

DIRECTORS' REPORT

Dear Members,

The Board of Directors ("Board") of Kapston Facilities Management Limited ("Kapston" or "Company") with immense pleasure present their Report on the business and operations of your company together with the audited financial statements for the financial year ended 31st March, 2020.

1. FINANCIAL HIGHLIGHTS

The Company's performance during the financial year ended 31st March, 2020 are summarized in the following table

(₹ in Lakhs)

Particulars	Standalone	
	2019-20	2018-19
Revenue from Operation	21,339.27	14,723.04
EBIDTA	1,638.72	1,334.08
Less: Finance Costs	395.05	253.39
Less: Depreciation and amortization expenses	204.40	128.33
Profit before prior period items	1,039.26	952.35
Prior period items	--	--
Profit before tax	1,039.26	952.35
Less: Current Tax	160.96	226.26
Add: Deferred Tax Asset	141.45	129.64
Profit Available for appropriations/Loss	1,019.76	855.73
Basic Earnings per Share (₹)*	10.05	8.44*
Diluted Earnings per Share (₹)*	10.05	8.84*
Paid up share capital (face value of INR 10 each)	1014.40	869.49
Reserves and Surplus	3479.93	2605.08

*Note: Earning per share (EPS) is calculated based on paid up share capital as on 31st March, 2020.

2. STATE OF AFFAIRS/ COMPANY'S PERFORMANCE

The Company is primarily engaged in providing Private Security Services and Facilities Management Services in the southern states of the country. As part of service to the unemployed people, the Company has, in partnership with various central & state level government agencies, been undertaking training and development programmes for the "Unemployed Youth".

Your Company's revenue from operations for the financial year ending 31st March, 2020 stood as ₹ 21,339.27 lakhs compared to ₹ 14,723.04 lakhs during the previous financial year. The Company has achieved EBIDTA (including other income)

of ₹ 1,638.72 lakhs during the financial year 2020 as against that of EBIDTA of ₹ 1,334.08 lakhs for the previous financial year 2019. The profit before tax for the financial year under review is ₹ 1039.26 lakhs as against ₹ 952.35 lakhs for the previous financial year 2019. Profit after tax was positively impacted by the tax benefits availed under Section 80JJAA of the Income Tax Act, 1961 and deferred tax benefits.

During the financial year, a new vertical namely Staffing Services has been added and it started billing. The Company expects good prospects for this vertical in the coming years.

Your Directors express their satisfaction on the overall financial performance and the progress made by the Company during the year under review.

3. DIVIDEND

Your Directors would like to use the profits earned for improving business and hence do not propose any dividend for the financial year under review.

4. TRANSFER TO RESERVES

No amount has been transferred to reserves and the profit for the year has been retained in the profit and loss account.

5. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

The provision of Section 125 of Companies Act, 2013 is not applicable as the Company did not declare any dividend.

6. SHARE CAPITAL

During the year under review, the Authorized Share Capital was increased by the Company pursuant to the Ordinary Resolution passed by the Shareholders on 11th January, 2020. The Authorized share capital was increased from ₹ 90,000,000 (divided into 90,00,000 equity shares of ₹ 10 each) to ₹ 115,000,000 (divided into 11,500,000 equity shares of ₹ 10 each).

Pursuant to the Ordinary resolution passed by the Shareholders on 11th January, 2020 the Company has issued 14,49,152 Equity Shares as Bonus to the existing shareholders and allotted the same on 29th January, 2020.

As on 31st March,2020, the Authorized Share Capital of the Company is ₹ 115,000,000 divided into 11,500,000 equity shares of ₹ 10 each. The paid-up capital is ₹ 101,440,610 divided into 10,144,061 equity shares of ₹ 10 each. There is no other change in the capital structure after closure of financial year ending on 31st March,2020 till the date of this report.

LISTING OF EQUITY SHARES

The securities of the Company are listed on the National Stock Exchange of India Limited (NSE). Further, the Company has no equity shares carrying differential voting rights.

