

KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED

BOARD OF DIRECTORS		FROM	TO
Sri. Priyank Kharge Hon'ble Minister of State for Tourism, Information Technology and Bio-Technology, Govt. of Karnataka		25.08.2016	15.11.2016
Sri. D. Sudhakar, Member of Karnataka Legislative Assembly	Chairman	15.11.2016	
Sri. Raj Kumar Srivastava, IFS	Managing Director	09.09.2015	05.05.2017
Sri. Range Gowda, IFS	Managing Director	05.05.2017	
Smt. V. Manjula, IAS	Director	11.08.2015	18.03.2017
Smt. Tanushree Deb Barma, IAS	Director	04.06.2014	18.03.2017
Smt. B. Sindhu, IAS	Director	18.07.2016	
Prof S. Sadagopan	Director	18.08.2000	
Sri. P.K. Das	Director	21.09.2013	23.09.2016
Sri. S.C. Shashidhar	Director	16.04.2016	
Sri. A.S. Manjunath	Director	16.04.2016	
Sri. D.S. Raghu	Director	16.04.2016	
Sri. K. Venkatasubbaraju	Director	16.04.2016	
Sri. Basavanna	Director	16.04.2016	
Sri. B.R. Avinash Babu	Director	16.04.2016	
Sri. M. Akbar Pasha	Director	16.04.2016	
Sri. Bheemarayya	Director	16.04.2016	
Sri. Ramanna K. Kallannavar	Director	16.04.2016	
Smt. Renuka Chidambaram, IAS	Director	20.08.2016	18.03.2017
Sri. Shailender Kumar Tyagi	Director	23.09.2016	
Sri. Gaurav Gupta, IAS	Director	18.03.2017	
Smt.Salma K. Fahim, IAS	Director	18.03.2017	
Sri. Srivastav Krishna, IAS	Director	18.03.2017	10.5.2017
Sri. Rajender Kumar Kataria, IAS	Director	10.05.2017	28.07.2017
Smt. Renuka Chidambaram, IAS	Director	28.07.2017	

REGISTERED OFFICE:

2nd Floor, TTMC 'A' Block, BMTC Complex,
K H Road, Shanthinagar, Bengaluru - 560027

AUDITORS :

M /s.SSB & ASSOCIATES,
Chartered Accountants
27, Service Road Between II & III cross
Pampamahakavi Road, Shankarapuram,
Bengaluru - 560004

NOTICE

ALL THE SHAREHOLDERS

NOTICE is hereby given that the 40th Annual General Meeting of the Members of the Company will be held on Tuesday, the 26th day of September, 2017 at 12.00 Noon at the Registered Office of the Company at 2ndFloor, TTMC 'A' Block, BMTC, Shanthinagar, K H Road, Bengaluru -560 027, at a short notice to transact the following business:

I ORDINARY BUSINESS

- 01 To receive, consider and adopt the audited financial statements of the Company for the financial year ended 31st March, 2017 and the Reports of the Auditors and Directors together with the comments received from the Comptroller and Auditor General of India under section 143(6) (b) of the Companies Act, 2013.
- 02 To authorize the Board of Directors to fix the remuneration to the Statutory Auditors M/s. Dagliya & Co., Chartered Accountants, Bengaluru who have been appointed as Statutory Auditors of the Company for the financial year 2017-18 by the Comptroller and Auditor General of India, New Delhi.

II SPECIAL BUSINESS

03 TO INCREASE THE AUTHORIZED SHARE CAPITAL OF THE COMPANY

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

“RESOLVED THAT the Authorized Share Capital of the Company be increased from Rs. 27,50,00,000/- (Rupees Twenty Seven Crores and Fifty Lakhs only) divided into 27,50,000 (Twenty Seven Lakhs and Fifty Thousand) Equity Shares of Rs.100/- (Rupees One Hundred only) each to **Rs. 35,00,00,000/- (Rupees Thirty Five Crores only) divided into 35,00,000 (Thirty Five Lakhs) Equity Shares of a face value of Rs.100/- (Rupees One Hundred only) each and that Clause V of the Memorandum of Association of the Company be altered accordingly.”**

PLACE: BENGALURU

DATED: 11-09-2017

By order of the Board

Sd/-

(CS SHASHIDHARA G.S.)

COMPANY SECRETARY IN PRACTICE

NOTES:

- a) Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company.
- b) The Company being a Government Company, the Comptroller and Auditor General of India, New Delhi has appointed M/s. Dagliya & Co., Chartered Accountants, Bengaluru as Statutory Auditors of the Company for the financial year 2017-18 pursuant to the provisions of sub-section (5) of Section 139 of the Companies Act, 2013, vide letter dated 17.08.2017.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

The present paid up Equity Share Capital of the Company is Rs.27,50,00,000 (Rupees Twenty Seven Crores and Fifty Lakhs only) divided into 27,50,000 (Twenty Seven Lakhs and Fifty Thousand) Equity Shares of Rs.100/- (Rupees One Hundred only) each. The Company is receiving investments from Government from time to time for allotment of equity shares of the Company. Therefore, the Board of Directors recommend for increasing the existing Authorized Share Capital from Rs.27,50,00,000 (Rupees Twenty Seven Crores and Fifty Lakhs only) divided into 27,50,000 (Twenty Seven Lakhs and Fifty Thousand) Equity Shares of Rs.100/- (Rupees One Hundred only) each to Rs. 35,00,00,000/- (Rupees Thirty Five Crores only) divided into 35,00,000 (Thirty Five Lakhs) Equity Shares of a face value of Rs.100/- (Rupees One Hundred only) each. The increase in authorized share capital of the Company requires the approval of the Members. Hence the Directors recommend the resolution for your approval.

None of the Director is interested/concerned in the resolution.



Sri D Sudhakar
Hon'ble Member of Legislative
Assembly &
Chairman, KEONICS

DIRECTORS REPORT TO THE MEMBERS FOR THE YEAR 2016-17

The Board of Directors of **M/s. Karnataka State Electronics Development Corporation Limited** have great pleasure in presenting their 40th Annual Report along with the Audited Financial Statements for the financial year ended 31st March, 2017.

01 FINANCIAL PERFORMANCE – STATE OF AFFAIRS OF THE COMPANY

The salient features of the Annual Accounts in respect of performance of the Company for the financial year 2016-17 in comparison to the corresponding previous year are as follows:-

(Rs. in Crores)

PARTICULARS	2016-17	2015-16
Sales & Service Turnover	204.50	236.70
Other Income	6.20	5.89
Total Turnover	210.70	242.59
Profit before depreciation, taxes & Prior year adjustments	9.00	12.41
Depreciation	2.54	2.69
Prior Year Adjustments	(+) 0.30	(-) 0.08
Extra Ordinary Items	-	-
Profit Before Tax	6.76	9.64
Tax Expenses	2.39	3.47
Profit after Tax	4.37	6.17
Previous year's balance in Profit & Loss Account	76.76	70.59
Balance carried to Balance sheet	81.13	76.76

The sales performance of the Company's various Divisions is presented below:

(Rs. in Crores)

DIVISION	2016-17	2015-16
1. Infrastructure Development	5.70	7.75
2. IT Services	32.59	105.13
3. IT Education Services	9.81	6.83
4. Manpower Supply Services	156.40	116.99
5. Corporate (Other Income)	6.20	5.89
TOTAL	210.70	242.59

02. REVENUES & PROFITS

The revenues earned by the Company from sales and service for the financial year 2016-17 is Rs. 204.50 Crores, when compared to Rs. 236.70 Crores in the corresponding previous year. The percentage of profit before tax to revenues from sales and service is 3.30%.

The Reserves and surplus of the Company as on 31.03.2017 is Rs.81.13 Crores and the Net-Worth is Rs.106.00 Crores. The earnings per share (basic) for the year is Rs.16.92.

03. REVIEW OF BUSINESS OPERATIONS AND FUTURE PROSPECTS

I. INFRASTRUCTURE DEVELOPMENT:

(a) Electronics City:

The Company has set up Electronics City on a sprawling 332 acres of land on Hosur Road, Bengaluru. This Electronics City is today a major hub for Information Technology activities.

(b) IT Park Shivamogga and Kalaburagi :

As per the directions of Government of Karnataka following IT Parks have been established by the Company.

SL. NO.	PARTICULARS	BUILT UP AREA	AMOUNT INVESTED
1	IT Park, Shivamogga	73,666 sq.ft	16.10 crores
2	IT Park, Kallburgi	53,000 sq.ft	9.19 crores

(c) IT SEZ Shivamogga:

The Company has established an IT SEZ at Nidige-Machenahalli, Industrial Area, Shivamogga in an area of 25 acres. The Government of India has accorded KEONICS, the status of Co- Developer for this SEZ project.

(d) IT Park, Hubballi:

With a view to encourage growth of Information Technology and Information Technology enabled services industries in northern part of Karnataka, Information Technology Park at Hubballi with a total built up area of 2.70 lakh sq.ft. was established in HDMC complex out of the grants received from Government of Karnataka. The Company is maintaining the IT Park, Hubballi, out of the maintenance grant received from Government of Karnataka. Software Technology Parks of India have provided high speed connectivity at Information Technology Park, Hubballi.

II. IT SERVICES:

The Company has undertaken many projects of providing and programming of IT software and e-governance projects to various Government Departments of Government of Karnataka and other States. Company is also marketing computer hardware, software, electronic equipments, etc., to various Government Departments / organizations.

Besides, the Company continues to provide consultancy on project implementation to various Government Departments in the areas of Networking, Web creation, Software Development and Computerization plans.

III. IT EDUCATION SERVICES:

IT Education Divisions playing a vital role in taking the benefits of IT to rural Karnataka. Company has a network of around 216 franchisee training centers throughout Karnataka. One of the major activities of the Company is IT Education. The Company is conducting training programmes starting from Basic, Job Oriented, Professional and High end training courses across the State from Hobli, Taluka and District level. Company has also taken up computer training programme to Government employees. Company has also taken up the assignment of conducting computer literacy on-line test to the Government employees. Most of the Government Sponsored Computer Training programmes of Govt. of Karnataka, are implemented by the Company. The Company is deploying these trained candidates to the various Government departments/ organizations through Manpower Supply Services Division.

Recognizing the need for imparting training to the Students, unemployed and under -employed computer professionals in high end Computer Programmes and Training Courses in the State, the Company has ventured into IBM Mainframe Programmer / Operator Courses.

IV. MANPOWER SUPPLY SERVICES:

Apart from pursuing the Main activities of the Company, the Company has been engaged in the business of providing skilled Man-power services to various Government Departments, Boards and Corporations through its Business Partners and Associates. The experience gained in this new area of activity is quite encouraging as the contribution from the HR Division of the Company has been quite substantial to the total turnover of the Company and the trend indicates long sustainability and growth. As on date the Company has provided employment opportunity to as many as 7,150 people by deploying them to various Government Departments/ Boards and Corporations.

04. DIVIDEND

Considering the need to conserve the reserves, your Board of Directors do not recommend any dividend for the year under review.

05. TRANSFER TO RESERVES

Your Directors do not propose to carry any amount to reserves of the Company during the year under report.

06. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

The particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013, in the prescribed Form AOC-2, is appended as ANNEXURE - I to this report.

07. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION BETWEEN THE END OF THE FINANCIAL YEAR AND DATE OF REPORT

- The following materials changes and commitments occurred between the end of the financial year 2016-17 and to the date of this report
- The allotment of 50,000 equity shares of a face value of Rs.100/- each amounting to Rs.50,00,000/- by way of passing resolution at the meeting of the Board of Directors of the Company held on 21.06.2017.
- The allotment of 1,04,000 equity shares of a face value of Rs.100/- each amounting to Rs.1,04,00,000/- on rights basis with the approval of the Directors obtained by way of passing resolution at the meeting of the Board of Directors of the Company held on 29.08.2017.

08. EXTRACT OF ANNUAL RETURN

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in form MGT-9 is appended as ANNEXURE – II to this report.

09. NUMBER OF MEETINGS OF BOARD

The Board of Directors duly met **FIVE** times on **25.04.2016, 29.06.2016, 18.08.2016, 14.12.2016 & 19.01.2017** during the financial year 2016-17. The intervening gap between any two meetings was within the period prescribed under the provisions of section 173 of the Companies Act, 2013. The number of Board Meetings attended by each of the Directors of the Company held during the financial year 2016-17 as required under clause - 9 of SS -1 – Secretarial Standard on Meetings of the Board of Directors issued under section 118(10) of the Companies Act, 2013 is as follows:

Sl. No.	Name of the Director	Number of Board Meetings attended during the financial year 2016-17
1	Sri U.B. Venkatesh	3
2	Sri Priyank Kharge, Hon'ble Minister of State for Tourism, Information Technology and Bio-Technology, Govt. of Karnataka	0
3	Sri D. Sudhakar, Member of Karnataka Legislative Assembly	2
4	Smt. V. Manjula, IAS	1
5	Smt. Tanushree Deb Barma, IAS	2
6	Smt. Dipti Aditya Kanade, IAS	0
7	Sri Raj Kumar Srivastava, IFS	5
8	Sri D.V. Prasad, IAS	0
9	Smt. B. Sindhu, IAS	0
10	Smt. Renuka Chidambaram, IAS	2
11	Prof. S. Sadagopan	1
12	Sri P.K. Das	0

13	Sri Shailender Kumar Tyagi	1
14	Sri S.C. Shashidhar	4
15	Sri A.S. Manjunath	5
16	Sri D.S. Raghu	5
17	Sri K. Venkatasubbaraju	5
18	Sri Basavanna	4
19	Sri B.R. Avinash Babu	4
20	Sri M.A. Akbar Pasha	4
21	Sri Bheemarayya	4
22	Sri Ramanna K. Kallannavar	3

10. EXPLANATIONS OR COMMENTS BY THE BOARD ON EVERY QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE:

a) BY THE AUDITOR IN HIS REPORT:

Sl. No.	Qualification/Reservation/ Adverse Remark/Disclaimer by Auditor	Explanations or Comments by the Board
I	The Company has not complied with the instruction given under Section 22 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 to disclose the required information relating to Micro and Small enterprises in the financial statement.	The Company has written to the Creditors to intimate whether they are coming under Micro, Small and Medium Enterprises Development Act, 2006. There is no response from Creditors. In the absence of the information, Company could not comply with classification as well as furnish disclosure in the notes forming part of the Accounts.
II	Non-receipt of confirmation of balances of Debtors and Creditors, loans and Advances and Deposits	Action will be taken to obtain confirmation of balance from Debtors and Creditors.
iii	Non-provision of Service Tax liability on account of grant received from Government of Karnataka for maintenance of industrial parks of about Rs. 26,08,696/-	The grant received from Government of Karnataka is purely for maintenance of IT Park buildings at Hubballi, Shivamogga and Kalburgi. The amount received is actually spent for maintenance. Since the grant received is for maintenance purpose no provision has been made towards service tax.
iv	The Company's accounting policy of "Revenue Recognition" in respect of income from Franchisee / Yuva.Com Franchisees Commission received from franchisees and the training fees received from the candidates undergoing training at the Company training centers are recognized and accounted on cash basis, which is contrary to the provisions of Section 128(1) of the Companies Act, 2013 and Accounting Standard 1 – Disclosure of Accounting Policies.	Since there is a practical difficulty in recognizing income from Franchisee/ Yuva.Com Franchisee commission received from franchisees and the training fees received from the candidates undergoing training at the Company training centers on accrual basis, Company adopted the Accounting Policy of recognizing these incomes on cash basis, which is being followed consistently every year.

V	The Company has not allocated / disclosed the Segment Assets and Segment liabilities on specific to the segments or on reasonable basis, which is contrary to Accounting Standard 17 - Segment Reporting.	Keeping in view the fact that the company being a Government Company, there is a practical difficulty in allocating assets and liabilities on segment wise and therefore could not be disclosed on segment wise.
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(b) THE COMPANY SECRETARY IN PRACTICE IN HIS SECRETARIAL AUDIT REPORT:

The Secretarial Audit Report by a Company Secretary in Practice pursuant to the provisions of the Section 204 of the Companies Act, 2013 is not applicable to the Company.

11 PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186;

There were no loans, guarantees or investments made by the Company pursuant to the provisions of Section 186 of the Companies Act, 2013 during the year under report.

12. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A. Conservation of Energy:

a. Steps taken or impact on energy Conservation	The Company being an Electronic Industry does not consume much energy. In view of this additional investments and proposal for undertaking conservation measures are not contemplated.
b. the steps taken by the company for utilizing alternate sources of energy	Nil
c. the capital investment on energy conservation equipment	Nil

B. Technology Absorption:

a. The efforts made towards technology absorption	There is no technology involved which requires disclosure in the Board's Report.
b. The benefits derived like product improvement, cost reduction, product development or import substitution	Nil
c. In case of imported technology imported during the last three years reckoned from the beginning of the financial year (a) the details of technology imported; (b) the year of import; (c) whether the technology been fully absorbed; (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Nil
d. The expenditure incurred on Research and Development	Nil

C. Foreign Exchange earnings and outgo:

a. Foreign Exchange earned in terms of actual inflows during the year under report	NIL
b. Foreign Exchange outgo in terms of actual outflows during the year under report	NIL

13 DIRECTOR'S RESPONSIBILITY STATEMENT

Following is the Director's Responsibility Statement pursuant to the provisions of sub-section (5) of section 134 of the Companies Act, 2013, referred to in clause (c) of sub-section (3) of the said section, in respect of the financial statements of the Company:

- a) In the preparation of the annual accounts, 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 and loss 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 devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

14 DETAILS IN RESPECT OF FRAUDS REPORTED BY AUDITORS UNDER SUB-SECTION (12) OF SECTION 143 OF THE COMPANIES ACT, 2013 OTHER THAN THOSE WHICH ARE REPORTABLE TO THE CENTRAL GOVERNMENT

There are no frauds reported by Auditors under Sub-section (12) of Section 143 of the Companies Act, 2013.

