of March 31, 2018 in conjunction with our audit 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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, to the best of our information and according to the explanations given to us, 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, 2018, 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 S.T Mohite & Co.

Chartered Accountants (Regd No: 011410S)

Sd/-

M.T. Sreenivasa Rao

Partner (Membership No. 015635)

Place: Hyderabad

Date: May 29, 2018

ANNEXURE B

TO THE INDEPENDENT AUDITOR'S REPORT

SI No.	Ref to CARO	Report by Independent Auditors
1	3(i)	Fixed Assets
	3(i)(a)	The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
	3(i)(b)	As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. According to the information and explanations give to us, no material discrepancies were noticed on such physical verification.
	3(i)(c)	According to the information and explanation given to us and the records examined by us and based on the examination of sale deeds, conveyance deeds, encumbrance certificates verifies to us , we reported that, the title deeds comprising all the immovable properties of land and buildings which are freehold, are in the name of company as the balance sheet date.
2	3(ii)	Inventories
		As explained to us, the inventories has been physically verified during the year by the management at regular intervals .In our opinion, the frequency of such verification is reasonable.
3	3(iii)	Loans to parties covered by Sec.189 of the Companies Act,2013 ("The Act)
	3(iii)(a)	According to the information and explanation given to us, the company has, during the year, not granted any loans, secured or unsecured to companies, firms, limited liability partner ships firms or other parties covered in the register required to be maintained U/s 189 of the Act. Accordingly paragraph 3(iii) of the Order is not applicable to the company.
	3(iii)(b)	
	3(iii)(c)	
4	3(iv)	Loans ,guarantees, securities to and investments in other companies
		In our opinion and according to the information and explanation given to us, the company has no transactions for compliance u/s 185 & 186 of Companies Act, 2013. Accordingly the clause 3(iv) is not applicable to the company.
5	3(v)	Acceptance of deposits
		In our opinion and according to the information and explanation given to us, The company has not accepted any deposits covered by provisions of Sec.73 to 76 of the Act and hence paragraph 3(v) of the Order is not applicable to the company.
6	3(vi)	Maintenance of cost records
		As per information and explanations given to us the maintenance of cost records specified by the Central Government under Section 148(1) of the Companies Act, 2013 (The Act) read with Rule 3 of the Cost Audit Rules is not applicable to the company and accordingly cost audit under Section 148(2) of the Act read with Rule 4 of Cost Audit Rules is not applicable to the company. Accordingly paragraph3(vi) of the order is not applicable.
7	3(vii)	Statutory Dues
	3(vii)(a)	According to the records examined by us, the company is regular in depositing with appropriate authorities undisputed statutory dues including Provident fund, Employee state insurance, Goods and Services tax, customs duty, cess and other statutory dues where ever applicable. According to information and explanations given to us no undisputed arrears of statutory dues were outstanding as on the last day of the FY for a period of more than six months from the day they become payable.
	3(vii)(b)	According to the information and explanation given to us there are no material dues of statutory dues of Income tax, Goods and Service tax, Customs duty, cess and other dues that have not been deposited.
8	3(viii)	Defaults in repayments to Financial Institutions/Banks/Debenture holders
		In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and government.
		The Company issued and allot 10,00,000(Ten Lakhs) Unrated, Unlisted, Unsecured Fully Convertible Debentures of the Company of Face value of ₹ 200 /-each on Private Placement during the year.
		The 10,00,000 (Ten Lakhs) outstanding Fully Convertible debentures were also converted into equal number of equity shares at ₹ 200 /- each (including Securities Premium of ₹ 190/-)during the year.

Governance

9	3(ix)	Initial public offer/further offer	The company has made an initial public offer of securities during the year. In our opinion and according to the information and explanation given to us the monies raised from initial public offer and the term loans have been applied by the company during the year for the purposes for which they were raised.
10	3(x)	Frauds by or on the company	Based upon the audit procedures performed and to the best of our knowledge and according to the information and explanation given to us by the management, we report that no fraud by the company and no material fraud on the company by its officers or employees has been noticed are reported during the course of our audit.
11	3(xi)	Managerial Remuneration	The company has paid/provided managerial remuneration to its whole time director during the year and in our opinion and according to the information and explanation given to us such managerial remuneration is according with the provisions of section 197 of the Act read with schedule V to the Act.
12	3(xii)	Nidhi company	In our opinion and according to the information and explanation given to us, the company is not a Nidhi company and hence paragraph 3(xii) of the order is not applicable.
13	3(xiii)	Transactions with Related parties	As explained to us and as per records of the company, in our opinion the transactions with related parties are in compliance with provisions of section 177 and section 188 of the Act and the details have been disclosed in the financial statements as required by the applicable accounting standards.
	3(xiv)	Preferential allotment u/s 62 or private placement u/s 42 of the Act	According to the information and explanation given to us the company has made preferential allotment of 2,88,300 equity shares u/s 62 of the Act and also issued and allot 10,00,000 (Ten Lakhs) Unrated, Unlisted, Unsecured Fully Convertible Debentures of the Company of Face value of ₹ 200 /-each on Private Placement basis during the year. The 10,00,000 (Ten Lakhs) outstanding Fully Convertible debentures were also converted into equal number of equity shares at ₹ 200 /- each (including Securities Premium of ₹ 190/-)during the year. The amounts raised through preferential allotment of equity and debentures have been applied by the Company during the year for the purposes for which the funds were raised.
15	3(xv)	Non-cash transactions with directors u/s 192 of the Act	According to the records of the company, the company has not entered during the year in to any non cash transactions with directors or directors of its subsidiaries or associate companies or persons connected with him and hence provisions of Sec 192 of the Act and paragraph 3(xv) of the Order is not applicable.
16	3(xvi)	Registration u/s 45-1A of RBI Act,1934	The company is not required to be registered under section 45-1A of the Reserve bank of India Act, 1934 and hence paragraph 3(xvi) of the order is not applicable.

For S.T Mohite & Co.
Chartered Accountants (Regd No: 011410S)

Sd/-
M.T. Sreenivasa Rao
Partner (Membership No. 015635)

Place: Hyderabad
Date: May 29, 2018

BALANCE SHEET

as at March 31, 2018

(All amounts in Indian Rupees, except share data and where otherwise stated)

	Note	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Assets				
Non-current assets				
Property, plant and equipment	4	29,04,46,514	29,98,19,986	21,13,64,511
Capital work-in-progress	4	28,69,16,657	12,86,45,850	10,11,82,148
Other non current assets	5	2,59,15,382	4,35,90,382	-
		6,03,278,553	47,20,56,218	31,25,46,659
Current assets				
Inventories	6	1,71,79,78,824	1,14,07,76,910	72,60,02,433
Financial assets				
Trade receivables	7	1,16,16,49,416	71,46,40,307	86,33,77,196
Cash and cash equivalents	8	7,25,40,501	2,56,130	8,42,762
Other bank balances	9	99,32,80,185	8,75,26,448	6,85,87,951
Loans	10	4,54,157	4,46,021	1,73,086
Others	11	24,056	3,72,149	7,73,032
Other current assets	5	8,53,42,126	4,25,09,200	5,66,00,204
		4,03,12,69,265	1,98,65,27,165	1,71,63,56,664
Total assets		4,63,45,47,818	2,45,85,83,383	2,02,89,03,323
Equity and Liabilities				
Equity				
Equity share capital	12	20,76,38,860	13,71,17,000	13,71,17,000
Other equity	13	2,34,82,42,133	49,91,47,190	32,30,83,916
Total equity		2,55,58,80,993	63,62,64,190	46,02,00,916
Non-current liabilities				
Financial Liabilities				
Borrowings	14	4,25,38,198	13,53,01,739	15,68,37,482
Deferred tax liabilities, net	15	12,12,12,106	6,83,85,601	2,46,12,169
Provisions	16	50,26,490	35,72,709	46,97,602
Current liabilities				
Financial Liabilities				
Borrowings	14	73,46,20,476	65,56,43,273	48,99,37,819
Trade payables	17	93,22,99,220	67,87,18,081	71,56,65,856
Other financial liabilities	18	11,28,25,594	17,21,99,034	10,68,16,575
Other current liabilities	19	6,28,00,158	5,42,42,371	3,99,04,953
Current tax liabilities, net	20	66,20,32,96	5,41,15,623	3,00,57,945
Provisions	16	11,41,287	1,40,762	1,72,006
Total liabilities		1,90,98,90,031	1,61,50,59,144	1,38,25,55,154
Total equity and liabilities		4,63,45,47,818	2,45,85,83,383	2,02,89,03,323

