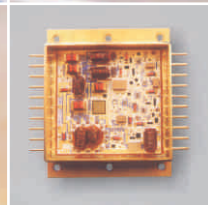
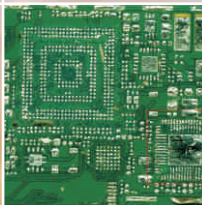


Teamwork • Technology • Trust



CENTUM ELECTRONICS LIMITED

Annual Report 2012-13



## QUALITY POLICY

All our products and activities shall meet the expectations of our customers and stakeholders in quality, technology and value.

This commitment is achieved through effective teamwork of every employee, supplier and customer.

We shall develop, maintain and continuously improve the documented systems and enhance quality of all our products, processes and services and promote customer trust and satisfaction.

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## Centum Electronics Limited

### Board of Directors

Apparao V Mallavarapu, *Chairman & Managing Director*

S. Krishnan, *Director*

Dr. P. Rama Rao, *Director*

Manoj Nagrath, *Director*

Rajiv C Mody, *Director*

### Chief Financial Officer (CFO)

K S Desikan

### Company Secretary

Ramu Akkili

### Statutory Auditors

BSR & Co.

### Internal Auditors

Ernst & Young Pvt. Ltd.

### Bankers

State Bank of India - Specialised Mid-Corporate Branch

No. 97, Railway Parallel Road, Bangalore

Citibank N.A.

M.G. Road, Bangalore

### Share Transfer Agents

M/s Karvy Computershare Private Limited,

No. 17-24, Vittal Rao Nagar,

Madhapur

Hyderabad - 500 081.

### Registered office

No. 44, KHB Industrial Area,

Yelahanka New Township,

Bangalore- 560 106.

## Notice of the 20th Annual General Meeting

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Notice is hereby given that the Twentieth Annual General Meeting of the Members of Centum Electronics Limited will be held at the registered office of the Company at #44, KHB Industrial Area, Yelahanka New Town, Bangalore - 560106 on Wednesday, 7th August, 2013 at 10.30 am to transact the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2013, Statement of Profit & Loss for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Rajiv C Mody who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. BSR & Co., Chartered Accountants, as Auditors of the Company for holding office up to the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

4. To Consider and if thought fit to pass, with or without modification(s), the following resolution as a Special resolution:

“RESOLVED THAT pursuant to the provisions of Section 314 (1) (b) and other applicable provisions, if any, of the Companies Act, 1956 ( including any Statutory modification or re-enactment thereof for the time being in force), the consent of the company be and hereby accorded for the appointment of Mr. Nikhil Mallavarapu, to hold and continue to hold an office or place of profit as Manager- Projects, on such remuneration, terms and conditions as may be agreed from time to time”.

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds matters and things as it may, in its absolute discretion deem necessary and/or expedient for implementing and giving effect to the aforesaid resolution on behalf of the Company”.

5. To Consider and if thought fit to pass, with or without modification(s), the following resolution as a Special resolution:

“RESOLVED THAT the Employee Stock Option Plan (Centum ESOP 2013) be and is hereby approved and, pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment for the time being in force); in accordance with the Articles of Association of the Company and Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (including any statutory modification or re-enactment thereof) and subject to such approvals, consents, permissions and sanctions, as may be required from such other appropriate authorities and subject to such terms and conditions and stipulations, if any while granting such approvals, permissions and sanctions, the Board of Directors of the Company, (which term shall be deemed to include "Compensation Committee", or any "Sub Committee" thereof, constituted by the Board to exercise its powers, including the powers conferred by this resolution) be and is hereby authorized, on behalf of the Company to grant, issue, offer and allot 250,000 options (two hundred and fifty thousands options only) from time to time in one or more tranches, convertible into equity shares of nominal value of Rs10/- (Rupees ten only) each, at such price and on such terms and conditions as may be specified and determined, to the permanent employees of the Company (including Executive Directors but excluding the Promoters, and Promotor Directors, under Centum ESOP - 2013 of the Company for the benefit of the employees, inter alia, on the broad terms and conditions as given in the Explanatory Statement annexed to the notice convening this Annual General Meeting.”

“RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to determine and frame all other terms and conditions of the issue of the said options convertible into equity shares of Rs 10/- (Rupees ten only) each as the Board may in its absolute discretion deem fit.”

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“RESOLVED FURTHER THAT the Board be and is hereby authorized to seek listing of such equity shares of face value of Rs.10/- (Rupees ten only) each at all such Stock Exchanges where the Equity Shares of the Company are listed.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolutions, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion, deem necessary or desirable for such purpose, including without limitation, the entering into contracts, agreements and any other arrangements with power to settle any questions, difficulties or doubts that may arise in regard to any such issue, conversion and the allotment thereof as it may in its absolute discretion deem fit”.

**NOTES:**

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of himself and a proxy need not be a member of the company. Proxies in order to be effective must be deposited with the company not less than 48 hours before the meeting.
2. An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business is set out in the Annexure.
3. Register of members and Share Transfer books will remain closed from 3rd August, 2013 to 7th August, 2013 (both days inclusive) for the purpose of AGM.
4. Members are requested to inform any change in their address to the Company or to the Company’s Registrar and Share Transfer Agent’s (RTA) M/s Karvy Computershare Private Limited giving the relevant details.
5. Nomination facility: Consequent to the introduction of Section 109A of the Companies Act, 1956 and as has been brought to the notice of all the Members, individual Members are entitled to make a nomination in respect of the shares held by them. The Members, who desire to send their nominations, are requested to send the Nomination in Form-2B (in duplicate) to the Registrars and Share Transfer Agents of the company for registering the nominations, if any.
6. Members attending the Annual General Meeting are requested to bring the following with them (as applicable):
  - a) Members holding shares in dematerialized form, their DP & Client ID Number(s).
  - b) Members holding shares in physical form, their folio number.
  - c) Copy of the Annual Report & Notice (2012-13).
  - d) The Attendance Slip duly completed & signed in terms of specimen signature lodged with the company.
  - e) Member companies/Institutions are requested to send a copy of the resolution of their Board/Governing Body, authorizing their representative to attend and vote at the Annual General Meeting.

Place: Bangalore  
Date: 30 May, 2013

By the order of the Board  
for **Centum Electronics Limited**  
**Apparao V Mallavarapu**  
Chairman & Managing Director

## Notice (Contd...)

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### Explanatory Statement under Section 173 (2) of the Companies Act, 1956.

#### Item No. 4:

Your company has appointed Mr. Nikhil Mallavarapu as Manager-Projects. He has Master Degree in Electrical and Computer engineering from Carnegie Mellon University, USA. He has over 4 years of experience & worked with Analog Devices, USA. He is the son of Mr. Apparao V Mallavarapu, Chairman & Managing Director of the company.

Pursuant to the provisions of Section 314(1)(b) of the Companies Act, 1956, the consent of the shareholders is required to be obtained at the General Meeting held for the first time after the appointment.

Your Directors felt that the appointment of Mr. Nikhil Mallavarpu would be in the best interest of the company and accordingly recommend the passing of the resolution proposed at Item No.4 of the Notice.

Mr. Nikhil Mallavarapu holds 581,314 shares of the company.

None of the directors except Mr. Apparao V Mallavarapu is interested in the said resolution.

#### Item No. 5:

In order to attract and retain qualified, talented and competent personnel in the Company, it is proposed to have an "Employee Stock Option Plan". This also provides an opportunity to the employees to participate in the growth of the company.

A stock option plan (Centum ESOP - 2013 or Plan) for issue of options convertible into equity shares to the employees and directors of the Company is being formulated in line with the guidelines issued by Securities and Exchange Board of India. The Board of Directors has, at its meeting held on 30th May 2013 constituted a Compensation Committee consisting of three directors for administration and superintendence, including formulating of terms and conditions of the Centum ESOP - 2013.

The issue of options shall be in conformity with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999 including any modifications therein from time to time (hereinafter referred as "Guidelines").

The broad terms and conditions of Centum ESOP - 2013 are as under:

#### a) The total number of options to be granted:

The total number of options that may be granted under Centum ESOP - 2013 in one or more tranches are 250,0000 (Two hundred and fifty thousand only) in aggregate which would result in additional 250,000 equity shares of Rs 10/- each in the Company on exercise of such options.

#### b) Class of Allottees:

The Company shall formulate Centum ESOP - 2013 for issue of shares to its permanent employees. Centum ESOP - 2013 would be applicable to all such permanent employees whether working in India or out of India, a director of the Company whether whole time director or not but excluding promoters, and promoter director.

#### c) Requirements of vesting, period of vesting and maximum period within which the options shall be vested:

The minimum period of vesting is one year from the date of grant of option and the maximum period shall be not more than four years. The Compensation Committee shall decide on the vesting schedule in respect of employees. The vesting may also happen in one or more tranches as may be decided and approved by the Compensation Committee.

#### d) Exercise price or pricing formula:



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As per the SEBI Guidelines, the Company granting options to its employees pursuant to Employee Stock Option Scheme will have the freedom to determine the exercise price subject to conforming to the accounting policies specified in clause 13.1 of the Guidelines. The exercise price of an option that shall be fixed shall be based on the "Market Price" as is decided by the Compensation Committee in accordance with the Guidelines.

**e) Exercise period and process of exercise:**

The exercise period of the options shall be ten years from the date of vesting of the options. In order to exercise the options, such employee or director shall give an exercise notice as per the draft provided in the Plan to the designated officer along with the full consideration of the option to be exercised. The employee or director may apply for exercise of options in any number of lots from the date of vesting. The Plan provides for specific time frames, under which the employee or director may exercise the options. The options shall not be permitted to be exercised after the expiry of the above mentioned exercise period. After this date, all the options vested and remain unexercised under the Plan will lapse.

**f) The appraisal process for determining the eligibility of employees and directors to Centum ESOP - 2013:**

Options under Centum ESOP - 2013 shall be given to the employees and directors based on the appraisal system. The appraisal process shall include evaluation of an employee or director based on one or more criteria for determining eligibility of the employee or director to be granted options, some of which are enumerated below:

- i. Work related or academic performance of the employee;
- ii. Length of service in the Company;
- iii. Potential of the employee to contribute to the Company's performance;
- iv. Position held in the Company;
- v. The extent of contribution made by the employee towards business results, achievement of medium to long term performance plans of the Company, processes and customer satisfaction or employee satisfaction;
- vi. High market value/difficulty in replacement;
- vii. High risk of losing the employee to competition.

**g) Maximum Number of options to be issued per employee or director and in aggregate:**

It is proposed that no Eligible Employee shall be granted, in any fiscal year of the Company, Options to purchase more than or equaling 0.25% of the outstanding issued equity share capital as on the date of Grant (excluding outstanding options, warrants and conversions) and would not in the aggregate exceed 0.6 % of Equity shares.

**h) Method of Valuation:**

The Company is granting the options to employees and directors at a price based on the "Market Price", as defined in the Guidelines. The Company shall use Intrinsic Value Method to value the options issued under Centum ESOP - 2013.

**i) Accounting Policies:**

The Company shall comply with the accounting policies specified in clause 13.1 of Guidelines based on the intrinsic value of the options in respect of the Shares issued under Centum ESOP - 2013.

**j) Statement:**

## Notice (Contd...)

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Since the Company calculates the employee compensation cost using the intrinsic value of the Stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors Report and also the impact of this difference on profits and on Earnings Per Share (EPS) of the Company shall be disclosed in the Directors Report.

The provisions of the Companies Act, 1956 & Guidelines, contemplate consent of the members by way of special resolution in General Meeting for further issue of shares to persons other than the existing holders of shares.

A copy of the draft Centum ESOP - 2013 is available for inspection at the registered office of the Company and will also be available for inspection during the General Meeting.

The Board of Directors recommends the passing of the proposed resolution as a special resolution and requests your approval for the same.

None of the Directors of the Company are concerned or interested in the said resolution to the extent of any options, which may be granted to them pursuant to Centum ESOP - 2013.

Place: Bangalore  
Date: 30 May, 2013

By the order of the Board  
for **Centum Electronics Limited**  
**Apparao V Mallavarapu**  
**Chairman & Managing Director**

### Brief details of director proposed to be re-appointed at the Annual General Meeting

Mr. Rajiv C Mody is willing to act as a Director of the company, if so appointed and has consented for being appointed as a director of the company.

Mr. Rajiv C Mody is the Chairman and Managing Director and founder of Sasken Communication Technologies Ltd (Sasken). The Company was set up in the Classical tradition of Silicon Valley Startups, in a garage in Fremont, California.

He qualified in electrical engineering from M.S University, Baroda and Masters Degree in Computer Science from Polytechnique Institute of New York. He worked for Advanced Micro Devices, Seattle Tech Inc., and VLSI Technology Inc., in USA. At VLSI, Mr. Rajiv C Mody was responsible for the design, development and integration of Physical design tools for Gate- Array and Standard Cell Design Styles.

He has Co- authored a patent in the area of Physical design and published a paper at the ICCAD conference. He has been with Sasken since inception. He has over 25 years of experience in the technology business.

Your Directors feel that the appointment of Mr. Rajiv C Mody would be in the best interest of the company and accordingly recommend the passing of the resolution proposed at Item No.2 of the Notice.

Mr. Rajiv C Mody does not hold any shares of the company.

No Director other than Mr. Rajiv C Mody is in any way concerned or interested in the said resolution.

## Directors' Report

Your Directors have pleasure in presenting their Twentieth Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31st March 2013.

### FINANCIAL HIGHLIGHTS

Rs.Millions

Particulars	CONSOLIDATED		STANDALONE	
	2012-13	2011-12	2012-13	2011-12
Revenue	2,835.13	2,585.38	1,824.11	1,826.00
Profit before Depreciation and Interest	345.65	324.05	24.89	183.25
Depreciation	154.95	147.05	75.82	74.66
Interest	41.67	43.28	27.76	31.81
Profit before tax	149.03	133.72	(78.69)	76.79

### PERFORMANCE

During the current year of operations, your company has registered consolidated revenue of Rs. 2,835.13 million, an increase of about 10% compared to the previous financial year. Your company posted Profit before Taxes of Rs. 149.03 million with an increase of 11% over the previous financial year.

During the year, significant contributions were made in the Strategic Electronic programs. The investments made in the global sales & marketing initiatives have started to yield results during the year in the form of new customers and new product introductions. These will result in higher revenues in the coming years.