15 DETAILS OF PENALTIES/PUNISHMENT/ COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY BETWEEN THE END OF THE FINANCIAL YEAR AND THE DATE OF THE DIRECTOR'S REPORT

There are no penalties / punishments / commitments affecting the financial position of the Company between the end of the financial year and the date of Director's report.

16 A STATEMENT INDICATING DEVELOPMENT AND IMPLEMENTATION OF A RISK MANAGEMENT POLICY FOR THE COMPANY INCLUDING IDENTIFICATION THEREIN OF ELEMENTS OF RISK, IF ANY, WHICH IN THE OPINION OF THE BOARD MAY THREATEN THE EXISTENCE OF THE COMPANY

The Company is yet to implement the risk management policy for the Company.

17 THE DETAILS ABOUT THE POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON CORPORATE SOCIAL RESPONSIBILITY INITIATIVES TAKEN DURING THE YEAR UNDER REPORT

Your Board of Directors report that the provisions of Section 135 of the Companies Act, 2013 governing the implementation of CSR Activities by the Company during the financial year 2016-17 were applicable to the Company. Your Board of Directors report that the Company has identified the following CSR activities to be carried out during the financial years 2016-17 and 2017-18. The unspent CSR fund of Rs. 38.00 Lakhs for the

financial year 2014-15 and Rs. 36.00 lakhs for the financial year 2015-16 and Rs.17.25 lakhs for the financial year 2016-17 has been earmarked for carrying out the CSR activities of the Company during the financial year 2016-17 and 2017-18. Your Board of Directors also report that an amount of Rs. 23.63 Lakhs has been spent towards CSR activities during the financial year 2016-17. The details about the CSR policy and other particulars referred to in Section 135(4) of the Companies Act, 2013, in the prescribed format is appended as **ANNEXURE - III** to this report.

Thrust Areas	Serial	Activity
Enhancing programmes of education and skilling leading to livelihood and employability of specially abled, transgender and other weaker sections of society	1	Skilling for employability of specially abled , transgender and other weaker sections
	2	Digital literacy
Building & Strengthening facilities for improving health sanitation, nutrition inclusive of safe drinking water	3	Safe drinking water and Sanitation
	4	Mobile Health Program & Services , Behavioral Change Communication
Building Social Capital & Infrastructure	5	Nurturing enterpunarship in Women SHGs
	6	Support to Natural calamity
Nurturing Sustainability for inclusive growth	7	Technology for Conservation
	8	Herbal Gardens /Parks/ Plantations
	9	Rural Energy Solutions
Promoting technologies of high social impact		

18 THE DETAILS OF DIRECTORS / KEY MANAGERIAL PERSONNEL WHO WERE APPOINTED OR HAVE RESIGNED DURING THE YEAR

The following Changes in the composition of the Board of Directors have taken place as per the directions of the Government of Karnataka:

SL. NO.	NAME OF THE DIRECTOR	NOMINATION / CEASATION WITH EFFECT FROM	IN PLACE OF
1	Sri. S.C. Shashidhar	16.04.2016	
2	Sri. A.S. Manjunath	16.04.2016	
3	Sri. D.S. Raghu	16.04.2016	
4	Sri. K. Venkatasubbaraju	16.04.2016	
5	Sri. Basavanna	16.04.2016	
6	Sri. B.R. Avinash Babu	16.04.2016	
7	Sri. M.A. Akbar Pasha	16.04.2016	
8	Sri. Bheemarayya	16.04.2016	
9	Sri. Ramappa K. Kallannavar	16.04.2016	
10	Smt. B. Sindhu, IAS	18.07.2016	Smt. Dipti Aditya Kanade, IAS

11	Smt. Renuka Chidambaram, IAS	20.08.2016	Sri. D.V. Prasad, IAS
12	Sri Priyank Kharge Hon'ble Minister of State for Tourism, Information Technology, and Bio-Technology, Govt. of Karnataka.	25.08.2016	Appointed as Chairman in place of Sri.U.B. Venkatesh
13	Sri Shailendra Kumar Tyagi	25.10.2016	Sri. P.K. Das
14	Sri D. Sudhakar, MLA	15.11.2016	Appointed as Chairman in place of Sri. Priyank Kharge, Hon'ble Minister of State for Tourism, Information Technology, and Bio-Technology, Govt. of Karnataka.
15	Sri Gaurav Gupta, IAS	18.03.2017	Smt.V. Manjula, IAS
16	Smt. Salma K Fahim, IAS	18.03.2017	Smt. Tanusree Deb Berma, IAS
17	Sri Srivasta Krishna, IAS	18.03.2017	Smt. Renuka Chidambaram, IAS
18	Sri Range Gowda, IFS	03.05.2017	Sri. Rajkumar Srivastava, IFS
19	Sri Rajender Kumar Katharia, IAS	10.05.2017	Sri. Srivasta Krishna, IAS
20	Smt. Renuka Chidambaram, IAS	28.07.2017	Sri.Rajender Kumar Katharia, IAS

Except this there are no changes in the Directors of the Company during the year under report.

As on the date of the report, following are the Directors on the Board :

1	Sri D. Sudhakar Member of Karnataka Legislative Assembly	Chairman
2	Sri Gaurav Gupta, IAS	Principal Secretary to Govt, Dept of IT, BT & S&T
3	Smt. Renuka Chidambaram, IAS	Principal Secretary to Govt, Dept. of Public Enterprises
4	Smt. B. Sindhu, IAS	Dy Secretary to Govt. Finance Department (B&R)
5	Smt.Salma K Fahim, IAS	Director, Dept of IT & BT
6	Sri Range Gowda, IFS	Managing Director
7	Prof. S. Sadagopan	Director, IITB
8	Sri Shailender Kumar Tyagi	Director, STPI
9	Sri S.C. Shashidhar	Director
10	Sri A.S. Manjunath	Director
11	Sri D.S. Raghu	Director
12	Sri K. Venkatasubbaraju	Director
13	Sri Basavanna	Director
14	Sri B.R. Avinash Babu	Director
15	Sri M. Akbar Pasha	Director
16	Sri Bheemarayya	Director
17	Sri Ramanna K. Kallannavar	Director

As on the date of the report, following are the outgoing Chairman, Managing Director and Directors:

1. Sri Priyank Kharge : Chairman
Hon'ble Minister of State for
Tourism, Information Technology
and Bio-Technology,
Govt. of Karnataka.
2. Raj Kumar Srivastava, IFS : Managing Director
3. Smt. Dipti Aditya Kanade, IAS : Director
4. Sri D.V. Prasad, IAS : Director
5. Sri P.K. Das : Director
6. Smt. V. Manjula, IAS : Director
7. Smt. Tanusree Deb Berma, IAS : Director
8. Sri Srivasta Krishna, IAS : Director
9. Sri Rajender Kumar Kataria, IAS : Director

The Board wishes to place on record the valuable services rendered by the above Chairman, Managing Director and Directors during their tenure as Chairman, Managing Director and Directors of the Company.

Your Board of Directors further report that the provisions of sub-section (4) of section 149 the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 with respect of appointment of minimum two Independent Directors are applicable to the Company. However, no Independent Director has been appointed on the Board of the Company.

Your Board of Directors also report that the provisions of section 203 the Companies Act, 2013 read with Rule 8A of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 with respect of appointment of a Whole-time Company Secretary are applicable to the Company. However, the Company has not appointed a Whole-time Company Secretary during the year under report.

19. COMMITTEES OF THE BOARD

The following committees have been constituted by the Board.

- **CSR Committee:** The CSR Committee has been constituted by the Board pursuant to the provisions of section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company, to recommend the amount of expenditure to be incurred on the said activities, monitor the Corporate Social Responsibility Policy of the Company from time to time and to prepare a transparent monitoring mechanism for ensuring implementation of the projects/programmes/activities proposed to be undertaken by the Company.

Following Directors are the members of the CSR Committee:-

1. Managing Director - Chairman
2. Sri Ramanna K Kallannavar - Member
3. Sri M.A. Akbar Pasha - Member
4. Sri B.R. Avinash Babu - Member
5. Sri A.S. Manjunath - Member
6. Sri Basavanna - Member

- **Audit Committee:** As required under the provisions of Section 177 of the Companies Act, 2013, Audit Committee has been constituted and the following Directors are the members of the Audit Committee:

- | | | |
|----|----------------------|------------|
| 1. | Managing Director | - Chairman |
| 2. | Director, IT and BT | - Member |
| 3. | Sri D. S. Raghu | - Member |
| 4. | Sri Venkatasubbaraju | - Member |
| 5. | Sri Bheemarayya | - Member |
| 6. | Sri S.C. Shashidhar | - Member |

20 THE NAMES OF COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR

Your Board of Directors report that during the year under report no bodies Corporate have become or ceased to be Subsidiary, Joint venture or Associate Company of the Company.

21 THE DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

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

22 SUMMARY OF COMPLAINTS RECEIVED AND DISPOSED OFF DURING EACH CALENDAR YEAR AS REQUIRED UNDER THE PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013 AND DISCLOSURE THAT THE COMPANY HAS IN PLACE AN ANTI, SEXUAL HARASSMENT POLICY IN THE LINE WITH THE REQUIREMENTS OF THE ACT AND THAN AN INTERNAL COMPLAINTS COMMITTEE HAS BEEN SET UP FOR REDRESSAL OF COMPLAINTS AND THAT ALL EMPLOYEES (PERMANENT, CONTRACTUAL, TEMPORARY, TRAINEES) ARE COVERED UNDER THE POLICY

In order to prevent sexual harassment of women at work place a new Act, The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been notified on 09.12.2013. Under the said Act every Company is required to set up an Internal Complaints Committee to look into complaints relating to sexual harassment at work place of any women employee. The Committee is already in place in the Company and there are no complaints received.

23 DETAILS OF THE ESTABLISHMENT OF VIGIL MECHANISM TO FACILITATE DIRECTORS AND EMPLOYEES TO REPORT GENUINE CONCERNS TO THE COMPANY PURSUANT TO SUB-SECTION (10) OF SECTION 177 OF THE COMPANIES ACT, 2013

The establishment of Vigil Mechanism to facilitate Directors and employees to report genuine concerns to the Company pursuant to the provisions of sub section (10) of Section 177 of the Companies Act, 2013 is not applicable to the Company.

24 THE DETAILS RELATING TO DEPOSITS, COVERED UNDER CHAPTER V OF THE ACT

The Company has not accepted any deposits under Chapter V of the Companies Act, 2013, therefore disclosure under this clause does not arise.

25 DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

Report on the Internal Financial Controls under Clause (i) of sub section 3 of Section 143 of the Companies Act, 2013 ('the Act') are reported by the Statutory Auditors vide Annexure C in their Independent Auditor's Report dated 29.08.2017.

26 DISCLOSURE ON FORMAL ANNUAL EVALUATION BY THE BOARD OF ITS OWN PERFORMANCE AND ITS COMMITTEES AND INDIVIDUAL DIRECTORS

The disclosure on formal annual evaluation by the Board of its own performance and its committees and individual Directors of the Company is not applicable to the Company during the year under report.

27 DETAILS OF EQUITY SHARES WITH DIFFERENTIAL RIGHTS ISSUED BY THE COMPANY DURING THE YEAR UNDER REPORT

Your Board of Directors report that during the year under report, the Company has not issued equity shares with a differential rights pursuant to the provisions of Section 43 of the Companies Act, 2013 read with sub-rule (4) of Rule 4 of the Companies (Share Capital and Debentures) Rules, 2014.

28 DETAILS OF SWEAT EQUITY SHARES ISSUED BY THE COMPANY, DURING THE YEAR UNDER REPORT

Your Board of Directors report that during the year under report, the Company has not issued sweat equity shares pursuant to the provisions of Section 54 of the Companies Act, 2013 read with sub-rule (13) of rule 8 of the Companies (Share Capital and Debentures) Rules, 2014.

29 DETAILS OF ESOP SCHEME

Your Board of Directors report that during the year under report, the Company has not offered equity shares under ESOP scheme to the employees of the Company pursuant to the provisions of Section 62(1)(b) of the Companies Act, 2013 read with Sub-rule (9) Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014.

30 DETAILS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 READ WITH THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) AMENDMENT RULES, 2016

There were no employees whose details are to be disclosed under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) rules, 2014 read with the Companies (Appointment and Remuneration of Managerial Personnel) Amendment rules, 2016 during the year under report.

31 STAFF-MANAGEMENT RELATIONSHIP

The staff-management relationship during the year under review has been quite cordial and harmonious. As on 31.03.2017 the Company is having a man-power of 117 employees. The breakup of Executives and Non-executives are as follows:

SI.No	Particulars	Current Year	Previous Year
1.	Executives	36	45
2.	Non-Executives	81	87

32 STATUTORY AUDITORS

M/s. SSB & Associates, Chartered Accountants, Bengaluru, were appointed to audit the financial statements of the Company for the financial year 2016-17 by the Comptroller and Auditor General of India in accordance with the provisions of Sub-section (5) of the Section 139 of the Companies Act, 2013. It is further brought to the notice of the Members that M/s.Dagliya & Co., Chartered Accountants, Bengaluru have been appointed as Statutory Auditors of the Company for the financial year 2017-18 pursuant to the provisions of sub-section (5) of Section 139 of the Companies Act, 2013, vide letter dated 17.08.2017.

33 INTERNAL AUDITORS

In terms of the provisions of Section 138 of the Companies Act, 2013, read with rule 13 of the Companies (Accounts) Rules, 2014, the Company has appointed M/s. Sonde, Srinivas & Co., Chartered Accountants, Bengaluru as Internal Auditors of your Company for the financial year 2017-18.

34 ACKNOWLEDGEMENT

The Board wishes to thank the Government of Karnataka and Government of India for their valuable advice and support to the Company. The Directors also wish to place on record their appreciation for efficiently running the affairs of the Board & the Company by the Chairman & the Managing Director and valuable and loyal services rendered by the Officers & staff of the Company during the year under review.