Summary of significant accounting policies 1-3

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

For S.T.Mohite & Co

Chartered Accountants

ICAI Firm Registration Number: 011410S

Sd/-

M.T. Sreenivasa Rao

Partner

Membership No.: 015635

Sd/-

Baddam Karunakar Reddy

Managing Director

DIN: 00790139

Sd/-

Chiluveru Sudarshan

Chief Financial Officer

Sd/-

Addepalli Krishna Sai Kumar

Director

DIN: 03601692

Sd/-

Vitta Chaitanya Siva Shankar

Company Secretary

for and on behalf of the Board of Directors of

Apollo Micro Systems Limited

CIN: U72200TG1997PLC026556

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2018

(All amounts in Indian Rupees, except share data and where otherwise stated)

	Note	For the year ended 31 March 2018	For the year ended 31 March 2017
Revenue from operations	21	2,20,46,13,913	2,00,86,70,952
Other income	22	1,52,79,316	53,31,845
Total income		2,21,98,93,229	2,01,40,02,797
Expenses			
Cost of materials consumed	23	2,03,85,79,062	1,94,19,69,377
Changes in inventories and work in progress	24	(43,61,78,739)	(42,91,41,144)
Employee benefits expense	25	6,39,75,210	6,07,81,756
Depreciation expense	26	6,49,84,582	3,92,59,661
Finance costs	27	12,16,58,491	11,43,75,551
Other expenses	28	4,51,01,582	2,89,34,667
Total expense		1,89,81,20,188	1,75,61,79,868
Profit before tax and exceptional items		32,17,73,041	25,78,22,929
Exceptional items	29	(1,21,92,105)	1,34,09,440
Profit before tax		30,95,80,936	27,12,32,369
Tax expense:			
Current tax	30	6,51,14,874	5,36,78,871
Deferred tax	30	5,28,00,862	4,30,18,535
Total tax expense		11,79,15,736	9,66,97,406
Profit for the year		19,16,65,200	17,45,34,963
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement gains/ (losses) on defined benefit plan		74,095	22,83,208
Income-tax effect	30	(25,643)	(7,54,897)
Other comprehensive income for the year, net of tax		48,452	15,28,311
Total comprehensive income for the year		19,17,13,652	17,60,63,274
Earnings per equity share (nominal value of INR 10) in INR	38		
Basic		12.46	12.73
Diluted		12.08	12.73

Summary of significant accounting policies 1-3

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

For S.T.Mohite & Co

Chartered Accountants

ICAI Firm Registration Number: 011410S

Sd/-
M.T. Sreenivasa Rao
 Partner
 Membership No.: 015635

Sd/-
Baddam Karunakar Reddy
 Managing Director
 DIN: 00790139

Place: Hyderabad
 Date: May 29, 2018

Sd/-
Chiluveru Sudarshan
 Chief Financial Officer

for and on behalf of the Board of Directors of

Apollo Micro Systems Limited

CIN: U72200TG1997PLC026556

Sd/-
Addepalli Krishna Sai Kumar
 Director
 DIN: 03601692

Sd/-
Vitta Chaitanya Siva Shankar
 Company Secretary

STATEMENT OF CASH FLOWS

for the year ended March 31, 2018

(All amounts in Indian Rupees, except share data and where otherwise stated)

	For the year ended 31 March 2018	For the year ended 31 March 2017
I. Cash flows from operating activities		
Profit before tax	30,95,80,936	27,12,32,369
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Depreciation of tangible assets	6,49,84,582	3,92,59,661
Finance income (including fair value change in financial instruments)	(1,52,79,316)	(53,02,467)
Finance costs (including fair value change in financial instruments)	12,16,58,491	11,43,75,551
Re-measurement gains on defined benefit plans	74,095	22,83,208
Operating profit before working capital changes	48,10,18,788	42,18,48,322
<i>Changes in working capital:</i>		
<i>Adjustment for (increase)/decrease in operating assets</i>		
Trade receivables	(44,70,09,109)	14,87,36,889
Inventories	(57,72,01,914)	(41,47,74,477)
Loans - current	(8,136)	(2,72,935)
Other financial assets - current	3,48,093	4,00,883
Other assets - current	(4,03,45,581)	1,40,59,558
Other assets - non current	1,76,75,000	(4,35,90,382)
<i>Adjustment for (increase)/decrease in operating liabilities</i>		
Trade payables	25,35,81,139	(3,69,47,775)
Other financial liabilities - current	(5,93,73,440)	6,53,82,459
Other current liabilities	85,57,787	1,43,37,418
Provisions	24,54,306	(11,56,137)
Cash generated from operations	(36,03,03,067)	16,80,23,823
Income taxes paid	(5,55,14,546)	(2,95,89,747)
Net cash generated from/(used in) operating activities	(41,58,17,613)	13,84,34,076
II. Cash flows from investing activities		
Purchase of property, plant and equipment (including capital work in progress)	(21,38,81,917)	(15,51,78,838)
(Investments in)/ redemption of bank deposits (having original maturity of more than three months) - net	(90,57,53,737)	(1,89,38,497)
Interest received (finance income)	1,52,79,316	53,02,467
Net cash used in investing activities	(1,10,43,56,338)	(16,88,14,868)
III. Cash flows from financing activities		
Share issue proceeds	1,81,76,60,098	-
Share issue expenses	(8,97,56,947)	-
Proceeds from/(repayment of) long-term borrowings, net	(9,27,63,541)	(2,15,35,743)
Proceeds from/(repayment of) short-term borrowings, net	32,44,400	2,32,13,308
Interest paid	(12,16,58,491)	(11,43,75,551)
Net cash provided by financing activities	1,51,67,25,519	(11,26,97,986)
Net increase in cash and cash equivalents (I+II+III)	(34,48,432)	(14,30,78,778)
Cash and cash equivalents at the beginning of the year	(57,70,97,056)	(43,40,18,278)
Cash and cash equivalents at the end of the year (refer note below)	(58,05,45,488)	(57,70,97,056)

Statement of Cash Flows for the year ended March 31, 2018 (Continued)

(All amounts in Indian Rupees, except share data and where otherwise stated)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Note:		
Cash and cash equivalents comprise:		
Cash on hand	2,89,433	84,111
Balances with banks:		
- in current accounts	7,22,51,068	1,72,019
- overdraft from State Bank of India (disclosed under short term borrowings)	(28,33,23,038)	(40,77,79,589)
- overdraft from ICICI Bank (disclosed under short term borrowings)	(10,61,58,343)	(12,01,00,053)
- overdraft from RBL Bank (disclosed under short term borrowings)	(4,90,74,847)	(4,94,73,544)
- overdraft from Axis Bank (disclosed under short term borrowings)	(2,14,529,761)	-
	(58,05,45,488)	(57,70,97,056)

Summary of significant accounting policies

1-3

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached**For S.T.Mohite & Co**

Chartered Accountants

ICAI Firm Registration Number: 011410S

Sd/-
M.T. Sreenivasa Rao
 Partner
 Membership No.: 015635

Place: Hyderabad
Date: May 29, 2018

Sd/-
Baddam Karunakar Reddy
 Managing Director
 DIN: 00790139

Sd/-
Chiluveru Sudarshan
 Chief Financial Officer

for and on behalf of the Board of Directors of**Apollo Micro Systems Limited**

CIN: U72200TG1997PLC026556

Sd/-
Addepalli Krishna Sai Kumar
 Director
 DIN: 03601692

Sd/-
Vitta Chaitanya Siva Shankar
 Company Secretary

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2018

(All amounts in Indian Rupees, except share data and where otherwise stated)

a. Equity Share Capital

	No. of shares	Amount
Balance as at April 1, 2016	1,37,11,700	13,71,17,000
Balance as at March 31, 2017	1,37,11,700	13,71,17,000
Add: Issued during the year	70,52,186	7,05,21,860
Balance as at March 31, 2018	2,07,63,886	20,76,38,860

b. Other equity

Particulars	Reserves and Surplus		Total
	Securities premium	Retained earnings	
At April 1, 2016	-	32,30,83,916	32,30,83,916
Profit for the year		17,45,34,963	17,45,34,963
Other comprehensive income			
Re-measurement gains/ (losses) on defined benefit plans		22,83,208	22,83,208
Income-tax effect		(7,54,897)	(7,54,897)
At March 31, 2017	-	49,91,47,190	49,91,47,190
Profit for the year		19,16,65,200	19,16,65,200
Additions during the year	1,74,71,38,238		1,74,71,38,238
Share issue expenses	(8,97,56,947)		(8,97,56,947)
Other comprehensive income			
Re-measurement gains/ (losses) on defined benefit plans, net of tax		74,095	74,095
Income-tax effect		(25,643)	(25,643)
Balance as of 31 March 2018	1,65,73,81,291	69,08,60,842	2,34,82,42,133