MIGRATION TO THE MAIN BOARD OF NATIONAL STOCK EXCHANGE OF INDIA LIMITED

During the year under review, the Shareholders have approved (through postal ballot including e-voting) migration of Company's equity shares from SME Platform of National Stock Exchange of India Limited i.e NSE Emerge to Main Board of National Stock Exchange of India Limited. Accordingly, the Company has made application to Stock Exchange and the same was approved by the Stock Exchange (NSE) vide it's letter dated 22nd May,2020 with effect from 27th May,2020.

The Company is listed on the Main Board of "National Stock Exchange of India Limited" with effect from 27th May,2020.

7. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year under review, your Company has not made any investment, given any loan or guarantee falling within the meaning of section 186 of the Companies Act,2013 and the rules made thereunder.

8. PUBLIC DEPOSITS

During the year under review your company has not accepted any deposits falling within the meaning of Section 73 of Companies Act,2013 read with the Companies (Acceptance of Deposits) Rules,2014.

9. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTY

During the year under review all transactions with the related parties are in compliance with the provisions of the Companies Act,2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.

Further there are no transaction as per Section 188(1) of the Companies Act,2013, therefore disclosure as per the provision of Section 134 (Form AOC-2) is not applicable.

10. RISK MANAGEMENT

Risk management is the process of identification, assessment and prioritization of risks followed by coordinated efforts to minimize, monitor and mitigate/control the probability and/or impact of unfortunate events. The company has initiated a process of preparing a comprehensive risk assessment and minimization procedures. The major risks are being identified by the company in areas of operations, financial processes, human resources and statutory compliance.

11. COVID- 19

Your Company has considered internal and external sources of information up to date of approval of these financial statements in evaluating possible effects that may result from the pandemic relating to COVID-19. Along with Health and public administration we – facility management services are the frontline warriors against COVID-19. We ensure safety and hygiene of the people and the premises we protect.

12. MATERIAL CHANGES AND COMMITMENT AFFECTING FINANCIAL POSITION OF THE COMPANY FROM THE END OF THE FINANCIAL YEAR TILL THE DATE OF THE REPORT

Due to the Global Coronavirus (COVID-19) pandemic, your Company is forced to temporarily reduce the remuneration paid to employees, Senior Management and Executive Directors till such time as they deem fit, for ensuring financial health of the Company.

Due to the lockdown starting from 21st March,2020 there were severe restriction on the movement of people. However, we were able to place staff at customer locations. We expect the operations to slowly come to normalcy.

13. DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION, AND REDRESSAL) ACT,2013

Your Company has always provided a safe and harassment free workplace for every individual especially for women in its premises through various

policies and practices. Your company has been actively involved in ensuring that the clients and all the employees are aware of the provisions of the POSH Act and rights thereunder.

The company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act,2013. The policy on prevention of sexual harassment is available on the website of the company at <https://www.kapstonfm.com/images/PDF/Policy-for-prevention-of-Sexual-Harassment.pdf>.

Internal Complaint Committee has been set up to redress complaints received regarding sexual harassment. Your Company has received complaints as follows during the financial year under review:

No. of Complaints received	No. of Complaints resolved	Pending Complaints
1	1	NIL

14. NUMBER OF BOARD MEETINGS DURING THE YEAR

During the year under review, five meetings of the board were held in compliance with the provisions of the Companies Act,2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015 and Secretarial Standards on Board Meeting. The details are as follows:

20 th May,2019	26 th August,2019	11 th November,2019	14 th December,2019	25 th February,2020
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15. COMMITTEES OF THE BOARD

As on 31st March,2020, the Board constituted the Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility (CSR) Committee and Stakeholder Relationship Committee. A detailed note on the composition of the Board and its committees is provided in the Corporate Governance Report. In addition, the Board constitutes other committees to perform specific roles and responsibilities as may be specified by the Board from time to time.

16. CORPORATE GOVERNANCE

Your company will continue to uphold the true spirit of Corporate Governance and implement the best governance practices. A report on Corporate Governance pursuant to the provisions of Corporate Governance Code stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015 is enclosed as **Annexure I**. Full details of the various board committees are also provided therein along with Secretarial Auditors' Certificate regarding compliance of conditions of corporate governance.