For and on behalf of the Board

Sd/-

(D.SUDHAKAR)

CHAIRMAN

(DIN: 01536333)

Place: Bengaluru

Date: 15th September, 2017

ANNEXURE - I

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 transactions under third proviso thereto

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

Name of the related party and Nature of relationship	Nature of contract/ arrangements/ transactions	Duration of contract/ arrangements/ transactions	Salient terms contract/ arrangements/ transactions including the value, if any	Justification for entering into such contract /arrangements/ transactions	Date of approval by the Board	Amount paid as advance, if any	Date of passing of special resolution in General Meeting
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

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

Name of the related party	Nature of relationship	Nature of contract/ arrangements/ transactions	During of contract/ arrangements/ transactions	Salient terms of the contract/ arrangements/ transactions including the value, if any	Date of approval by the Board if any	Amount paid as advance, if any
M/s. Ambedkar Development Corporation Limited	Government of Karnataka Undertaking	Sales of Goods and Services	The transaction will take place during normal course of business and an ongoing transaction	Rs.2,33,88,304/-	--	--
M/s. Chamundeshwari Electricity Supply Company Limited	Government of Karnataka Undertaking	Sales of Goods and Services	The transaction will take place during normal course of business and an ongoing transaction	Rs.5,39,51,467/-	--	--
M/s. Mysore Sales International Limited	Government of Karnataka Undertaking	Sales of Goods and Services	The transaction will take place during normal course of business and an ongoing transaction	Rs.34,01,301/-		
M/s. Karnataka Power Transmission Corporation Limited	Government of Karnataka Undertaking	Sales of Goods and Services	The transaction will take place during normal course of business and an ongoing transaction	Rs.2,89,03,233/-	--	--

M/s. Mysore Minerals Limited	Government of Karnataka Undertaking	Sales of Goods and Services –	The transaction will take place during normal course of business and an ongoing transaction	Rs. 66,59,534/-	--	17,397/-
M/s. Karnataka State Seeds Corporation Limited	Government of Karnataka Undertaking	Sales of Goods and Services	The transaction during normal completion of course of business and an ongoing transaction	Rs. 33,49,247/-	--	--
M/s. Bangalore Electricity Supply Company limited	Government of Karnataka Undertaking	Sales of Goods and Services	The transaction will take place during normal course of business and an ongoing transaction	Rs.25,30,29,190/-	--	--
M/s. Gulbarga Electricity Supply Company, Ltd.,	Government of Karnataka Undertaking	Sales of Goods and Services	The transaction will take place during normal course of business and an ongoing transaction	-- Rs.5,82,23,469	--	
Government Departments/ Agencies	Government of Karnataka Departments and Agencies	Sales of Goods and Services	The transaction will take place during normal course of business and an ongoing transaction	Rs.1,80,48,85,380/-	--	Rs. 884,29,181/-

For and on behalf of the Board

Sd/-

(D. SUDHAKAR)

CHAIRMAN

(DIN: 01536333)

Place: Bengaluru

Date: 15th September, 2017

Annexure - II

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on the Financial Year ended on 31.03.2017

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

I. REGISTRATION AND OTHER DETAILS:

01	CIN	U75112KA1976SGC003055
02	Registration Date	22.09.1976
03	Name of the Company	KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
04	Category/Sub-category of the Company	LIMITED COMPANY LIMITED BY SHARES
05	Address of the Registered office & contact details	2 ND FLOOR, TTMC 'A' BLOCK, BMTc, SHANTINAGAR, K H ROAD, BENGALURU – 560 027 Email ID: keonicsaccounts@gmail.com Phone number: 080 - 22272203
06	Whether listed company	No
07	Name, Address & contact details of Registrar & Transfer Agent, if any.	NOT APPLICABLE

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	Sale of Electronic & Information Technology related products & services		15.46%
2	Man Power Supply Services		74.23%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sl. No.	Name & Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable section
--	--	--	--	--	--

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
i) **Category-wise ShareHolding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	22,37,200	22,37,200	100%	-	24,87,200	24,87,200	100%	-
d) Bodies Corporates	-	-	-	-	-	-	-	-	-
e) Bank/FI	-	-	-	-	-	-	-	-	-
f) Any other.....	-	-	-	-	-	-	-	-	-
SUBTOTAL: (A) (1)	-	22,37,200	22,37,200	100%	-	24,87,200	24,87,200	100%	-
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
SUBTOTAL (A) (2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter									
(A) = (A)(1)+(A)(2)	-	22,37,200	22,37,200	100%	-	24,87,200	24,87,200	100%	-
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-

f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1) :-	-	22,37,200	22,37,200	100%	-	24,87,200	24,87,200	100%	-
(2) Non-Institutions									
a) Bodies corporates	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital up to Rs.1 lakhs	-	-	-	-	-	-	-	-	-
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
SUBTOTAL (B)(2):	-	22,37,200	22,37,200	100%	-	24,87,200	24,87,200	100%	-
Total Public Shareholding (B)= (B)(1)+(B)(2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	22,37,200	22,37,200	100%	-	24,87,200	24,87,200	100%	-

ii) Shareholding of Promoter :

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding 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	
01.	In the name of Governor of Karnataka	22,37,189	99.99%	--	24,87,189	99.99%	--	-
02.	Managing Director, KEONICS	4	0.01%	--	4	0.01%	--	-
03.	Principal Secretary to Government Department of IT,BT & Sand T	1	0.00%	--	1	0.00%	--	-
04.	Director, IT and BT	1	0.00%	--	1	0.00%	--	-
05.	Deputy Secretary to Government, (Budget &Resources), Finance Dept.	1	0.00%	--	1	0.00%	--	-
06.	Deputy Secretary to Govt., Dept. of IT, BT and S & T	1	0.00%	--	1	0.00%	--	-
07.	Deputy Secretary to Govt. (Welfare), Finance Dept.	1	0.00%	--	1	0.00%	--	-
08.	Under Secretary to Government, Department of IT, BT and S&T	1	0.00%	--	1	0.00%	--	-
09.	Under Secretary to Government, Finance Department, PWD Finance Cell	1	0.00%	--	1	0.00%	--	-

iii) Change in Promoter's Shareholding:

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
01	In the name of Governor of Karnataka				
	At the beginning of the year	22,37,189	99.99%	22,37,189	99.99%
	Allotment of Shares dated 25.04.2016	1,00,000	-	23,37,189	99.99%

Allotment of Shares dated 18.08.2016	50,000	-	23,87,189	99.99%
Allotment of Shares dated 14.12.2016	50,000	-	24,37,200	99.99%
Allotment of Shares dated 19.01.2017	50,000	-	24,87,189	99.99%
At the end of the year	24,87,189	99.99%	24,87,189	99.99%

a. Shareholding Pattern of top ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs): Nil

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
01	At the beginning of the year Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment/transfer/bonus/ sweat equity etc):			NOT APPLICABLE	
	At the end of the year (or on the date of separation, if separated during the year)				

iv) Shareholding of Directors and Key Managerial Personnel :

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
01	Managing Director, KEONICS				
	At the beginning of the year	04	0.01%	04	0.01%
	Date wise Increase / Decrease in Promoters, Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	--	--	--	--
	At the end of the year	04	0.01%	04	0.01%

V. INDEBTEDNESS: NIL

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	--	--	--	--
i) Principal Amount	--	--	--	--
ii) Interest due but not paid	--	--	--	--
iii) Interest accrued but not due	--	--	--	--
Total (i+ii+iii)	--	--	--	--
Change in Indebtedness during the financial year	--	--	--	--
* Addition	--	--	--	--
* Reduction	--	--	--	--
Net Change	--	--	--	--
Indebtedness at the end of the financial year	--	--	--	--
i) Principal Amount	--	--	--	--
ii) Interest due but not paid	--	--	--	--
iii) Interest accrued but not due	--	--	--	--
Total (i+ii+iii)	--	--	--	--

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
		a) Sri Raj Kumar Srivastava, IFS, Managing Director b) Sri D. Sudhakar, Chairman	
01	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	a) Rs. 25,76,805/- b) Rs.6,34,666/- -- --	(a+b) Rs. 32,11,471/- -- --
02	Stock Option	--	--
03	Sweat Equity	--	-
04	Commission - as % of profit - others, specify...	--	
05	Others, please specify (Reimbursement of expenses Leave salary & Pension contribution)	a) Rs. 8,06,132/- b) Rs.2,80,991/-	(a+b) Rs. 10,87,123/-
	Total (A)	a) Rs.33,82,937/- b) Rs.9,15,657/-	(a+b) Rs.42,98,594/-
	Ceiling as per the Act		

B. Remuneration to other directors:

Sl. No.	Name of Directors	Independent Directors	Particulars of Remuneration			Total Amount
			Fee for attending Board	Commission	Fee for attending meetings Board SubCommittee Meetings	
1	Sri.U.B. Venkatesh, Chairman	-	3,000	-	-	3,000
2	Sri D. Sudhakar, Member of Karnataka Legislative Assembly & Chairman	-	2,000	-	-	2,000
3	Smt. V. Manjula , IAS	-	1,000	-	-	1,000
4	Smt. Tanushree Deb Barma, IAS	-	2,000	-	-	2,000
5	Smt. Renuka Chidambaram, IAS	-	2,000	-	-	2,000
6	Prof. S. Sadagopal	-	1,000	-	-	1,000

7	Sri Shailender Kumar Tyagi	-	1,000	-	-	1,000
8	Sri S.C. Shashidhar	-	4,000			4,000
9	Sri A.S. Manjunath	-	5,000	-	-	5,000
10	Sri D.S. Raghu	-	5,000	-	-	5,000
11	K Venkatasubbaraju	-	5,000	-	-	5,000
12	Sri. Basavanna	-	4,000	-	-	4,000
13	Sri.B.R. Avinash Babu	-	4,000	-	-	4,000
14	Sri.M.A. Akbar Pasha	-	4,000	-	-	4,000
15	Sri. Bheemarayya	-	4,000	-	-	4,000
16	Sri. Ramanna K. Kallannavar	-	3,000	-	-	3,000
	Total		50,000		-	50,000

C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD: NIL

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS	CFO	Total
01	Gross salary	--	--	--	--
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	--	--	--	--
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	--	--	--	--
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	--	--	--	--
02	Stock Option	--	--	--	--
03	Sweat Equity	--	--	--	--
04	Commission	--	--	--	--
	- as % of profit	--	--	--	--
	others, specify...	--	--	--	--
05	Others, please specify	--	--	--	--
	Total	--	--	--	--

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

For and on behalf of the Board

Sd/-

(D.SUDHAKAR)

CHAIRMAN

(DIN: 01536333)

Place: Bengaluru

Date: 15th September, 2017

ANNEXURE III

FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

1. **A BRIEF OUTLINE OF THE COMPANY'S CSR POLICY, INCLUDING OVERVIEW OF PROJECTS OR PROGRAMS PROPOSED TO BE UNDERTAKEN AND A REFERENCE TO THE WEB-LINK TO THE CSR POLICY AND PROJECTS OR PROGRAMS**

Objective

KEONICS is committed to ensuring wellbeing of the communities in vicinity of our business operations by taking up CSR activities which

- i. Promote organizational integrity and ethical business practices through transparency in disclosure and reporting procedures,
- ii. Leverages green technologies, processes and standards to produce goods and Services that contribute to social and environment sustainability;
- iii. Contribute to inclusive growth and equitable development in society through capacity building measures, empowerment of the marginalized and underprivileged sections/communities.
- iv. Promote welfare of employees and labour (casual or contractual), by addressing their concerns of safety, security, professional enrichment and healthy working conditions, whether mandated or otherwise; However, expenditure on mandated activities cannot qualify for CSR's financial components.

Thrust Areas

1. Enhancing programmes of education and skilling leading to livelihood and employability of specially abled, transgender and other weaker sections of society.
2. Building & Strengthening facilities for improving health sanitation, nutrition inclusive of safe drinking water
3. Building Social Capital & Infrastructure
4. Nurturing Sustainability for inclusive growth.
5. Promoting technologies of high social impact

Linkage between KEONICS Corporate Social Responsibility Thrust Areas and Schedule VII of Companies Act, 2013

Major Activities

1. Eradicating extreme hunger and poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water.
2. Promotion of education: including special education and employment enhancing vocation skills, especially among children women and differently abled and livelihood enhancement projects.
3. Promoting gender equality and empowering women , setting up homes and hostel for women and orphans , setting up old age homes , day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna , animal welfare , agroforestry conservation of natural resources , maintaining of quality of air , soil and water.
5. Contribution to PMO Relief Fund and any other fund setup by Central & State Government for socio economic development and relief and welfare of SC & ST , other backward classes and women.
6. Contributions or funds provided to technology incubators located within academic institutions approved by Central Government.
7. Rural development projects

2. THE COMPOSITION OF THE CSR COMMITTEE

Following Directors are the members of the CSR Committee

Managing Director	-	Chairman
Sri. Ramanna K Kallannavar	-	Member
Sri. M.A. Akbar Pasha	-	Member
Sri. B.R. Avinash Babu	-	Member
Sri. A.S. Manjunath	-	Member
Sri. Basavanna	-	Member

3. AVERAGE NET PROFIT OF THE COMPANY FOR LAST THREE FINANCIAL YEARS

(Rs.in Lakhs)

YEAR	NET PROFIT	AVERAGE FOR 3 YEARS	Available amount for CSR Project @ 2%
2013-14	1132		
2014-15	490		
2015-16	965		
TOTAL	2587	862.33	17.25

4. PRESCRIBED CSR EXPENDITURE (TWO PERCENT OF THE AMOUNT AS IN ITEM (3) ABOVE):

As per the prescribed CSR Expenditure, that is 2% of the amount as in item (3) above i.e. 2% of Rs.862.33 Lakhs amounts to Rs.17.25 Lakhs.

5. DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR

- (a) Total amount to be spent for the financial year : Rs.17.25 Lakhs
 (b) Amount unspent, if any : NIL

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local Area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub heads: (1) Direct Expenditure on projects or programs (2) Over heads:	Cumulative expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Construction of Public Toilets and Bathrooms at Jayanagar subdivision Ward No.171, Gurappana pallya, Sudarshan Layout	Building & Strengthening facilities for improving health sanitation, nutrition inclusive of safe drinking water	Local Area	Rs.16.00 Lakhs	Direct expenditure	Rs.16.00 Lakhs	Direct
2	Residential training activity conducted for 13 disabled and weaker section candidates	Enhancing programmes of education and skilling leading to livelihood and employability of specially abled, transgender and other weaker sections of society	Local Area	Rs.7.63 Lakhs	Direct expenditure	Rs.7.63 lakhs	Implementing agency

6 IN CASE THE COMPANY HAS FAILED TO SPEND TWO PER CENT OF THE AVERAGE NET PROFIT OF THE LAST THREE FINANCIAL YEARS OR ANY PART THEREOF, THE COMPANY SHALL PROVIDE THE REASONS FOR NOT SPENDING THE AMOUNT IN ITS BOARD REPORT PURSUANT TO THE PROVISIONS OF SECTION 135(5) OF THE COMPANIES ACT, 2013

The Company has spent Rs.23.63 Lakhs over and above the eligible CSR amount of Rs.17.25 lakhs during the year under report.

7 A RESPONSIBILITY STATEMENT OF THE CSR COMMITTEE THAT THE IMPLEMENTATION AND MONITORING OF CSR POLICY IS IN COMPLIANCE WITH CSR OBJECTIVES AND POLICY OF THE COMPANY

We hereby declare that implementation and monitoring of the CSR policy are in compliance with CSR objectives and policy of the Company.

For and on behalf of the Board

Sd/-

(D.SUDHAKAR)

CHAIRMAN

(DIN: 01536333)

Place: Bengaluru

Date: 15th September, 2017

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2017

The preparation of financial statements of **Karnataka State Electronics Development Corporation Limited, Bangalore** for the year ended **31st March 2017** in accordance with the financial reporting framework prescribed under Companies Act, 2013 (Act) is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated **29th August, 2017**.

I, on behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the financial statements of **Karnataka State Electronics Development Corporation Limited, Bangalore** for the year ended **31 March 2017** under section 143(6) (a) of the Act.

For and on behalf of the
Comptroller & Auditor General of India
Sd/-

(BIJIT KUMAR MUKHERJEE)
ACCOUNTANT GENERAL
(ECONOMIC & REVENUE SECTOR AUDIT)
KARNATAKA, BANGALORE

PLACE: Bengaluru
DATE : 20.09.2017

INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF
KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
BENGALURU**

Report on the Financial Statements

We have audited the accompanying financial statements of **Karnataka State Electronics Development Corporation Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended and a summary of 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 and presentation of these financial statement that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies(Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Basis for Qualified Opinion

- (i) The company has not complied with the instruction given under Section 22 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 to disclose the required information relating to Micro and Small Enterprises in the financial statement.
- (ii) Non-receipt of confirmation of balances of Debtors and Creditors, Loans & Advances and Deposits.
- (iii) Non-provision of Service Tax liability on account of grant received from Government of Karnataka for maintenance of industrial parks of about Rs.26,08,696/-.

Accounting Standards

- (iv) The Company's accounting policy of Revenue Recognition in respect of income from Franchisee/Yuva.com Franchisee commission received from franchisees and the training fees received from the candidates undergoing training at the company training centers are recognized and accounted on cash basis, which is contrary to the provisions of Section 128(1) of the Companies Act, 2013 and Accounting Standard 1-Disclosure of Accounting Policies.
- (v) The company has not allocated/ disclosed the Segment Assets and Segment liabilities on specific to the segments or on reasonable basis, which is contrary to Accounting Standard 17 – Segment Reporting.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for *effects of the matter described in the Basis for Qualified Opinion* paragraph above, 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2017;
- (b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date, and
- (c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters in the notes to the financial statements:

- (i) The Company even though has Stock of Land of 22.7275 acres, the entire Stock of Land has been already allotted to entities on lease cum sale basis which is not going to generate additional revenue in the coming years. In our opinion the revenue which is going to be generated in future from Rent, IT related services, Manpower supply and Training services by the company are not going to generate considerable revenue which may result in serious financial issues and needs immediate action by the Company.
- (ii) The Company has received an amount of Rs.50,00,000/- towards Share Application Money which was allotted on 21st June 2017. The said allotment has been done after 60 days from the date of receipt of money, which is not in accordance with the provision of Section 73 of the Companies Act, 2013 read with clause (vii) of 2(c) of Companies (Acceptance of Deposits) Rules, 2014.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of subsection (11) of section 143 of the Act, we give in the "Annexure-A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(5) of the Act, we give in "Annexure-B", a statement on the matters specified by the Comptroller and Auditor- General of India for the company.

3. 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) except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, 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 dealt with by this report are in agreement with the books of account;
 - (d) except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) the Company is a Government company and in terms of Notification reference no.G.S.R 463(E) dated 05th June, 2015 issued by Ministry of Corporate Affairs for Government Companies, the provisions of Section 164(2) of the Companies Act, 2013 regarding disqualifications of director is not applicable. Hence our comment on the same does not arise;
 - (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 C" ; and.
 - (g) with respect to the other matters to be included in the Auditors' 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. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note No. 36 and 37 to Notes Forming Part of Accounts to the financial statements;
 - ii. The Company do not have any long term contracts including derivative contracts hence comment on provision for material foreseeable losses do not arise and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - (iv) The Company has provided requisite disclosures in the financial statements as regards its holding and dealings in Specified Bank Notes as required by Notification No. G.S.R. 308(E) dated 30th March 2017 of the Ministry of Corporate Affairs, during the period from November 8, 2016 to December 30, 2016. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company.