Summary of significant accounting policies

1-3

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached**For S.T.Mohite & Co**

Chartered Accountants

ICAI Firm Registration Number: 011410S

Sd/-
M.T. Sreenivasa Rao
 Partner
 Membership No.: 015635

Sd/-
Baddam Karunakar Reddy
 Managing Director
 DIN: 00790139

Sd/-
Chiluveru Sudarshan
 Chief Financial Officer

Place: Hyderabad
 Date: May 29, 2018

for and on behalf of the Board of Directors of**Apollo Micro Systems Limited**

CIN: U72200TG1997PLC026556

Sd/-
Addepalli Krishna Sai Kumar
 Director
 DIN: 03601692

Sd/-
Vitta Chaitanya Siva Shankar
 Company Secretary

NOTES

Notes forming part of the financial statements

(All amounts in Indian Rupees, except share data and where otherwise stated)

1 General Information

Apollo Micro Systems Private Limited ("AMS") was incorporated on March 03, 1997. It got converted in to public limited company with effect from April 01, 2017. AMS is in to the supply of Electronics and Electro-mechanical systems and components including Design, Research & Development of systems which are used in Missile Programmes(weapon Systems Electronics), Underwater Missile programmes(weapon Systems Electronics), Avionic Systems, Ship Borne Systems, Submarine Systems, etc. The Company is listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

2 Basis of preparation of financial statements

2.1 Statement of Compliance

The financial statements have been prepared in accordance of Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules 2015 notified under Section 133 of Companies Act 2013 (the 'Act') and other relevant provisions of the Act.

The Company's financial statements up to and for the year ended March 31, 2016 were prepared in accordance with the Companies (Accounting Standards) Rules 2006, notified under Section 133 of Companies Act 2013 (the 'Act') and other relevant provisions of the Act.

As these are the first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance of the Company is provided in Note 38.

The financial statements were authorised for issue by the Company's Board of Directors on May 29, 2018.

Details of the accounting policies are included in Note 3.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the statement of financial position:

- certain financial assets and liabilities are measured at fair value;
- employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation;
- long term borrowings are measured at amortized cost using the effective interest rate method.

2.3 Functional currency

The financial statements are presented in Indian rupees, which is the functional currency of the Company. Functional currency of an entity is the currency of the primary economic environment in which the entity operates.

2.4 Operating cycle

All the 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.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realized within twelve months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within twelve months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

2.5 Critical accounting judgements and key sources of estimation uncertainty

Operating cycle

In the application of the Company's accounting policies, which are described in note 3, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the areas of estimation uncertainty and critical judgements that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Provision and contingent liability

On an ongoing basis, Company reviews pending cases, claims by third parties and other contingencies. For contingent losses that are considered probable, an estimated loss is recorded as an accrual in financial statements. Loss Contingencies that are considered possible are not provided for but disclosed as Contingent liabilities in the financial statements. Contingencies the likelihood of which is remote are not disclosed in the financial statements. Gain contingencies are not recognized until the contingency has been resolved and amounts are received or receivable.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting. As at March 31, 2017 management assessed that the useful lives represent the expected utility of the assets to the Company. Further, there is no significant change in the useful lives as compared to previous year.

2.6 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3 Significant accounting policies

3.1 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount can be reliably measured.

- Revenue is measured at the fair value of consideration received or receivable taking into account the amount of discounts, volume rebates and VAT/ GST are recognised when all significant risks and rewards of ownership of the goods sold are transferred.
- Revenue from the sale of goods includes excise duty.
- Dividend income is accounted for when the right to receive the income is established.
- Difference between the sale price and carrying value of investment is recognised as profit or loss on sale / redemption on investment on trade date of transaction.
- Interest income is accrued on, time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.2 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Assets held under leases that do not transfer substantially all the risks and reward of ownership are not recognized in the balance sheet.

Lease payments under operating lease are generally recognised as an expense in the statement of profit and loss on a straight-line basis over the term of lease unless such payments are structured to increase in line with the expected general inflation to compensate for the lessor's expected inflationary cost increases.

Further, at the inception of above arrangement, the Company determines whether the above arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Company separates a payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.3 Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3.4 Borrowing costs

Specific borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of such asset till such time the asset is ready for its intended use and borrowing costs are being incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing cost includes interest expense, amortization of discounts, ancillary costs incurred in connection with borrowing of funds and exchange difference arising from foreign currency borrowings to the extent they are regarded as an adjustment to the Interest cost.

3.5 Taxation

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.6 Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share.

3.7 Property, plant and equipment

The initial cost of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use, including relevant borrowing costs and any expected costs of decommissioning, less accumulated depreciation and accumulated impairment losses, if any. Expenditure incurred after the PPE have been put into operation, such as repairs and maintenance, are charged to the Statement of Profit and Loss in the period in which the costs are incurred.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Material items such as spare parts, stand-by equipment and service equipment are classified as PPE when they meet the definition of PPE as specified in Ind AS 16 – Property, Plant and Equipment.

3.8 Expenditure during construction period

Expenditure during construction period (including financing cost related to borrowed funds for construction or acquisition of qualifying PPE) is included under Capital Work-in-Progress, and the same is allocated to the respective PPE on the completion of their construction. Advances given towards acquisition or construction of PPE outstanding at each reporting date are disclosed as Capital Advances under “Other non-current Assets”.

3.9 Depreciation

Depreciation is the systematic allocation of the depreciable amount of PPE over its useful life and is provided on a straight-line basis over the useful lives as prescribed in Schedule II to the Act or as per technical assessment.

Depreciable amount for PPE is the cost of PPE less its estimated residual value. The useful life of PPE is the period over which PPE is expected to be available for use by the Company, or the number of production or similar units expected to be obtained from the asset by the Company.

The Company has componentised its PPE and has separately assessed the life of major components. In case of certain classes of PPE, the Company uses different useful lives than those prescribed in Schedule II to the Act. The useful lives have been assessed based on technical advice, taking into account the nature of the PPE and the estimated usage of the asset on the basis of management's best estimation of obtaining economic benefits from those classes of assets.

Such classes of assets and their estimated useful lives are as under:

Particulars	Useful life
Buildings	30 years
Plant and Machinery	15 years
Electrical Equipment	10 years
Office Equipment	5 years
Computers	3 years
Furniture and Fixtures	10 years
Vehicles	8 years
Tools and Spares	15 years

Depreciation on additions is provided on a pro-rata basis from the month of installation or acquisition and in case of Projects from the date of commencement of commercial production. Depreciation on deductions/disposals is provided on a pro-rata basis up to the date of deduction/disposal.

3.10 Inventories

Inventories are valued as follows:

- Raw materials, fuel, stores & spare parts and packing materials:
Valued at lower of cost and net realisable value (NRV). However, these items are considered to be realisable at cost, if the finished products, in which they will be used, are expected to be sold at or above cost. Cost is determined on weighted average basis.
- Work-in- progress (WIP), finished goods and stock-in-trade:
Valued at lower of cost and NRV. Cost of Finished goods and WIP includes cost of raw materials, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories is computed on weighted average basis.

3.11 Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with banks that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

3.12 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated. Bank overdrafts are classified as part of cash and cash equivalent, as they form an integral part of an entity's cash management.

3.13 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the Company receives non-monetary grants, the asset and the grant are accounted at fair value and recognised in the statement of profit and loss over the expected useful life of the asset.

3.14 Impairment of non financial assets

The carrying amounts of the Company's non-financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized in the income statement if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognized in the income statement, and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

3.15 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the income statement as and when the services are received from the employees.

Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognized immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.16 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3.17 Contingent liabilities & contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

3.18 Financial instruments

a. Recognition and Initial recognition

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issues of financial assets and financial liabilities that are not at fair value through profit or loss, are added to the fair value on initial recognition.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b. Classification and Subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities: Classification, Subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

c. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit and loss statement.

d. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

e. Impairment

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost;

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income (FVOCI) are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the trade receivable does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4 Property, plant and equipment

(Amount in ₹)

Particulars	Land	Plant & Machinery	Vehicles	Testing Tools & Instruments	Furniture & Fixtures	Computers & Software	Office Equipments	Building	Electrical Fittings	Total
Deemed Cost										
At April 1, 2016 (Refer note a)	1,50,85,175	3,05,94,278	31,61,084	4,11,51,078	33,58,406	45,53,525	29,86,491	10,44,53,242	60,21,232	21,13,64,511
Additions	-	-	6,51,595	10,91,75,624	1,11,125	1,77,21,002	55,790	-	-	12,77,15,136
Deletions	-	-	-	-	-	-	-	-	-	-
At March 31, 2017	1,50,85,175	3,05,94,278	38,12,679	15,03,26,702	34,69,531	2,22,74,527	30,42,281	10,44,53,242	60,21,232	33,90,79,647
Additions	-	-	24,18,155	2,49,71,492	9,64,789	2,23,68,106	9,61,768	39,26,800	-	5,56,11,110
Deletions	-	-	-	-	-	-	-	-	-	-
At March 31, 2018	1,50,85,175	3,05,94,278	62,30,834	17,52,98,194	44,34,320	4,46,42,633	40,04,049	10,83,80,042	60,21,232	39,46,90,757
Accumulated depreciation										
At April 1, 2016	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	55,37,564	9,62,145	1,05,39,736	8,77,629	85,02,683	13,57,949	99,23,058	15,58,897	3,92,59,661
Less: Adjustments	-	-	-	-	-	-	-	-	-	-
At March 31, 2017	-	55,37,564	9,62,145	1,05,39,736	8,77,629	85,02,683	13,57,949	99,23,058	15,58,897	3,92,59,661
Charge for the year	-	45,35,265	9,49,341	2,87,71,383	7,37,836	1,88,13,380	9,02,713	91,19,365	11,55,299	6,49,84,582
Less: Adjustments	-	-	-	-	-	-	-	-	-	-
At March 31, 2018	-	1,00,72,829	19,11,486	3,93,11,119	16,15,465	2,73,16,063	22,60,662	1,90,42,423	27,14,196	10,42,44,243
Carrying amount										
At April 1, 2016	1,50,85,175	3,05,94,278	31,61,084	4,11,51,078	33,58,406	45,53,525	29,86,491	10,44,53,242	60,21,232	21,13,64,511
At March 31, 2017	1,50,85,175	2,50,56,714	28,50,534	13,97,86,966	25,91,902	1,37,71,844	16,84,332	9,45,30,184	44,62,335	29,98,19,986
At March 31, 2018	1,50,85,175	2,05,21,449	43,19,348	13,59,87,075	28,18,855	1,73,26,570	17,43,387	8,93,37,619	33,07,036	29,04,46,514
Capital work in progress										
Particulars										
At April 1, 2016										
At March 31, 2017										
At March 31, 2018					4,34,245			28,64,82,412		28,69,16,657
Note										
a)	For property, plant and equipment existing as on the date of transition to Ind AS, i.e., April 1, 2016, the Company has used Indian GAAP carrying value as deemed costs.									
b)	Charge on Property, plant and equipment									
	All the property, plant and equipment are subject to a first charge to secure the Company's term loans.									

Financial Statements

5 Other assets

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Non-Current assets			
<i>Unsecured, considered good</i>			
Capital advances	2,59,15,382	4,35,90,382	-
	2,59,15,382	4,35,90,382	-
Current assets			
<i>Unsecured, considered good</i>			
Advances other than capital advances			
Advances for materials	4,83,21,462	3,04,21,667	4,73,58,720
Advances for expenses	5,49,404	1,07,23,095	80,14,532
Salary advances	4,49,000	-	1,50,000
Prepaid expenses	7,10,763	6,11,079	5,15,123
Balances with Government Departments	3,53,11,498	7,53,359	5,61,829
	8,53,42,126	4,25,09,200	5,66,00,204

6 Inventories

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Raw material and stores	41,26,11,389	27,15,88,214	28,59,54,881
Work in progress	86,41,25,123	61,30,52,411	39,64,59,169
Finished goods	44,12,42,312	25,61,36,285	4,35,88,383
	1,71,79,78,824	1,14,07,76,910	72,60,02,433

7 Trade receivables

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Unsecured, considered good	1,16,16,49,416	71,46,40,307	86,33,77,196
	1,16,16,49,416	71,46,40,307	86,33,77,196
Less: Allowance for doubtful receivables	-	-	-
Total Trade receivables	1,16,16,49,416	71,46,40,307	86,33,77,196

8 Cash and cash equivalents

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Balances with banks:			
- in current accounts	7,22,51,068	1,72,019	-
Cash on hand	2,89,433	84,111	8,42,762
Total Cash and cash equivalents	7,25,40,501	2,56,130	8,42,762

9 Other Bank balances

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Term deposits with Banks with original maturities of more than 3 months and less than 1 year*	99,32,80,185	8,75,26,448	6,85,87,951
Total other Bank balances	99,32,80,185	8,75,26,448	6,85,87,951

* Represents margin money deposits against bank guarantees and letter of credits.

10 Loans (Unsecured, considered good unless otherwise stated)

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Current			
Security deposits	4,54,157	4,46,021	1,73,086
	4,54,157	4,46,021	1,73,086

Financial Statements

11 Others (Unsecured, considered good unless otherwise stated)

(Amount in ₹)

	31 March 2018	31 March 2017	1 April 2016
Current			
Interest accrued on deposits	24,056	3,72,149	7,73,032
	24,056	3,72,149	7,73,032

12 Share Capital

(Amount in ₹)

	31 March 2018	31 March 2017	1 April 2016
Authorised Share Capital			
2,70,00,000 (March 31, 2017: 1,40,00,000; April 1, 2016: 1,40,00,000) equity shares of ₹ 10/- each	27,00,00,000	14,00,00,000	14,00,00,000
Issued, subscribed and fully paid-up			
2,07,63,886 (March 31, 2017: 1,37,11,700; April 1, 2016: 1,37,11,700) equity shares of ₹ 10/- each fully paid-up	20,76,38,860	13,71,17,000	13,71,17,000
	20,76,38,860	13,71,17,000	13,71,17,000

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

Particulars	31 March 2018		31 March 2017	
	No. of equity shares	Amount (₹)	No. of equity shares	Amount (₹)
Outstanding at the beginning of the year	1,37,11,700	13,71,17,000	1,37,11,700	13,71,17,000
Issued during the year	70,52,186	7,05,21,860	-	-
Outstanding at the end of the year	2,07,63,886	20,76,38,860	1,37,11,700	13,71,17,000

(b) Terms / rights attached to the equity shares

Equity shares of the Company have a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Particulars	31 March 2018		31 March 2017	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Baddam Karunakar Reddy	1,32,71,690	63.92%	1,32,71,690	96.79%

13 Other equity

(Amount in ₹)

	31 March 2018	31 March 2017
Securities premium		
Opening balance	-	-
Add: Premium on fresh issue	1,74,71,38,238	-
Less; Share issue expenses	(8,97,56,947)	-
Closing balance	1,65,73,81,291	-
Retained earnings		
Opening balance	49,91,47,190	32,30,83,916
Profit/(loss) for the year	19,16,65,200	17,45,34,963
Other comprehensive income	48,452	15,28,311
Less: Transfers to general reserve	-	-
Closing balance	69,08,60,842	49,91,47,190
Total other equity	2,34,82,42,133	49,91,47,190

Securities premium consists of the difference between the face value of the equity shares and the consideration received in respect of shares issued.

14 Borrowings

(Amount in ₹)

	31 March 2018	31 March 2017	1 April 2016
Non-current Borrowings			
Secured loans			
Term loans (Refer note A)			
<i>From Banks</i>			
- State Bank of India (Loan 1)	1,69,58,645	1,72,54,844	6,74,95,484
- State Bank of India (Loan 2)	42,37,519	1,33,35,480	69,36,654
<i>From Financial Institutions</i>			
- Edelweiss Retail Finance Limited	28,69,173	1,12,22,804	-
- Reliance Capital Limited	78,85,263	1,43,37,948	-
Buyers credit against Capex LC			
<i>From Banks</i>			
- State Bank of India	-	6,66,72,805	6,66,72,805
Vehicle loans			
<i>From Financial Institutions</i>			
- HDFC Limited (Refer Note B)	6,46,899	6,85,990	16,08,551
Unsecured loans			
From Financial Institutions (Refer Note C)	99,40,699	1,17,91,868	1,41,23,988
	4,25,38,198	13,53,01,739	15,68,37,482
Current Borrowings			
Secured loans			
Repayable on demand (Refer Note D below)			
- Overdraft from State Bank of India	28,33,23,038	40,77,79,589	31,53,69,880
- Overdraft from ICICI Bank	10,61,58,343	12,01,00,053	11,94,91,160
- Overdraft from RBL Bank	4,90,74,847	4,94,73,544	-
- Overdraft from Axis Bank	21,45,29,761	-	-
- Line of credit from NSIC against raw material purchases	4,77,32,584	4,92,55,282	4,91,46,959
Unsecured loans			
From Managing Director (Refer Note E below)	3,38,01,903	2,90,34,805	59,29,820
Total current borrowings	73,46,20,476	65,56,43,273	48,99,37,819

A. Term loans from banks and others consist of:

State Bank of India (Loan 1):- a) Repayment Terms: 20 Quarterly instalments of ₹ 88 Lakhs, commencing from December 2014 to December 2019. b) Rate of Interest: 12.35% p.a. c) Nature of Security: The term loan is secured by first charge over the fixed assets of the company both present and future and collateral security of equitable mortgage of specified properties along with personal guarantee of directors of the company and others.