17. COMPLIANCE WITH THE SECRETARIAL STANDARDS

The relevant Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) related to the Board Meetings and General Meeting have been complied with by the Company.

18. POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION AND OTHER DETAILS

The Nomination and Remuneration Committee has adopted a policy as per Section 178(3) of the Companies Act,2013 for determination of remuneration and the manner of selection of the Board of Directors, CS and CFO & Managing Director and their remuneration.

Criteria for selection of Non-Executive Director

- The Non-Executive Directors shall be of high integrity with relevant expertise and experience in the fields of Service Industry, Manufacturing, Marketing, Finance and Taxation, Law, Governance and General Management.
- In case of appointment of independent directors, the committee shall satisfy itself with regard to the criteria of independence of the directors vis-à-vis the company so as to enable the board to discharge its function and duties effectively.
- The committee shall ensure that the candidate identified for appointment as a director is not disqualified for appointment under Section 164 of the Companies Act,2013.
- The committee shall consider the following attributes, whilst recommending to the board the candidature for appointment as director:

- Qualification, expertise and experience of the directors in their respective fields;
- Personal, professional or business standing;
- Diversity of the Board.
- In case of re-appointment of Non-Executive Directors, the Board shall take into consideration the performance evaluation of the Directors and their engagement level.

Remuneration

The Non-Executive Directors shall not be entitled to receive remuneration except by way of sitting fees, reimbursement of expenses for participation in the board/committee meetings and commission as approved by the Board of Directors. The independent directors of the company shall not be entitled to participate in the Stock Option Scheme of the company. The aggregate commission payable if any to the Non-Executive Directors will be within the statutory limits.

Criteria for selection/appointment of Managing Director, Executive Director, CS and CFO

For the purpose of selection of the Managing Director, Executive Director, CS and CFO the Committee shall identify persons of integrity who possess relevant expertise, experience and leadership qualities required for the position.

The Committee will also ensure that the incumbent fulfils such other criteria with regard to age and other qualifications as laid down under Companies Act, 2013, or other applicable laws.

Remuneration to Managing Director and Executive Director

- At the time of appointment or re-appointment, the Executive Director and Managing Director shall be paid such remuneration as may be mutually agreed between the Company (which includes the Committee and the Board of Directors) and the Executive Director/ Managing Director, within the overall limits prescribed under the Companies Act, 2013.
- The remuneration shall be subject to the approval of the members of the Company in General Meeting in compliance with the provisions of the Companies Act, 2013.

Remuneration Policy for the Senior Management Employees including CFO & CS

In determining the remuneration of Senior Management Employees, the committee shall ensure/consider the following:

- The relationship between remuneration and performance benchmark;
- The balance between fixed and variable pay reflecting short and long-term performance appropriate to the working of the company and its goals, as mutually agreed.

The policy relating to remuneration of Directors, Key Managerial Personnel, Senior Management and other employees is available on the website of the Company <https://kapstonfm.com/images/PDF/Nomination%20and%20Remuneration%20Policy.pdf>

19. BOARD EVALUATION AND ASSESSMENT

The Board of Directors has carried out an annual evaluation of its own performance, Board committees and individual Directors pursuant to the provisions of the Sections 134, 178 and Schedule IV of the Companies Act, 2013. Evaluation was done after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, performance of specific duties, independence, ethics and values, attendance and contribution at meetings etc.

The performance of the Independent Directors was evaluated individually by the Board after seeking inputs from all the directors on the effectiveness and contribution of the Independent Directors.

The performance of the Committees was evaluated by the Board after seeking inputs from the Committee members based on the criteria such as the composition of Committees, effectiveness of Committee meetings, etc.

The Board reviewed the performance of the individual Directors on the basis of the contribution of the individual Director during Board and Committee meetings.

In a separate meeting of Independent Directors, performance of Non-Independent Directors, and the performance of the Chairman was evaluated, taking into account the views of executive directors and non-executive directors. The Independent

Directors also assessed the quality, frequency and timeliness of flow of information between the Board and the management that is necessary for effective performance.