Place: Bengaluru
Date: 29.08.2017

For SSB & Associates
Chartered Accountants
Firm's Regn.No. :010372S
Sd/-
K.Balaji
Partner
Membership No.: 207783

ANNEXURE-A TO THE AUDIT REPORT ON THE ACCOUNTS OF KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED FOR THE YEAR ENDED 31.03.2017 REFERRED TO IN PARAGRAPH (1) OF REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OF OUR REPORT OF EVEN DATE

- (i) (a) The Company is maintaining Fixed Assets Register containing details with incomplete particulars.
- (b) As explained to us, the fixed assets have not been physically verified by the management during the year. Hence our comment on effect on books of account due to material discrepancies does not arise.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of Company.
- (ii) The company does not have any procedure nor have physically verified inventory during the year. Hence our comment on the effect on books of account due to material discrepancies does not arise.
- (iii) During the year the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Hence, our comment on the same does not arise.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not made any transactions under section 185 and 186 of Companies Act, 2013. Hence our comment on the same does not arise.
- (v) The Company has not accepted any deposits from the public. Hence our comment on the compliance of provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder does not arise.
- Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal has not issued any order and hence our comment on the same does not arise.
- (vi) The Central Government has not prescribed maintenance of cost records under sub-section (1) of Section 148 of the Companies Act, 2013 for the activities carried on by the Company.
- (vii) (a) According to the information and explanations provided to us Employee State Insurance, Custom Duty and Excise Duty does not apply to this Company for the year under review.

As per our verification and according to the information and explanation given to us, there are no undisputed amounts payable in respect of statutory dues which have remained outstanding as at 31st March, 2017 for a period of more than six months from the date they became payable.

- (b) According to the information and explanation given to us, there are no disputed amounts payable in respect of Income Tax or Sale Tax or Service Tax other than the following:

Statue	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount Disputed (Rs.)	Remarks
Income Tax-Act, 1961	Income Tax	Commissioner of Income Tax-(Appeals)	Assessment Year 2014-15	31,96,002	Disputed amount has been adjusted against refund due
Finance Act, 1994	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	October 2008 to March 2013	4,21,72,298	The Company has deposited an amount of Rs.15,80,674/- against amount disputed

- (viii) As the company has not borrowed any loans, hence comment on default in repayment of dues to financial institutions or bank or debenture holders does not arise.
- (ix) The Company did not raise any money by way of initial public offer (including debt instruments) and term loans during the year. Hence comment on the same does not arise.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) Consequent to Notification reference no. G.S.R 463(E) dated 05th June, 2015 issued by Ministry of Corporate Affairs, compliances on transactions under Section 197 of Companies Act, 2013 are not applicable to Government Companies.
- (xii) The Company is not a Nidhi Company and hence compliances specified in the Nidhi Rules, 2014 are not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company has not entered into any transactions specified under Section 177 and 188 of Companies Act, 2013. Hence our comment on the same does not arise.
- (xiv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him. Hence comment on the same does not arise.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For SSB & Associates,
Chartered Accountants
Firm's Regn.No. :010372S
Sd/-
K. Balaji
Partner
Membership No.: 207783

Place: Bengaluru
Date: 29.08.2017

ANNEXURE-B TO THE AUDIT REPORT ON THE ACCOUNTS OF KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED FOR THE YEAR ENDED 31.03.2017 REFERRED TO IN PARAGRAPH (2) OF REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OF OUR REPORT OF EVEN DATE

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of Karnataka State Electronics Development Corporation Limited for the year 2016-17 issued by the Comptroller & Auditor General of India under Section 143(5) of the Companies Act, 2013.

According to the information and explanations given to us we report as under:

Sl. No.	Directions	Replies
1.	If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined, including the mode and present stage of disinvestment process,	As informed to us, the company has not been selected for disinvestment. Hence our comment on the same does not arise.
2.	Please report whether there are any cases of waiver/ write off of debts/loans/interest, etc., if yes, the reasons there for and the amount involved.	During the Financial Year 2016-17 company has written off Bad debts amounting to Rs.4,86,137/-. However, there are no transactions in relation to waiver of loan/interest during the Financial Year 2016-17.
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities,	As per the information and explanation given to us, there are no inventories lying with third parties no assets are received as gift from government or other authorities other than Government Grants
4.	A report on age-wise analysis of pending legal/ arbitration cases, including the reasons of pendency and existence/effectiveness of a monitoring mechanism for expenditure on all legal cases, (foreign and local) may be given.	Report on age-wise analysis of pending legal/ arbitration cases and its status is provided in Annexure-1 provided by the finance department after collecting the information from legal and other departments of the Company. The legal expenses are incurred by the company on case to case basis with the approval of the Managing Director

Sl. No.	Additional Company Specific Direction	Replies
(a)	Whether the Company has taken adequate measures to prevent encroachment of idle land owned by it. Whether any land of the Company is encroached, under litigation not put to use or declared surplus? Details may be provided.	<p>As informed to us, the Company has taken adequate measures to prevent encroachment of idle land owned by the Company and there is no encroachment of Company's land.</p> <p>Details of Land under litigation allotted at Electronic City, Bengaluru:</p> <ol style="list-style-type: none"> 1. 1.06 acres of Land allotted to ANCO Communication Ltd., 2. 0.25 acres of Land allotted to Kumon Entertainments and Hospitalities Private Limited. 3. 2.00 acres of Land allotted to InfoTech Enterprises Limited., (Cyient Limited) 4. 1.00 acre of Land allotted to IR Multi Media Solutions Private Limited., <p>Details of Land owned by the Company not put to use:</p> <ol style="list-style-type: none"> 1. 3.25 acres of Land at Mangalore 2. 5.00 acres of Land at Hebbal Industrial Estate, Mysore 3. 1.72 acres of Land at Suryanagar, Bengaluru <p>As informed to us the company does not have surplus land.</p>
(b)	Examine and state the system of allotment of industrial plots/sheds, including recovery of installments from the allottees. What is the system of imposing penalty due to delay in setting up of business or starting business other than the one to for which the allotment was made?	<p>As informed by the management, presently no land is available for allotment at Electronic City. Small portion of marginal land available for allotment are allotted through open public auction. In respect of the land already allotted to Entrepreneurs, 99% of the cost of the land has already been collected at the time of allotment and 1% of the balance amount is collected at the time of executing the absolute sale deed.</p> <p>Periodical notices are issued to the land allottees for delay in implementation of the project. In case of abnormal delay in implementation, notices are issued for cancelation of land allotted.</p> <p>The Company is collecting current market rate of the land from the allottees who are using land for purposes other than IT and Electronic units.</p>
(c)	The system of managing the default cases shall be examined. Have all steps to remedy the situation taken within the prescribed time limits? The cases of non-compliance to established system shall be detailed.	<p>The Company is not monitoring few default cases on a timely/regular basis to take remedial action on the defaulters.</p>

Sl. No.	Additional Company Specific Direction	Replies
(d)	What is the system of recovering fees/charges with regard to providing manpower to various agencies? Report the cases where no such recovery has been affected and accounted for.	<p>As informed by management, regular Bill of Sales are prepared and issued to department / organization where the manpower services are provided and payments are collected on monthly basis from the departments. Regular follow ups are also made to collect the outstanding amount from the departments. The company is releasing payment to agencies from whom the manpower services are obtained and are paid only after collecting the amount from the department.</p> <p>No cases of non-recovery are reported by the management.</p>
(e)	What is the system of receiving revenue share from the franchise? Report the cases wherein software, hardware or IT enabled system is lying redundant/ outdated.	<p>As informed by the management, the franchisee income received by the company is 20% of the fee collected by the franchisees and the same was reviewed while issuing the certificates to the students. The Company has fixed the annual target fee based on the Hobli, Taluk, District and Bengaluru area amounting to Rs.35,000/ , Rs.52,000/-, Rs.86,000/- and Rs.90,000/- respectively as per the place of franchisee centre, and the Company is collecting the royalty charges of Rs.50,000/-, Rs.1,00,000/-, Rs.1,50,000/- and Rs.1,50,000/- respectively for Hobli, Taluk, District and Bengaluru for new franchisees at the time of allotment.</p> <p>As informed by the management, there are no redundant/ outdated software, hardware or IT enabled systems in the Company.</p>
(f)	If the audited entity has computerized its operations or part of it, assess and report, how much of the data in the company is in electronic format, which of the area such as accounting, sales, personnel information, payroll, inventory, etc. have been computerized and the Company has evolved proper security policy for data/ software/ hardware?	<p>Maintenance of Books of account and Payroll are computerized. However, it is partly computerized in the areas of sales personnel information, inventory, etc.</p> <p>Periodical backups are taken to protect the data and adequate measures are taken to protect software and hardware. A separate EDP section is also present which is monitoring the data, hardware and software.</p>

Annexure-1

Details of Pending Legal/ Arbitration Cases

Cases filed against Karnataka State Electronics Development Corporation Limited

Sl. No.	Period of Case	Case No.	Details of Petitioner	Case Details	Court in which Pending	Remarks
1	2005	COP. No. 68/ 1997	Sweede (India) Teltronics Limited	Case filed by official liquidator in the High Court of Karnataka regarding pre operative expenses of joint venture -Rs. 4,23,518/-	In the High Court of Karnataka, Bengaluru	Last communication was made on 13.07.2017, case is pending.
2	2008	O.S. No. 1501/ 2008	Baron Electronics Private Limited	Regarding allotment of excess land to the extent of 119 Sq. Mts.	In the Court of the Principal II Civil Judge, Bengaluru	Last communication was made on 26.07.2017, case is pending.
3	2011	LAC/6 2011	M/s. Sapthagiri Enterprises Bengaluru	Petitioner has filed objection before National Highway Authorities regard release of compensation amount around Rs.1.44 Crores to KEONICS.	City Civil Court, Bengaluru	Last communication was made on 01.08.2017, case is pending.
4	2011	AS/3/2011	National Highway Authorities	Regarding payment of compensation amount around Rs. 8.84 Crores to KEONICS for land acquired.	Principal District Judge, Bengaluru Rural	Last communication was made on 14.07.2017, case is pending.
5	2012	24/2012	K.N. Umesh, CITU	Case filed under Minimum Wages Act	Senior Labour Inspector, Bengaluru	Current status of the case is unavailable.
6	2011	20 / 2011	CEO Chitradurga	The petitioner has filed an arbitration petition before the D.C. Chitradurga for non-implementation of the project by KEONICS and also refund of advance of Rs.71,95,584/-	Arbitrator, DC Chitradurga	Last communication made on 25.03.2015, further status of the case is unavailable.
7	2012	APP No. 24/2012	BBMP contract employees	Case filed under Minimum Wages Act.	In the Court of the Authority appointed under the Minimum Wages Act, 1948	Last communication made on 20.02.2013, Company was asked to submit details. Current status unavailable.
8	2012	IDA-2/CR/ 278/ 2012-13	BBMP Employees Operator Union	Regarding removal from contract job from BBMP.	Additional Labour Commissioner	Last communication made on 28.03.2014. Present status unavailable.
9	2012	RFA/1105/ 2012	Spy well Detective Agency, Bengaluru	Petitioner has filed a case for non-payment of their bills from June 2008 to August 2009 and recovery of dues.	In the High Court of Karnataka, Bengaluru	Last communication made on 11.09.2013. Case is under progress.

10	2013	W.P. No. 31903/2013	M/s. Sapthagiri Enterprises, Bengaluru	Petitioner has filed a writ challenging the cancellation order of land measuring 0.75 acres at Electronics City.	In the High Court of Karnataka, Bengaluru	Last communication made on 16.06.2017, case is pending.
11	2013	APP 2/2013	D.K. Krishna and Umesh	Removal from work without payment of salary (working at MSIL Mandya)	Labour Court, Mandya	Last communication made on 26.06.2013, Present status unavailable.
12	2015	W.P. No. 11800 / 2015	Amaresh TA, Keonics Training Centre, Chitradurga	Squashing of transfer order and directing the respondent to transfer the petitioner to Bengaluru and pay arrears of salary.	In the High Court of Karnataka, Bengaluru	Last communication made on 25.07.2017, case is pending.
13	2015	W.P. 23669/2015 (GM/RES)	M/s. IR Multimedia Solutions (P) Ltd	Cancellation of plot No.27 D and 27E at Electronics City.	In the High Court of Karnataka, Bengaluru	Last communication made on 10.06.2015, Present status is unavailable.
14	2015	W.P. 28909/2015	Cyient Limited (Infotech Enterprises Limited)	Cancellation of plot No 110A and 110B at Electronics City measuring 2 acres of land.	In the High Court of Karnataka, Bengaluru	Last communication made on 14.07.2015, Present status is unavailable.
15	2016	W.P. 40329/2016 (APMC-PIL)	Sri. MattarRathnakar Hedge, Udupi	Challenging the usage of software in APMC in the state of Karnataka	In the High Court of Karnataka, Bengaluru	Last communication made on 27.03.2017, case is pending.
16	2015	W.P. 17418/2015	M/s. Strategic Outsourcing Services Private Limited	Against cancellation of order vide PO No. KSEDC/COMML / 080/2014-15 dated 31.10.14, amounting to Rs.8,73,50,097/-	In the High Court of Karnataka, Bengaluru	Last communication made on 01.07.2016, case is pending.
17	2016	W.P. 56088/2016	Sri. B.G. Kumara swamy M/s. Siddharth Infotech Private Limited	Non-implementation of projects in the ICT Phase-III	In the High Court of Karnataka, Bengaluru	Last communication made on 31.01.2017, case is pending.
18	2016	W.P. 62591/2016	Sri.S.N. Shekar (Ex-employee of Keonics)	Non-Payment of Leave encashment	In the High Court of Karnataka, Bengaluru	Last communication made on 05.01.2017, case is pending.
19	2017	W.P. 6513/2017	ACCPL Training Division (A unit of Adityaa Call Center Private Limited)	Challenging the tender allotted to Keonics of Rs.1.15 crores vide Tender No. KRIES/INFRA/CR-30/2016-17	In the High Court of Karnataka, Bengaluru	Last communication made on 15.02.2017, case is pending.
20	2016	W.P. (C) No. 41313/2016	Shihabudeen K	Challenging the collection of fees from vendors which is against the terms and conditions of the contract	In the High Court of Kerala, Ernakulam	Last communication made on 30.12.2016, case is pending.

Details of Pending Legal/Arbitration cases
Cases filed by Karnataka State Electronics Development Corporation Limited

Sl. No.	Period of Case	Case No.	Name of the Party	Case Details	Court in which Pending	Remarks
1	1996	O.S. No.6522/1996	Gopalakrishna	Execution petition filed for recovery of Rs.4,15,912/- and decree obtained from city civil court.	City Civil Court, Bengaluru	Party absconding and hence company unable to furnish property details for attachment.
2	2000	APP No.2322/2014 in Company Petition No.135/2000	Official Liquidator of M/s. Anco Communication Ltd	To set aside the order dated 26.8.2004 passed by the Company Judge dismissing CA No.689 / 2004	In the High Court of Karnataka, Bengaluru	Last communication made on 06.04.2017. Case is pending.
3	2009	O.S No. 67/2009 (Ex. No. 777/2010)	M/s. Royal Online Software Enabled Services, Mysuru	Execution petition filed against the firm regarding rent dues of Mysuru shed.	Principal Civil Court, Mysuru.	Last communication made on 01.07.2017. Case is under progress.
4	2011	AS No. 67/2011	M/s. Datatalk Service India Private Limited	Award of Arbitrator which was against KEONICS regarding amount claimed by the party, challenged.	City Civil Court, Bengaluru	Present status is unavailable.
5	2013	Case no.14/2013(Ex/933/2004)	M/s. Saphal Electronics and Electricals Company, Mangaluru	Execution case filed for recovery Rs. 56,02,393/-	Honourable 2nd Additional Senior Civil Judge, Mangaluru	Last communication made on 13.07.2016. Case is pending.
6	2014	WP No.423 (AP) of 2014 (ARB Ref No. 8/2015)	State of Arunachal Pradesh and others	Failure to pay the agreed amount as per terms of agreement.	Under Arbitration	Last communication made on 19.07.2017. Case is pending.
7	2016	RFA No.1012/2016	Spywell Security Agency, Bengaluru	Suit filed for recovery of Rs.2,89,842/- decreed in favour of KEONICS and the same was challenged in the High court.	In the High Court of Karnataka, Bengaluru	Last communication made on 21.07.2017. Case is pending.
8	2017	Civil Contempt Petition No. 1009/2017	District Officer Backward Class Welfare Department	Non issuance of fresh cheque for Rs.17,79,036/- in lieu of lost cheque.	In the High Court of Karnataka, Bengaluru	Last communication made on 12.07.2017. Case is pending.

