

# DIRECTOR'S REPORT

## Dear Shareholders,

Your Directors are pleased to present to you the 16<sup>th</sup> Annual Report of Board of Directors ("Board") on the business and operations of your Company along with its Audited Financial Statements for the financial year ended 31<sup>st</sup> March 2020.

## CORPORATE OVERVIEW

The Company was incorporated in 2004 and listed its equity in National Stock Exchange of India Limited at its emerge portal in

2017. The Company has been regularly working with the Public Sector Undertakings through the tenders invited by them and has thereafter achieved remarkable position in Power and back-up industries such as LED and Solar industry and recently in UVC segments as well.

## FINANCIAL PERFORMANCE

The financial performance of the Company for period under review is summarized below

Particulars	Financial Year ended 31st March, 2020	Financial Year ended 31st March, 2019
Net Sales/Income from Business Operations	87,44,15,769	88,50,09,996
Other Income	53,14,397	51,00,683
Total Income	87,97,30,166	89,01,10,680
Less: Expense	86,74,71,191	84,90,98,750
Profit/Loss before tax and Extraordinary/exceptional items	1,22,58,974	4,10,11,930
Less: Extraordinary/exceptional items	8,34,755	(7,56,538)
Profit before tax	1,14,24,219	4,17,68,469
Less: Current Income Tax	29,70,000	1,15,00,000
Less: CSR Expenses	51,000	1,00,000
Less: Income Tax of earlier years	2,21,068	-
Less: Deferred Tax	44,044	1,21,072
Net Profit After Tax	81,38,107	3,00,47,397
Earnings per share (Basic)	0.44	1.64
Earnings per share (Diluted)	0.44	1.64

## STATE OF COMPANY'S AFFAIR AND OPERATIONAL HIGHLIGHTS

During the year under review, the Gross Revenue from operations of your Company for the year ended 31<sup>st</sup> March, 2020 stood at ₹87,97,30,166 as compared to the revenue generated of ₹89,01,10,680 in the year ended 31<sup>st</sup> March, 2019. The EBITDA of the company for the year under review stood at ₹1,14,24,219 as compare to ₹4,16,68,469 in in the year ended 31<sup>st</sup> March, 2019. The Profit after tax ("PAT") for the year ended 31<sup>st</sup> March, 2020 stood at ₹81,38,107 as compared to ₹3,00,47,397 in previous year.

## COVID-19

The World Health Organization declared a global pandemic of the Novel Coronavirus disease ("Covid-19") on 11<sup>th</sup> February, 2020 and in order to contain the spread of Covid-19, the Government of India declared a lockdown situation on 24<sup>th</sup> March, 2020 all over the country. In enforcing social distancing to contain the spread of the disease, our offices have been operating with minimal or no staff for extended periods of time. In keeping with its employee-safety first approach, the Company quickly instituted measures to trace all employees and assured of their well-being. The Manufacturing facility at Kundli, Haryana had

resumed its operations from the last week of May 2020, when lockdown was partially lifted after establishing thorough and well-rehearsed safety protocols. Proactive preparations were done in our work locations during this transition to ensure our offices were safe. The future impact on the business operations is difficult to assess at this point, as the crisis of the pandemic continues to accelerate and the situation remains volatile. However, barring unforeseen circumstances, the Company is confident about its ability to manage this crisis and come out of it slowly but steadily.

## SHARE CAPITAL

During the period under review, there was no change in the share capital of the Company. The authorized share capital of the Company stood at ₹19,00,00,000, divided into 1,90,00,000 equity shares of ₹10 each and issued, subscribed and paid-up capital of the Company stood at ₹18,31,04,290 as at 31<sup>st</sup> March, 2020.

## DIVIDEND

The Board of Directors of your Company has decided to retain and plough back the profits into the business of the Company, thus, no dividend is being recommended for this year.

**CHANGE IN THE NATURE OF BUSINESS**

For sustained growth in the future, Company wants to rely on the main business(es) of Company. There is no change in the nature of the business of the Company during the year.

**TRANSFER TO RESERVE**

The Company did not transfer any amount to the General Reserve for the Financial Year ended 31<sup>st</sup> March 2020.

**DEPOSITS**

During the period Company has not invited or accepted or renewed any fixed deposits from public as mandated under Section 73 of the Companies Act, 2013 (“the Act”) read with Companies (Acceptance of Deposits) Rules, 2014.

**DETAILS OF SUBSIDIARY/JOINT VENTURE/ASSOCIATE COMPANIES**

As on 31<sup>st</sup> March, 2020, the Company does not have any subsidiary or joint venture and associate Company.

**NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS**

During the year under review, 6 (Six) meetings of the Board of Directors were held. For details of the meetings of the Board, please refer to the Corporate Governance Report, which forms part of this Report.