Your company has received the below awards during the year under review:

1. Best Electronics Manufacturing Industry award for the year 2012 from the India Electronics and Semiconductor Association (IESA).
2. High Growth in Electronic Hardware exports award from the Soft Technology Park of India (STPI).

### SUBSIDIARY

During the Fifth year of operations, Centum Rakon India Private Limited has registered revenue of Rs. 1078.73 million and posted Profit before Taxes of Rs.227.82 million.

### CONSOLIDATED FINANCIAL RESULTS

The Consolidated Financial statements have been prepared by the Company in accordance with the applicable Accounting standards (AS-21, AS-23 and AS-27) issued by the Institute of Chartered Accountants of India and the same together with the Auditor's Report thereon form part of the Annual Report.

### HUMAN RESOURCES

The human capital has been recognized as a vital factor in achieving the goals and objectives of the organization. Emphasis is placed to build a network of dedicated and experienced professionals who would strive for organizational growth by maximizing the effectiveness while the policies and practices would foster employees' satisfaction, retention and productivity.

### PARTICULARS OF EMPLOYEES

Information pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office address.

### EMPLOYEE STOCK OPTION PLAN

As a measure of rewarding the employees, your company had introduced an Employee Stock Option Plan (ESOP) during the year 2007.

## Directors' Report (contd...)

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The particulars prescribed under Guideline 12.1 of the SEBI (Employee Stock Option scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are given in the annexure included in this report.

### DIRECTORS

The changes that had occurred in the composition of the Board of Directors are given below:

Mr. Manny Marimuthu resigned as Director w.e.f. August 16, 2012.

In terms of the provisions of Section 256 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Rajiv C Mody, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The particulars relating to Mr. Rajiv C Mody are mentioned in the Report of Corporate Governance. Your Directors recommend for the re-appointment of Mr. Rajiv C Mody.

None of the Directors of the company are disqualified for being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

The re-appointment of the aforesaid director have been included as an item in the notice convening the ensuing Annual General Meeting.

### DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of Companies (Amendment) Act, 2000, the Directors confirm that:

- i. in the preparation of annual accounts for the year ended 31st March 2013 all the applicable Accounting Standards had been followed along with the proper explanations relating to material departures, if any;
- ii. accounting policies were adopted and applied 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 as at 31st March 2013 and of the profit or loss of the Company for year ended on that date;
- iii. 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; and
- iv. the Directors had prepared the annual accounts on a going concern basis.

### CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the company has complied with the requirements. The Certificate on compliance of Corporate Governance requirements, issued by the Statutory Auditors is annexed to the Report of Corporate Governance.

### AUDITORS

M/s BSR & Co., Chartered Accountants, Statutory Auditors of the company will retire at the forthcoming annual general meeting and they are eligible for re-appointment. Your Directors recommend the re-appointment of the above Statutory Auditors and resolution in this regard forms part of the agenda for the forthcoming Annual General Meeting, requiring approval of the shareholders. The retiring auditors have furnished a certificate of their eligibility for reappointment under Sec 224 (1B) of the Companies Act, 1956 and have indicated their willingness to continue.

### MANAGEMENT DISCUSSION AND ANALYSIS

In compliance with the requirements of the listing agreement, a detailed Management Discussion and Analysis Report giving details of the company's business and operating results is annexed to this report.

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

The particulars prescribed under subsection (1) (e) of Section 217 of the Companies Act, 1956 read with the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are given in the annexure included in this report.

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## ACKNOWLEDGEMENTS

Your Directors thank the customers for their continued patronage and the investors, bankers and vendors for their continued support.

Your Directors acknowledge and thank the invaluable contributions of all the employees, who have demonstrated their skill, teamwork and commitment through their competence, hard work, cooperation and support.

Your Directors would also like to place on record the support received from, the Electronic Hardware Technology Park, the Customs and Excise Departments, the Reserve Bank of India, the Department of Industries and Commerce, Karnataka, the Karnataka Udyog Mitra and all the other Central and State Governmental agencies.

for and on behalf of the Board

Place: Bangalore  
Date: May 30, 2013

**Apparao V Mallavarapu**  
Chairman & Managing Director

**Manoj Nagrath**  
Director

## ANNEXURES TO THE DIRECTORS' REPORT

### INFORMATION PURSUANT TO THE SECTION 217(1)(e) OF THE COMPANIES ACT, 1956.

#### 1. CONSERVATION OF ENERGY

The Company continues to accord priority to energy conservation. Company's 'energy saving' team is committed to minimize the energy consumption and is implementing several energy saving projects. Consistent efforts are being made for identifying potential areas for energy saving.

Some of the measures your company had undertaken during the period under report in the high priority area of Energy Conservation are:

- By changing the design of cooling tower files & basin, improved Chiller Cooling tower efficiency.
- Chemical descaling of all the AHU'S cooling coil was carried out and improved the efficiency of Centralized AC system.
- 800KVA Transformer circuit improved the average power factor from 0.94 to 0.97 and reduced the demand.
- San power dryer - Molecular sieves changed in-place of molecular sieves and improved the dew point & reduced Furnace trial runs.
- Monitored LT voltage & found to be less, discussed with BESCO and improved the Voltage.
- Regularly monitored the top 10 power guzzlers like Chiller, Process Chillers, Air Compressors, etc., on daily basis and fixed the maximum limits to control the power cost.
- VFD (Variable Frequency Drive) installed for process chilled water circulation to improve the efficiency.

#### 2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

Technology Absorption:

- Centum developed and qualified new processes & designs for MIL grade dc-dc converters. These will find several applications in different missiles and other defense systems.
- Many processes in the chip and wire bond area have been developed and qualified for space applications.
- Installed capability of Wave soldering machine for the manufacturing of products required by the Defense and Aerospace customers.

Directors' Report (contd...)

Research and Development (R&D) and benefits derived thereon:

(i) Specific areas in which R&D carried out by the Company:

- Development of Low to Medium power dc-dc converters for Defense application.
- Hybrid version dc-dc converters for Satellite application.

(ii) Benefits derived as result of the above R&D

- Ability to develop modules for mid-power range dc-dc converters that can be combined to get a high-power dc-dc converters.
- Development of the capabilities to build TR modules, Transmitters operating in different frequency bands with different power ratings.
- Digitally tuned wide band filters for defense communication application.

(iii) Future Plan of Action

- Development & Productionisation of RF subsystems.
- Increasing the Design and Development capabilities on thin-film based modules & subsystems.
- Component engineering services.

(iv) Expenditure on R & D

	Rs in Millions	
For the year ended 31st March	2012-13	2011-12
A. Capital	2.58	1.19
B. Recurring	20.55	14.48
C. Total	23.13	15.67
Total R&D expenditure as a % of total turnover	1%	1%

**3. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 40 & 41 and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2013.

**EMPLOYEE STOCK OPTION PLAN**

Particulars prescribed under Guideline 12.1 of the SEBI (Employee Stock Option scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and forming part of the Directors Report.

1	Total Size of ESOP	4,16,666 options (each option represents one share)
2	Options granted	4,16,519
3	Pricing Formula	Closing price, prior to the date of the meeting of the Compensation Committee in which Options are granted
4	Options vested	1,41,094
5	Options exercised	31,850
6	Number of shares arising as a result of exercise of option	31,850
7	Options lapsed/surrendered/forfeited	49,316
8	Variation of terms of options	NA
9	Money realized by exercise of options	Rs. 1,006,460
10	Total number of options in force	3,35,353
11	Grant to senior management personnel	Gopinath Vedprakash 15,400 Vinod S Chippalkatti 29,526 P M Unnikrishnan 21,234 Desikan KS 28,426 Sandhya Thyagarajan 18,600 Perry Duffill 26,950 G Jagadish Singh 21,467 Rahul Khare 19,900
12	Employees receiving more than 5% of the options in a year	NIL
13	Employees receiving grants equal or more than 1% of the issued capital	NA
14	Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS20	Rs. (4.64)
15	Impact on Net Loss and EPS	Loss after tax reduced by Rs. 68,537. EPS increased by Rs. 0.001.
16	Method used to estimate the fair value of options	Black Scholes model
17	Significant Assumptions used	
	a. Dividend Yield	10%
	b. Risk free interest rate	5.7-8.6%
	c. Expected Life of Option	1-4 years
	d. Expected Volatility	64.89%

For and on behalf of the Board

Place: Bangalore  
Date: May 30, 2013

**Apparao V Mallavarapu**  
Chairman & Managing Director

**Manoj Nagrath**  
Director

### Management Discussion & Analysis

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#### COMPANY BACKGROUND

Centum Electronics Limited (Centum) designs, manufactures and also exports electronic products. These include subsystems, modules, box builds, besides complex electronic components.

Centum serves customers engaged in mission critical solutions with advanced tailor-made technologies. These range from Strategic Electronics (Space, Defense and Aerospace) to Industrial, Communications, and Medical.

Centum has been steadily increasing its product and service range, geographical reach and catering to increased industry segments in its goal to expand its offerings and become the sophisticated one stop shop OEMs are seeking.

With extensive design & development expertise and leading-edge enabling technologies Centum is now the industry leader in India in electronics solutions & components.

The strategy over the years has been consistent and is based on high customer focus with competent people, state of the art technology and high quality products.

Centum's vision is "To Create Value by contributing to the Success of its Customers, by providing best-in-class Electronics Design and Manufacturing Solutions in high technology areas".

#### INDUSTRY STRUCTURE AND DEVELOPMENT

Broadly, the electronics industry is categorized under Consumer, Medical, Strategic Electronics, Communications, Automotive and Industrial segments.

Government of India has recognized the importance of Electronic industry and announced the National Electronics Policy (NEP) <http://deity.gov.in>. The demand of the Indian market is expected to reach USD 400 Billion by 2020. At the current growth rate, the domestic production is expected to reach USD 100 Billion leaving a gap of USD 300 Billion. The Government's vision is to create a globally competitive Electronics System Design and Manufacturing (ESDM) industry to meet the country's needs and serve the international markets. To meet this vision, the Government has introduced a scheme for Electronics Manufacturing Cluster (EMC) <http://deity.gov.in> to ensure world class infrastructure and facilities to be provided to attract investments. Accordingly, the Government has decided to offer financial support in the formation of EMCs. Further to attract investments, the Government has introduced Modified Special Incentive Package Scheme (MSIPS) <http://deity.gov.in> for new and expansion of existing units. This scheme offers an incentive up to 25% of the value of investment in Plant and Machinery. We hope the focus given by the Government of India will create many more opportunities in the ESDM sector.

As a company we operate in Strategic Electronics, Communication, Industrial and Medical industry segments.

#### STRATEGIC ELECTRONICS

##### a. Defense

The Indian Defense Budget is increasing year on year both in terms of the total value and also as a percentage of the budget allocation itself. Of the total defense budget, the percentage of expenditure towards Capital head is increasing every year creating an even bigger opportunity for the defense market. Also studies show that Indian defense market is one of the most attractive defense markets in the world.

The Armed forces, till recently, procured their requirements either from direct imports or products developed by DRDO labs and productionized by defense PSUs or the Ordnance factories. Due to Govt of India's focus on self reliance, new opportunities are emerging in this sector.

To accelerate the process of self reliance, DRDO labs are partnering with private industries in designing new products and also willing to transfer technologies of complex products which hitherto were partnering only with PSUs or Ordnance Factories.

Till recently, the indigenous defense manufacturing was restricted to Defense Public Sector Units and Ordnance Factories only. However, in the recent past, the Government is encouraging the private industry participation. Due to increasing requirements, the Defense PSUs and the Ordnance Factories who have huge order book (BDL order book Rs. 19,000 crores and revenue 2011-12 Rs.959 crores, BEL order book Rs. 25,748 crores and revenue



2011-12 Rs. 5,703 crores, and HAL revenue 2011-12 Rs. 12,693 crores), should more actively work with the private industry to fulfill the requirements. However due to legacy issues of being vertically integrated, the PSUs still do not involve the private industry as much as they should, to be mutually successful.

The Defense Procurement Policy (DPP) of Government of India has created a huge opportunity for Indian industries. Due to this policy the international suppliers of defense products to India are actively looking to procure from high quality companies in the defense segment to meet their offset obligations. Also in some cases, the DPP calls for Buy & Make requirements, due to which many multinational companies are planning to manufacture the products in India either thro' licensing agreement or joint ventures. Also, the latest DPP provides for offset credits for the technologies transferred (TOT) to Indian companies, which will encourage the foreign companies to transfer know how, thereby creating more opportunities to Indian companies.

#### **b. Space**

India has a space program which is very vibrant and successful. The Government of India has given the Indian Space Programme a special status and the budget allocation in the 12th Plan period is 151% higher than the 11th Plan period.

The number of satellite launches by the Indian Space Agency has been increasing steadily in the last few years and ISRO plans to launch eight satellites per year in the near future. Until recently ISRO manufactured the systems and subsystems in-house or imported them. However, due to the increased requirements coupled with Government's focus on self reliance ISRO, is actively involved in developing the private industry in meeting their increasing requirements.

Due to increased financial and other controls by the Government of India, the sales cycle in this sector has increased significantly and in some cases by years.

#### **COMMUNICATIONS**

This market comprises of Terminal equipments such as the mobile phones, PDA etc. and the infrastructure equipments such as Base Station, Transmission equipments etc. Centum Rakon manufactures Frequency Control Products (FCP) to primarily cater to the infrastructure equipment companies. After consolidation in the past few years, this market is dominated by companies like Ericsson, Nokia Siemens, Alcatel - Lucent, Huawei etc., Although the Telecom market worldwide is increasing, the market is highly competitive and companies are looking for high quality suppliers from the emerging countries to make their products competitive in the market place. We see this as a growing market for our FCP products.

#### **INDUSTRIAL**

This sector comprises of segments like Power, Process Automation, Instrumentation, Energy etc. Industrial sector is one of the late entrants to the concept of outsourcing their electronic hardware compared to Telecom and IT sectors. This was due to the stringent quality requirements and long product lifecycles. The large multinationals in this industry segment are focusing on low cost countries like India for their outsourcing requirements due to the design, engineering and testing skills required to manufacture these products. This is growing market for our products and services.

We also see a trend of multinational companies starting green field projects or acquiring companies in India. To make their products competitive these Indian Units, are creating a supply chain eco system in the country.

#### **STRATEGIES & BUSINESS OUTLOOK**

The company's strategy focuses on industry segments, technology and geographies.