Place: Bengaluru
Date: 29.08.2017

For SSB & Associates,
Chartered Accountants
Firm's Regn.No. :010372S
Sd/-
K.Balaji
Partner
Membership No.: 207783

ANNEXURE-C TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED

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 Karnataka State Electronics Development Corporation Limited ("the Company") as of 31st March, 2017 in conjunction with our audit of the financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the Internal Control Over Financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's Internal Financial Controls Over Financial Reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with the 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 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 auditors' judgment, 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 authorizations of management and directors of the company; and,
- 3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at 31st March,2017:

- a) Whereas the company is operating its business through office orders and directions from Board, has not documented the key manuals of Standard Operating Procedures (SOPs) and the components of Internal financial controls for functional activities as required in the Guidance Note on Audit of internal financial controls over financial reporting issued by the Institute of Chartered Accountants of India.
- b) No policy towards design of physical controls for physical verification of the fixed assets, which could potentially result in misstatement of the fixed asset values in the books of account.
- c) Inadequate design of monitoring of controls on renewal of Rental and Manpower agreements and renewal/ issue of franchisee certificate, which results in accounting of revenue based on accounting policy without certainty of its ultimate collection.
- d) Failure of creation of utilisation path as per the policy while utilising the grants for effective control.
- e) Inadequate design in the information system to ascertain and record the transactions of the relevant accounting period in a timely manner.
- f) The Company has not designed monitoring controls for verification of opening balances of earlier period, recognition of revenue and provision for expenses.
- g) The Company has inadequate records to arrive the amount receivables relating to different training centres run for students.
- h) It was observed that in "Deed of Agreement" entered between the Company and vendors, the Bank Guarantee has to be taken by the vendor favouring the company and the Company favouring the customer. However in practice, the company is insisting the vendor to provide the Bank Guarantee favouring ultimate customer which is not in accordance with the "Deed of Agreement" entered.

A 'material weakness' is a deficiency, or a combination of deficiencies, in Internal Financial Control Over Financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March, 2017, based on the internal financial 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.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 financial statements of the Company, and these material weaknesses do not affect our opinion on the financial statements of the Company.

Place: Bengaluru
Date: 29.08.2017

For SSB & Associates,
Chartered Accountants
Firm's Regn.No. :010372S
Sd/-
K.Balaji
Partner
Membership No.: 207783

Notes forming Part of accounts for the Financial Year 2016-17

Background

Karnataka State Electronics Development Corporation Limited (KEONICS) was incorporated as a Public Limited Company in September 1976 with the objective of promoting the development of Electronic industry in the State and to create infrastructure for the rapid growth of Electronic industries. Now it is envisaged to function as a facilitator and as a catalyst for the development of electronic and IT industries in the State.

Activities of Karnataka State Electronics Development Corporation Limited

1. IT Education

Company has a network of around 209 franchisee training centers throughout Karnataka.

2. Infrastructure Facility Services:

KEONICS has set up Electronics City on a sprawling 332 acres of land on Hosur Road, Bangalore. This Electronics City is today a major hub for Information Technology activities. company has also taken up establishment of IT Parks at Tier-II cities in the State.

3. IT Services:

Company has undertaken various projects of providing and programming of IT software to various Government Departments of Government of Karnataka. KEONICS is also marketing computer hardware, software and electronic equipments to various Government organizations. KEONICS is also providing e-tendering solution 'Tender Wizard' to Government organizations. KEONICS has also signed Memorandum of Understanding with various agencies to market their products and services.

Company has developed in-house competence in offering consultancy on project implementation to various Government Departments in the areas of Networking, Web creation, Software Development and Computerization plans.

4. Manpower supply Services:

KEONICS has also entered into the field of providing skilled Manpower Services to various Government Departments and organizations.

A. Significant Accounting Policies

Basis of preparation of financial statements:

The accompanying financial statements have been prepared under the historical cost convention on going concern basis on accrual system of accounting, are in accordance with Indian Generally Accepted Accounting Principles (GAAP) and comply with the Accounting Standards as prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013.

Use of estimates

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the period. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Inventories

Items of inventories are valued at lower of cost or net realizable value. Cost of inventories comprises of all cost of purchase, cost of conversion and other cost in bringing them to the present location and condition.

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 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 based on the available information.

Net Profit or Loss for the period, Prior Period Items and changes in Accounting policies

All the items of income and expenses which are recognized in a period are included in the determination of net profit or loss for the period and comply with the accounting standards as specified in the Companies (Accounts) Rules, 2014. Prior period items are recognized as income or expenses which arise in the current period as a result of errors or omissions in the preparation of financial statements of one or more prior period.

Property, Plant and Equipment

- (a) Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs, if any, relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. The assets shown in the Balance Sheet includes such amounts as relate to this Company and assets acquired out of the grants. All the assets acquired out of grants up to 31-03-2004 have been taken at Nil value and no depreciation has been provided for. Assets acquired out of grants on or after 1-4-2004 are shown at nominal value in the Balance sheet.
- (b) Capital work-in-progress is stated at cost.

Depreciation

(a) Tangible Assets:

Depreciation on tangible assets is calculated on a straight-line basis as per useful life of asset prescribed under Schedule II of the Companies Act, 2013.

(b) Intangible Assets:

In respect of Intangible asset the Company has estimated the useful life of the asset as follows:

Description	Estimated Useful Life
Intangible Assets	3 years
Softwares	

(c) Leasehold Land are amortised over the period of lease.

Revenue recognition

Income and expenditure are generally accounted for on accrual basis except Franchisee/Yuva.com Franchisee commission received from franchisees and the training fees received from the candidates undergoing training at the company training centers are recognized and accounted on cash basis.

- Sales are net of trade discounts.
- Revenue from maintenance contract is considered on a pro rata basis over the period in which such Services are rendered.
- Sale of industrial sheds and lands are recognised after the execution of final sale deed.
- Sale proceeds of scrap arising from maintenance and project work are taken into consideration under other income in the year of sale.
- Dividend income is recognized when award the right to receive dividend is established.
- Compensation award for acquisition of land at Electronic city by Government authorities are recognized in the year of receipt.
- Lease premium received in respect of leased land at SEZ sector is recognized as lease rent in Proportionate the lease period.

Foreign currency transactions

(i) *Initial Recognition*

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

(ii) *Conversion*

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) *Exchange Differences*

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

Grants

Grants are treated as income for the year to the extent it is actually spent and shown as contra in Statement of Profit and Loss Account during the year. The balance amount is carried forward to the next year as unspent grant.

Investments

Investments are classified into long-term investments and current investments. Investments held/intended to be held for a period exceeding one year are classified as long term investments. Current investments are investments which are readily realizable and are intended to be held for not more than one year from the date on which investment is made. Long-term investments are carried at cost less provision for diminution, other than temporary to recognize any decline in the value of such investments. Current investments are carried at lower of cost or net realizable value and provision is made to recognize any decline in the carrying value.

Employee Retirement Benefits

Company's contribution to Provident Fund is charged to Statement of Profit and Loss. Gratuity, Earned Leave encashment and Sick Leave Benefit are charged to Statement of Profit and Loss on the basis of actuarial valuation. Gratuity Liability is discharged by funding with an approved Gratuity Trust. With regard to unencashed Sick Leave, employees can accumulate up to 100 days and provision is made on the unutilized portion of Sick Leave.

Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

Segment Reporting

Company has identified the business and geographical segments as the organisational units for which information is reported to the Board of Directors and Chief Executive Officer for the purpose of evaluating each unit's performance and for making decisions about future allocation of resources. Hence, segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

The Company has identified on the basis of Management information system the reportable primary segments, viz., IT Services, Infrastructure, Human Resource Services and IT Education. Segments have been identified and reported taking into account nature of products and services, the differing risks and returns and the internal business reporting systems. The accounting policies adopted for segment reporting are in line with the accounting policy of the Company with following additional policies for segment reporting.

- a. Revenue and expenses have been identified to a segment on the basis of the relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocable".
- b. Segment assets and segment liabilities represent assets and liabilities in respective segments. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable".

Secondary Segment Information

There is no reportable geographical segment since the Company caters mainly to needs of Indian Markets.

Leased Assets

i. Finance Leases:

Finance Leases, which effectively transfer to the Company all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

ii. Operating Leases:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss Account

Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

Taxes on Income

Tax expense comprises both current and deferred taxes. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of recoverable amount.

Provision, Contingent Liabilities and Contingent Assets:

Provisions, involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in Notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
Balance Sheet as at 31st March 2017

Particulars	Note No.	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	248,720,000	223,720,000
(b) Reserves and Surplus	2	811,333,161	767,617,978
(2) Share Application money pending allotment	3	5,000,000	10,000,000
(3) Non-Current Liabilities			
(a) Other Long Term Liabilities	4	98,303,007	137,689,220
(b) Long-Term Provisions	5	40,775,159	42,008,459
(4) Current Liabilities			
(a) Trade Payables (Due to Micro, Small and Medium Enterprises- Nil)	6	1,241,100,726	1,136,785,920
(b) Other Current Liabilities	7	540,240,447	410,128,670
(c) Short-Term Provisions	8	37,290,774	44,917,140
Total Equity & Liabilities		3,022,763,274	2,772,867,387
ASSETS			
(1) Non-Current Assets			
(a) Property, Plant and Equipment			
(i) Tangible Assets	9(a)	416,850,227	426,898,554
(ii) Intangible Assets	9(b)	2,516,963	3,165,289
(iii) Capital Work In progress	9(c)	-	14,889,632
(b) Non-Current Investments	10	5	5
(c) Deferred Tax Assets (net)		2,217,397	6,986,092
(d) Long-Term Loans and Advances	11	207,083,210	205,461,630
(e) Other Non-Current Assets	12	687,933	1,055,805
(2) Current Assets			
(a) Inventories	13	7,624,080	10,784,329
(b) Trade Receivables	14	1,090,151,015	1,008,667,439
(c) Cash and Bank Balance	15	969,816,463	770,504,625
(d) Short-Term Loans and Advances	16	321,062,610	319,714,579
(e) Other Current Assets	17	4,753,371	4,739,408
Total Assets		3,022,763,274	2,772,867,387

Significant Accounting Policies and Notes on Accounts A, B & C

As per our report of even date

For SSB & Associates

Chartered Accountants

Firm Reg. No. 010372S

Sd/-

K. Balaji

Partner

Membership No. 207783

For and on behalf of the Board

Sd/-

D. Sudhakar

Chairman

DIN: 01536333

Sd/-

Rangegowda

Managing Director

DIN: 07603038

Place: Bengaluru

Date : 29.08.2017

Place: Bengaluru

Date : 29.08.2017

KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
Statement of Profit and Loss for the year ended 31st March 2017

Particulars	Note No	31.03.2017 Rs.	31.03.2016 Rs.
Revenue:			
Revenue from Operations	18	2,045,050,379	2,367,087,227
Other Income	19	61,974,457	58,874,726
Grant Income - per contra		74,741,578	170,933,264
Total Revenue		2,181,766,414	2,596,895,217
Expenses:			
Purchase of Stock-in-Trade	20	81,853,615	724,230,986
Direct Expenses	21	1,773,435,463	1,405,192,899
Changes in Inventories of Stock-in-Trade	22	3,160,249	943,045
Employee Benefit Expenses	23	114,224,866	127,220,432
Depreciation and Amortization Expenses	9(a) & (b)	25,363,641	26,914,286
Other Expenses	24	44,337,687	44,241,175
Grant Expenditure - per contra		74,741,578	170,933,264
Total Expenses		2,117,117,099	2,499,676,087
Profit Before Exceptional and Extraordinary Items and Tax		64,649,315	97,219,130
Add: Prior Period - Income/ (Expenses)	25	2,983,679	(757,179)
Profit Before Extraordinary Items and Tax		67,632,994	96,461,951
Less: Extraordinary Items		-	-
Profit Before Tax		67,632,994	96,461,951
Tax Expense:			
(1) Current tax		22,500,000	30,000,000
(2) Deferred Tax		4,768,695	4,927,254
(3) (Excess) / Short Provision of Earlier Years		(3,350,882)	(172,799)
Profit (Loss) from Continuing Operations		43,715,181	61,707,496
Earning per equity share:			
(1) Basic		16.92	28.41
(2) Diluted		16.89	28.36
Significant Accounting Policies and Notes on Accounts	A,B & C		

As per our report of even date
For SSB & Associates
Chartered Accountants
Firm Reg. No. 010372S
Sd/-
K.Balaji
Partner
Membership No.207783

For and on behalf of the Board

Sd/-
D.Sudhakar
Chairman
DIN: 01536333

Sd/-
Rangegowda
Managing Director
DIN: 07603038

Place: Bengaluru
Date : 29.08.2017

Place: Bengaluru
Date : 29.08.2017

KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
Cash Flow Statement for the year ended 31st March 2017

Particulars	Note No.	As at 31.03.2017 (Rs.)		As at 31.03.2016 (Rs.)	
A. Cash flow from Operating Activities :					
Net Profit before Taxation and Extraordinary Items			67,632,994		96,461,951
Adjustments for :					
Depreciation 9(a) & (b)	9(a) & 9(b)	25,363,641		26,914,286	
Interest received from Fixed Deposits	19	(54,816,012)		(55,863,441)	
Miscellaneous Expenditure Written off		153,819		286,173	
(Profit)/Loss on Sale of Fixed Assets		(289,481)	(29,588,033)	(125,673)	(28,788,655)
Operating profit before working capital changes			38,044,961		67,673,296
Adjustments for :					
Decrease in Inventories	13	3,160,249		943,045	
Decrease/Increase (-) in Trade Receivables (Net)	14	(81,483,576)		(192,018,422)	
Decrease in Other Current & Non-Current Assets	12,17	(2,769,521)		(60,589,575)	
Decrease in Current & Non-Current Liabilities	3 to 8	193,680,704	112,587,856	155,202,164	(96,462,788)
Cash Flow before extraordinary Items			150,632,817		(28,789,492)
Less: Extraordinary Expenses			-		-
Income Taxes			26,649,114		14,827,202
Net cash from Operating Activities- I			123,983,703		(43,616,694)
B. Cash Flow from Investing Activities					
Purchase of Fixed Assets	9(a) & (b)	(15,474,539)		(17,541,094)	
Capital Work in Progress	9(c)	14,889,632		(3,862,522)	
Proceeds from Sale of Fixed Assets	9(a) & (b)	1,097,030		-	
Interest received from Fixed Deposits	19	54,816,012		55,863,441	
Net Cash from Investing Activities- II			55,328,135		34,459,825
C. Cash Flow from Financing Activities					
Increase in Share Capital	1	25,000,000		10,000,000	
Share Application Money Pending Allotment	3	(5,000,000)		-	
Dividend Paid		-		(10,686,000)	
Dividend Distribution Tax Paid		-		(2,187,923)	
Net Cash used in Financing Activities- III			20,000,000		(2,873,923)
Net increase in Cash & Cash equivalents- I + II+ III			199,311,838		(12,030,792)
Cash & Cash Equivalents at the beginning of the year			770,504,625		782,535,417
Cash & Cash Equivalents at the end of the year			969,816,463		770,504,625
Significant Accounting Policies and Notes on Accounts	A,B & C				

As per our report of even date

For SSB & Associates

Chartered Accountants

Firm Reg. No. 010372S

Sd/-

K.Balaji

Partner

Membership No.207783

Place: Bengaluru

Date : 29.08.2017

For and on behalf of the Board

Sd/-

D.Sudhakar

Chairman

DIN: 01536333

Place: Bengaluru

Date : 29.08.2017

Sd/-

Rangegowda

Managing Director

DIN: 07603038

KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
B. Notes Forming Part of the Balance Sheet as at 31st March 2017

Note : 1 Share Capital

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
(a) Authorised Share Capital 27,50,000 Equity Shares of Rs. 100/- each. (27,50,000 Equity Shares of Rs. 100/- each.)	275,000,000	275,000,000
	275,000,000	275,000,000
Issued Share Capital 24,87,200 Equity Shares of Rs. 100/- each, fully paid up (21,37,200 Equity Shares of Rs. 100/- each, fully paid up)	248,720,000	223,720,000
	248,720,000	223,720,000
Subscribed & Fully Paid up (24,87,200 Equity Shares of Rs. 100/- each, fully paid up) (22,37,200 Equity Shares of Rs. 100/- each, fully paid up) 2,50,000 Equity Shares of Rs. 100/- each, fully paid up]	248,720,000	223,720,000
	248,720,000	223,720,000

(b) Share Capital - Reconciliation of number of shares outstanding at beginning and end of the reporting period

Particulars	As at 31.03.2017		As at 31.03.2016	
	Number	Amount (Rs.)	Number	Amount (Rs.)
Shares outstanding at the beginning of the year	2,237,200	223,720,000	2,137,200	213,720,000
Add: Shares Issued during the year	250,000	25,000,000	100,000	10,000,000
Less: Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	2,487,200	248,720,000	2,237,200	223,720,000

(c) Share Capital - Details of Shares in company held by each shareholder holding more than 5% shares

Name of the Shareholder	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	% of holding	No. of Shares	% of holding
Hon'ble Governor, Government of Karnataka (Out of 24,87,200 Shares, 11 Shares are held by Directors as Nominee)	2,487,200	100.00%	2,237,200	100.00%

(d) 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.