State Bank of India (Loan 2):- a) Repayment Terms: 16 Quarterly instalments of ₹ 18.75 Lakhs, commencing from December 2015 to December 2019. b) Rate of Interest: 12.35% p.a. c) Nature of Security: The term loan is secured by first charge over the fixed assets of the company both present and future and collateral security of equitable mortgage of specified properties along with personal guarantee of directors of the company and others.

Edelweiss Retail Finance Limited :- a) Repayment Term: Repayable in 33 monthly EMI's after moratorium of 4 months (during which interest is payable), commencing from October 2016 to May 2019 b) Rate of Interest: 15.00% p.a. c) Nature of Security: The loan is secured by hypothecation and creation of exclusive charge on the equipments financed by Edelweiss Retail Finance Limited until entire loan is repaid.

Reliance Capital Limited:- a) Repayment Term: Repayable in 45 monthly EMI's after moratorium of 3 months (during which interest is payable), commencing from November 2016 to October 2020 b) Rate of Interest: 15.75% p.a. floating. c) Nature of Security: The loan is secured by hypothecation of assets funded by Reliance Capital Limited until entire loan is repaid.

Financial Statements

B. Vehicle loans :

The Company has the following vehicle loan:

1. Vehicle loan from HDFC Limited on July, 2017. The loan is repayable in 48 installments from Aug, 2017 to July, 2021. The loan carries an interest rate of 12.05%. This loan is secured by hypothecation of the vehicle for which the loan was taken.

C. Unsecured loans consist of :

The Company has 16 unsecured loans from Banks and Financial Institutions. These loans carry an interest rate ranging from 15% to 19.05%.

D. Loans repayable on demand:

Overdraft from State Bank of India is repayable on demand and the loan carries an interest rate of 11.90%.

Overdraft from ICICI Bank is repayable on demand and the loan carries an interest rate of 11.75%.

Overdraft from RBL Bank is repayable on demand and the loan carries an interest rate of 11.05%.

Overdraft from Axis Bank is repayable on demand and the loan carries an interest rate of 10.50%.

The above loans repayable on demand Secured by hypothecation of Inventories, Assignment of Book Debts on pari passu basis to SBI, ICICI, RBL and AXIS Bank on proportionate basis to their exposure, E.M. of Land & Building and along with the personal guarantee given by the directors and with limited liability of individual property of the owners to an extent of value of property as on the date of equitable mortgage.

Raw Material Assistance from NSIC is extended against Bank Guarantee.

E. Loans from Managing Director:

Managing Director has provided, interest free unsecured loans repayable on demand.

15 Deferred tax liabilities, net

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Deferred tax liability			
- Tangible and Intangible assets	12,15,58,564	6,86,08,510	-
- Research and development	-	-	3,28,28,548
Total	12,15,58,564	6,86,08,510	3,28,28,548
Deferred tax asset			
- Tangible and Intangible assets	-	-	76,63,170
- Provision allowed under tax on payment basis	3,46,458	2,22,909	5,53,209
Total	3,46,458	2,22,909	82,16,379
Deferred tax liability, net	12,12,12,106	6,83,85,601	2,46,12,169

16 Provisions

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Non-Current			
Provision for employee benefits			
- Gratuity (refer note 35)	50,26,490	35,72,709	46,97,602
	50,26,490	35,72,709	46,97,602
Current			
Provision for employee benefits			
- Gratuity (refer note 35)	11,41,287	1,40,762	1,72,006
	11,41,287	1,40,762	1,72,006

17 Trade payables

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Trade payables			
- Total outstanding dues of micro enterprises and small enterprises (refer note 36)	-	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	93,22,99,220	67,87,18,081	71,56,65,856
	93,22,99,220	67,87,18,081	71,56,65,856

Financial Statements

18 Other financial liabilities

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Current maturities of long-term debts	8,93,60,020	8,70,56,203	6,15,74,598
Creditors for capital goods	-	7,33,35,039	3,84,57,022
Employee salaries payable	54,26,464	85,17,004	28,93,600
Directors remuneration payable	12,29,999	24,22,902	36,00,000
Expenses payable	1,68,09,111	8,67,886	2,91,355
	11,28,25,594	17,21,99,034	10,68,16,575

19. Other liabilities

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Current			
Advance received from customers	5,94,69,584	4,88,71,731	3,64,99,368
Statutory liabilities	33,30,574	53,70,640	34,05,585
	6,28,00,158	5,42,42,371	3,99,04,953

20. Current tax liabilities

	(Amount in ₹)		
	31 March 2018	31 March 2017	1 April 2016
Current			
Provision for Income tax	6,62,03,296	5,41,15,623	3,07,41,061
Less: Advance tax	-	-	(6,83,116)
	6,62,03,296	5,41,15,623	3,00,57,945

21. Revenue from operations

	(Amount in ₹)	
	31 March 2018	31 March 2017
Sale of products	2,16,72,83,002	2,00,19,81,021
Sale of services	3,73,30,911	66,89,931
	2,20,46,13,913	2,00,86,70,952

22. Other income

	(Amount in ₹)	
	31 March 2018	31 March 2017
Interest income	1,52,79,316	53,02,467
Foreign exchange gain	-	29,378
	1,52,79,316	53,31,845

23. Cost of materials consumed

	(Amount in ₹)	
	31 March 2018	31 March 2017
Opening stock of raw materials and stores	27,15,88,214	28,59,54,881
Add: Purchases	2,17,19,71,559	1,91,58,36,409
Add: Freight Charges	47,94,728	30,74,825
Add: Jobwork Charges	28,35,951	86,91,476
	2,45,11,90,451	2,21,35,57,591
Less : Closing Stock of Raw Materials and Consumables	41,26,11,389	27,15,88,214
	2,03,85,79,062	1,94,19,69,377

Financial Statements

24 Changes in inventories and Work in progress

	(Amount in ₹)	
	31 March 2018	31 March 2017
<i>Closing stock</i>		
Finished goods	44,12,42,312	25,61,36,285
Work in process	86,41,25,123	61,30,52,411
Total (A)	1,30,53,67,435	86,91,88,696
<i>Opening stock</i>		
Finished goods	25,61,36,285	4,35,88,383
Work in process	61,30,52,411	39,64,59,169
Total (B)	86,91,88,696	44,00,47,552
(Increase) / Decrease in Inventories and work in progress (B-A)	(43,61,78,739)	(42,91,41,144)

25 Employee benefits expense

	(Amount in ₹)	
	31 March 2018	31 March 2017
Salaries, wages and bonus	6,10,94,816	5,89,18,795
Contribution to provident and other funds	15,36,721	13,13,929
Staff welfare expenses	13,43,673	5,49,032
	6,39,75,210	6,07,81,756

26 Depreciation expense

	(Amount in ₹)	
	31 March 2018	31 March 2017
Depreciation of tangible assets	6,49,84,582	3,92,59,661
	6,49,84,582	3,92,59,661

27 Finance costs

	(Amount in ₹)	
	31 March 2018	31 March 2017
Interest on term loans	1,02,39,679	1,39,99,307
Interest on vehicle loans	3,34,018	3,95,290
Interest on working capital loans	7,95,12,887	7,31,14,668
Bank charges and commissions	3,15,71,907	2,68,66,286
	12,16,58,491	11,43,75,551

28 Other expenses

	(Amount in ₹)	
	31 March 2018	31 March 2017
Director's remuneration	1,01,25,000	69,35,000
Business development expenses	84,21,193	33,09,117
Consultancy charges	48,71,887	10,83,292
Tour and travelling	45,85,982	39,63,283
Power and fuel	29,22,965	23,75,503
Rent	18,38,200	18,10,000
Insurance	17,87,895	4,75,128
Filing Fee	13,45,486	45,940
Conveyance	11,71,843	15,82,289

Financial Statements

Other expenses Continued...