**DIRECTORS AND KEY MANAGERIAL PERSONNEL**

The Board of the Company upon the recommendation of the Nomination and Remuneration Committee, in its meeting held on 20<sup>th</sup> July, 2019 and 21<sup>st</sup> August, 2019 had appointed Mr. Nimesh Malhotra (DIN: 07104660), and Ms. Sarika Bhatia (DIN: 00155602) respectively as the Whole-time Director of the Company.

Mr. Malhotra who was associated with the Company as the General Manager- Human Resource, was appointed as the Whole-time Director of the Company for a term of 2 (two) years w.e.f. 20<sup>th</sup> July, 2020. Ms. Sarika Bhatia, who has held the position of Director since the incorporation of the Company was further appointed as the Whole-time Director for a period of 5 (five) years w.e.f 21<sup>st</sup> August, 2020.

Mr. Kamlesh Kumar Thakur resigned from the position of Chief Financial Officer w.e.f 21<sup>st</sup> August, 2019. Thereafter, on the recommendation of Audit Committee Mr. Shyam Sundar Choudhary was appointed as the Chief Financial Officer (“CFO”) of the Company in place of Mr. Thakur with immediate effect in accordance with the Act and the Listing Regulations. Further Mr. Shyam Sundar Choudhary tendered his resignation as the Chief Financial Officer vide his resignation letter dated 9<sup>th</sup> December, 2019 and Lastly Mr. Vikas Bhatia was appointed as the Chief Financial Officer of the Company w.e.f. 22<sup>nd</sup> May, 2020.

**Declaration by Independent Directors**

All Independent Directors of the Company have given declaration confirming that they meet the criteria of independence laid down under section 149(6) of the Act, and Listing Regulation.

**DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Section 134 (5) of the Act, the Board of Directors, to the best of their knowledge and ability, confirm that:

- i) in preparation of annual accounts for the financial year under review, the applicable accounting standards have been followed and that no material departures have been made from the same;
- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give 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;
- iii) they have taken proper and sufficient care for their maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the annual accounts on a ‘going concern’ basis;
- v) they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and
- vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

**AUDITORS AND AUDITOR’S REPORT**

**STATUTORY AUDITORS**

The provision of section 139 of the Companies Act, 2013 requires that the statutory auditor may be appointed by the shareholders for a period of 5 (five) consecutive years; however, the said appointment needs to be placed for ratification by the members in each AGM. Now, with effect from 7<sup>th</sup> May, 2018, the aforesaid requirement related to annual ratification of appointment of statutory auditors by the members has been omitted by the Companies (Amendment) Act, 2017. Hence, the resolution for ratification of appointment of Gupta Jalan and Associates, Chartered Accountants (FRN No. 03721N)) as the statutory auditor, whose appointment was approved by the members in the 12<sup>th</sup> AGM for a term of five consecutive years, has not been put for motion as an ordinary business in the 16<sup>th</sup> AGM.

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Auditors' Report and the Notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

### SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors in its meeting held on 21<sup>st</sup> August, 2020 have appointed R & D Company Secretaries as Secretarial Auditor of the Company to conduct the Secretarial Audit of the Company for the financial year 2019-20.

The Secretarial Audit Report in prescribed Form MR-3 for the financial year ended 31<sup>st</sup> March, 2020 is appended as Annexure-1 to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

### COST AUDITOR

M/s. NN Sharma & Associates, Cost Accountants (Firm Regn. No. 101702) were appointed by the Board of Directors as the Cost Auditors of the Company to conduct Cost Audit of the Company for the financial year 2019-20.

Further, the Board, on the recommendation of the Audit Committee, has re-appointed M/s. NN Sharma & Associates, as Cost Auditors of the Company for the financial year 2020-21 at an annual fee of ₹30,000 plus applicable taxes subject to its ratification by the shareholders at the ensuing AGM.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report, highlighting the performance and prospects of the Company's business, forms part of the Annual Report.

### CORPORATE GOVERNANCE

Our corporate governance practices are a reflection of the Company's value system encompassing our culture, policies, and relationships with our stakeholders. Integrity and transparency are key to our corporate governance practices to ensure that we gain and retain the trust of our stakeholders at all times. Corporate governance is about maximizing shareholder value legally, ethically and sustainably. The Board exercises its fiduciary responsibilities in the widest sense of the term. Our disclosures seek to attain the best practices in international corporate governance. We also endeavour to enhance long-term shareholder value and respect minority rights in all our business decisions. Our Corporate governance report for financial year 2019-20 forms part of this Annual Report.