Note : 2 Reserves and Surplus

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Surplus Balance in Statement of Profit & Loss Opening Balance	767,617,980	705,910,482
Add: Net profit after tax transferred from Statement of Profit and Loss	43,715,181	61,707,496
Closing Balance	811,333,161	767,617,978

Note : 3 Share Application Money Pending Allotment

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Share Application Money	5,000,000	10,000,000
Terms and Conditions: a) Parri passu with the existing equity shares b) Company has proposed to issue 1,00,000 equity shares of Rs.100/- each at par c) Authorised Capital of the company is sufficient to allot above said shares d) Equity shares proposed to be issued within 9th May 2017		
	5,000,000	10,000,000

Note : 4 Other Long-Term Liabilities

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Deposits	84,242,815	123,629,028
Lease Rent Received in Advance	14,060,192	14,060,192
	98,303,007	137,689,220

Note : 5 Long-Term Provisions

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Provisions for Employee Benefits		
Provision for Leave Salary	40,775,159	42,008,459
	40,775,159	42,008,459

Note : 6 Trade Payables

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Sundry Creditors for Goods and Services	1,241,100,726	1,136,785,920
	1,241,100,726	1,136,785,920

Note : 7 Other Current Liabilities

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Deposits	48,685,913	42,310,638
Statutory dues payable	22,659,598	35,285,765
Sundry Creditors for capital expenses	12,809,435	13,098,321
Sundry Creditors for expenses	12,066,443	13,253,865
Advance Received from Customers and Others	199,969,214	158,437,144
Unspent Grants	242,166,499	145,708,077
Other Liabilities	1,883,345	2,034,860
	540,240,447	410,128,670

Note : 8 Short-Term Provisions

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Provision for Taxation	22,500,000	30,000,000
Provision for Employee Benefits :		
-Provision for Leave Salary	11,324,111	10,797,380
-Provision for Gratuity	3,466,663	4,119,760
	37,290,774	44,917,140

Note : 9(a) & 9(b) Fixed Assets (In: Rs)

SL No.	Particulars	Gross Block			Depreciation Block			Net Block				
		As on 01.04.2016	Additions for the year	Deletion for the year	As on 31.03.2017	Upto 01.04.2016	For the year	Deletion for the year	Assets Written off	Upto 31.03.2017	As on 31.03.2017	As on 31.03.2016
9(a) Tangible Assets												
1	Land - Free hold	97,835,288	-	-	97,835,288	2,115,641	-	-	-	2,115,641	96,719,647	96,719,647
	Previous year	97,639,754	187,110	-	97,826,864	2,115,641	-	-	-	2,115,641	95,711,223	95,524,113
2	Land - Lease hold	5,247,875	-	-	5,247,875	1,574,170	174,930	-	-	1,749,100	3,498,775	3,673,705
	Previous year	5,247,875	-	-	5,247,875	1,399,240	174,930	-	-	1,574,170	3,673,705	3,848,635
3	Building	253,966,292	13,012,663	160,078	266,818,897	6,716,123	4,484,588	160,078	-	11,040,633	255,778,264	247,250,170
	Previous year	253,974,716	-	-	253,974,716	2,463,528	4,252,594	-	-	6,716,122	247,258,594	251,511,188
4	Carpeted Roads	15,552,933	-	-	15,552,933	6,777,467	3,856,817	-	-	10,634,284	4,918,649	8,775,466
	Previous year	15,552,933	-	-	15,552,933	2,920,650	3,856,817	-	-	6,777,467	8,775,466	12,632,283
5	Vehicles	6,738,572	-	-	6,738,572	2,409,509	641,766	-	-	3,051,275	3,687,297	4,329,063
	Previous year	6,738,572	-	-	6,738,572	1,636,543	772,966	-	-	2,409,509	4,329,063	5,102,029
6	Computers	5,232,065	1,352,496	1,532,206	5,052,355	3,602,742	903,097	1,198,570	-	3,307,269	1,745,086	1,629,324
	Previous year	4,539,164	692,901	-	5,232,065	2,315,322	1,287,420	-	-	3,602,742	1,629,323	2,223,842
7	Servers and Networks	75,442,018	-	-	75,442,018	45,630,993	8,743,131	-	-	54,374,124	21,067,894	29,811,025
	Previous year	65,152,948	10,289,070	-	75,442,018	35,522,497	10,108,496	-	-	45,630,993	29,811,025	29,630,451
8	Office Equipment	167,753,944	296,041	755,890	167,294,095	159,467,667	2,209,521	452,081	-	161,225,107	6,068,988	8,286,276
	Previous year	165,237,812	2,782,463	266,330	167,753,945	156,988,633	2,604,707	125,673	-	159,467,667	8,286,278	8,249,179
9	Furniture & Fixtures	36,125,825	357,887	250,099	36,233,613	8,701,948	3,246,033	79,995	-	11,867,986	24,365,627	27,423,878
	Previous year	35,014,244	1,111,581	-	36,125,825	5,516,941	3,185,007	-	-	8,701,948	27,423,877	29,497,303
	Sub Total (A)	663,894,812	15,019,107	2,698,273	676,215,646	236,996,260	24,259,883	1,890,724	-	259,365,419	416,850,227	426,898,554
	Sub Total Previous Year	649,098,018	15,063,125	266,330	663,894,813	210,878,995	26,242,937	125,673	-	236,996,259	426,898,554	438,219,023
9(b) Intangible Assets												
1	Software	4,624,809	455,432	-	5,080,241	1,459,520	1,103,758	-	-	2,563,278	251,6963	3,165,289
	Previous year	1,880,510	2,744,299	-	4,624,809	788,171	671,349	-	-	1,459,520	3,165,289	1,092,339
	Sub Total (B)	4,624,809	455,432	-	5,080,241	1,459,520	1,103,758	-	-	2,563,278	2,516,963	3,165,289
	Sub Total Previous Year	1,880,510	2,744,299	-	4,624,809	788,171	671,349	-	-	1,459,520	3,165,289	1,092,339
	Current Year (Total=A+B)	668,519,621	15,474,539	2,698,273	681,295,887	238,455,780	25,363,641	1,890,724	-	261,928,697	419,367,190	430,063,843
	Previous Year	650,978,528	17,807,424	266,330	668,519,622	211,667,166	26,914,266	125,673	-	238,455,779	430,063,843	439,311,362

Note : 1. Assets acquired out of Government Grants on or after 01.04.2004 are shown at a Nominal Value
 2. An amount of Rs.8,424/- earlier consisting of both Land and Buildings was classified under Buildings. The Building since has been demolished, the said amount of Rs.8,424/- has been considered and classified as Freehold Land.

KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
B. Notes Forming Part of the Balance Sheet as at 31st March 2017

Note : 9(c) Capital Work in Progress

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Capital Work in Progress - IT Parks	-	11,027,110
Capital Work in Progress - Office Buildings	-	3,862,522
	-	14,889,632

Note : 10 Non-Current Investments

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Unquoted - Non-Trade:		
M/s Dr. Shet Magnetic Private Limited 240 Equity Shares of Rs.100/- each Less: Provision for diminution in Value	24,000 23,999	24,000 23,999
	1	1
M/s Karnataka Telecom Limited 78,000 (includes 52000 bonus shares) Equity Shares of Rs.100/- each Less: Provision for diminution in Value	2,600,000 2,599,999	2,600,000 2,599,999
	1	1
M/s KEONICS Penta Semi Conductors Limited 7,480 Equity Shares of Rs.100/- each Less: Provision for diminution in Value	 748,000 747,999	 748,000 747,999
	1	1
M/s Swede (India) Teltronics Limited 3,41,000 Equity Shares of Rs.10/- each Less: Provision for diminution in Value	3,410,000 3,409,999	3,410,000 3,409,999
	1	1
M/s Ultrasonic Instrumentations Private Limited 230 Equity Shares of Rs.100/- each Less: Provision for diminution in Value	23,000 22,999	23,000 22,999
	1	1
	5	5

(Provision has been made against investment in shares. Out of above companies M/S Karnataka Telecom Limited, M/S KEONICS Penta Semi Conductors Limited and M/S Swede (India) Teltronics Limited are under liquidation)

KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
B. Notes Forming Part of the Balance Sheet as at 31st March 2017

Note : 11 Long Term Loans and Advances

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Capital Advances		
a) Secured, Considered Good :	-	-
b) Unsecured, Considered Good :	200,000,000	200,000,000
c) Doubtful	-	-
Total - (a)	200,000,000	200,000,000
Security Deposit		
a) Secured, Considered Good :	-	-
b) Unsecured, Considered Good :	5,772,387	4,287,210
c) Doubtful	-	-
Total - (b)	5,772,387	4,287,210
Other Loans & Advances		
a) Secured, Considered Good		
- Advance to Staff	651,897	508,158
b) Unsecured, Considered Good		
- Advance to Staff - Others	658,926	666,262
c) Doubtful		
- Project Advances	576,953	576,953
	1,887,776	1,751,373
(Less) : Provision for Doubtful Loans and Advances	(576,953)	(576,953)
Total - (c)	1,310,823	1,174,420
Total of (a) +(b)+(c)	207,083,210	205,461,630

Note : 12 Other Non-Current Assets

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Prepaid Expenses	687,933	1,055,805
	687,933	1,055,805

Note : 13 Inventories

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Land at Electronic City	7,360,200	10,408,814
Books	263,880	375,515
	7,624,080	10,784,329

KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
B. Notes Forming Part of the Balance Sheet as at 31st March 2017

Note : 14 Trade Receivables

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Outstanding for a period exceeding six months (Debts considered good for which the Company holds no security other than the personal security of debtor)		
a) Secured, Considered Good	-	-
b) Unsecured, Considered Good	645,542,827	500,980,579
c) Doubtful	14,579,443	14,579,443
	660,122,270	515,560,022
(Less) Provision for Doubtful Debts	(14,579,443)	(14,579,443)
Total - (a)	645,542,827	500,980,579
Others		
a) Secured, Considered Good	-	
b) Unsecured, Considered Good	444,608,188	507,686,860
c) Doubtful		-
Total - (b)	444,608,188	507,686,860
Total of (a) +(b)	1,090,151,015	1,008,667,439

Note : 15 Cash & Bank Balance

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Cash and Bank Balance		
a) Cash & Cash Equivalents		
Cash on hand	107,309	131,784
Balances with Banks		
In Current Account with Scheduled Banks	51,824,346	39,119,951
b) Other Bank Balance		
In Fixed Deposits	917,884,808	731,252,890
	969,816,463	770,504,625

Note : 16 Short Terms Loans and Advances

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Other Loans & Advances		
Unsecured, Considered Good		
- TDS Receivables	51,690,820	61,998,259
- Receivables from statutory departments	145,245,513	135,438,083
- Advance to Suppliers	111,874,558	111,956,944
- Advance to Staff	899,324	831,076
- Earnest Money Deposit	8,495,132	487,840
- Other Advances	2,857,263	9,002,377
	321,062,610	319,714,579

Note : 17 Other Current assets

Particulars	As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Voluntary Separation Scheme	-	153,819
Prepaid Expenses	4,753,371	4,285,589
Pre - Operative Expenses (Feasibility Study-IT Park Bagalkote)	-	300,000
	4,753,371	4,739,408

KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
B. Notes Forming Part of the Statement of Profit & loss for the year ended 31st March 2017

Note : 18 Revenue from Operations

Particulars	31.03.2017 Rs.	31.03.2016 Rs.
Revenue from Operations Sale of Electronic and Information Technology Related products & Other products	97,841,247	772,323,243
Sale of Services (Refer Note no. 27 of Notes forming part of accounts)	1,890,254,260	1,511,351,952
Other Operating Revenue (include sale of land)	56,954,872	83,412,032
	2,045,050,379	2,367,087,227

Note : 19 Other Income

Particulars	31.03.2017 Rs.	31.03.2016 Rs.
Interest on Deposit	54,816,012	55,863,441
Miscellaneous Income	7,158,445	3,011,285
	61,974,457	58,874,726

Note : 20 Purchase of Stock-in-Trade

Particulars	31.03.2017 Rs.	31.03.2016 Rs.
Purchase of Electronic and Information Technology Related products & Other products	81,853,615	724,230,986
	81,853,615	724,230,986

Note : 21 Direct Expenses

Particulars	31.03.2017 Rs.	31.03.2016 Rs.
Man Power Service Expenses	1,487,931,833	1,107,884,939
IT Related Service Expenses	221,351,231	264,787,092
Training Service Expenses	64,152,399	32,520,868
	1,773,435,463	1,405,192,899

Note: 22 Changes in Inventories of Stock-in-Trade

Particulars	31.03.2017 Rs.	31.03.2016 Rs.
Opening Stock	10,784,329	11,727,374
Less: Closing Stock	7,624,080	10,784,329
	3,160,249	943,045

KARNATAKA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED
B. Notes Forming Part of the Statement of Profit & loss for the year ended 31st March 2017

Note : 23 Employee Benefit Expenses

Particulars	31.03.2017 Rs.	31.03.2016 Rs.
Salaries and Incentives [Expenses net off Government Grants]	70,537,825	83,111,003
Directors Remuneration	3,623,879	2,148,046
Contribution to Provident Fund	8,266,931	8,838,824
Provision for Gratuity	3,466,663	4,119,760
Leave Salary Expenses	10,867,593	10,871,935
Staff Welfare Expenses	17,461,975	18,130,864
	114,224,866	127,220,432

Note : 24 Other Expenses

Particulars	31.03.2017 Rs.	31.03.2016 Rs.
Repairs & Maintenance	6,868,975	4,299,848
Rent	6,580,855	6,951,464
Professional Charges	5,459,433	2,151,023
Advertisement & Publicity Expenses	4,002,148	2,858,242
Travelling & Conveyance Expenses	3,892,309	3,422,122
Rates & Taxes	3,302,220	3,732,980
Electricity and Water charges	3,074,453	2,757,596
Contribution towards Corporate Social Responsibility	2,362,671	-
Security Charges	1,454,065	1,022,985
Meeting Expenses	1,223,594	1,117,031
Printing & Stationary	937,484	730,669
Auditor's remuneration	914,450	541,747
Telephone Expenses	877,370	1,040,728
Commission on Bank Guarantees	477,747	134,212
Bank Charges	297,688	245,330
Postage & Courier	206,715	222,831
VRS compensation written off for the year	153,819	286,173
Internal Audit Fee	100,000	109,395
Insurance	75,468	102,784
Provision for Doubtful Debts	-	11,195,708
Loss on sale of assets	-	108,428
Miscellaneous Expenses	2,076,223	1,209,879
	44,337,687	44,241,175

Note : 25 Prior Period - Income / (Expenses)

Particulars	31.03.2017 Rs.	31.03.2016 Rs.
Prior Period Income	3,254,461	248,352
	3,254,461	248,352
Less: Prior Period Expenses	270,782	1,005,531
	270,782	1,005,531
Net Adjustment	2,983,679	(757,179)

Notes Forming Part of Accounts for the financial year 2016-17

C Other Information

Note 26 (a) : Employee Benefits (Gratuity)

1. Assumptions

	31.03.2017	31.03.2016
Discount Rate (beginning of the year)	7.71%	7.74%
Discount Rate (end of the year)	6.83%	7.71%
Rate of increase in Compensation levels	6.00%	6.00%
Rate of Return on Plan Assets	6.83%	8.00%

2. Table Showing Changes in Present Value of Obligations

	31.03.2017	31.03.2016
Present Value of Obligation as at the beginning of the year	8,58,64,618	9,39,09,823
Acquisition adjustment	-	-
Interest Cost	61,04,864	65,23,521
Current Service Cost	26,86,224	29,03,146
Curtailement Cost/ (Credit)	-	-
Settlement Cost/ (Credit)	-	-
Benefits paid	(1,33,67,004)	(1,85,97,301)
Actuarial gain/(loss) on obligations	(8,76,372)	(11,25,428)
Present Value of Obligation as at the end of the year	8,21,65,074	8,58,64,618

3. Table Showing Changes in the Fair Value of Plan Assets

	31.03.2017	31.03.2016
Fair Value of Plan Assets at the beginning of the year	8,17,44,858	8,25,03,042
Acquisition Adjustments	-	-
Expected Return on Plan Assets	52,67,164	63,31,493
Contributions	41,19,760	1,14,06,781
Benefits Paid	(1,33,67,004)	(1,85,97,301)
Actuarial Gain/(loss) on Plan Assets	9,33,633	1,00,842
Fair Value of Plan Assets at the end of the year	7,86,98,411	8,17,44,858

4. Tables Showing Fair Value of Plan Assets

	31.03.2017	31.03.2016
Fair Value of Plan Assets at the beginning of the year	7,86,98,411	8,25,03,042
Acquisition Adjustments	-	-
Actual Return on Plan Assets	52,67,164	64,32,506
Contributions	41,19,760	1,14,06,781

Benefits Paid (paid)	(1,33,67,004)	(1,85,97,301)
Fair Value of Plan Assets at the end of year	7,86,98,411	8,17,44,858
Funded Status	(34,66,663)	(41,19,760)
Excess of actual over estimated return on plan assets	9,33,633	1,00,842