- To ensure that the company is not dependent on any one industry segment, it operates in Space, Defense, Aerospace (Strategic Electronics), Industrial, Communication and Medical Electronics.
- The strategy of the company is to operate in high technology areas in the above mentioned industry segments.
- The strategy of the company is to address the global markets. We have segmented our markets as North America, Europe, India, and rest of Asia. This is to ensure that any economic down turn in any one region,

### Management Discussion & Analysis (contd...)

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has limited impact on the company.

The products & services that your company offers can be classified broadly into “Built to Specification” (BTS) and “Built to Print” (BTP) opportunities.

#### **BTS**

Under this business model, the customer gives only the specifications and the company designs, develops and manufactures the product. As design is the critical factor in functioning of the product, the Value Add is generally higher than the BTP business. However, as the design and development phase involves multiple iterations and certifications, the lead time to take this to mass production is generally long. All of the current communications business which is done by the subsidiary, most of the space business and some of the defense business that the company is involved in, fall under this category.

To be successful in this segment, the company has a strong design and technology team of over 100 engineers including engineers with Masters and Doctoral degrees from highly reputed universities.

#### **BTP**

In this business model, the customer supplies the design and the company builds the product to the design provided by the customer. The critical success factor of the BTP model is operational excellence thro’ efficient supply chain management and lean manufacturing practices. As the design is ready, generally the ramp to the production phase is quicker. All of the current Industrial business, some of the Defense & Aerospace and space business that the company is involved in, fall under this category.

As BTP business is working capital intensive, the company is selective and works only with highly reputed domestic and international customers.

#### **INTERNATIONAL SALES & MARKETING:**

To ensure that we have the global reach and in line with our strategy, we have invested significantly in worldwide Sales & Marketing. We have started Sales & Marketing offices in North America and Europe. We have hired senior talent from the industry segments to enhance market presence.

#### **BUSINESS OUTLOOK:**

##### **STRATEGIC ELECTRONICS**

Your company has established itself as a major player in the Strategic Electronics arena. The strategy will be, to continue to consolidate and grow this business thro’ innovation, design, technology, quality and overall competitiveness. Over the years, your company has designed and manufactured systems & modules for the Strategic Electronic industry by delivering advanced and complex products many of which are, for the first time by an Indian company.

- Our strategy for this business has been and will continue to co-develop new products with ISRO & DRDO Labs. The advantage of this approach is your company’s product will get designed in and will have good potential when the final product goes into production phase. In this initiative, we are already working with ISRO & DRDO labs. The risk of this strategy is, in case the project/program does not fructify for any reason, then the R&D effort may go waste.
- The other approach for this business is to indigenize products that are currently being imported and the advantage with this is that once the product is developed it immediately goes into production quantities. Here again, we are developing and have seen some excellent results. The risk of this strategy is, the incumbent overseas supplier may slash the price just to keep the competition out since the Govt., of India procurement rules favour only the lowest bidder.
- The other opportunity in the Strategic Electronics is that of “off-set” and we see significant potential in this. We have already received orders for off-set and off-set business will be a significant part of Strategic Electronics business. The company has made a strategic decision to enter the RF domain and has made

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significant investment in terms of human resource, software and plant & machinery.

### **INDUSTRIAL ELECTRONICS**

Your Company's strategy for this market is to focus on high mix medium-to-low volume opportunities which need very high quality products and also have long product life cycles. This segment has very unique and demanding requirements. The company over the past many years has developed special processes, created specialized infrastructure and human resources and has strong domain knowledge to meet these requirements and make it as a very attractive supplier to the global OEMs. Your Company is already well entrenched into this sector and seeing good growth rates from existing customers and also adding new customers both from within India and outside.

### **COMMUNICATIONS;**

Your company's subsidiary, Centum Rakon manufactures Frequency Control Products (FCP) a critical component in the Telecom Infrastructure business segment. The subsidiary has been delivering high quality products at competitive prices, because of which we are seeing a significant increase in the market share. Last year we started to manufacture the key component, "Crystal", which was imported from Rakon till then. This development made the subsidiary even more competitive, thereby able to increase the market share significantly. The company is already one of the top 3 OCXO manufactures in the world and we hope to further increase our position.

### **HUMAN RESOURCES**

Your company has some of the best talent in the country coming from various domains of experience. Great emphasis is given in ensuring that the employees have a rewarding experience working for your company. Special attention is given for training and upgrading of peoples' skills, providing excellent working conditions, bench mark with other large companies while rewarding the employees.

The Kaizen and Lean Six Sigma initiatives have been in place and have been institutionalized with all the employees of the company taking active part in the same. This has helped in improving the operational excellence continuously and the company has seen the benefits of this in the form of better customer satisfaction.

### **INFRASTRUCTURE**

The company currently operates from 4 locations in Bangalore. To consolidate some of these locations and also for future growth, the company has acquired 6 acres of land at Bengaluru Aerospace Park, Devanahalli, Bangalore, from the Government of Karnataka. Construction is planned to start during the year 2013-14.

### **RISK FACTORS**

In the Strategic Electronics business as the products are hi-tech and complex, the approval and certification cycles can get much longer than originally planned. This can result in delays in deliveries affecting the revenues. Also some of the products are very complex with only a handful of companies in the world that are capable of developing them and so the risk of product development is high.

In the domestic Strategic Electronics market there are some duty anomalies which, when we compete with the Public Sector Undertakings (PSUs), make the PSUs more competitive. However, we have represented this issue with the Government and the same is under consideration.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your company has placed strong emphasis and effort on the internal control systems. The internal checks and balances are augmented by a formal system of Internal Audit by Ernst & Young.

### **FINANCIAL CONDITION (STANDALONE)**

#### **SHARE CAPITAL**

The share capital of the company stands at Rs. 123.65 million.

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## Management Discussion & Analysis (contd...)

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### LOANS

The Secured Loans have decreased by Rs. 19.32 million from Rs. 357.17million as on 31st March 2012 to Rs. 337.85 million as on 31st March 2013.

### FIXED ASSETS

The Capital expenditure for 2012-13 is Rs. 29.16 million.

### WORKING CAPITAL

Inventories has increased by Rs. 111.43 million from Rs 357.75 million as on 31st March 2012 to Rs 469.18 million as on 31st March 2013.

Receivables has gone down by Rs. 5.82 million from Rs. 591.95 million as on 31st March 2012 to Rs. 586.12 million as on 31st March 2013.

Current liabilities has increased by Rs.104.34 million from Rs. 380.55 million as on 31st March 2012 to Rs.484.89 million as on 31st March 2013.

### CASH FLOWS

	Rs. million
Cash flows from Operating activities	23.92
Cash inflows in Financing activities	(46.64)
Cash outflows in Investing activities	29.90

### RESULTS OF OPERATIONS

The business operation for 2012-13 resulted in the Company, achieving sales of Rs.1824.11 million as against Rs. 1826.00 million for 2011-12.

The Profit before tax for the year 2012-13 is Rs. (78.69) million as against Rs. 76.79 million for the year 2011-12.

## Report on Corporate Governance

### 1) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Centum Electronics Limited firmly believes that implementation of good corporate governance will help the Company to achieve Corporate goals and enhance stakeholders value. Your company's philosophy on corporate governance envisages attainment of the highest level of transparency, accountability and integrity in all facets of its operation. The fundamental objective is enhancement of long-term shareholder value, while at the same time protecting the interests of other stakeholders.

### 2) BOARD OF DIRECTORS

#### A) COMPOSITION

The composition of the Board is 6 members. There are 4 independent directors on the Board of the company. The composition of the Board of Directors as at 31 March 2013 is as follows:

Name	Category	Designation	Number of other Directorships *	Number of other Board Committees Membership/ Chairmanship**
Mr. Apparao V Mallavarapu	Executive and Non Independent	Chairman & Managing Director	2	3
Mr. S. Krishnan	Non-Executive and Independent	Director	2	3
Dr. P Rama Rao	Non-Executive and Independent	Director	1	1
Mr. Manoj Nagrath	Non-Executive and Independent	Director	1	2
Mr. Rajiv C Mody	Non-Executive and Independent	Director	5	2
Mr. Manny Marimuthu***	Non-Executive and Non-Independent	Director	3	-

\* Only the Directorships of the Indian Companies have been taken into consideration.

\*\* List includes Centum Electronics Limited.

\*\*\* Resigned w.e.f. 16 August, 2012.

None of the Directors of the company were members in more than ten committees or acted as chairman of more than five companies across all companies in which they are directors.

None of the Independent Non-Executive directors of the company have any pecuniary relationships or transactions with the company.

#### B) BOARD MEETINGS

The Board has met four times during the financial year 2012-13 i.e. on May 25, 2012, August 3, 2012, November 8, 2012 and February 7, 2013. The details of the attendance of each director at the board meetings and the last Annual General Meeting ('AGM') are as given below:

Name of the Director	Number of meetings attended	Attendance at the last AGM
Mr. Apparao V Mallavarapu	4	Yes
Mr. S. Krishnan	4	Yes
Dr. P Rama Rao	4	Yes
Mr. Manoj Nagrath	4	Yes
Mr. Rajiv C Mody	-	No
Mr. Manny Marimuthu*	-	NA

\* Resigned w.e.f. 16 August, 2012

Report on Corporate Governance (contd...)

**C) CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT**

The company has adopted the Code of Conduct for Directors and Senior Management and the company receives the annual affirmations with regard to the adherence to the Code of Conduct for the financial year 2012-13. The Code of Conduct is available on the company’s website ([www.centumelectronics.com](http://www.centumelectronics.com))

**D) TERM OF OFFICE OF DIRECTORS**

Pursuant to the provisions of Section 255, 256 and all other applicable provisions of the Companies Act, 1956, two-thirds of the directors are in the category of directors required to retire by rotation and one-third of those directors would retire every year and if eligible, they might seek re-appointment at the annual general meetings.

**E) RE-APPOINTMENT OF DIRECTORS**

In terms of applicable provisions of the Companies Act, 1956, Mr. .Rajiv C Mody, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Rajiv C Mody is the Chairman and Managing Director and founder of Sasken Communication Technologies Ltd (Sasken). The Company was set up the Classical tradition of Silicon Valley Startups, in a garage in Fremont, California.

He qualified in electrical engineering from M.S University, Baroda and Masters Degree in Computer Science from Polytechnique Institute of New York. He worked for Advanced Micro Devices, Seattle Tech Inc., and VLSI Technology Inc., in USA. At VLSI, Mr. Rajiv C Mody was responsible for the design, development and integration of Physical design tools for Gate- Array and Standard Cell Design Styles.

He has Co- authored a patent in the area of Physical design and published a paper at the ICCAD conference. He has been with Sasken since inception. He has over 25 years of experience in the technology business.

Mr. Rajiv C Mody does not hold any shares of the company.

The directors recommend the re-appointment of Mr. Rajiv C Mody as a Director of the company and is included in the notice convening the ensuing Annual General Meeting.

**3) BOARD COMMITTEES**

The Board of Directors has constituted committees, which are mandatory with appropriate delegation of powers. These committees are functioning as required.

**A) AUDIT COMMITTEE**

As a measure of good corporate governance and to provide assistance to the Board of Directors in overseeing the Boards responsibilities, an Audit Committee was formed on January 29, 2001 as a Sub-committee of the Board. The functions of the Audit Committee include:

- Overseeing of the company’s financial reporting process and disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of the external auditor, fixation of the audit fees and also approval for payment of any other services.
- Reviewing the adequacy of the Internal Control systems with the Management, statutory and internal auditors.
- Reviewing the company’s financial and risk management policies.

The composition of the audit committee is as follows:

Mr. Manoj Nagrath	Chairman	Non Executive
Mr. Apparao V Mallavarapu	Member	Executive
Mr. S. Krishnan	Member	Non Executive
Dr. P Rama Rao	Member	Non Executive

The Chairman of the Audit Committee is an Independent Director.

The audit committee has met 4 times during the financial year i.e., May 25, 2012, August 3, 2012, November 8, 2012 and February 7, 2013. The details of the attendance at such meetings is as follows:

Name of the Member	Number of Meetings Held during the year	Number of meetings attended during the year
Mr. Manoj Nagrath	4	4
Mr. Apparao V Mallavarapu	4	4
Mr. S. Krishnan	4	4
Dr. P Rama Rao	4	4

The Company Secretary acts as the Secretary to the Committee.

#### B) REMUNERATION COMMITTEE

The remuneration committee was constituted on January 29, 2002 to review the payment of remuneration to the executive directors. The composition of the remuneration committee is as follows:

Mr. Manoj Nagrath	Chairman	Non-executive
Mr. S. Krishnan	Member	Non-executive
Dr. P Rama Rao	Member	Non Executive

During the year, a sitting fee of Rs.2,000/- per meeting (Board and Audit Committee) is paid to the Non-Executive Directors attending the meeting in person. As there was no change in the terms and conditions of the payment of remuneration to the Chairman & Managing director, the Committee has not met during the year.

The Company is paying Remuneration to the Chairman & Managing Director of the Company. The details of the same are disclosed in the notes to accounts under Managerial Remuneration.

The Company Secretary acts as the Secretary to the Committee.

#### C) SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The shareholders'/Investors' Grievance Committee has been formed for the effective redressal of the investors' complaints, reviewing the activities of the share transfer committee and reporting of the same to the Board periodically.

The composition of the shareholders/investors grievance committee is as follows:

Mr. Manoj Nagrath	Chairman
Mr. Apparao V Mallavarapu	Member
Mr. S. Krishnan	Member

Compliance Officer - Mr. Ramu Akkili, Company Secretary

The company has received complaints/requests during the year from the shareholders. All the complaints have been redressed to the satisfaction of the shareholders. An analysis of the complaints /requests is as follows:

#### Status of Redressal of investors' grievances from 01.04.2012 to 31.03.2013

Sl. No.	Nature of Complaints	Opening Balance	Received	Redressed	Pending
1.	Non-receipt of securities	Nil	7	7	NIL
2.	Non-receipt of Dividend Warrants	Nil	10	10	NIL
3.	Non-receipt of Annual Reports	Nil	2	2	NIL
4.	Others	Nil	170	170	NIL
	Total	Nil	189	189	NIL

Report on Corporate Governance (contd...)

**D) COMPENSATION COMMITTEE**

The Compensation Committee has been formed for the administration and supervision of the Employee Stock Option Plan (ESOP).