20. DETAILS OF DIRECTORS OR KEY MANAGERIAL PERSONNEL WHO WERE APPOINTED, RESIGNED OR RE-DESIGNATED

During the financial year under review, Mr. Radha Krishna Pinnamaneni, Non-Executive Director resigned from the Board with effect from 01st July, 2019.

Mr. Nageswara Rao Koripalli (DIN 08734786) has been co-opted onto the Board as Additional Director (under Independent Category) with effect from 29th April, 2020. He is proposed for appointment as Director (Independent Category) at the ensuing Annual General Meeting.

In the opinion of the Board of Directors, Mr. Nageswara Rao Koripalli is a person of integrity possessing relevant experience, expertise and knowledge required for the position of Independent Director.

Retirement by Rotation

Dr. Chereddi Ramachandra Naidu (DIN 02096757), Executive Director will retire by rotation at the ensuing Annual General Meeting. Being eligible he offers himself for re-appointment

Key Managerial Personnel

Mr. Srikanth Kodali, Managing Director, Mr. Brendon Thomas Pereira, Chief Financial Officer, Ms. Amreen Gulnaaz, Company Secretary are Key Managerial Personnel of the Company in accordance with the provisions of Section(s) 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managing Personnel) Rules, 2014.

21. RE-CLASSIFICATION OF STATUS OF PROMOTER.

During the year under review, Mr. Radha Krishna Pinnamaneni, Promoter of the Company transferred his entire holding i.e 3,56,755 equity shares on 27th June, 2019 to Mr. Srikanth Kodali, Promoter. Thereafter, Mr. Radha Krishna Pinnamaneni resigned as Director of the Company.

In the Board Meeting held on 26th August, 2019, the Board of Directors considered the request letter received from Mr. Radha Krishna Pinnamaneni

to re-classify him from “Promoter and Promoter Group Category” to “Public Category”. The Board of Directors in their meeting held on 14th December, 2019, considered and approved the request, on the basis of undertaking received from Mr. Radha Krishna Pinnamaneni. The Shareholders approved the said re-classification on 27th March, 2020 through postal ballot (including e-voting) conducted by the Company as per the provisions of the Companies Act, 2013. On application, National Stock Exchange of India Limited approved the said re-classification vide its letter dated 22nd May, 2020 and Mr. Radha Krishna Pinnamaneni ceased to be promoter of the Company.

22. DECLARATION BY THE INDEPENDENT DIRECTORS

During the year under review, the independent directors of the company have submitted their disclosures to the board that they fulfil all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 so as to qualify themselves to be appointed as independent directors under the provisions of the Companies Act, 2013 and the relevant rules.

23. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

- i. In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period ;
- iii. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

- iv. The directors have prepared the annual accounts on a going concern basis;
- v. The directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and are operating effectively;
- vi. The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and effective.

Further, there are no more qualifications, reservations or adverse remarks made by the statutory auditor/secretarial auditor in their respective reports.

24. EXTRACT OF ANNUAL RETURN

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return of the company for the financial year ended 31st March, 2020 is enclosed as **Annexure II**.

The extract of the Annual Return of the company is also hosted on the company's website at <https://www.kapstonfm.com/investors.html>.

25. CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors constituted Corporate Social Responsibility (CSR) Committee in accordance with the provisions of section 135 of the Companies Act, 2013. The Board on the recommendation of CSR Committee and in compliance with the policy on Corporate Social Responsibility invested the CSR Fund by contributing to activities related to Swach Bharat and on other activities as specified in Schedule VII of the Companies Act, 2013. The Annual Report on CSR activities is enclosed as **Annexure III** to this Annual Report.

26. PARTICULARS OF EMPLOYEES

The information required under section 197 of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is presented in a separate section forming part of this Annual Report as **Annexure IV**.

27. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for the year under review as stipulated in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is presented in a separate section forming part of this annual report.