5. Actuarial Gain/ Loss Recognized

	31.03.2017	31.03.2016
Actuarial Gain/(Loss) for the year -Obligations	(8,76,372)	(11,25,428)
Actuarial Gain/(Loss) for the year -Plan Assets	9,33,633	1,00,842
Total Gain /(Loss) for the year	57,261	(10,24,586)
Actuarial Gain /(Loss) recognized in the year	57,261	(10,24,586)
Unrecognized actuarial gains /(losses) at the end of year	-	-

6. Amounts recognized in Balance Sheet and Statements of Profit and Loss

	31.03.2017	31.03.2016
Present Value of Obligation as at the end of the year	8,21,65,074	8,58,64,618
Fair Value of Plan Assets as at the end of the year	7,86,98,411	8,17,44,858
Funded Status	(34,66,663)	(41,19,760)
Unrecognized actuarial gains/ (losses)	-	-
Net Asset/ (Liability) Recognized in Balance Sheet	(34,66,663)	(41,19,760)

7. Expenses Recognized in the Statement of Profit and Loss

	31.03.2017	31.03.2016
Current Service cost	26,86,224	29,03,146
Interest cost	61,04,864	65,23,521
Expected Return on Plan Assets	(52,67,164)	(63,31,493)
Curtailment Cost/ (Credit)	-	-
Settlement Cost/ (Credit)	-	-
Net actuarial Gain /(loss) recognized in the year	57,261	(10,24,586)
Expenses Recognized in the Statement of Profit & Loss	34,66,663	41,19,760

Note 26 (b): Employee Benefits (Earned Leave)

1. Assumptions

	31.03.2017	31.03.2016
Discount Rate (beginning of the year)	7.71%	7.74%
Discount Rate (end of the year)	6.83%	7.71%
Rate of Increase in Compensation Levels	6.00%	6.00%
Rate of Return on Plan Assets	6.83%	7.71%

2. Table Showing Changes in Present Value of Obligations

	31.03.2017	31.03.2016
Present Value of Obligation as at the beginning of the year	4,67,16,403	4,91,47,399
Acquisition Adjustment	-	-
Interest Cost	33,28,581	34,21,542
Current Service Cost	26,03,176	39,89,927
Curtailment Cost/ (Credit)	-	-
Settlement Cost/ (Credit)	-	-
Benefits paid	(70,88,292)	(95,38,851)
Actuarial Gain/ (Loss) on obligations	(11,38,012)	3,03,614
Present Value of Obligation as at the end of the year	4,66,97,880	4,67,16,403

3. Table Showing Changes in the Fair value of Plan Assets

	31.03.2017	31.03.2016
Fair Value of Plan Assets at the beginning of the year	4,30,46,445	4,42,12,801
Acquisition Adjustments	-	-
Expected Return on Plan Assets	33,06,460	39,74,569
Contributions	36,69,958	49,34,598
Benefits Paid	(70,88,292)	(95,38,851)
Actuarial Gain/ (loss) on Plan Assets	39,634	(5,36,672)
Fair Value of Plan Assets at the end of the year	4,29,74,205	4,30,46,445

4. Tables Showing Fair Value of Plan Assets

	31.03.2017	31.03.2016
Fair Value of Plan Assets at the beginning of the year	4,30,46,445	4,42,12,801
Acquisition Adjustments	-	-
Actual return on Plan Assets	33,46,094	34,37,897
Contributions	36,69,958	49,34,598
Benefits Paid	(70,88,292)	(95,38,851)
Fair Value of Plan Assets at the end of year	4,29,74,2052	4,30,46,445
Funded Status	(37,23,675)	(36,69,958)
Excess of actual over estimated return on plan assets	-	-

5. Actuarial Gain/ Loss Recognized

	31.03.2017	31.03.2016
Actuarial Gain/ (Loss) for the year -Obligations	(11,38,012)	3,03,614
Actuarial Gain/(Loss) for the year -Plan Assets	39,634	(5,36,672)
Total Gain /(Loss) for the year	(10,98,378)	(2,33,058)
Actuarial Gain/(Loss) recognized in the year	(10,98,378)	(2,33,058)
Unrecognized Actuarial Gains/(Losses) at the end of year	-	-

6. Amounts recognized in Balance Sheet and Statements of Profit and Loss

	31.03.2017	31.03.2016
Present Value of Obligation as at the end of the year	4,66,97,880	4,67,16,403
Fair Value of Plan Assets as at the end of the year	4,29,74,205	4,30,46,445
Funded Status	(37,23,675)	(36,69,958)
Unrecognized Actuarial Gains/ (losses)	-	-
Net Asset/ (Liability) Recognized in Balance Sheet	(37,23,675)	(36,69,958)

7. Expenses Recognized in the Statement of Profit and Loss

	31.03.2017	31.03.2016
Current Service Cost	26,03,176	39,89,927
Interest Sost	33,28,581	34,21,542
Curtailement Cost/ (Credit)	-	-
Settlement Cost/ (Credit)	-	-
Net Actuarial Gain/ (loss) recognized in the year	(11,38,012)	3,03,614
Expenses Recognized in the Statement of Profit & Loss	70,69,769	71,07,855

Note 26 (c) :Employee Benefits (Sick Leave)

1. Assumptions

	31.03.2017	31.03.2016
Discount Rate (beginning of the year)	7.71%	7.74%
Discount Rate (end of the year)	6.83%	7.71%
Rate of Increase in Compensation Levels	6.00%	6.00%
Rate of Return on Plan Assets	Nil	Nil

2. Table Showing Changes in Present Value of Obligations

	31.03.2017	31.03.2016
Present Value of Obligation as at the beginning of the year	60,89,436	72,28,474
Acquisition Adjustment	-	-
Interest Cost	4,69,496	5,57,315
Current Service Cost	-	-
Curtailement Cost/ (Credit)	-	-
Settlement Cost/ (Credit)	-	-
Benefits paid	-	-
Actuarial Gain/ (Loss) on obligations	11,57,542	16,96,353
Present Value of Obligation as at the end of the year	54,01,390	60,89,436

3. Table Showing Changes in the Fair value of Plan Assets

	31.03.2017	31.03.2016
Fair Value of Plan Assets at the beginning of the year	-	-
Acquisition Adjustments	-	-
Expected Return on Plan Assets	-	-
Contributions	-	-
Benefits Paid	-	-
Actuarial Gain/(loss) on Plan Assets	-	-
Fair Value of Plan Assets at the end of the year	-	-

4. Table Showing Fair Value of Plan Assets

	31.03.2017	31.03.2016
Fair Value of Plan Assets at the beginning of the year	-	-
Acquisition Adjustments	-	-
Actual return on Plan Assets	-	-
Contributions	-	-
Benefits Paid (paid)	-	-
Fair Value of Plan Assets at the end of year	-	-
Funded Status	(54,01,390)	(60,89,436)
Excess of Actual over Estimated Return on Plan Assets	-	-

5. Actuarial Gain/ Loss Recognized

	31.03.2017	31.03.2016
Actuarial Gain/ (Loss) for the year –Obligations	11,57,542	16,96,353
Actuarial Gain/ (Loss) for the year -Plan Assets	-	-
Total Gain/ (Loss) for the year	11,57,542	16,96,353
Actuarial Gain/ (Loss) recognized in the year	11,57,542	16,96,353
Unrecognized actuarial Gain/ (Loss) at the end of year	-	-

6. The Amounts Recognized in Balance Sheet and Statements of Profit and Loss

	31.03.2017	31.03.2016
Present Value of Obligation as at the end of the year	54,01,390	60,89,436
Fair Value of Plan Assets as at the end of the year	-	-
Funded Status	(54,01,390)	(60,89,436)
Unrecognized Actuarial Gains/ (losses)	-	-
Net Asset/ (Liability) Recognized in Balance Sheet	(54,01,390)	(60,89,436)

7. Expenses Recognized in the Statement of Profit and Loss

	31.03.2017	31.03.2016
Current Service cost	-	-
Interest cost	4,69,496	5,57,315
Expected Return on Plan Assets	-	-
Curtailment Cost/ (Credit)	-	-
Settlement Cost/ (Credit)	-	-
Net actuarial Gain/ (Loss) recognized in the year	11,57,542	16,96,353
Expenses Recognized in the Statement of Profit & Loss	(6,88,046)	(11,39,038)

Note 27 : Sale of Services

Particulars	31.03.2017 Rs.	31.03.2016 Rs.
Manpower Supply Services	156,40,60,472	116,40,22,136
Information Technology related services	22,80,08,027	27,90,12,165
Training Services	9,81,85,761	6,83,17,651
Total	189,02,54,260	151,13,51,952

Note 28: Segment Reporting

The Company has identified on the basis of Management information system the reportable segments, viz. IT Services, Infrastructure, Human Resource Services and IT Education Services and reported taking into account nature of products and services, the differing risks and returns and the internal business reporting systems. The accounting policies adopted for segment reporting are in line with the accounting policy of the Company with following additional policies for segment reporting.

(a) Primary Segment Information:

(Previous year figures are shown in bracket)

(Rs. in Lakhs)

Segment	IT Services	Infrastructure	Human Resource Services	IT Education-Services	Un-allocable	Total
External Turnover	3,258.50 (10,513.35)	569.55 (774.76)	15,640.60 (11,640.22)	981.86 (683.18)	-	20,450.51 (23,660.37)
Less : Expenditure (Excluding Grant Expenditure and Depreciation)	3,306.20 (10,242.96)	133.88 (229.41)	15,334.08 (11,344.84)	788.95 (676.22)	607.01 (514.46)	20,170.12 (23,007.88)
Segment Result [(Profit/(Loss)]	-47.70 (270.39)	435.67 (545.35)	306.52 (295.38)	192.91 (6.96)	-607.01 (-465.60)	280.39 652.48
Interest and Other Income					619.74 (588.75)	619.74 (588.75)

Depreciation					-253.64 (-269.14)	-253.64 (-269.14)
Net Profit Before Tax	-47.70 (270.39)	435.67 (545.35)	306.52 (295.38)	192.91 (6.96)	-240.91 (-145.99)	646.49 (972.09)
Prior period adjustment & Extra ordinary Item					29.83 (-7.57)	29.83 (-7.57)
Excess Short Provision in earlier years -Income Tax					33.51 (1.72)	33.51 (1.72)
Current Tax					-225.00 (-300.00)	-225.00 (-300.00)
Deferred Tax					-47.69 (-49.27)	-47.69 (-49.27)
Net Profit After Tax	-47.70 (270.39)	435.67 (545.35)	306.52 (295.38)	192.91 (6.96)	-450.26 (-501.11)	437.15 (616.97)
Other Information						
Segment Assets					30,227.63 (27,728.67)	30,227.63 (27,728.67)
Segment Liabilities					19,627.10 (17,815.29)	19,627.10 (17,815.29)

b) Secondary Segment Information:

There is no reportable geographical segment since the Company caters mainly to needs of Indian Markets.

- i) Revenue and expenses have been identified to a segment on the basis of the relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocable".
- ii) Assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable":

Note 29: Related Party Disclosures

(i) Key Managerial Personnel

SI. No.	Name of the Related Party	Relationship
A	Sri. U.B Venkatesh, Chairman	Key Managerial Personnel
B	Sri.Priyank Kharge, Chairman	Key Managerial Personnel
C	Sri. D. Sudhakar, Chairman	Key Managerial Personnel
D	Sri Subhash K Malkhede, IFS, Managing Director	Key Managerial Personnel
E	Sri Raj Kumar Srivastava, IFS, Managing Director	Key Managerial Personnel

Transactions during the year with related parties:

Key Managerial Personnel

Particulars	2016-17	2015-16
Expenditure:	Rs.	Rs.
<u>Sri. D. Sudhakar– Chairman</u>		
i) Salary and Allowances	6,34,666	-
ii) Reimbursement of expenses	2,80,991	-

Particulars	2016-17	2015-16
Expenditure:	Rs.	Rs.
<u>Sri. U.B Venkatesh– Chairman</u>		
i) Salary and Allowances	-	-
ii) Reimbursement of expenses	-	3,98,885

Particulars	2016-17	2015-16
Expenditure:	Rs.	Rs.
<u>Sri. Subhash K Malkhede, IFS – Managing Director</u>		
i) Salary and Allowances	-	9,88,175
ii) Leave Salary and Pension Contribution	-	1,19,806
iii) Reimbursement of expenses	-	59,926

Particulars	2016-17	2015-16
Expenditure:	Rs.	Rs.
<u>Sri Raj Kumar Srivastava, IFS – Managing Director</u>		
i) Salary and Allowances	25,76,805	11,95,036
ii) Leave Salary and Pension Contribution	6,74,715	1,39,616
iii) Reimbursement of expenses	1,31,417	2,31,749

Balances during the year with related parties:

Particulars	Closing Balance as on 31.3.2017 (In Rs.)	Closing Balance as on 31.3.2016 (In Rs.)
<u>Payable:</u>		
<u>Sri. Subash K Malkhede, IFS – Managing Director</u>		
i) Salary and other payables	-	1,19,806
<u>Sri. Raj Kumar Srivastava, IFS – Managing Director</u>		
i) Salary and other payables	7,77,182	3,22,093

ii) Government of Karnataka Undertakings/ Departments and Agencies

SI.No.	Name of the Related Party	Relationship
1	Ambedkar Development Corporation Limited	Government of Karnataka Undertakings/ Departments and Agencies
2	Chamundeshwari Electricity Supply Company Limited	
3	Mysore Sales International Limited	
4	Karnataka Power Transmission Corporation Limited	
5	Gulbarga Electricity Supply Company Limited	
6	Karnataka State Road Transport Corporation	
7	Mysore Minerals Limited	
8	Karnataka State Seeds Corporation Limited	
9	Bangalore Electricity Supply Company Limited	
10	Government Departments/Agencies	

Transactions during the year with related parties:

Name of the Party	Sales of Goods and Services During The Year 2016-17 (In Rs.)	Sales of Goods and Services During The Year 2015-16 (In Rs.)
Ambedkar Development Corporation Limited	2,33,88,304	1,76,24,237
Chamundeshwari Electricity Supply Company Limited	5,39,51,467	8,88,55,239
Mysore Sales International Limited	34,01,301	1,58,05,542
Karnataka Power Transmission Corporation Limited	2,89,03,233	1,82,24,679
Gulbarga Electricity Supply Company	5,82,23,469	5,98,52,422
Karnataka State Road Transport Corporation	-	21,54,600
Mysore Minerals Limited	66,59,534	62,71,772
Karnataka State Seeds Corporation Limited	33,49,247	25,99,856
Bangalore Electricity Supply Company Limited	25,30,29,190	32,29,89,804
Government Departments/Agencies	1,80,48,85,380	211,36,26,719
TOTAL	2,23,57,91,125	2,64,80,04,870

Balances during the year with related parties:

Name of the Party	Closing Balance as on 31.3.2017 (In Rs.)	Closing Balance as on 31.3.2016 (In Rs.)
Ambedkar Development Corporation Limited	51,53,344	36,01,716
Chamundeshwari Electricity Supply Company Limited	2,31,91,013	2,65,69,913
Mysore Sales International Limited	1,68,71,893	1,67,02,651
Karnataka Power Transmission Corporation Limited	63,20,963	46,30,067
Gulbarga Electricity Supply Company Limited	1,96,43,946	1,58,25,751
Karnataka State Road Transport Corporation	26,20,671	26,20,671
Mysore Minerals Limited	5,50,313	4,28,705
Karnataka State Seeds Corporation Limited	3,07,394	2,34,668
Bangalore Electricity Supply Company Limited	7,19,97,246	6,45,36,039
Government Departments/Agencies	76,17,34,651	71,87,29,712
TOTAL	90,83,91,434	85,38,79,893

Note 30: Earnings per Share

Particulars	For the year ended 31 st March, 2017 (In Rs.)	For the year ended 31 st March, 2016 (In Rs.)
Basic Earnings per share	Rs.	Rs.
Continuing operations		
Net profit/ (loss) for the year from continuing operations	4,03,64,299	6,15,34,697
Net profit/ (loss) for the year from continuing operations attributable to the equity shareholders	4,03,64,299	6,15,34,697
Weighted average number of equity shares	23,86,241	21,65,615
Par value per share	100	100
Earnings per share from continuing operations-Basic	16.92	28.41

Particulars	For the year ended 31 st March, 2017 (In Rs.)	For the year ended 31 st March, 2016 (In Rs.)
Diluted Earnings per share	Rs.	Rs.
<u>Continuing operations</u>		
Net profit/ (loss) for the year from continuing operations	4,03,64,299	6,15,34,697
Net profit/ (loss) for the year from continuing operations attributable to the equity shareholders	4,03,64,299	6,15,34,697
Weighted average number of Potential Equity Shares	23,89,255	21,69,714
Par value per share	100	100
Earnings per share from continuing operations-Diluted	16.89	28.36

Note31: Auditor's Remuneration:

Particulars	Amount (in Rs) 31-03-2017	Amount (in Rs) 31-03-2016
Statutory Audit Fee – 2016-17	5,50,000	3,98,407
Statutory Audit Fee – 2015-16 differential	2,34,850	-
Tax Audit Fee – 2016-17	66,000	80,620
Tax Audit Fee– 2015-16 differential	6,000	-
Vat Audit Fee – 2016-17	52,800	62,720
Vat Audit Fee– 2015-16 differential	4,800	-
Total	9,14,450	5,41,747

Note 32: Deferred Tax:

Provision for income taxes has been made in terms of Accounting Standard 22 "Accounting for Taxes on Income". Deferred tax assets are subject to a valuation allowance that reduces the amount recognised to that which is more likely than to be realised.