The composition of the Compensation committee is as follows:

Mr. Manoj Nagrath	Chairman
Mr. S. Krishnan	Member
Mr. Apparao V Mallavarapu	Member

During the year 2007-08, the Committee had granted 87,400 options to the employees of the Company. Out of these options granted, 11,100 options were forfeited and 76,300 options were surrendered.

During the year 2009-10, the Committee has granted 88,700 options of which 15,550 options were forfeited.

During the year 2010-11, The Committee granted 55,400 options of which 17,600 options were forfeited.

During the year 2011-2012, the Committee has granted 288,319 options of which 32,066 options were forfeited.

**4) SUBSIDIARY COMPANIES**

The company has a subsidiary, Centum Rakon India Private Limited, which is a joint venture between the Company and Rakon Ltd of New Zealand.

Mr. S Krishnan, an independent director of the company is a director of the subsidiary.

**5) DISCLOSURES**

**a) Related Party Transactions**

There are no materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the Directors, the Management, their subsidiaries or the relatives etc. that may have potential conflict with the interests of the company at large.

Details of the significant related party transactions with the group companies are given in the appended financial statements under Note No. 34 of the notes to the accounts of the financial statements.

**b) Compliance with Statutory/legal requirements**

There are no non-compliances by the company and no penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any other statutory authority, on any matter related to capital matters, during the last three years.

**c) Compliance with Accounting Standards**

Your company confirms that it has complied with all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

**d) Compliance of mandatory requirements**

The company is pleased to inform you that your company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement.

**6) GENERAL BODY MEETINGS**

**a) Date and venue of the last three AGMs are given below:**

Year	Date	Venue	Time	Number of special resolutions
2009-10	September 28, 2010	No 44, KHB Industrial Area Yelahanka New Township Bangalore-560064.	3.00 P.M.	-
2010-11	August 11, 2011	No 44, KHB Industrial Area Yelahanka New Township Bangalore-560064.	11.00 A.M.	-
2011-12	August 3, 2012	No 44, KHB Industrial Area Yelahanka New Township Bangalore-560064.	11.00 A.M	-

# A special resolution was passed through Postal Ballot dated 11th July 2012.



**b) Means of Communication**

The company has its own website viz. [www.centumelectronics.com](http://www.centumelectronics.com). The quarterly, half- yearly and annual results are posted on the company's website for the information of the shareholders.

The results are also published in Business Standard - All editions and Udayavani (Bangalore).

All the material information is promptly sent to the stock exchanges where the shares of the company are listed. The Management Discussion and Analysis Report form part of the Annual Report. Annual reports are sent to each shareholder, brokers and stock exchanges.

**7) GENERAL SHAREHOLDING INFORMATION****A. Annual General Meeting****Date and Time**

7th August 2013 at 10.30 a.m.

**Venue**

No. 44,KHB Industrial Area, Yelahanka New Township, Bangalore-560106.

**B. Dates of book closure**

3rd August, 2013 to 7th August, 2013 (both days inclusive)

**C. Listing on stock exchanges**Bombay Stock Exchange Ltd. (BSE)  
National Stock Exchange of India Ltd. (NSE)**D. Stock Code**BSE - 517544  
NSE - CENTUM**E. Market price data**

Month	BSE		Sensex		NSE		Nifty	
	High	Low	High	Low	High	Low	High	Low
Apr-12	55.05	42.60	17,664	17,010	49.50	49.50	5,262	5,201
May-12	60.00	47.75	17,432	15,810	57.00	57.00	4,949	4,884
Jun-12	77.00	52.50	17,448	15,749	76.95	72.40	5,286	5,189
Jul-12	83.80	73.00	17,631	16,598	82.90	78.00	5,235	5,154
Aug-12	83.90	66.25	17,973	17,027	71.00	65.40	5,303	5,239
Sep-12	72.20	65.60	18,870	17,251	70.00	69.10	5,735	5,683
Oct-12	77.40	67.00	19,137	18,393	76.75	73.50	5,624	5,583
Nov-12	76.00	60.00	19,373	18,256	60.80	60.80	5,885	5,828
Dec-12	68.90	51.75	19,612	19,149	55.90	52.55	5,919	5,897
Jan-13	72.25	48.50	20,204	19,509	55.85	50.60	6,058	6,025
Feb-13	58.40	41.05	19,967	18,794	50.50	46.00	5,850	5,672
Mar-13	52.75	40.00	19,755	18,568	45.90	40.00	5,693	5,605

Source: <http://www.bseindia.com> & <http://www.nseindia.com>

**F. Registrars and Share transfer agents****Name & Address of the RTA**

Karvy Computershare Private Limited  
**Unit: Centum Electronics Limited**  
 Plot No. 17-24, Vittal Rao Nagar,  
 Madhapur, Hyderabad - 500 081  
 Ph: 040-44655186, Fax No. 040-23420814  
 Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

## Report on Corporate Governance (contd...)

**G. Share transfer system**

The composition of the share transfer committee is as follows:

Mr. Apparao V Mallavarapu	Chairman & Managing Director
Mr. K S Desikan	Chief Financial Officer
Mr. Ramu Akkili	Company Secretary

The share transfer committee meets as and when required. The share transfer committee reports periodically to the Shareholder/Investors Grievance Committee on receipt of the Investors' complaints, if any.

The company has delegated the power of share transfers to Karvy Computershare Private Limited, the company's Registrar and Share Transfer Agent ('RTA'). They process the share transfers and the same are approved by the share transfer committee periodically. The share transfers are effected within 15 days from the date of receipt. The shareholders can send their share transfer/demat/remat requests either to the RTA directly or to the company.

**H. Distribution of shareholding**

The distribution of the shareholding as on 31 March 2013 is as follows:

No of equity shares held	No of share holders	% cases	No of shares held
1 - 5000	6937	90.83	717,992
5001 - 10000	330	4.32	264,511
10001 - 20000	170	2.23	247,584
20001 - 30000	66	0.86	164,779
30001 - 40000	38	0.50	139,065
40001 - 50000	20	0.26	91,899
50001 - 100000	39	0.51	287,114
100001 & ABOVE	37	0.48	10,452,239
Total	7637	100.00	12,365,183

**Shareholding pattern**

The shareholding pattern as on 31 March 2013 is as follows:

Particulars	No of shares held	% to total shares
<b>Shareholding of promoter and promoter group</b>	7,563,778	61.17
Public Shareholding		
- Institutions	1,082	0.01
- Non-institutions	4,800,323	38.82
<b>Total</b>	<b>12,365,183</b>	<b>100.00</b>

**I. Dematerialisation of shares and liquidity**

The company's shares are covered under the compulsory dematerialisation list and are transferable through depository systems. M/s Karvy Computershare Private Limited act as our RTA agents. Shares received for dematerialisation are usually registered within 5 days from the date of the receipt if all the documents are complete in all respects. The ISIN number of the company is INE320B01020.

The breakup of the shares held in physical and electronic form as on March 31, 2013 is as follows:

Particulars	No.of holders	Total Shares	%
Physical	1,887	228,035	1.85%
NSDL	4,115	10,324,250	83.49%
CDSL	1,635	1,812,898	14.66%
<b>Total</b>	<b>7,637</b>	<b>12,365,183</b>	<b>100.00%</b>

**J. Financial Year**

The financial Year of the Company is from 1st of April to 31st March .

**K. Financial Calendar**

Tentative calendar of events for the financial year 2013-14 is given below:

Sl. No.	Particulars	Tentative dates
1.	Financial reporting for the quarter ending June 30, 2013.	First week of August 2013.
2.	Financial reporting for the half year ending September 30, 2013.	Last week of October 2013.
3.	Financial reporting for the quarter ending December 31, 2013.	Second week of February 2014.
4.	Financial reporting for the year ending March 31, 2014.	Last week of May 2014.
5.	Annual General Meeting for the year ended March 31, 2014.	August/September 2014.

**L. Outstanding GDRs/ADRs/warrants**

Outstanding GDRs/ADRs/warrants of any convertible instruments, conversion date and likely impact on equity. Nil

**M. Registered Office & plant address / Phone and Fax Numbers**

No 44, KHB Industrial Area  
Yelahanka New Town  
Bangalore - 560 106  
Phone : +91 80 30046000  
Fax : +91 80 30046005

## Report on Corporate Governance (contd...)

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### N. Investors correspondence

Company Secretary  
Centum Electronics Limited  
No. 44, KHB Industrial Area  
Yelahanka New Town  
Bangalore-560 064.  
Phone : +91 80 30046000  
Fax : +91 80 30046005  
E-mail ID : ramua@centumelectronics.com

### Non-mandatory information

1. As detailed in the earlier paragraphs, the company has constituted a remuneration committee.
2. The quarterly results are published in leading English and Kannada newspapers and significant events are published as news items/advertisements in newspapers and on company's website and also communicated to the Stock Exchanges wherever required.
3. Other non-mandatory requirements have not been complied by the company.

By order of the Board  
For Centum Electronics Limited

Place: Bangalore  
Date: 30 May, 2013

**Apparao V Mallavarapu**  
Chairman & Managing Director

**Manoj Nagrath**  
Director

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## Auditor's Certificate

### To the Members of Centum Electronics Limited

We have examined the compliance of conditions of Corporate Governance by Centum Electronics Limited ("the Company") for the year ended on 31 March 2013 as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

for **BSR & Co.**  
*Chartered Accountants*  
Firm registration number: 101248W

Bangalore  
Date : 30 May, 2013

**Supreet Sachdev**  
*Partner*  
Membership Number: 205385

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## Independent Auditor's report

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To the Members of Centum Electronics Limited

### Report on the financial statements

We have audited the accompanying financial statements of Centum Electronics Limited ("the Company") which comprise the balance sheet as at 31 March 2013, the statement of profit and loss and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, 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.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2013;
- (b) in the case of the statement of profit and loss, of the loss 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.

### Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief

## Independent Auditor's report

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were necessary for the purpose of our audit;

- (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the balance sheet, the statement of profit and loss and the cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
- (e) on the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **BSR & Co.**  
*Chartered Accountants*  
Firm registration number: 101248W

**Supreet Sachdev**  
*Partner*  
Membership Number: 205385

Bangalore  
Date: 30 May, 2013

## Annexure to the Auditor's Report

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Annexure referred to in our report to the Members of Centum Electronics Limited ("the Company") for the year ended 31 March 2013. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has granted loan to a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs 60,222,989 and the year end balance of such loan was Rs Nil. The Company has not given loan to any other firm / other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) In our opinion, the rate of interest and other terms and conditions on which the loan has been granted to the company listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (c) In the case of loan granted to a company covered in the register maintained under Section 301 of the Companies Act, 1956, the borrower has been regular in repaying the principal amount as stipulated and in the payment of interest.
- (d) There is no overdue amount of more than Rupees one lakh in respect of the loan granted to a company listed in the register maintained under Section 301 of the Companies Act, 1956.
- (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(ii)(e) to 4(iii)(g) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialised requirements and similarly certain goods and services sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in (a) above and exceeding the value of Rs 5 lakhs with each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time except for purchases of certain items of inventories which are for the Company's specialised requirements and similarly for sale of certain goods and services for the specialised requirements of the buyers and for which suitable alternative sources are

not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of electronic products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2013 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Service tax and Wealth tax which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following Income tax, Sales tax, Customs duty and Excise duty dues have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of exemptions	630,673	Assessment Year 2008-09	Commissioner of Income Tax (Appeals)-Bangalore
Central Sales Tax Act, 1956 & Karnataka Value Added Tax, 2005 (KVAT)	Central sales tax (CST) & Karnataka Value Added Tax (KVAT)	5,106,330*	Financial year 2005-06, 2006-07 & 2007-08	Joint Commissioner of Commercial Taxes (Appeals)-Bangalore
Central Excise Act, 1944	Disallowance of cenvat credit availed	9,988,320**	Financial year 2004-2005 and 2005-2006	CESTAT, Bangalore
Customs Act, 1962	Redemption fine on Customs Duty	1,000,000	March 2007 to July 2007	CESTAT, Bangalore

\* The Company has filed application for refund of KVAT and CST for Rs 16,853,275 for the year 2006-07 and Rs 14,090,789 for the year 2007-08. Further, the Company has paid Rs 2,766,497 under protest against the amount under dispute.

\*\* The Company has paid Rs 1,000,000 under protest against the amount under dispute.



## Annexure to the Auditors' Report (contd...)

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- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of its dues to any banks during the year. The Company did not have any outstanding dues to any financial institution or debentureholders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purposes for which they have been raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for **BSR & Co.**  
*Chartered Accountants*  
Firm registration number: 101248W

Bangalore  
Date: 30 May, 2013

**Supreet Sachdev**  
*Partner*  
Membership Number: 205385

## Centum Electronics Limited

### Balance Sheet

	Note	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
Share capital	2	123,651,830	123,651,830
Reserves and surplus	3	641,147,184	698,943,451
		<u>764,799,014</u>	<u>822,595,281</u>
<b>Non-current liabilities</b>			
Long-term borrowings	4	1,686,245	3,992,081
Long-term provisions	5	11,631,207	8,695,037
		<u>13,317,452</u>	<u>12,687,118</u>
<b>Current liabilities</b>			
Short-term borrowings	6	336,163,616	353,174,659
Trade payables	7	330,507,805	191,169,981
Other current liabilities	8	126,801,927	135,564,734
Short-term provisions	9	27,578,752	53,818,709
		<u>821,052,100</u>	<u>733,728,083</u>
		<u><b>1,599,168,566</b></u>	<u><b>1,569,010,482</b></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Fixed assets</i>			
Tangible assets	10	240,005,980	283,510,861
Intangible assets	10	6,098,114	9,480,091
Capital work-in-progress		657,461	-
		<u>246,761,555</u>	<u>292,990,952</u>
Non-current investments	11	28,560,000	28,560,000
Deferred tax assets, net	12	31,273,241	10,118,785
Long-term loans and advances	13	100,044,586	147,020,495
Other non-current assets	14	22,854,648	48,633,711
		<u>429,494,030</u>	<u>527,323,943</u>
<b>Current assets</b>			
Inventories	15	469,181,526	357,748,694
Trade receivables	16	586,122,934	591,946,611
Cash and bank balances	17	33,000,479	7,997,520
Short-term loans and advances	18	81,369,597	83,993,714
		<u>1,169,674,536</u>	<u>1,041,686,539</u>
		<u><b>1,599,168,566</b></u>	<u><b>1,569,010,482</b></u>
<b>Significant accounting policies</b>	1		

The notes referred to above form an intergral part of the balance sheet.