Office maintenance	12,38,303	11,83,528
Repairs and maintenance	9,50,833	8,63,175
Printing & stationary	9,48,653	4,39,128
Telephone	8,80,054	7,22,203
Advertisement	8,51,165	10,85,922
Postage and courier	7,78,555	2,50,768
Testing	4,33,648	8,16,419
Audit fees	4,00,000	4,00,000
Rates and taxes	3,60,976	3,49,401
Corporate social responsibilty	3,25,000	-
Security charges	3,20,892	5,02,696
Vehicle maintenance	2,17,497	3,15,937
Donations	1,35,000	-
Computer maintenance	1,10,298	1,49,086
Internet	65,898	1,96,325
Books & periodicals	14,359	34,875
Tender expenses	-	45,652
	4,51,01,582	2,89,34,667

29 Exceptional items

(Amount in ₹)

	31 March 2018	31 March 2017
Initial Public Offer (IPO) expenditure *	(1,21,92,105)	-
Write back of liability	-	1,34,09,440
	(1,21,92,105)	1,34,09,440

* During the year, the Company has made an initial public offering and the expenditure that is not directly related to the issue of capital has been charged to the profit and loss statement.

30 Tax expenses

(Amount in ₹)

	31 March 2018	31 March 2017
Current income tax:		
Current income tax charge	6,51,14,874	5,36,78,871
Deferred tax:		
Relating to originating and reversal of temporary differences	5,28,00,862	4,30,18,535
Income tax expense recognised in the statement of profit or loss	11,79,15,736	9,66,97,406
Deferred tax related to items considered in OCI during the year		
Re-measurement gains/ (losses) on defined benefit plan	(25,643)	(7,54,897)
Income tax charge to OCI	(25,643)	(7,54,897)
Reconciliation of tax expense with the accounting profit multiplied by domestic tax rate:		
Accounting profit before income tax	30,95,80,936	27,12,32,369
Tax on accounting profit at statutory income tax rate 34.608% (March 31, 2017: 33.063%)	10,71,39,770	8,96,77,558
Interest on taxes	65,41,343	88,56,265
Others	66,60,467	(18,36,417)
Total at the effective tax rate of 38.09% (March 31, 2017: 35.65%)	12,03,41,580	9,66,97,406
Tax expense reported in the statement of profit and loss	11,79,15,736	9,66,97,406

31 Contingent liabilities and commitments

(Amount in ₹)

Particulars	As at 31-Mar-18	As at 31-Mar-17	As at 31-Mar-16
i) Contingent liabilities:			
- Outstanding Guarantees and Counter Guarantees to various Banks, in respect of the guarantees given by those banks in favour of various Govt Authorities and Others	42,78,19,256	46,67,32,012	
- Claims against the Company not acknowledged as debts*	-	48,85,049	-
ii) Commitments:			
- Non fulfilment of Export Obligation under Zero Duty EPCG Scheme	9,66,72,000	9,66,72,000	

* The Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business including litigation before tax authorities and including matters mentioned above. The uncertainties and possible reimbursements are dependent on the outcome of the different legal processes which have been invoked by the claimants or the Company, as the case may be, and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interests and has been advised that it has strong legal positions against such disputes. The Management believes that it has a reasonable case in its defense of the proceedings and accordingly no further provision is required.

32 Related party disclosures

a) The following table provides the name of the related party and the nature of its relationship with the Company:

Name of the parties	Relationship
Sri B.Karunakar Reddy	Managing Director
Sri Addepalli Krishna Sai Kumar	Wholetime Director
Sri Chiluveru Sudarshan	Chief Financial Officer
Chandrapati Venkata Siva Prasad	Wholetime Director
Sri Vitta Chaitanya Siva Shankar	Company Secretary
Apollo Food & Beverages Private Limited	Enterprises controlled by KMP

b) Details of all transactions with related parties during the year:

(Amount in ₹)

Particulars	31-Mar-18	31-Mar-17
i) Managerial remuneration to Key managerial personnel*	1,11,05,000	48,50,000
ii) Unsecured Loan from Karunakar Reddy Baddam	3,38,01,903	2,90,34,805
iii) Rent paid to Karunakar Reddy Baddam	8,40,000	8,40,000

* Does not include insurance, which is paid for the Company as a whole and gratuity as this is provided in the books of accounts on the basis of actuarial valuation for the Company as a whole and hence individual amount cannot be determined.

c) Details of balances receivable from and payable to related parties are as follows:

(Amount in ₹)

Particulars	As at 31-Mar-18	As at 31-Mar-17	As at 31-Mar-16
i) Financial liabilities - Others:			
Remuneration payable to KMP	12,30,000	36,00,000	26,78,300

d) Terms and conditions of transactions with related parties:

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.

33 Segment information

Ind AS 108 "Operating Segment" ("Ind AS 108") establishes standards for the way that public business enterprises report information about operating and geographical segments and related disclosures about products and services, geographic areas, and major customers. Based on the "management approach" as defined in Ind AS 108, Operating segments and geographical segments are to be reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM evaluates the Company's performance and allocates resources on overall basis. The Company's sole operating segment is therefore 'Electromechanical components and systems and allied components and services' and the sole geographical segment is 'India'. Accordingly, there are no additional disclosure to be provided under Ind AS 108, other than those already provided in the financial statements.

Financial Statements

34 Payment to auditors include

(Amount in ₹)

Particulars	31-Mar-18	31-Mar-17	31-Mar-16
Statutory audit fee	3,00,000	3,00,000	2,00,000
Other services	1,00,000	1,00,000	1,00,000
Total	4,00,000	4,00,000	3,00,000

35 Gratuity

The Company provides its employees with benefits under a defined benefit plan, referred to as the "Gratuity Plan". The Gratuity Plan entitles an employee, who has rendered at least five years of continuous service, to receive 15 days salary for each year of completed service (service of six months and above is rounded off as one year) at the time of retirement/exit, restricted to a sum of ₹ 10,00,000.

The following tables summarize the components of net benefit expense recognised in the statement of profit or loss and the amounts recognised in the balance sheet for the plan:

Reconciliation of opening and closing balances of the present value of the defined benefit obligations:

(Amount in ₹)

Particulars	31-Mar-18	31-Mar-17	31-Mar-16
Opening balance	37,13,371	48,69,608	38,27,801
Service cost	22,40,049	7,40,911	10,41,807
Interest cost	2,74,426	3,86,160	3,03,545
Benefits paid			
Actuarial loss/(gain)	(60,169)	(22,83,308)	(3,03,545)
Closing balance	61,67,677	37,13,371	48,69,608
Present value of projected benefit obligation at the end of the year	61,67,677	37,13,371	48,69,608
Fair value of plan assets at the end of the year	-	-	-
Net liability recognised in the balance sheet	61,67,677	37,13,371	48,69,608
Long term provision	50,26,490	35,72,709	46,97,602
Short term provision	11,41,287	1,40,762	1,72,006

Expenses recognised in statement of profit and loss	31-Mar-18	31-Mar-17
Service cost	22,40,049	7,40,911
Interest cost	2,74,426	3,86,160
Gratuity cost	25,14,475	11,27,071
Re-measurement gains/ (losses) in OCI		
Actuarial gain / (loss) due to demographic assumption changes -	(60,169)	(22,83,208)
Return on plan assets greater (less) than discount rate	(13,926)	
Total expenses routed through OCI	(74,095)	(22,83,208)

Assumptions	31-Mar-18	31-Mar-17
Discount rate	7.77% p.a.	7.39% p.a.
Future salary increases	4.00% p.a.	4.00% p.a.
Employee turnover		

A quantitative sensitivity analysis for significant assumption and its impact on projected benefit obligation are as follows:

	31-Mar-18	31-Mar-17
Effect of + 1% change in rate of discounting	6.71	9.43
Effect of - 1% change in rate of discounting	-5.84	-8.06
Effect of + 1% change in rate of salary increase	9.27	19.58
Effect of - 1% change in rate of salary increase	-9.79	-15.72

The sensitivity analyses above have been determined based on a method that extrapolates the impact on projected benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

36 Dues to Micro, small and medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2018 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 ('The MSMED Act') is not expected to be material. The Company has not received any claim for interest from any supplier.

(Amount in ₹)

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year.	Nil	Nil	Nil
b) the amount of interest paid by the buyer in terms of section 16 of the MSMED Act, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	Nil	Nil	Nil
c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this MSMED Act	Nil	Nil	Nil
d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil	Nil
e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act.	Nil	Nil	Nil

37 Leases**Where the Company is a lessee:**

The Company has taken various office under operating leases. The leases typically run for a term ranging from one to three years, with an option to renew the lease after the term completion. The escalation clause in these arrangement ranges from 5% to 10%.

i) Future minimum lease payments under non-cancellable operating leases are as follows:

(Amount in ₹)

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
Not later than 1 year	-	-	-
Later than 1 year and not later than 5 years	-	-	-
Later than 5 years	-	-	-

ii) Amounts recognised in statement of profit and loss:

(Amount in ₹)

Particulars	31-Mar-18	31-Mar-17
Cancellable lease expense	18,38,200	18,10,000
Non - cancellable lease expense	-	-
Total	18,38,200	18,10,000

38 Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity Shares.