Movement in Deferred Tax Asset / (Liability):

Particulars	31-03-2017 (In Rs)	31-03-2016 (In Rs)
Net Deferred Tax Asset/ (liability) at beginning of the year	69,86,092	1,19,13,346
Add: Deferred Tax Asset/ (Liability) for the year	(47,68,695)	(49,27,254)
Net Deferred Tax Asset/(Liability) at end of the year	22,17,397	69,86,092

The Net deferred tax Asset as at 31st March 2017 comprises the tax impact arising from the timing differences on account of:

Particulars	31-03-2017 (In Rs.)	31-03-2016 (In Rs.)
- Disallowance u/s 43B – Service Tax	-	8,00,960
- Provision for Leave Salary	1,72,25,582	1,75,22,932
- Provision for KEONICS, Employees Gratuity Trust	11,46,183	13,62,116
- Provision for Investment	22,49,935	22,49,935
- Provision for Doubtful Debts	48,20,401	48,20,401
- Provision for Doubtful Advances	1,90,758	1,90,758
- Depreciation	(2,34,15,462)	(1,99,61,010)
Total	22,17,397	69,86,092

Note 33: Details of Opening Stock, Purchases, Sales and Closing Stock in value:

(In Rs.)

Product Details	Opening Stock	Purchases	Sales value	Closing Stock
Land(Refer Note No.37(a))	1,04,08,814	NIL	4,79,97,356	73,60,200
Books*	3,75,515	12,23,800	13,35,435	2,63,880

* Sale of Books include own consumption.

Note 34:

The Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006. Hence no provision has been made in books of account.

Note 35: Operating Leases:

Office and Training premises are obtained under operating lease. These leases are non-cancelable and renewable on a mutual consent of Lessor and Lessee. Rental expenses for operating leases included in Statement of Profit and Loss for the year is Rs. 65,80,855/-. (Previous Year Rs.69,51,464/-)

Future minimum lease payments under operating lease are as under:

(Amount in Rs.)

Particulars	Minimum Lease Payments	
	31-03-2017	31-03-2016
Payable not later than one year	62,33,235	50,53,752
Payable later than one year and not later than five years	1,43,04,382	1,28,80,689
Payable later than five years	22,76,640	-

Note 36: Contingent Liabilities (to the extent not provided for)-

i. Bank Guarantees

The below, mentioned Bank Guarantees are given in favour of various Government departments and Agencies for execution of orders:

Particulars	31-03-2017 (In Rs.)	31-03-2016 (In Rs.)
State Bank of India	61,00,000	61,00,000
State Bank of Mysore	50,00,000	50,00,000
Canara Bank	-	14,72,548
Vijaya Bank	1,44,13,996	1,85,23,003
Total	2,55,13,996	3,10,95,551

ii. Others

- (a) The Company had undertaken Mahithi Sindhu Project during 2007-08, a scheme sponsored by Government of Karnataka for imparting Computer training to Government High school students. The Company is of the view that the said project is not in the nature of commercial training and hence Service Tax is not applicable. In this regard, the Company discontinued payment of Service Tax from 01.08.2009 and claimed refund of Service Tax for the year 2007-08 and 2008-09 amounting to Rs. 55,74,161/- and Rs. 48,64,868/- respectively. The said refund claim was rejected by the Assistant Commissioner, Division-1 vide its letter

dated 31.05.2011. The Company against the said order has preferred an appeal with the Commissioner of Central Excises (Appeals) Bangalore which was also rejected.

The Company again on the said Commissioner of Central Excise (Appeals) order has preferred an appeal with the Hon'ble Customs, Excise and Service tax Appellate Tribunal. The Company towards this project has paid an amount of Rs. 1,91,91,670/- to Service Tax Authorities pending final disposal, out of the amount received from DSERT(Govt. of Karnataka) for this project.

(Amount in Rs)

Year	Service Tax Demand	Service Tax Paid	Current Status
2007-08	55,74,161	55,74,161	Pending with Hon'ble Customs, Excise and Service Tax Appellate Tribunal
2008-09	48,64,868	48,64,868	
2009-10	87,52,641	87,52,641	

- (b) The Company has received assessment order u/s 143(3) of the Income Tax Act 1961 on 4th January 2017 for the Assessment year 2014-15, wherein the assessing officer has disallowed an amount of Rs.94,02,774/- and has demanded a tax of Rs.31,96,002/-. Aggrieved by the said order, the Company has filed an appeal with Commissioner of Income Tax (Appeals) u/s 246A of the Income Tax Act, 1961.
- (c) Service Tax Audit was carried by the Audit Team of Commissioner of Central Excise for the period October 2008 to March 2013 and issued a show cause notice demanding an amount of Rs.2,10,75,649/- as service tax liability, against the said show cause notice the company made its submissions and supporting documents. However the said Commissioner considering the submissions, passed an order demanding service tax amount of Rs.2,10,75,649/- and equivalent amount of Rs.2,10,75,649/- as penalty under section 78 of Finance Act,1994 and also imposed a penalty of Rs. 21,000/- towards delay in filing ST-3 returns under section 77 of the Finance Act 1994. Aggrieved by the said order, the Company has filed an appeal with Hon'ble Customs, Excise and Service Tax Appellate Tribunal under section 86 of the Finance Act 1994.

Period	Service Tax Demand Rs.	Penalty Rs.	Amount Deposited Rs.	Current Status
October 2008 to March 2013	2,10,75,649	2,10,96,649	15,80,674	Pending with Hon'ble Customs, Excise and Service Tax Appellate Tribunal

Note 37: Impact of pending litigations on financial statements

- (a) The National Highway Authority of India has acquired 1,76,969.72 sq.ft. of land for elevated Highway at NH 7 in Electronic City. The Special Land Acquisition Officer (SLAO) of the NHAI, who initially awarded a nominal compensation has passed a supplementary award during September 2009, fixing the compensation at Rs.500 per sq.ft. amounting to Rs.8,84,84,860/-. M/s. NHAI have objected to the award passed by SLAO for the second time and stated that Arbitrator has to pass the order for this compensation. The Company has

approached the Deputy Commissioner, Bangalore Urban District (Arbitrator) to pass an order for release of the above awarded amount. Company in the letter addressed to Deputy Commissioner Bangalore Urban District (Arbitrator) requesting to release the preliminary compensation amount of Rs. 8,84,84,860/- already awarded by the SLAO has also mentioned that, Companies claim for additional compensation as per rule is prevailed. In response to Companies request, Deputy Commissioner, Bangalore Urban District (Arbitrator) passed an order dated 17.05.2011, directing special land acquisition officer to pay the compensation amount of Rs. 8,84,84,860/- to the Company immediately. Against the order passed by the Deputy Commissioner, Bangalore urban district, NHAI has filed a Memorandum of petition under section 34(2) of the Arbitration and Conciliation Act 1996 before the Principal District Judge, Bangalore Rural. The case is pending before the court. Hence the awarded compensation amount of Rs. 8,84,84,860/- shall be recognised as revenue in the year of actual receipt of money and the corresponding cost of the land of Rs. 10.10 Lakhs reflected under inventories will be reduced accordingly.

- (b) (b)The Company allotted during May 1995, CA Site No.2 measuring 0.75 acre in survey No. 22 at Electronic City Bangalore to M/s. Sapthagiri Enterprises Pvt. Ltd.,. As the plot had come in green belt area, the land allotted to M/s. Sapthagiri Enterprises Pvt. Ltd., was cancelled during Feb-2002. An alternative site bearing No. 110 D in survey No.68 was allotted to the party in January 2008. In the meantime, the CA site No.2 was acquired by National Highways Authority of India for which an initial compensation of Rs. 164.51 lakhs was awarded during May 2007. The Special Land Acquisition officer of NHAI released the compensation to the company after obtaining a 'no objection certificate' from M/S. Sapthagiri Enterprises .Pvt. Ltd. through an affidavit notarized before a notary. The same was accounted in the books of account during the year 2007-08.

Subsequently Company has requested the Deputy Commissioner, Bangalore Urban District for additional Compensation against the development made on the acquired site. The request of the Company was considered by the Deputy Commissioner, Bangalore Urban District and ordered for additional compensation of Rs. 1,51,92,369/- during May 2009. M/s. Sapthagiri Enterprises Pvt. Ltd., have also made a claim for the above said compensation with SLAO.

The Special Land Acquisition Officer has sought the Company to produce 'no objection certificate' from M/S. Sapthagiri Enterprises Pvt. Ltd., for release of additional compensation of Rs. 1,51,92,369/-. The Company has objected for the remarks of the Special Land Acquisition Officer for production of no objection certificate from M/S. Sapthagiri Enterprises Pvt. Ltd.

Since there is a dispute regarding claim of additional award by Sapthagiri Enterprise Pvt. Ltd. and the Company, the SLAO has heard the statement of both the parities on 30.12.2010 and passed the order for depositing the award of revised enhanced compensation of Rs. 1,44,33,129/- with the Hon'ble Principal Civil Court, Bangalore as per Section 3 H(4) of National Highway Act of 1956. In the meantime, Company has cancelled the land allotted to M/s. Sapthagiri Enterprises Pvt. Ltd., for non fulfillment of the conditions of land allotment. Against the cancellation order M/s. Sapthagiri Enterprises Pvt. Ltd., have filed a writ petition in the Hon'ble High Court of Karnataka. The case is pending in the Hon'ble High Court of Karnataka. Hence the enhanced awarded compensation amount of Rs. 1,44,33,129/- has not been considered in the books of account for the year under review. The enhanced compensation amount will be accounted in the books of account during the year of actual receipt.

- (c) The Company has received an order from Government of Arunachal Pradesh for Rs. 30,87,28,774/- during the year 2011-12 for setting up of State Data Centre. The Company in turn had entrusted the work to Everonn Education Ltd., Chennai, for Rs. 29,63,79,623/-. For obtaining project advance the Company requested the sub contractor Everonn Education Ltd., Chennai, to arrange Bank Guarantee for Rs.9,20,40,174/- directly in favour of Government of Arunachal Pradesh. Upon submission of Bank Guarantee, Government of Arunachal Pradesh had released an advance of Rs.9,20,40,174/- to the Company and the Company in turn had released an advance amount of Rs. 8,65,17,732/- to Everonn Education Ltd. on 03.09.2011. Materials were procured and were ready for executing the project and requested the Government of Arunachal Pradesh to identify and provide the site for implementing the project.

Meanwhile Government of Arunachal Pradesh sent a notice of cancellation dated 01-08-2013 mentioning that KEONICS has violated the terms of MOU and failed to implement the project and invoked the Bank Guarantee provided of Rs.9,20,40,174/-. Aggrieved by this, the Company filed a Writ petition in the High Court of Gauhati questioning the action of Government of Arunachal Pradesh and the Hon'ble Court has stayed the impugned order dated 01-08-2013, issued by Government of Arunachal Pradesh and directed both the parties to mutually appoint an Arbitrator. The Arbitrator appointed after hearing both the parties and going through the agreement entered, passed an award on 14th March, 2017 stating that the contract is not a legally valid and enforceable contract and consequently the claims made by both the parties are liable to be dismissed. The Company has not preferred any appeal.

- (d) The Company had received an order from Karnataka Live Stock Development Agency (Department of Animal Husbandry and Veterinary Services) Government of Karnataka, for supply of Micro Chip based RFID Tags for a value of Rs.9,45,00,000/- during the year 2014-15. Against the said order the Company has received an advance of Rs. 4,47,50,000/- for execution of the project. (Out of which Rs.2,47,50,000/- was returned to the department on 15th May, 2015). The Company selected Strategic Out Sourcing Services Private Limited to implement the project and paid an advance amount of Rs.2,00,00,000/- against the Bank Guarantee. The Department of Animal Husbandry and Veterinary Services, vide their letter dated 08-01-2015 changed the original scope of work and directed to supply the Ear Tags instead of RFID Tags and also stated that they should refund the money in case Ear Tags are not supplied. The request of the Company to retain the original scope of work was rejected by the department vide their letter dated 31-01-2015. Consequently Company cancelled the order placed on Strategic Outsourcing Private Limited and requested them to refund the advance of Rs.2,00,00,000/-. Against the said cancellation, Strategic Out sourcing Services Private Limited have filed a Writ petition before the Hon'ble High Court of Karnataka. The Hon'ble High Court since then has stayed the order of cancellation and ordered the Company not to encash the Bank Guarantee.
- (e) The Company had allotted 0.25 acres of land at a price of Rs.28,75,000/- to Kumon Entertainments and Hospitalities (P) Ltd. (the buyer) for setting up IT Industry. The Company, later, through a Board Resolution allowed the buyer for setting up a hotel for an additional consideration of Rs.5,00,000/-. Upon audit observation of Comptroller and Auditor General of India, company later demanded an additional amount of Rs. 83,25,000/- from the buyer. Aggrieved by the same, the buyer preferred on appeal with Hon'ble High Court of Karnataka. The Hon'ble High Court of Karnataka passed an order vide dt.03.09.2015 directing the Company to execute the sale deed in favour of the petitioner, provided original consideration has been

received from the buyer and further directed that sale deed shall be completed in favour of the buyer in an expeditious manner but not later than six weeks from the date of receipt of the order.

The Company did not act on the directions of the Hon'ble High Court of Karnataka against which the buyer filed a contempt petition with Hon'ble High Court of Karnataka. In the meanwhile, company filed a review petition with Hon'ble High Court of Karnataka, Bangalore, which was disposed of against the Company. Aggrieved by the same, company has filed a writ appeal to Hon'ble High Court of Karnataka, Bangalore, which was also dismissed. Aggrieved by the order passed by the Hon'ble High Court of Karnataka, the Company is in the process of filing a Special Leave Petition before the Hon'ble Supreme Court.

Note 38:

As per the directions of Government of Karnataka, an amount of Rs. 20 crores was released on 30.04.2010 to M/s. Karnataka Industrial Area Development Board as initial deposit for acquisition of land for Information Technology Investment Region Project Phase I, at Bangalore International Airport Ltd., region. The amount so deposited is shown as capital advances under the head Long-term Loans & Advances.

Note 39: Specified Bank Notes (SBNs) held and transacted during the period 08.11.2016 to 30.12.2016

During the year, the Company had Specified Bank Notes (SBNs) or other denomination notes as required in the Notification No. G.S.R. 308(E) dated 30th March 2017 of Ministry of Corporate Affairs. The details of SBNs held and transacted during the period from November 8, 2016 to December 30, 2016, the denomination wise SBNs and other notes are as per the notification are as follows:

Particulars	Specified Bank Notes	Other Denomination Notes	Total
Closing Cash-in-hand as on 08.11.2016	95,000	646	95,646
(+) Permitted receipts	-	7,40,726	7,40,726
(-) Permitted payments	-	1,74,826	1,74,826
(-) Amount deposited in Banks	95,000	3,91,933	4,86,933
Closing Cash-in-hand as on 30.12.2016	-	1,74,613	1,74,613

Note 40:

Compensation to employees who have opted for retirement under the Voluntary Retirement Scheme of the Company is amortised over a period of 5 years.

Note 41:

There were no Foreign Exchange inflow and outflow during the Financial Year 2016-17.

Note 42:

As per Section 135 of the Companies Act, 2013, a company meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The areas for CSR activities are eradication of hunger and malnutrition, promoting education, art and culture, healthcare, destitute care and rehabilitation, environment sustainability, disaster relief and rural development projects.

A CSR committee has been formed by the company as per the Companies Act, 2013.

- a) The gross amount required to be spent by the company during the year is Rs.17,24,987/-
b) The details of amount spent during the year on CSR activities are as follows:

Sl. No.	CSR Activities	In Cash	Yet to be paid in cash	Total
1	Construction/acquisition of any asset	16,00,000	-	16,00,000
2	On purposes other than (i) above	7,62,671	67,83,911	75,46,582

c) The CSR to be spent for the financial years 2014-15 and 2015-16 was Rs.38,00,400/- and Rs.36,21,195/- respectively and the CSR Committee on 21st June 2017 decided to spend the same during the Financial Year 2016-17 and 2017-18. The balance CSR fund of Rs.67,83,911/- has been earmarked for carrying out the CSR activities by the Company during Financial Year 2017-18.

Note 43:

The Company has not appointed Company Secretary as per section 203 read with Rule 8A of Companies Act, 2013.

Note 44:

Figures of the previous year have been re-grouped and re-classified wherever necessary to confirm with the current year classification to the extent necessary as per Schedule III of Companies Act, 2013.

As per our report of even date

For SSB & Associates

Chartered Accountants

Firm Reg. No. 010372S

Sd/-

K.Balaji

Partner

Membership No.207783

For and on behalf of the Board

Sd/-

D.Sudhakar

Chairman

DIN: 01536333

Sd/-

Rangegowda

Managing Director

DIN: 07603038

Place: Bengaluru

Date: 29.08.2017

Place: Bengaluru

Date: 29.08.2017