As per our report of even date attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

**Supreet Sachdev**

Partner

Membership No. 205385

Place : Bangalore

Date : 30 May, 2013

for **Centum Electronics Limited**

**Apparao V. Mallavarapu**

Chairman & Managing Director

**Ramu Akkili**

Company Secretary

**Manoj Nagrath**

Director

**K.S.Desikan**

CFO

## Statement of Profit and Loss

	Note	For the year ended 31 March 2013 (Rs.)	For the year ended 31 March 2012 (Rs.)
<b>Income:</b>			
Revenue from operations	19	1,842,737,000	1,820,725,516
Less: excise duty		35,280,732	9,695,277
		<u>1,807,456,268</u>	<u>1,811,030,239</u>
Other income	20	16,654,291	14,970,078
		<u>1,824,110,559</u>	<u>1,826,000,317</u>
<b>Expenses:</b>			
Cost of materials consumed	21	1,243,935,859	1,182,427,885
Changes in inventories of work-in-progress	22	(37,815,220)	40,154,089
Employee benefit expense	23	284,374,831	244,628,899
Finance costs	24	31,302,645	33,836,092
Depreciation and amortisation	10	75,819,451	74,657,252
Other expenses	25	305,182,216	173,506,509
		<u>1,902,799,782</u>	<u>1,749,210,726</u>
<b>Profit/(loss) before taxation</b>		<u>(78,689,223)</u>	<u>76,789,591</u>
<b>Income taxes:</b>			
- Current tax		-	36,419,806
- Deferred tax charge / (credit)		(21,154,456)	(11,896,244)
<b>Profit/(loss) for the year</b>		<u>(57,534,767)</u>	<u>52,266,029</u>
<b>Earnings/(loss) per equity share (par value of Rs 10 each)</b>	28		
Basic		(4.65)	4.23
Diluted		(4.63)	4.21
<b>Significant accounting policies</b>	1		

The notes referred to above form an integral part of the statement of profit and loss.

As per our report of even date attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

**Supreet Sachdev**

Partner

Membership No. 205385

Place : Bangalore

Date : 30 May, 2013

for **Centum Electronics Limited**

**Apparao V. Mallavarapu**

Chairman & Managing Director

**Ramu Akkili**

Company Secretary

**Manoj Nagrath**

Director

**K.S.Desikan**

CFO

### Notes on Accounts

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#### 1. Significant accounting policies

##### a) Background

Centum Electronics Limited (“the Company”) was incorporated as a public limited company on 8 January 1993 and commenced commercial production in 1994.

The Company is primarily involved in

- manufacture of Advanced Microelectronics Modules and Resistor Networks catering to the communications, military, aerospace and industrial electronics markets; and
- manufacture of printed circuit board assembly (PCBA) and Repair & Return business catering to the automobile, communications and industrial electronics markets.

##### b) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the mandatory Accounting Standards (“AS”) prescribed in the Companies (Accounting Standards) Rules 2006 and the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Securities and Exchange Board of India, to the extent applicable.

##### c) Cash flow statement

Cash flow statement is reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows arising from operating, investing and financing activities of the Company are segregated.

##### d) Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles (GAAP) in India, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

##### e) Fixed assets

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets. Intangible assets are recorded at their acquisition cost. Machinery spares which are specific to a particular item of fixed asset are capitalized at the time of their purchase.

The cost of fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

##### f) Depreciation and amortisation

Depreciation is provided on the straight-line method from the date the asset is ready for use.

The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. However, where management’s estimate of the useful life of a fixed asset at the time of acquisition of the fixed asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management’s estimate of the useful life/ remaining useful life.

Depreciation on assets has been provided at the rates based on the following estimated useful lives of fixed assets:

<b>Asset categories</b>	<b>Years</b>
Plant and machinery	5 - 9 years
Leasehold improvements	5 years
Computers	4 - 6 years
Software	4 - 6 years
All other assets	On straight line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956

Freehold land is not depreciated.

Leasehold improvements are being depreciated over the useful life or lease term whichever is shorter.

For assets acquired / disposed during the year, depreciation is provided from / upto the date the assets are acquired / disposed. Assets individually costing Rs 5,000 or less are depreciated at the rate of 100%.

Machinery spares are depreciated on a systematic basis over the period of the remaining useful life of the fixed asset for which they are utilized.

#### **g) Investments**

Investments in subsidiary is made to enhance the Company's business interests and therefore classified as trade investments. Investments are either classified as current or long-term based on the Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

#### **h) Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises purchase price and all incidental expenses (other than those subsequently recoverable by the Company from the tax authorities) incurred in bringing the inventory to its present location and condition. The basis of determining cost is set out below:

Stores and spares	Weighted average cost method
Raw materials and components	Weighted average cost method
Work-in-progress and finished goods	Weighted average cost including costs of conversion.

Fixed production overheads are allocated on the basis of normal capacity of production facilities.

#### **i) Revenue recognition**

Revenue from the sale of products and materials is recognized on transfer of all significant risks and rewards of ownership to the buyer. Sales are accounted inclusive of excise duty and exclude sales tax and trade and quantity discounts and are net of sales returns. Revenue from sale of manufactured goods has been presented both gross and net of excise duty.

Revenue from services is recognized as and when services are rendered as per the terms of the contract.

Rental income from lease of properties under operating lease is recognized in the income statement on a straight line basis over the term of the lease

Commission income is recognised at the time when services are rendered in accordance with the rates as per the agreements entered into with the parties.

Interest on deployment of funds is recognized using the time proportionate method, based on the underlying interest rates.

Notes on Accounts (contd...)

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**j) Foreign currency transactions**

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the statement of profit and loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognized in the statement of profit and loss.

The Company is exposed to foreign currency transactions including foreign currency revenues and receivables. With a view to minimize the volatility arising from fluctuations in currency rates, the Company enters into foreign exchange forward contracts.

The Company has adopted the principles of Accounting Standard 30, Financial Instruments: Recognition and Measurement (AS 30) issued by ICAI except to the extent the adoption of AS 30 does not conflict with existing accounting standards prescribed by Companies (Accounting Standards) Rules, 2006 and other authoritative pronouncements.

In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where Company has met all the conditions of cash flow hedge accounting, are fair valued at balance sheet date and the resultant exchange loss/ (gain) is debited/credited to the hedge reserve until the transaction is completed. Other derivative instruments are recorded at fair value at the reporting date and the resultant exchange loss/ (gain) is debited/ credited to statement of profit and loss

**k) Research and development**

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

**l) Borrowing costs**

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**m) Employee benefits**

**Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the statement of profit and loss. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

**Other short term benefit**

The expected cost of short-term employee benefits in the form of accumulating compensated absences are recognized as the additional amount that the enterprise expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

**Defined contribution plan**

Contributions to the recognized provident fund and approved superannuation schemes, which are defined contribution schemes, are charged to the statement of profit and loss.

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**n) Earnings per share**

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date.

**o) Provisions and contingent liabilities**

The Company recognizes a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

**p) Taxation**

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets/liabilities are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Assets and liabilities representing current and deferred tax are disclosed on a net basis when there is a legally enforceable right to set off and management intends to settle the asset and liability on a net basis.

**q) Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash in flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

**r) Stock compensation expense**

The Company accounts for stock based compensation expense based on the intrinsic value method as prescribed by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India.

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## Notes on Accounts (contd...)

Particulars	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>2. SHARE CAPITAL</b>		
<b>Authorised</b>		
15,500,000 (previous year: 15,500,000) equity shares of Rs 10 each	<u>155,000,000</u>	<u>155,000,000</u>
<b>Issued, subscribed and paid-up</b>		
12,365,183 (previous year: 12,365,183) equity shares of Rs 10 each, fully paid	<u>123,651,830</u>	<u>123,651,830</u>
	<u>123,651,830</u>	<u>123,651,830</u>

Out of the above, 4,933,333 equity shares of Rs 10 each, have been issued for consideration other than cash pursuant to amalgamation of Solectron EMS India Limited with the company effective 1 April 2009.

**Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year**

	As at 31 March 2013		As at 31 March 2012	
	Number	Amount	Number	Amount
Number and value of shares at the beginning of the year	12,365,183	123,651,830	12,348,233	123,482,330
Number of shares issued during the year	-	-	16,950	169,500
Number and value of shares outstanding at the end of the year	<u>12,365,183</u>	<u>123,651,830</u>	<u>12,365,183</u>	<u>123,651,830</u>

**Details of shareholders holding more than 5% shares in the company**

Name of the shareholder	As at 31 March 2013		As at 31 March 2012	
	Number	% of holding	Number	% of holding
Apparao V Mallavarapu	6,604,715	53.41%	6,604,715	53.41%
Hardik Bharat Patel	826,008	6.68%	*	*
Bharat Jayantilal Patel	735,930	5.95%	*	*

\*does not hold more than 5% of equity shares

**Rights, preferences and restrictions attached to equity shares**

The Company has only one class of share referred to as equity share having par value of Rs. 10. Each holder of the equity share, as reflected in the records of the Company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholders' meeting.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2013, the amount of per share dividend recognised as distributions to equity shareholders was Rs Nil (previous year: Re 1). The total dividend appropriation for the year ended 31 March, 2013 amounted to Rs Nil (previous year: Rs 14,371,125) including corporate dividend tax of Rs Nil (previous year: Rs 2,005,942).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the 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.

Refer note 30 for disclosure in relation to employee stock option plan.



Particulars	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>3 RESERVES AND SURPLUS</b>		
<b>Securities premium account</b>		
Balance at the beginning of the year	687,960	321,840
Add: Addition during the year	-	366,120
Balance at the end of the year	<u>687,960</u>	<u>687,960</u>
<b>Hedge reserve</b>		
Balance at the beginning of the year	-	-
Add: Addition during the year	(261,500)	-
Balance at the end of the year	<u>(261,500)</u>	<u>-</u>
<b>General reserve</b>		
Balance at the beginning of the year	409,769,304	409,769,304
Add: Addition during the year	-	-
Balance at the end of the year	<u>409,769,304</u>	<u>409,769,304</u>
<b>Surplus in statement of profit and loss</b>		
Balance at the beginning of the year	288,486,187	250,591,283
Add: Profit for the year	(57,534,767)	52,266,029
Less: Appropriations during the year		
Proposed final dividend	-	12,365,183
Corporate dividend tax	-	2,005,942
Balance at the end of the year	<u>230,951,420</u>	<u>288,486,187</u>
	<u>641,147,184</u>	<u>698,943,451</u>
<b>4 LONG-TERM BORROWINGS</b>		
<i>Secured</i>		
Term loans		
- From others	1,664,999	3,692,834
Long-term maturities of finance lease obligations	21,246	299,247
	<u>1,686,245</u>	<u>3,992,081</u>
<p>The term loan from others represents vehicle loan taken from a non banking financial institution and secured by vehicle of the Company. The term loan carries an interest rate of 10.45% per annum on the outstanding amount of the loan. The interest is payable monthly along with the principle repayment. The term loan from other is repayable in thirty five equal monthly installments commencing from 1 February 2012.</p> <p>Finance lease obligation is towards laptops and computers purchased on finance lease and secured by the leased assets. The finance lease obligation is repayable in twelve quarterly installments from the date of lease of the leased assets.</p> <p>There is no continuing default in the principle and repayment amount.</p>		
<b>5 LONG-TERM PROVISIONS</b>		
Provision for gratuity (refer note 29)	11,631,207	8,695,037
	<u>11,631,207</u>	<u>8,695,037</u>

## Notes on Accounts (contd...)

Particulars	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>6 SHORT-TERM BORROWINGS</b>		
<i>Secured</i>		
Short term loans from banks		
- Cash credit	20,110,123	77,977,612
- Packing credit	<u>316,053,493</u>	<u>275,197,047</u>
	<u><b>336,163,616</b></u>	<u><b>353,174,659</b></u>
Cash credit from bank is secured by way of hypothecation on the inventories, book debts and other current assets of the Company. Additionally it is secured by way of collateral charge on plant and machinery and an equitable mortgage of land.		
Packing credit from bank is secured by way of hypothecation of inventories, book debts and fixed assets (present and future) of the Company. Additionally it is secured by way of collateral charge on plant and machinery.		
There is no continuing default in the repayment of the principal and interest amounts.		
<b>7. TRADE PAYABLES</b>		
- Dues to micro and small enterprises*	989,815	4,621,706
- Dues to others	<u>329,517,990</u>	<u>186,548,275</u>
	<u><b>330,507,805</b></u>	<u><b>191,169,981</b></u>
* refer note 35 for details of dues to micro and small enterprises.		
<b>8. OTHER CURRENT LIABILITIES</b>		
Current maturities of long-term debt*	2,027,835	1,827,450
Current maturities of finance lease obligations*	278,001	334,581
Interest accrued but not due	194,983	-
Advance from customers	23,959,609	31,732,197
Unpaid dividends	626,515	629,519
[Investor Protection Education Fund shall be credited when due]		
Derivative liabilities	261,500	-
Other payables		
- withholding and other taxes and duties payable	6,755,364	5,229,897
- for expenses	87,796,781	85,807,514
- for capital goods	<u>4,901,339</u>	<u>10,003,576</u>
	<u><b>126,801,927</b></u>	<u><b>135,564,734</b></u>
*refer note 4 for details with respect to terms and conditions of long term borrowings and finance lease.		
<b>9. SHORT-TERM PROVISIONS</b>		
Provision for gratuity (refer note 29)	931,885	746,624
Provision for compensated absences	4,096,548	3,390,235
Provision for stamp duty charges (refer note 42)	18,553,413	18,553,413
Proposed final dividend	-	12,365,183
Corporate dividend tax	-	2,005,942
Provision for taxation, net of advance tax	<u>3,996,906</u>	<u>16,757,312</u>
	<u><b>27,578,752</b></u>	<u><b>53,818,709</b></u>