The members may please note that the Company being listed on the Small and Medium Enterprise platform is exempted from provisions of corporate governance as per the provisions stated in Chapter IV -Regulation 15 of the Securities and Exchange Board of India Listing Regulations. However, keeping in view the objective of encouraging the use of better governance

practices through voluntary adoption, the Company has decided to provide the Corporate Governance Report to its members which not only serve as a benchmark for the corporate sector but also help the Company in achieving the highest standard of corporate governance. The members may please note that any inconsistency shall not be construed as a non-compliance of any relevant provisions thereof.

### BOARD EVALUATION

In pursuance to the provisions of the Companies Act, 2013 and the SEBI Listing Regulations, the Board has carried out annual performance evaluation of its own performance of the directors individually as well the evaluation of the working of committees. The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the Board composition and structure, board meetings and effectiveness of board processes, information and functioning, etc. The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the compliance with the terms of reference of the committees, composition of committees, functions and duties, committee meetings and procedures etc.

The Board and the Nomination and Remuneration Committee ("NRC") reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the Board and committee meetings, attendance, independent judgment etc.

In a separate meeting of independent directors, performance of non-independent directors, performance of the board as a whole was evaluated, taking into account the views of executive directors and non-executive directors.

### COMMITTEES OF THE BOARD OF DIRECTORS

Your Company has following Committees of Board of Directors:

1. Audit Committee;
2. Nomination and Remuneration Committee;
3. Stakeholders' Relationship Committee;
4. Corporate Social Responsibility Committee; and
5. Committee of Board of Directors

The role and composition of these Committees, including the number of meetings held during the period under review and the related attendance, are provided under Corporate Governance Report which forms part of the Annual Report.

### MATERIAL CHANGES

There are no material changes and commitments affecting the financial position of the Company during the financial year 2019-20. Further no material change has taken place the end of the financial year i.e. 31<sup>st</sup> March, 2020 and the date of the Board Report.

**RELATED PARTY TRANSACTION**

Your Company has adopted the practice of undertaking related party transactions only in the ordinary and normal course of business and at arm’s length as part of its philosophy of adhering to highest ethical standards, transparency and accountability. In line with the provisions of Section 188 of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract and arrangement in Form AOC-2 is annexed with this report as Annexure-2. The Related Party Transactions Policy as approved by Board, on recommendation of the Audit Committee, is placed on the Company’s website at [www.servotech.in](http://www.servotech.in). For details on related party transactions entered during the year, members may refer to the notes to the financial statement.

**INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has effective and reliable Internal Control System to commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is well defined in the organization and is aligned with the statutory requirements. The Audit Committee reviews the internal audit plans, adequacy and effectiveness of the Internal Control System, significant audit observations and monitors the sustainability of remedial measures.

**SIGNIFICANT OR MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its future operations.

**CORPORATE SOCIAL RESPONSIBILITY**

As a responsible organization, the Company focus on inclusive growth and emphasizes on environment Conservation and sustainability, promotion of education, promotion of sports and community. In pursuit of the same the Company is committed to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical. The Company is committed to pursue CSR projects that are replicable, scalable and sustainable with a significant multiplier impact on sustainable livelihood creation and environmental replenishment. The Board of Directors of the Company has constituted Corporate Social Responsibility (“CSR”) Committee in compliance with Section 135 of the Companies Act, 2013. The brief outline of the CSR policy and initiatives taken by the Company on CSR activities during the period under review are provided in the Annexure-3 of this Report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR policy is available on the website of the Company.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION FOREIGN EXCHANGE EARNING AND OUTGO AND RESEARCH & DEVELOPMENT**

In accordance with the requirements of Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies

(Accounts) Rules, 2014, a statement showing particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is annexed hereto as Annexure-4 and forms part of this report.

**VIGIL MECHANISM/WHISTLE BLOWER POLICY**

In accordance with the provisions of the Act and Listing Regulations, the Company has adopted a Whistle Blower Policy to provide appropriate avenues employee and director to directly communicate to the Chairman of the Audit Committee to report any fraud, irregularity or mismanagement in the Company. The policy ensures strict confidentiality while dealing with concerns and also that no discrimination or victimization is meted out to any whistleblower. The details of the Whistle Blower Policy is explained in the Corporate Governance Report and also available on the website of the Company at [www.servotech.in](http://www.servotech.in).

**EXTRACT OF ANNUAL RETURN**

In accordance with Section 134(3)(a) of the Companies Act, 2013, as amended by the Companies (Amendment) Act, 2017 effective from 31<sup>st</sup> July, 2019, an extract of the annual return in form MGT-9 is annexed hereto as Annexure-5 and available on the website of the Company at [www.servotech.in](http://www.servotech.in).