Financial Statements

The following table sets out the computation of basic and diluted earnings per share:

	(Amount in ₹)	
Particulars	31-Mar-18	31-Mar-17
Profit for the year attributable to equity share holders	19,16,65,200	17,45,34,963
Shares		
Weighted average number of equity shares outstanding during the year – basic	1,53,79,107	1,37,11,700
Weighted average number of equity shares outstanding during the year – diluted	1,58,66,778	1,37,11,700
Earnings per share		
Earnings per share of par value ₹ 10 – basic (₹)	12.46	12.73
Earnings per share of par value ₹ 10 – diluted (₹)	12.08	12.73

39 Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance and support Company's operations. The Company's principal financial assets include inventory, trade and other receivables, cash and cash equivalents and refundable deposits that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and other price risk, such as equity price risk and commodity/ real estate risk. Financial instruments affected by market risk include loans and borrowings and refundable deposits. The sensitivity analysis in the following sections relate to the position as at March 31, 2018 and March 31, 2017. The sensitivity analyses have been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt.

The analysis excludes the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations; provisions.

The below assumption has been made in calculating the sensitivity analysis:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2018 and March 31, 2017.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company does not enter into any interest rate swaps.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	(Amount in ₹)	
	Increase/decrease in interest rate	Effect on profit before tax
March 31, 2018		
INR	+1%	(86,65,187)
INR	-1%	86,65,187
March 31, 2017		
INR	+1%	(87,80,012)
INR	-1%	87,80,012

Financial Statements

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The credit risk arises principally from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks and financial institutions and other financial instruments.

Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom credit has been granted after obtaining necessary approvals for credit. The collection from the trade receivables are monitored on a continuous basis by the receivables team.

The Company establishes an allowance for credit loss that represents its estimate of expected losses in respect of trade and other receivables based on the past and the recent collection trend and based on the analysis has not provided any provision for expected credit losses on trade receivables.

Credit risk on cash and cash equivalent is limited as the Company generally transacts with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

c) Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

(Amount in ₹)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Year ended March 31, 2018						
Borrowings	73,46,20,476	2,23,40,005	6,70,20,015	4,25,38,198	-	86,65,18,694
Trade payables	93,22,99,220	-	-	-	-	93,22,99,220
Year ended March 31, 2017						
Borrowings	65,56,43,273	2,17,64,051	6,52,92,152	13,53,01,739	-	87,80,01,215
Trade payables	67,87,18,081				-	67,87,18,081
As at April 1, 2016						
Borrowings	48,99,37,819	1,53,93,650	4,61,80,949	15,68,37,482	-	70,83,49,899
Trade payables	71,56,65,856				-	71,56,65,856

40 Capital management

The Company's policy is to maintain a stable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors capital on the basis of return on capital employed as well as the debt to total equity ratio.

For the purpose of debt to total equity ratio, debt considered is long-term and short-term borrowings. Total equity comprise of issued share capital and all other equity reserves.

The capital structure as of March 31, 2018, March 31, 2017 and April 1, 2016 was as follows:

(Amount in ₹)

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
Total equity attributable to the equity shareholders of the Company	2,55,58,80,993	63,62,64,190	46,02,00,916
As a percentage of total capital	74.7%	42.0%	39.4%
Long term borrowings including current maturities	13,18,98,218	22,23,57,942	21,84,12,080
Short term borrowings	73,46,20,476	65,56,43,273	48,99,37,819
Total borrowings	86,65,18,694	87,80,01,215	70,83,49,899
As a percentage of total capital	25.3%	58.0%	60.6%
Total capital (equity and borrowings)	3,42,23,99,687	1,51,42,65,405	1,16,85,50,815

41 Explanation on transition to Ind AS

As stated in Note 2.1, these are the first financial statements prepared in accordance with Ind AS. For the year ended March 31, 2017, the Company had prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006 notified under section 133 of the Act and other relevant provision of the Act ('Previous GAAP'). For the purpose

of transition from Previous GAAP to Ind AS, the Company has followed the guidance prescribed under Ind AS 101-first time adoption of Indian Accounting Standards (“Ind AS-101”), with effect from April 1, 2016 (“transition date”).

The accounting policies set out in Note 3 have been applied in preparing these financial statements for the year ended March 31, 2018 including the comparative information for the year ended March 31, 2017 and the opening Ind AS balance sheet on the date of transition i.e. April 1, 2016

In preparing its Ind AS balance sheet as at April 1, 2016 and in presenting the comparative information for the year ended March 31, 2017, the Company has adjusted amounts reported previously in financial statement prepared in accordance with the Previous GAAP. This note explains how the transition from Previous GAAP to Ind AS has affected the Company’s financial position and financial performance.

A. Mandatory exceptions to retrospective application

The Company has applied the following exceptions to the retrospective application of Ind AS as mandatorily required under Ind AS 101 “First Time Adoption of Indian Accounting Standards”:

- 1) **Estimates:** As per Ind AS 101, an entity’s estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with the Previous GAAP unless there is objective evidence that those estimates were in error.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under Previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company’s estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the Previous GAAP are listed below:

- Impairment of financial assets based on the expected credit loss model.
- Determination of the discounted value for financial instruments carried at amortised cost.

- 2) **Classification and measurement of financial assets:** Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

B. Optional exemptions from retrospective application

Ind AS 101 “First time Adoption of Indian Accounting Standards” permits Companies adopting Ind AS for the first time to take certain exemptions from the full retrospective application of Ind AS during the transition. The Company has accordingly on transition to Ind AS availed the following key exemptions:

- 1) **Property, plant and equipment:** The Company has elected to treat previous GAAP carrying values as deemed cost for all the items of its property, plant and equipment.

C. The following reconciliation provide the effect of transition to Ind AS from Previous GAAP in accordance with Ind AS 101:

- (i) Reconciliation of total equity as at March 31, 2017 and April 1, 2016

(Amount in ₹)

Particulars	As at March 31, 2017	As at April 1, 2016
Equity as reported under previous GAAP	66,62,67,509	49,57,19,014
Impact of prior period items	(1,06,67,274)	(1,74,48,088)
Impact of change in accounting for deferred taxes from "timing differences" to "temporary differences"	(1,92,84,090)	(1,86,23,219)
Tax on above items	(51,954)	5,53,209
Equity reported under Ind AS	63,62,64,191	46,02,00,916

Financial Statements

(ii) Effect of Ind AS Adoption on the statement of profit and loss for the year ended March 31, 2017

(Amount in ₹)

Particulars	Year ended March 31, 2017
Net Profit under previous GAAP	17,05,48,495
Impact of prior period items	67,80,814
Impact of change in accounting for deferred taxes from "timing differences" to "temporary differences"	(6,60,871)
Actuarial gain/loss on post employment benefit obligations	(22,83,208)
Tax on above items	1,49,733
Net Profit under Ind AS	17,45,34,963
Other comprehensive income	
Actuarial gains/(losses) on post- employment benefit obligations	22,83,208
Tax on above	(7,54,897)
Total comprehensive income under Ind AS	17,60,63,274

42. Standards issued but not effective

The standards issued, but not effective up to the date of issuance of the financial statements is disclosed below:

Ind AS 115 - Revenue from contracts with customers

In March 2018, the Ministry of Corporate Affairs has notified Ind AS 115, 'Revenue from Contracts with Customers', which is effective for accounting periods beginning on or after 1 April 2018. This comprehensive new standard will supersede existing revenue recognition guidance, and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Ind AS 115 is effective for annual reporting periods beginning on or after April 1, 2018. The Company intends to adopt Ind AS 115 effective April 1, 2018, using the modified retrospective method. The adoption of Ind AS 115 is not expected to have a significant impact on the Company's recognition of revenues.

Other amendments to Indian Accounting Standards

The Ministry of Corporate Affairs (MCA), on 28 March 2018, issued certain amendments to Ind AS. The amendments relate to the following standards:

Ind AS 21, The Effects of Changes in Foreign Exchange Rates - The amendment lays down the principle regarding advance payment or receipt of consideration denominated or priced in foreign currency and recognition of non-monetary prepayment asset or deferred income liability.

Ind AS 12, Income Taxes - The amendment explains that determining temporary differences and estimating probable future taxable profit against which deductible temporary differences are assessed for utilization are two separate steps and the carrying amount of an asset is relevant only to determining temporary differences.

Ind AS 28, Investments in Associates and Joint Ventures - The amendment clarifies when a venture capital, mutual fund, unit trust or similar entities elect to initially recognize the investments in associates and joint ventures.

Ind AS 112, Disclosure of Interests in Other Entities - The amendment clarifies that disclosure requirements for interests in other entities also apply to interests that are classified as Held for sale or discontinued operations in accordance with Ind AS 105.