## 10 FIXED ASSETS

Particulars	(Amount in Rs.)											
	GROSS BLOCK					ACCUMULATED DEPRECIATION					NET BLOCK	
	As at 1 April 2012	Additions during the year	Deletions during the year	As at 31 March 2013	As at 1 April 2012	Charge for the year	Deletions during the year	As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012	
<b>Tangible assets, owned</b>												
Freehold land	4,409,383	-	-	4,409,383	-	-	-	-	-	4,409,383	4,409,383	
Leasehold improvements	7,840,669	1,036,505	-	8,877,174	2,485,546	1,672,158	-	4,157,704	4,719,470	5,355,123	5,355,123	
Building	59,525,793	-	-	59,525,793	17,593,089	1,983,549	-	19,576,638	39,949,155	41,932,704	41,932,704	
Plant and machinery	659,000,431	17,052,096	-	676,052,527	488,694,972	54,280,259	-	542,975,231	133,077,296	170,305,459	170,305,459	
Electrical installations	28,036,807	355,746	-	28,392,553	10,990,675	1,327,854	-	12,318,529	16,074,024	17,046,132	17,046,132	
Computers	30,320,996	169,839	-	30,490,835	24,666,737	4,903,207	-	29,569,944	920,891	5,654,259	5,654,259	
Office equipments	22,819,343	7,403,467	-	30,222,810	6,043,647	1,211,998	-	7,255,645	22,967,165	16,775,696	16,775,696	
Furniture and fixtures	19,214,456	164,809	-	19,379,265	8,986,150	1,039,563	-	10,025,713	9,353,552	10,228,306	10,228,306	
Vehicles	16,231,354	608,266	601,977	16,237,643	5,296,116	3,527,560	378,052	8,445,624	7,792,019	10,935,238	10,935,238	
<b>Tangible assets, leased</b>												
Computer	990,801	-	-	990,801	122,240	125,536	-	247,776	743,025	868,561	868,561	
<b>Total (A)</b>	<b>848,390,033</b>	<b>26,790,728</b>	<b>601,977</b>	<b>874,578,784</b>	<b>564,879,172</b>	<b>70,071,684</b>	<b>378,052</b>	<b>634,572,804</b>	<b>240,005,980</b>	<b>283,510,861</b>	<b>283,510,861</b>	
<b>Intangible assets, owned</b>												
Computer software	29,463,018	2,365,790	-	31,828,808	19,982,927	5,747,767	-	25,730,694	6,098,114	9,480,091	9,480,091	
<b>Total (B)</b>	<b>29,463,018</b>	<b>2,365,790</b>	<b>-</b>	<b>31,828,808</b>	<b>19,982,927</b>	<b>5,747,767</b>	<b>-</b>	<b>25,730,694</b>	<b>6,098,114</b>	<b>9,480,091</b>	<b>9,480,091</b>	
<b>Total (A)+(B)</b>	<b>877,853,051</b>	<b>29,156,518</b>	<b>601,977</b>	<b>906,407,592</b>	<b>584,862,099</b>	<b>75,819,451</b>	<b>378,052</b>	<b>660,303,498</b>	<b>246,104,094</b>	<b>292,990,952</b>	<b>292,990,952</b>	
<i>Previous year</i>	843,591,661	34,890,949	629,559	877,853,051	510,827,771	74,657,252	622,924	584,862,099	292,990,952			

## Notes on Accounts (contd...)

Particulars	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>11. NON-CURRENT INVESTMENTS</b>		
<b>Long term investments - at cost</b>		
<b>Trade - unquoted</b>		
Investments in subsidiary 2,856,000 (previous year: 2,856,000) equity shares of Rs 10 each, fully paid up in Centum Rakon India Private Limited	28,560,000	28,560,000
	<u>28,560,000</u>	<u>28,560,000</u>
<b>12. DEFERRED TAX ASSETS/(LIABILITIES), NET</b>		
<b>Deferred tax liabilities</b>		
Fixed assets	(3,111,371)	(5,326,093)
	<u>(3,111,371)</u>	<u>(5,326,093)</u>
<b>Deferred tax asset</b>		
Provision for doubtful debts	171,577	2,346,969
Provision for doubtful advances	441,581	441,581
Employee benefits	7,417,147	6,636,373
Unabsorbed depreciation and business loss	20,334,652	-
Current liabilities and provisions	6,019,655	6,019,955
	<u>34,384,612</u>	<u>15,444,878</u>
<b>Net deferred tax assets / (liabilities)</b>	<u><b>31,273,241</b></u>	<u><b>10,118,785</b></u>
<b>13. LONG-TERM LOANS AND ADVANCES</b>		
<i>Unsecured, considered good</i>		
Capital advances	41,129,183	39,613,500
Loan to subsidiary company (Refer Note 34)	-	60,222,989
Balance with government authorities	35,229,271	35,229,271
Advance tax, net of provision for tax	13,527,470	1,833,813
Prepaid expenses	309,300	701,252
Deposits	9,849,362	9,419,670
	<u>100,044,586</u>	<u>147,020,495</u>
<i>Unsecured, considered doubtful</i>		
Balance with government authorities	1,361,015	1,361,015
	<u>1,361,015</u>	<u>1,361,015</u>
Less: Provision for doubtful deposits and advances	1,361,015	1,361,015
	<u>100,044,586</u>	<u>147,020,495</u>
<b>14. OTHER NON-CURRENT ASSETS</b>		
Bank balances in margin money accounts*	-	16,117,024
Trade receivables (Unsecured, considered good) (represents trade receivables on deferred credit terms)	22,854,648	32,516,687
	<u>22,854,648</u>	<u>48,633,711</u>

\*Margin money is against bank guarantees issued in favour of customers and statutory authorities

Particulars	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
<b>15. INVENTORIES</b>		
Raw materials	317,248,883	244,763,947
Work-in-progress	145,973,560	108,158,340
Stores and spares	5,959,083	4,826,407
	<u>469,181,526</u>	<u>357,748,694</u>
<b>16. TRADE RECEIVABLES*</b>		
<i>Unsecured</i>		
Debts due for a period exceeding six months		
- considered good	38,747,300	99,699,459
- considered doubtful	4,696,034	7,233,685
	<u>43,443,334</u>	106,933,144
Other debts		
- Considered good	547,375,634	492,247,152
	<u>547,375,634</u>	492,247,152
Less: Provision for doubtful debts	4,696,034	7,233,685
	<u>586,122,934</u>	<u>591,946,611</u>
* Includes an amount of Rs. 14,090,610 (previous year Rs. 11,327,466) receivable from companies where directors of the company are also directors/members.		
<b>17. CASH AND BANK BALANCES</b>		
<b>Cash and cash equivalents</b>		
Cash on hand	881,565	332,210
Balance with banks		
- in current account	7,632,216	1,580,351
- in exchange earners foreign currency account	748,081	199,641
	<u>9,261,862</u>	2,112,202
<b>Other bank balances</b>		
Balance with banks		
- in current account*	641,037	644,041
- in margin money accounts**	23,097,580	5,241,277
	<u>33,000,479</u>	<u>7,997,520</u>
* Includes balance in unclaimed dividend account Rs. 629,515 (previous year: Rs.629,519).		
**Margin money is against bank guarantees issued in favour of customers and statutory authorities.		
<b>18. SHORT-TERM LOANS AND ADVANCES</b>		
Deposits	160,989	160,989
Staff advances	150,763	301,912
Prepaid expenses	6,761,252	10,096,945
Balances with government authorities	14,255,806	12,155,402
Advance to suppliers	20,593,322	11,193,045
Interest accrued but not due	499,480	1,014,688
Other advances and receivables	3,194,374	2,044,246
Advance tax, net of provision for tax	35,753,611	47,026,487
	<u>81,369,597</u>	<u>83,993,714</u>

## Notes on Accounts (contd...)

Particulars	For the year ended 31 March 2013 Rs.	For the year ended 31 March 2012 Rs.
<b>19. REVENUE FROM OPERATIONS</b>		
Sale of products, gross	1,650,064,014	1,654,076,734
Less: Excise duty	<u>35,280,732</u>	<u>9,695,277</u>
Sale of products, net	1,614,783,282	1,644,381,457
Sale of services	<u>192,672,986</u>	<u>166,648,782</u>
	<b><u>1,807,456,268</u></b>	<b><u>1,811,030,239</u></b>
Refer Note 38 for details related to sale of manufactured product and service income.		
<b>20. OTHER INCOME</b>		
Interest on bank deposits	2,106,646	1,868,903
Interest on loan given to subsidiary company	3,335,755	5,887,794
Interest on income tax refund	3,388,785	-
Rental income	3,032,400	3,032,400
Profit on sale of fixed assets	-	63,540
Other non-operating income	4,281,346	4,117,441
Provision no longer required written back	<u>509,359</u>	<u>-</u>
	<b><u>16,654,291</u></b>	<b><u>14,970,078</u></b>
<b>21. COST OF MATERIAL CONSUMED</b>		
Inventory of materials at the beginning of the year	249,590,354	333,085,914
Add: Purchases	1,317,553,471	1,098,932,325
Less: Inventory of materials at the end of the year	<u>323,207,966</u>	<u>249,590,354</u>
	<b><u>1,243,935,859</u></b>	<b><u>1,182,427,885</u></b>
Refer note 36 and 37 for details of items of raw materials and components consumed.		
<b>22. CHANGE IN INVENTORIES OF WORK-IN-PROGRESS</b>		
<i>Opening Stock</i>		
Work in progress	108,158,340	148,312,429
<i>Closing Stock</i>		
Work in progress	<u>145,973,560</u>	<u>108,158,340</u>
Decrease/(increase) in inventories of work in progress	<b><u>(37,815,220)</u></b>	<b><u>40,154,089</u></b>
<b>23. EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages and allowances	258,129,200	220,800,381
Contribution to provident and other funds	13,073,750	10,957,714
Staff welfare expenses	<u>13,171,881</u>	<u>12,870,804</u>
	<b><u>284,374,831</u></b>	<b><u>244,628,899</u></b>
<b>24. FINANCE COSTS</b>		
Interest expense	27,757,631	31,807,314
Other Borrowing cost	<u>3,545,014</u>	<u>2,028,778</u>
	<b><u>31,302,645</u></b>	<b><u>33,836,092</u></b>

Particulars	For the year ended 31 March 2013 Rs.	For the year ended 31 March 2012 Rs.
<b>25. OTHER EXPENSES</b>		
Rent	13,916,072	12,666,349
Rates and taxes	1,277,372	3,496,866
Power and fuel	24,059,928	19,734,731
Repairs and maintenance		
- Building	7,211,918	5,918,509
- Plant and machinery	9,715,434	9,689,058
Insurance	7,768,898	6,612,464
Professional and consultancy	26,581,388	22,749,735
Selling and marketing expenses	3,177,833	3,905,646
Travelling and conveyance	28,759,305	28,337,204
Purchase of services	12,640,098	6,562,051
Postage, telephones and telegrams	3,679,831	3,861,493
Printing and stationery	2,706,022	2,711,759
Donation	2,982,775	2,982,775
Advertisement and promotion	1,543,737	2,039,784
Security charges	4,308,724	3,947,281
Commission paid to non executive directors	-	800,000
Recruitment and training	6,327,800	1,594,216
Bad debts written-off	113,357,264	95,000
Provision for doubtful debts	-	4,678,507
Directors sitting fees	48,000	52,000
Foreign exchange loss, net	18,604,854	15,377,149
Bank charges	10,251,745	10,620,950
Loss on sale of fixed assets	70,492	-
Miscellaneous expenses	6,192,726	5,072,982
	305,182,216	173,506,509

## Notes on Accounts (contd...)

## 26. Capital commitments and contingent liabilities

(Amount in Rs.)

Particulars	As at	As at
	31 March 2013	31 March 2012
<b>Capital commitment</b>		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	149,335,295	184,428,834
<b>Contingent liabilities</b>		
Claims against the Company not acknowledged as debts in respect of:		
Sales tax	5,106,330	5,106,330
Excise duty	9,988,320	9,988,320
Stamp duty [Refer Note 42]	5,107,137	5,107,137

## 27. Auditors' remuneration excluding service tax (included under professional and consultancy)

(Amount in Rs.)

	For the year ended	For the year ended
	31 March 2013	31 March 2012
Audit fees	2,500,000	2,000,000
Out of pocket expenses reimbursed	92,718	102,437
	2,592,718	2,102,437

## 28. Earnings per share

The computation of earnings/(loss) per share is set out below:

(Amount in Rs.)

	For the year ended	For the year ended
	31 March 2013	31 March 2012
Profit/(Loss) for the year	(57,534,767)	52,266,029
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	12,365,183	12,348,233
Weighted average number of shares issued during the year	-	14,396
Weighted average number of equity shares outstanding during the year (in numbers)	12,365,183	12,362,629
Face value of equity shares	10	10
Earnings/(loss) per share - basic	(4.65)	4.23
Weighted average number of equity shares outstanding during the year - basic	12,365,183	12,362,629
Add: Effect of dilutive issues of stock options	51,851	52,334
Weighted average number of equity shares and potential equity shares outstanding during the year	12,417,034	12,414,963
Earnings/(loss) per share - dilutive	(4.63)	4.21



29. The following table sets out the status of the gratuity plan as required under AS 15.

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

Particulars	(Amount in Rs.)	
	As at 31 March 2013	As at 31 March 2012
<b>Change in projected benefit obligations</b>		
Obligations at year beginning	9,441,661	7,845,831
Service cost	1,975,573	1,975,591
Past service cost	-	-
Benefits paid	(1,007,308)	(546,027)
Interest cost	949,760	764,022
Liabilities assumed on acquisition / (settled on divestiture)	120,520	(125,236)
Actuarial loss/ (gain)	1,082,886	(472,520)
<b>Obligations at year end</b>	<b>12,563,092</b>	<b>9,441,661</b>
<b>Change in plan assets</b>		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	1,007,308	546,027
Benefits paid	(1,007,308)	(546,027)
<b>Plans assets at year end, at fair value</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	12,563,092	9,441,661
<b>Asset/ (liability) recognised in the balance sheet</b>	<b>(12,563,092)</b>	<b>(9,441,661)</b>
<b>Gratuity cost for the year</b>		
Service cost	1,975,573	1,975,591
Interest cost	949,760	764,022
Expected return on plan assets	-	-
Actuarial loss/ (gain)	1,082,886	(472,520)
Past service cost	-	-
<b>Net gratuity cost</b>	<b>4,008,219</b>	<b>2,267,093</b>
<b>Assumptions:</b>		
Discount rate	7.95%	8.00%
Expected rate of return on plan assets	Not applicable	Not applicable
Expected rate of salary increase	7%	7%
Attrition rate	1%-15%	1%-15%
Retirement age	58 years	58 years

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. The Company does not have any planned assets.