**SECRETARIAL STANDARDS**

The Company complies with all applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

**PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS MADE BY THE COMPANY**

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Act, are given in the notes to the Financial Statements.

**PARTICULARS OF EMPLOYEES**

The information required under Section 197 of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as **Annexure-6** to this Report.

The Company does not have any employee, who is in receipt of remuneration of Rs. 8,50,000/- per month or Rs. 10,2,00,000 per annum and hence the Company is not required to give information under Sub rule 2 and 3 of Rule 5 of the companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

**NOMINATION AND REMUENRATION POLICY**

Nomination and Remuneration Committee covers the areas as contemplated under Section 178 of the Companies Act, 2013, besides other terms as referred by the Board of Directors.

The role includes formulation of criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board the remuneration for the directors, key managerial personnel and other employees,

**SERVOTECH POWER SYSTEMS LIIMITED**

formulation of criteria for evaluation of Independent Directors, the Board and Committees of the Board, developing on diversity of Board of Directors and identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.

The Board, on the recommendation of the Nomination and Remuneration Committee, has framed a policy for selection and appointment of Directors, Key Managerial Personnel and Senior Management and their remuneration. The Remuneration Policy is available on the website of the Company at [www.servotech.in](http://www.servotech.in).

**RISK MANAGEMENT**

The Audit Committee in supervision of Board of Directors is responsible for identifying, evaluating and managing all significant risks faced by the Company. The detailed statement indicating the development and implementation of risk management policy including identification therein of elements of risk has been covered in the Management Discussion and Analysis Report, which forms part of this report

**DISCLOSURE UNDER SEXUAL HARRASMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

The Company has in place a Sexual Harassment Policy in compliance with the requirements of the Sexual

Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company always endeavors to create and provide an environment that is free from discrimination and harassment including sexual harassment. The Internal Complaints Committee (ICC) has been set up to redress complaints regarding sexual harassment, if any.

Further, the Company has always provided a congenial atmosphere for work to all the employees that is free from discrimination and harassment including sexual harassment. There were no cases/complaints pertaining to the sexual harassment reported to the Board during the year under review.

**UNPAID AND UNCLAIMED DIVIDEND**

As per the provision of section 124 (1) of the Act, any money transferred to the Unpaid Dividend Account of accompany which remains unpaid or unclaimed for a period of 7(seven) years from the date of such transfers shall be transferred by the company along with interest accrued, if any, there on to the Investor Education and Protection Fund established in accordance with section 125(1).

The members may please be informed that the Company has not declared any dividend in last 7 (seven) years. Accordingly, there were no funds which were required to be transferred to Investor Education and Protection fund.

**FRAUD REPORTING**

There was no fraud disclosed during the Financial Year ended 31<sup>st</sup> march, 2020.

**LISTING OF EQUITY SHARES**

The equity shares of your Company are listed on National Stock Exchange of India Limited ("NSE") emerge Portal. The Annual Listing Fees for the year 2020-21 has been paid to the NSE.

**DEPOSITORY SYSTEM**

The Members are requested to note that as on 31<sup>st</sup> March, 2020, 98.9% of the Company's total paid-up share capital representing 1,81,26,279 shares are in dematerialized form. In view of the numerous advantages offered by the Depository System as well as to avoid frauds, members holding shares in physical mode are advised to avail of the facility of dematerialization from National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL").

**HEALTH, SAFETY AND ENVIRONMENT**

Your Company has complied with all the applicable Health & Safety Standards, Environment Laws and Labour laws and has been taking all necessary measures to protect the environment and provide workers a safe work environment. Your Company is committed towards improvement in Health & Safety as well as Environmental performance by providing a Safe & healthy work environment to all its employees and co-workers.

**HUMAN RESOURCE AND INDUSTRIAL RELATIONS**

Your Company considers people as its biggest assets and "Believing in People" is at the heart of its human resource strategy. Lot of efforts are put in for talent management, strong performance management, learning and training initiatives in order to ensure that your Company consistently develops inspiring strong and credible leadership. During the year under review, your Company continued to have cordial relationship with all its employees and maintained healthy, cordial and harmonious industrial relations at all levels.

**ACKNOWLEDGMENTS**

The Directors thank the Customers, vendors, Investors, Financial Institutions and bankers for their continued support during this year. We appreciate the contribution made by our employees at all levels. The growth of the Company is made possible by their hard work, solidarity, co-operation and support.

**FOR AND ON BEHALF OF BOARD OF DIRECTORS**

RAMAN BHATIA SARIKA BHATIA  
MANAGING WHOLE-TIME DIRECTOR

DATE: 18.11.2020 DIRECTOR DIN- 00155602

PLACE: New Delhi DIN- 00153827