Ind AS 40, Investment Property - The amendment clarifies when a property should be transferred to / from investment property.

The amendments are effective 1 April 2018. The Company believes that the aforementioned amendments will not materially impact the financial position, performance or the cash flows of the Company.

Financial Statements

43 Prior year comparatives

The figures of the previous year have been regrouped/reclassified, where necessary, to conform with the current year's classification.

As per our report of even date attached

For S.T.Mohite & Co

Chartered Accountants

ICAI Firm Registration Number: 011410S

Sd/-

M.T. Sreenivasa Rao

Partner

Membership No.: 015635

Place: Hyderabad

Date: May 29, 2018

Sd/-

Baddam Karunakar Reddy

Managing Director

DIN: 00790139

Sd/-

Chiluveru Sudarshan

Chief Financial Officer

for and on behalf of the Board of Directors of

Apollo Micro Systems Limited

CIN: U72200TG1997PLC026556

Sd/-

Addepalli Krishna Sai Kumar

Director

DIN: 03601692

Sd/-

Vitta Chaitanya Siva Shankar

Company Secretary

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APOLLO MICRO SYSTEMS LIMITED

(Formerly Known as Apollo Micro Systems Private Limited)

CIN: U72200TG1997PLC026556

Registered Office: Plot No 128/A, Road No. 12, BEL Road IDA Mallapur,

Uppal Mandal, Rangareddy, Hyderabad, Telangana 500076

Tel. No. 91 40 27167000 • Fax No. 91 4021750820

Website: www.apollo-micro.com • E-mail: cs@apollo-micro.com

Attendance Slip

(To be presented at the entrance)

Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company at K L N Prasad Auditorium, The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry, Federation House, Red Hills, Hyderabad -500004 Telangana, at 9.00 a.m. on Thursday, the September 20, 2018.

.....
Full name of the Shareholder Signature

(In block capitals)

Folio No. /DP ID No.*& Client ID No.*

* Applicable for members holding shares in electronic form.

.....
Full name of the Shareholder Signature

(In block capitals)

NOTE:

- i. Shareholder/Proxy holder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting
- ii. Corporate Shareholders shall submit authorization letter and Board Resolution authorizing their representative to attend the Annual General Meeting.

Notes



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Uppal Mandal, Rangareddy, Hyderabad, Telangana 500076

Tel. No. 91 40 27167000 • Fax No. 91 4021750820

Website: www.apollo-micro.com • E-mail: cs@apollo-micro.com

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 read along with Rule 19(3) of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Name of the member (s)	
Registered Address	
E-mail Id	
Folio No.	
Client Id	
DP ID	

* Applicable for investors holding shares in electronic form.

I / We, being the Member(s) holding Shares of Apollo Micro Systems Limited, hereby appoint:

1. Name :

Address :

E-mail Id :

Signature : or failing him/her
2. Name :

Address :

E-mail Id :

Signature : or failing him/her
3. Name :

Address :

E-mail Id :

Signature : or failing him/her

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty First Annual General Meeting of the Company to be held on Thursday, September 20, 2018 at 9.00 a.m. at K L N Prasad Auditorium, The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry, Federation House, Red Hills, Hyderabad -500004 Telangana and at any adjournment thereof in respect of such resolutions as are indicated hereinafter:

Description of Resolution	Type of Resolution	For	Against
1. To receive, consider and adopt the Audited Financial Statement of the Company for the Financial Year ended March 31, 2018 together with the Reports of the Board of Directors and the Auditors thereon.	Ordinary		
2. To appoint a Director in place of Mrs. Sri Lakshmi Reddy Vangeti (DIN: 02757567) who, retires by rotation and being eligible, offers herself for re-appointment	Ordinary		
3. Ratification of Appointment of Statutory Auditor	Ordinary		
4. Appointment of Mrs. Karunasree Samudrala (DIN: 06960974) as a Director and as an Independent Director.	Ordinary		

Signed this day of 2018



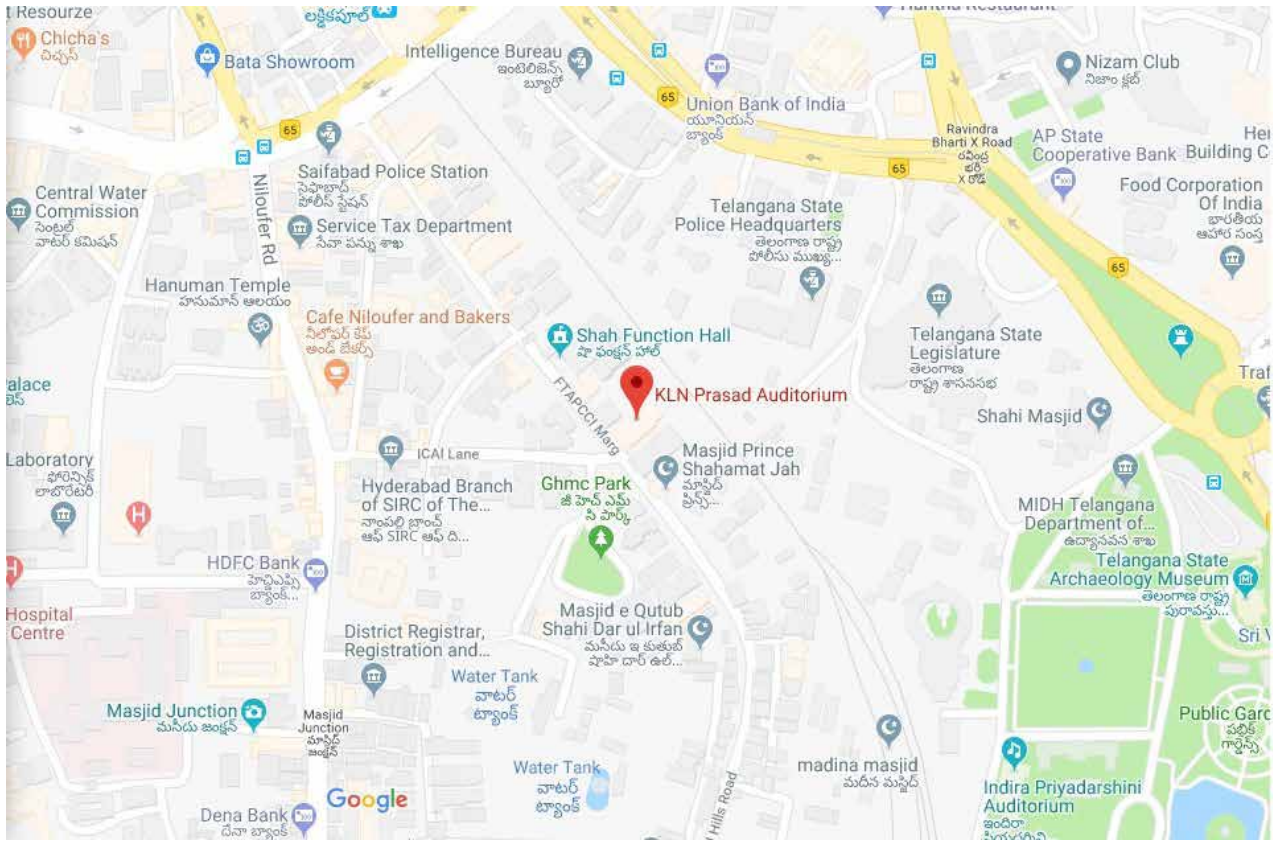
Signature of Member: Signature of Proxy holder

NOTES:

1. A Member may vote 'For' or 'Against' each resolution. Please put a ✓ in the Box in the appropriate column either 'For' or 'Against' the respective resolutions. If you leave the 'For' or 'Against' column blank in respect of any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
2. A Proxy need not be a Member of the Company. Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as proxy on behalf of not more than fifty Members and holding in aggregate not more than ten percent of the total Share Capital of the Company. Members holding more than ten percent of the total Share Capital of the Company may appoint a single person as proxy, who shall not act as proxy for any other Member.
3. This Form in order to be effective should be duly completed and deposited at the Registered Office of the Company at Plot No 128/A, Road No. 12, BEL Road IDA Mallapur, Uppal Mandal, Rangareddy, Hyderabad, Telangana 500076, not less than 48 hours before the commencement of the Meeting.

Those Members who have multiple folios with different joint holders may use copies of this Proxy Form.

ROUTE MAP TO AGM VENUE



FTAPCCI (The Federation of Telangana & Andhra Pradesh Chambers of Commerce and Industry), Federation House, 11-6-841, Red Hills, Hyderabad-500004

Landmark: Near ICAI Bhawan

NOTE: "NO GIFTS COUPONS WILL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING"



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