## Notes on Accounts (contd...)

**30. Employee stock options:****Centum employee stock option plan 2007**

The Centum ESOP -2007 was approved by the board of directors of the Company in October 2007 and by the shareholders in December 2007. The 2007 plan provides for the issue of 416,666 shares to the employees. The plan is administered by a compensation committee. Options will be issued to employees of the Company and also its subsidiary at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

Option activity during the year ended 31 March 2013 and the related weighted average exercise price of stock options under the Centum ESOP plan 2007 is presented below. There was no new employee stock option plan during the year ended 31 March 2013.

Particulars	For the year ended 31 March 2013		For the year ended 31 March 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	357,676	58.38	113,300	69.49
Granted during the year	-	-	288,319	53.45
Exercised during the year	-	-	16,950	31.60
Forfeited / lapsed during the year	22,323	62.77	26,993	69.12
Options outstanding at the end of the year	335,353	58.09	357,676	58.38
Exercisable at the end of the year	107,638	60.08	16,200	86.58

The options outstanding as at 31 March 2013 had an exercise price of Rs 58.09 and the weighted average remaining contractual life of 10.78 years.

The Company applies the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. The Company has therefore adopted the pro forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share Based Payments" issued by the Institute of Chartered Accountants of India with effect from 1 April 2005.

Had the compensation been determined using the fair value approach described in the aforesaid Guidance Note, the Company's net profit and basic and diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

Particulars	(Amount in Rs.)	
	For the Year ended 31 March 2013	For the Year ended 31 March 2012
Profit/(loss) for the year	(57,534,767)	52,266,029
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	68,537	3,856,267
Adjusted net profit	(57,603,304)	48,409,762
Basic earnings/(loss) per share as reported	(4.65)	4.23
Pro forma basic earnings/(loss) per share	(4.66)	3.92
Diluted earnings/(loss) per share as reported	(4.63)	4.21
Pro forma diluted earnings/(loss) per share	(4.64)	3.90

The fair value of each option under the 2007 plan is estimated by management on the date of grant using the Black - Scholes model with the following assumptions

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-8.6%	5.7-8.6%
Volatility	64.89%	68.67%

**31.** The Company's foreign currency exposure on account of foreign currency denominated payables not hedged as on 31 March 2013.

Particulars	As at 31 March 2013		As at 31 March 2012	
	Amount (foreign currency)	Amount (INR)	Amount (foreign options)	Amount (INR)
USD	10,716,528	588,873,214	8,894,387	459,750,843
EUR	438,463	31,087,010	238,204	16,526,562
GBP	45,953	3,852,241	47,231	3,913,053
JPY	75,925	44,796	133,200	84,955
SGD	-	-	12	500
SEK	687,799	5,860,046	34,998	274,733
		<b>629,717,307</b>		<b>480,550,646</b>

The Company's foreign currency exposure on account of foreign currency denominated receivables not hedged as on 31 March 2013:

Particulars	As at 31 March 2013		As at 31 March 2012	
	Amount (foreign currency)	Amount (INR)	Amount (foreign options)	Amount (INR)
USD	6,308,201	337,173,333	11,183,341	565,094,212
EUR	456,623	31,118,857	20,795	1,410,222
GBP	7,070	571,468	11,933	959,436
SGD	-	-	1,035	41,276
JPY	-	-	40,000	25,512
		<b>368,863,658</b>		<b>567,530,658</b>

**32 Leases**

The Company has taken office facilities under cancelable operating lease agreement. The Company intends to renew the agreement in the normal course of its business. Total lease rentals recognised in the statement of profit and loss for the year in respect of the aforementioned lease is Rs 13,916,072 (previous year: Rs 9,789,229).

The Company has also given office facilities under cancelable operating lease agreement to its subsidiary. Total lease rental income recognised in the statement of profit and loss for the year with respect to the above is Rs 3,032,400 (previous year: Rs 3,032,400).

## Notes on Accounts (contd...)

The company has taken computers under finance lease. Future minimum lease payments under finance lease obligations as at 31 March 2013 is :

Period	As at 31 March 2013			As at 31 March 2012		
	Minimum lease payments	Future interest	Present value of minimum lease payments	Minimum lease payments	Future interest	Present value of minimum lease payments
Not later than one year	292,820	14,819	278,001	380,544	45,963	334,581
Later than one year and not later than five years	22,208	962	21,246	315,028	15,781	299,247
	<b>315,028</b>	<b>15,781</b>	<b>299,247</b>	<b>695,572</b>	<b>61,744</b>	<b>633,828</b>

## 33. Segment Information

The Company operates through two divisions, component business comprising of Modules (Products segment) and Electronic Manufacturing Services (Services segment), which are considered to be the primary segments and geography as the secondary segment.

The accounting principles used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments.

Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identified to that segment, while other items, wherever allocable, are apportioned to the segments on appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company, therefore, believes that it is not practicable to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

	(Amount in Rs.)	
Primary segment information	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Segment revenue</b>		
Products	368,241,662	208,597,233
Services	1,403,532,282	1,566,461,002
Unallocable	35,682,324	35,972,004
	<u>1,807,456,268</u>	<u>1,811,030,239</u>
<b>Segment result</b>		
Products	54,049,730	(586,729)
Services	(158,073,165)	64,045,904
Unallocable	25,334,212	13,330,416
	<u>(78,689,223)</u>	<u>76,789,591</u>
<b>Income taxes</b>		
- Current year	-	36,419,806
- Deferred	(21,154,456)	(11,896,244)
<b>Profit / (loss) after taxation</b>	<u>(57,534,767)</u>	<u>52,266,029</u>
<b>Segment assets</b>		
Products	409,805,203	273,847,544
Services	946,788,080	1,035,409,901
Unallocated	242,575,282	259,753,037
	<u>1,599,168,565</u>	<u>1,569,010,482</u>

	(Amount in Rs.)	
Primary segment information	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Segment liabilities</b>		
Products	123,937,760	136,725,823
Services	666,880,561	542,472,984
Unallocated	43,551,231	67,216,394
	<u>834,369,552</u>	<u>746,415,201</u>
<b>Capital expenditure [including capital work in progress]</b>		
Products	9,109,598	14,854,395
Services	18,839,400	11,397,998
Unallocable	1,864,977	8,638,556
	<u>29,813,975</u>	<u>34,890,949</u>
<b>Depreciation</b>		
Products	21,062,000	17,608,529
Services	50,275,297	54,711,183
Unallocable	4,482,154	2,337,540
	<u>75,819,451</u>	<u>74,657,252</u>
<b>Secondary segment disclosures:</b>		(Amount in Rs.)
Geographic segment	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Revenues</b>		
India	528,923,200	381,322,743
Europe	475,941,336	419,197,319
USA	549,905,328	810,225,645
Rest of the world	252,686,404	200,284,532
	<u>1,807,456,268</u>	<u>1,811,030,239</u>
<b>Segment assets</b>		
India	1,188,430,225	1,009,230,157
Europe	84,096,314	69,379,774
USA	191,296,063	227,921,033
Rest of the world	135,345,963	262,479,519
	<u>1,599,168,565</u>	<u>1,569,010,483</u>

### 34 Related party disclosures

#### A. Parties where control exists:

Apparao V Mallavarapu (directly and indirectly exercises 61% voting power in the Company)

#### *Subsidiary of the company*

Centum Rakon India Private Limited

#### B. Other related parties where transactions have taken place during the year:

##### *Parties under common control*

Centum Industries Private Limited

#### C. Key executive management personnel represented on the Board:

Mr. Apparao V Mallavarapu - Chairman and Managing Director

Notes on Accounts (contd...)

D. The following is a summary of significant transactions with related parties by the Company:

(Amount in Rs.)		
Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Sale of goods and services</b>		
<i>Parties under common control</i>		
<i>Centum Industries Private Limited</i>		
- Sale of goods and services	348,624	183,834
<i>Subsidiary</i>		
<i>Centum Rakon India Private Limited</i>		
- Service income	41,371,717	61,842,968
- Sale of goods	8,915,154	3,384,458
<b>Other Income</b>		
<i>Subsidiary</i>		
<i>Centum Rakon India Private Limited</i>		
- Interest income on loan	3,335,755	5,887,794
- Rental income	3,032,400	3,032,400
- Others	3,525,000	-
<b>Refund of Long-term loans and advances paid</b>		
<i>Subsidiary</i>		
<i>Centum Rakon India Private Limited</i>		
	60,222,989	38,337,011
<b>Purchase of goods and services</b>		
<i>Parties under common control</i>		
<i>Centum Industries Private Limited</i>		
	15,398,527	23,233,344
<i>Subsidiary</i>		
<i>Centum Rakon India Private Limited</i>		
	959,784	2,064,737
<b>Expense incurred on behalf of other company</b>		
<i>Subsidiary</i>		
<i>Centum Rakon India Private Limited</i>		
	2,521,793	4,109,309
<b>Managerial remuneration</b>		
<i>Key management personnel</i>		
Managerial remuneration		
	9,432,000	9,432,000

E. The balances receivable from and payable to related parties are as follows:

(Amount in Rs.)		
Particulars	As at 31 March 2013	As at 31 March 2012
<b>Trade receivables</b>		
<i>Parties under common control</i>		
<i>Centum Industries Private Limited</i>		
	41,252	-
<i>Subsidiary</i>		
<i>Centum Rakon India Private Limited</i>		
	6,648,716	5,655,498

<b>Trade payables</b>		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	1,410,859	2,020,123
<i>Parties under common control</i>		
Centum Industries Private Limited	171,119	3,277,739
<b>Long term loan to subsidiary</b>		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	-	60,222,989
<b>Non current investment</b>		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	28,560,000	28,560,000
<b>Managerial remuneration payable</b>		
Key management personnel	163,238	177,331

35. The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2013 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

(Amount in Rs.)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	989,815	4,621,706
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	-	-
The amount of interest accrued and remaining unpaid at the end of the year;	117,265	19,184
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	-	-

## Notes on Accounts (contd...)

**36. Particulars of raw materials and components consumed**

(Amount in Rs.)

Components	For the year ended 31 March 2013	For the year ended 31 March 2012
Integrated circuits	380,332,649	467,166,31
Others	548,549,468	463,739,031
	<b>928,882,117</b>	<b>930,905,343</b>

(Amount in Rs.)

Raw materials	For the year ended 31 March 2013	For the year ended 31 March 2012
PCB	106,967,322	143,724,320
Base and case	10,339,279	7,786,677
Paste	2,112,618	3,493,321
Others	195,634,523	96,518,224
	<b>315,053,742</b>	<b>251,522,542</b>

Note: No other individual item of raw materials and components consumed account for 10% or more of the total consumption during the year.

**37. Particulars of raw materials and components consumed**

(Amount in Rs.)

	For the year ended 31 March 2013		For the year ended 31 March 2012	
	%	Amount	%	Amount
<b>Components</b>				
Imported	94%	876,637,330	86%	861,875,096
Indigenous	6%	52,244,787	14%	69,030,247
		<b>928,882,117</b>		<b>930,905,343</b>
<b>Raw materials</b>				
Imported	82%	257,032,090	72%	196,483,445
Indigenous	18%	58,021,652	28%	55,039,097
		<b>315,053,742</b>		<b>251,522,542</b>

**38. Particulars in respect of sale of manufactured products (including excise duty) and service income**

(Amount in Rs.)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Sale of products:</b>		
Modules	393,976,172	201,210,907
Printed circuit boards assembly	1,183,118,376	1,414,607,416
Others	72,969,466	38,258,411
<b>Sale of services:</b>		
Repair services	151,301,269	118,238,448
Commission	5,399,713	12,438,330
Others	35,972,004	35,972,004
	<b>1,842,737,000</b>	<b>1,820,725,516</b>



**39. CIF value of imports**

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2013	For the year ended 31 March 2012
Capital goods	10,378,813	4,929,218
Raw materials and components (including goods in transit)	1,274,256,763	1,093,622,274
Stores and spares	-	28,095
	<b>1,284,635,576</b>	<b>1,098,579,587</b>

**40. Expenditure in foreign currency (on payment basis)**

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2013	For the year ended 31 March 2012
Travelling and conveyance	8,417,749	9,990,099
Selling and marketing expenses	977,994	820,124
Professional and consultancy	1,572,291	343,407
Salaries, wages and allowances	53,863,990	45,948,313
Other financial charges	-	506,612
Recruitment and training	3,727,087	-
Postage, telephone and telegram	1,174,339	1,334,514
Rent	165,159	203,988
Rates and taxes	523,406	18,156
Insurance	9,097	1,229
Miscellaneous expenses	313,861	1,327,491
	<b>70,744,973</b>	<b>60,493,933</b>

**41. Earnings in foreign currency**

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2013	For the year ended 31 March 2012
Sale of manufactured goods	1,278,533,068	1,428,711,686
Service income	-	995,810
<b>Total</b>	<b>1,278,533,068</b>	<b>1,429,707,496</b>

**42.** Based on a demand notice dated 12 February 2010 received from District Registrar, Stamps and Registration Department, Karnataka, the Company has estimated and provided Rs 11,174,165 towards additional stamp duty liability against a claim of Rs 16,281,302 in the aforementioned demand notice, payable pursuant to the demerger of EMS business from Centum Electronics Limited (formerly known as Solectron Centum Electronics Limited) on 1 October 2006, as per the Scheme of Arrangement approved by the Honourable High Court of Karnataka effective 13 July 2007. The differential amount of Rs 5,107,137 has been disclosed as a contingent liability [refer note 26].

The Company has also provided Rs 7,379,248 during 2010-11 towards stamp duty payable pursuant to the merger of Solectron EMS India Limited with the Company.

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2013	For the year ended 31 March 2012
Opening balance	18,553,413	18,553,413
Add: Provision made during the year	-	-
	<b>18,553,413</b>	<b>18,553,413</b>

Notes on Accounts (contd...)

**43. Disclosure of clause 32 of the listing agreement in respect of loans and advances, the amount in the nature of loans outstanding at year end:**

(Amount in Rs.)

	Outstanding as at		Maximum balance outstanding during	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
<i>Subsidiary</i>				
Centum Rakon India Private Limited	-	60,222,989	60,222,989	98,560,000

**44. Expenditure on research and development**

(Amount in Rs.)