28. STATUTORY AUDITORS

M/S NSVR and Associates LLP, Chartered Accountants, (Firm Registration No.0008801S/S200060), Hyderabad, was appointed as Statutory Auditor of the Company at the 10th Annual General Meeting held on September 28, 2018 till the conclusion of 14th Annual General Meeting. They have confirmed their eligibility for the financial year 2020-21 under Section 141 of the Companies Act, 2013 and the Rules framed thereunder.

29. SECRETARIAL AUDITOR

Mr. D. S Rao, Practising Company Secretary, Hyderabad, was appointed as Secretarial Auditor of the Company for the financial year 2019-2020. The Board of Directors has re-appointed him as Secretarial Auditor of the Company for the financial year 2020-21.

30. INTERNAL AUDITOR

Ms.Sravanthi Karuturi, Chartered Accountant, Hyderabad, was appointed as Internal Auditor of the Company for the financial year 2019-20. The Board has re-appointed her as Internal Auditor for the financial year 2020-21.

31. AUDITORS' REPORT AND SECRETARIAL AUDITORS' REPORT

The statutory auditors' report and secretarial auditors' report do not contain any qualifications, reservations or adverse remarks.

During the year, the statutory auditor and secretarial auditors have not reported any instances of frauds committed in the Company by its officers or employees to the Audit Committee under section 143(12) of the Companies Act, 2013. The report of the secretarial auditor is enclosed as **Annexure V**.

32. INTERNAL FINANCIAL CONTROL

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. Based on the audit reports your Company undertakes corrective action in their respective areas and strengthens the controls.

The Board of Directors of the Company have adopted various policies like Related Party Transactions policy, Whistle Blower Policy, code of conduct for regulating, monitoring and reporting insider trading and such other procedures for

ensuring the orderly and efficient conduct of its business, prevention and detection of frauds and errors, accuracy and completeness of the accounting and timely preparation of financial information.

Based on the requirements under SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, the revised code of conduct for prohibition of insider trading, as approved by the board as on 01st April ,2019 is implemented by the company. The board has appointed Ms. Amreen Gulnaaz, Company Secretary as the Compliance Officer under the code.

33. 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

During the financial year under review, there were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company`s operations in the future.

34. VIGIL MECHANISM

In pursuance of the provisions of Section 177(9) & (10) of the Companies Act, 2013 and Regulation 22 of SEBI (LODR) Regulations,2015, a Vigil Mechanism for directors and employees to report genuine concerns has been established. The Policy on vigil mechanism i.e whistle blower policy may be accessed on the Company's website at www.kapstonfm.com.The policy provides for a framework and process, for the employees and directors to report genuine concerns or grievances about leakage of unpublished price sensitive information (UPSI), illegal and unethical behaviour to the Chairman of the Audit Committee.

35. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION

The Company being in the service industry does not have any power generation units and does not produce/generate any renewable or conventional power. However, the Company has taken steps to conserve energy in the work place by using energy saving lamps and by educating the employees to converse energy.

The Company has adopted all new technology in terms of software and hardware for the better

working and efficient reporting. The Company has an in house Information Technology team which constantly works on the adoption and implementation of new technology.

36. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review there is no foreign exchange earnings and outgo.

37. TRADEMARK

Your Company has a registered trade mark in the name of "Kapston Facilities Management Limited" for providing security services and facilities management services.

38. OTHER DISCLOSURES

- The Company does not have any subsidiary or group or associate company, therefore standalone financial statement is presented.
- The Company is not required to maintain cost records as per the provisions of Section 148 of the Companies Act,2013.
- Various policies as approved by the Board of Directors in accordance with the provisions of Companies Act,2013 and SEBI(LODR) Regulations,2015 is hosted on the company's website at <https://kapstonfm.com/investors.html>.

39. ACKNOWLEDGEMENT

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

We place on record our appreciation of the contribution made by our employees at all levels. Our consistent growth was made possible by their hard work, solidarity, cooperation and support.

On behalf of the Board of Directors

Sd/-

Dr. Chereddi Ramachandra Naidu

Date: August 14,2020

Executive Chairman

Place: Hyderabad

(DIN 02096757)