Particulars	For the year ended	For the year ended
	31 March 2013	31 March 2012
Capital	2,581,136	1,186,264
Recurring (including depreciation)	20,548,218	14,476,008
	<u>23,129,354</u>	<u>15,662,272</u>

**45.** As at March 31, 2013, the Company has outstanding forward contracts amounting to USD 750,000 (As at March 31, 2012: USD Nil). These derivative instruments have been entered to hedge highly probable forecasted sales.

In accordance with the provisions of AS 30, these derivative instruments qualify for cash flow hedge accounting and have been fair valued at the balance sheet date and the resultant exchange loss has been debited to hedge reserve (Refer Note 3).

**46.** The comparative figures have been re-grouped/reclassified wherever necessary to conform to the current year's presentation.

As Per our report attached  
for **BSR & Co.**  
Chartered Accountants  
Firm Registration No. 101248W

**Supreet Sachdev**  
*Partner*  
*Membership No. 205385*

Place : Bangalore  
Date : 30 May, 2013

for **Centum Electronics Limited**

**Apparao V. Mallavarapu**  
*Chairman & Managing Director*

**Ramu Akkili**  
*Company Secretary*

**Manoj Nagrath**  
*Director*

**K.S. Desikan**  
*CFO*

## Cash Flow Statement

	For the year ended 31 March 2013 (Rs.)	For the year ended 31 March 2012 (Rs.)
<b>Cash flow from operating activities</b>		
Profit/(loss) before tax	(78,689,223)	76,789,591
<b>Adjustments</b>		
Provision for doubtful debts	-	4,678,507
Effect of exchange differences on translation of foreign currency monetary balances	1,583,042	13,247,349
Bad debts written off	113,357,264	95,000
(Profit) / loss on sale of fixed assets	70,492	(63,540)
Depreciation and amortisation	75,819,451	74,657,252
Interest income	(5,442,401)	(7,756,697)
Interest expenses	31,302,645	33,836,092
<b>Operating cash flows before working capital changes</b>	<b>138,001,270</b>	<b>195,483,554</b>
Increase / (decrease) in liabilities and provisions	141,178,090	(60,926,683)
(Increase) / decrease in inventories	(111,432,832)	123,649,649
(Increase) / decrease in trade receivables	(152,226,654)	(136,106,118)
(Increase) / decrease in loans and advances	23,314,981	(26,097,333)
(Increase) / decrease in other bank balances	(1,736,275)	9,361,331
<b>Cash generated from operations</b>	<b>37,098,580</b>	<b>105,364,400</b>
Income taxes	(13,181,187)	(23,383,919)
<b>Net cash generated from operating activities</b>	<b>23,917,393</b>	<b>81,980,481</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of fixed assets	153,429	70,173
Receipt of loan given to subsidiary company	60,222,989	38,337,011
Interest received	5,957,609	7,532,117
Purchase of fixed assets	(36,431,895)	(46,505,510)
<b>Net cash generated from/(used in) investing activities</b>	<b>29,902,132</b>	<b>(566,209)</b>
<b>Cash flow from financing activities</b>		
Short term borrowings from bank, net	1,203,679	(40,140,626)
Proceeds from long term borrowings	-	6,797,619
Repayment of long term borrowings	(2,162,031)	(643,507)
Issue of share capital	-	535,620
Interest paid	(31,302,645)	(33,836,092)
Dividend and dividend tax paid	(14,374,129)	(14,396,825)
<b>Net cash used in financing activities</b>	<b>(46,635,126)</b>	<b>(81,683,811)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,184,399</b>	<b>(269,539)</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalent	(34,739)	893,949
Cash and cash equivalents at the beginning of the year	2,112,202	1,487,792
<b>Cash and cash equivalents at the end of the year (refer note 17)</b>	<b>9,261,862</b>	<b>2,112,202</b>

This is the Cash Flow statement referred to in our report attached

As Per our report of even date attached

for **BSR & Co.**  
Chartered Accountants  
Firm Registration No. 101248W

**Supreet Sachdev**  
Partner  
Membership No. 205385

Place : Bangalore  
Date : 30 May, 2013

for **Centum Electronics Limited**

**Apparao V. Mallavarapu**  
Chairman & Managing Director

**Ramu Akkili**  
Company Secretary

**Manoj Nagrath**  
Director

**K.S. Desikan**  
CFO

## Section 212 of the Companies Act, 1956

### Statement on subsidiary company pursuant to Section 212 of the Companies Act, 1956

1	Name of the subsidiary	Centum Rakon India Private Limited
2	Financial period	April 1, 2012 to March 31, 2013
3	Holding Company's interest	51% in equity share capital
4	Shares held by the holding company in the subsidiary	28,56,000 equity shares of Rs. 10/- each fully paid up amounting to Rs. 2.856 crores
5	The net aggregate of the profits & losses of the subsidiary for the current period so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	NIL
	b. not dealt with or provided for in the accounts of the holding company	Profit of Rs. 154,145,868
6	The net aggregate of the profits & losses of the subsidiary for previous financial years so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	NA
	b. not dealt with or provided for in the accounts of the holding company	Profit of Rs. 37,342,469

### Statement on subsidiary pursuant to Circular No: 51/12/2007-CL-III dt. February 8, 2011 issued by Ministry of Corporate Affairs

Pursuant to the said circular, The Board of Directors of the Company has passed a resolution at its meeting held on May 30, 2013 consenting for not attaching the balance sheet of the subsidiary, Centum Rakon India Private Limited and other documents required to be attached to the balance sheet as required by law to the balance sheet of the Company.

The Company hereby undertakes that annual accounts of the subsidiary, Centum Rakon India Private Limited and the related detailed information shall be made available to shareholders of the Company and the subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary company shall also be kept for inspection by any shareholders at the head office of the Company at 44, KHB Industrial Area, Yelahanka New Town, Bangalore -560106. The Company shall furnish a hard copy of details of accounts of subsidiary to any shareholder on demand.

The company hereby discloses in the consolidated balance sheet the following information in aggregate for its subsidiary, Centum Rakon India Private Limited:

S. No.	Particulars	Amount
1	Capital	Rs. 56,000,000
2	Reserves	Rs. 331,040,992
3	Total Assets	Rs. 1092,111,149
4	Total Liabilities	Rs. 1092,111,149
5	Details of investment (except in case of investment in the subsidiaries)	NIL
6	Turnover	Rs. 1078,732,051
7	Profit before taxation	Rs. 227,816,085
8	Provision for taxation	Rs. 73,670,218
9	Profit after taxation	Rs. 154,145,867
10	Proposed dividend	Rs. 112,000,000

**Consolidated Financial Results**  
**Centum Electronics Limited**

## Independent Auditor's report

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### To the Board of Directors of Centum Electronics Limited

We have audited the accompanying consolidated financial statements of Centum Electronics Limited ("the Company") and its subsidiary Centum Rakon India Private Limited (collectively referred to as the 'Centum Group'), which comprise the consolidated balance sheet as at 31 March 2013, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Company as at 31 March 2013;
- (b) in the case of the consolidated statement of profit and loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

*for* **BSR & Co.**  
Chartered Accountants  
Firm registration number: 101248W

Bangalore  
Date: 30 May, 2013

**Supreet Sachdev**  
Partner  
Membership No. 205385

## Consolidated Balance Sheet

Particulars	Note	As at 31 March 2013 Rs.	As at 31 March 2012 Rs.
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	123,651,830	123,651,830
Reserves and surplus	3	875,616,623	857,027,850
		<u>999,268,453</u>	<u>980,679,680</u>
Minority interest	37	235,526,808	176,897,304
<b>Non-current liabilities</b>			
Long-term borrowings	4	5,122,142	108,681,663
Deferred tax liabilities, net	5	-	15,890,290
Long-term provisions	6	16,304,793	12,033,701
		<u>21,426,935</u>	<u>136,605,654</u>
<b>Current liabilities</b>			
Short-term borrowings	7	561,054,533	477,410,084
Trade payables	8	480,846,214	327,744,860
Other current liabilities	9	246,063,279	224,395,220
Short-term provisions	10	92,351,890	58,596,581
		<u>1,380,315,916</u>	<u>1,088,146,745</u>
		<u><b>2,636,538,112</b></u>	<u><b>2,382,329,383</b></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	11	627,842,728	713,728,166
Intangible assets	11	6,368,458	10,082,017
Capital work-in-progress		865,802	3,316,146
		<u>635,076,988</u>	<u>727,126,329</u>
Deferred tax assets, net	5	13,965,348	-
Long-term loans and advances	12	128,386,363	118,999,539
Other non-current assets	13	22,854,648	48,633,711
		<u>800,283,347</u>	<u>894,759,579</u>
<b>Current assets</b>			
Inventories	14	650,331,954	537,518,221
Trade receivables	15	1,018,423,315	827,325,170
Cash and bank balances	16	66,655,443	15,550,263
Short-term loans and advances	17	100,844,053	107,176,150
		<u>1,836,254,765</u>	<u>1,487,569,804</u>
		<u><b>2,636,538,112</b></u>	<u><b>2,382,329,383</b></u>
<b>Significant accounting policies</b>	1		

The notes referred to above form an intergral part of the balance sheet.

As per our report of even date attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

**Supreet Sachdev**

Partner

Membership No. 205385

Place : Bangalore

Date : 30 May, 2013

for **Centum Electronics Limited**

**Apparao V. Mallavarapu**

Chairman & Managing Director

**Ramu Akkili**

Company Secretary

**Manoj Nagrath**

Director

**K.S.Desikan**

CFO

Consolidated Statement of Profit and Loss

	Note	Rs. For the year ended 31 March 2013	Rs. For the year ended 31 March 2012
<b>Income</b>			
Revenue from operations	18	2,861,731,978	2,585,647,416
Less: excise duty		35,656,331	11,262,446
		<u>2,826,075,647</u>	<u>2,574,384,970</u>
Other income	19	9,049,793	10,997,596
		<u>2,835,125,440</u>	<u>2,585,382,566</u>
<b>Expenses</b>			
Cost of materials consumed	20	1,779,593,675	1,622,948,104
Changes in inventories of work-in-progress	21	(37,757,520)	74,768,669
Employee benefits expense	22	365,383,476	317,211,654
Finance cost	23	46,713,171	47,335,572
Depreciation and Amortisation	11	154,954,158	147,054,354
Other expenses	24	377,208,541	242,346,162
		<u>2,686,095,501</u>	<u>2,451,664,515</u>
<b>Profit before tax and minority interest</b>		<b>149,029,939</b>	<b>133,718,051</b>
<b>Income Taxes:</b>			
Current tax including minimum alternate tax		86,000,000	48,234,806
Previous year		-	650,000
Deferred tax credit		(29,855,638)	(4,240,492)
Minimum alternate tax credit entitlement		-	(1,123,300)
Minimum alternate tax credit entitlement for earlier year		(3,628,600)	-
<b>Profit after tax and before minority interest</b>		<b>96,514,177</b>	<b>90,197,037</b>
Minority interest		3,749,504	18,297,810
<b>Profit for the year</b>		<b>92,764,673</b>	<b>71,899,227</b>
<b>Earnings per equity share (par value of Rs 10 each)</b>	27		
Basic		7.50	5.82
Diluted		7.47	5.79
<b>Significant accounting policies</b>	1		

The Notes referred to above form an integral part of the statement of profit and loss.

As per our report of even date attached

for **BSR & Co.**  
Chartered Accountants  
Firm Registration No. 101248W

**Supreet Sachdev**  
Partner  
Membership No. 205385

Place : Bangalore  
Date : 30 May, 2013

for **Centum Electronics Limited**

**Apparao V. Mallavarapu**  
Chairman & Managing Director

**Ramu Akkili**  
Company Secretary

**Manoj Nagrath**  
Director

**K.S.Desikan**  
CFO



## Notes on Consolidated Accounts

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### 1. Significant accounting policies

#### a) Background

Centum Electronics Limited (“the Company”) along with its majority owned and controlled subsidiary, Centum Rakon India Private Limited (together referred to as “Centum” or “Group”) are primarily involved in the manufacture of Advanced Microelectronics Modules, Frequency Control Products, Printed Circuit Board Assembly (PCBA) and Resistor Networks catering to the communications, military, aerospace and industrial electronics markets. Centum Rakon India Private Limited was incorporated on 7 December 2007. Centum is headquartered in Bangalore, India.

#### b) Basis of preparation of consolidated financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the mandatory Accounting Standards (“AS”) prescribed in the Companies (Accounting Standards) Rules 2006, the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Securities and Exchange Board of India, to the extent applicable.

The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standard on Consolidated Financial Statements as specified in the Companies (Accounting Standards) Rules, 2006. The financial statements of Centum Electronics Limited - the parent Company and Centum Rakon India Private Limited have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gain /loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. Minority interests have been excluded. Minority interests represent that part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the Company.

#### c) Cash flow statement

Cash flow statement is reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows arising from operating, investing and financing activities of the Group are segregated.

#### d) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

#### e) Fixed assets

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets. Intangible assets are recorded at their acquisition cost. Machinery spares which are specific to a particular item of fixed asset are capitalized at the time of their purchase.

The cost of fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

#### f) Depreciation and amortisation

Depreciation is provided on the straight-line method from the date the asset is ready for use.

The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. However, where management’s estimate of the useful life of a fixed asset at the time of

## Notes on Consolidated Accounts (contd...)

acquisition of the fixed asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management's estimate of the useful life/ remaining useful life.

Depreciation on assets has been provided at the rates based on the following estimated useful lives of fixed assets:

Asset categories	Years
Plant and machinery (including the related intellectual property)	5 - 9 years
Computers	4 - 6 years
Software	4 - 6 years
All other assets	On straight line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956.

Freehold land is not depreciated.

Leasehold improvements are being depreciated over the useful life or lease term whichever is shorter.

For assets acquired/ disposed during the year, depreciation is provided for from/upto the date the assets are acquired/ disposed. Assets individually costing Rs 5,000 or less are depreciated at the rate of 100%.

Machinery spares are depreciated on a systematic basis over the period of the remaining useful life of the fixed asset for which they are utilized.

### g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises purchase price and all incidental expenses (other than those subsequently recoverable by the Group from the tax authorities) incurred in bringing the inventory to its present location and condition. The basis of determining cost is set out below:

Stores and spares	Weighted average cost method
Raw materials and components	Weighted average cost method
Work-in-progress and finished goods	Weighted average cost including costs of conversion
Goods in transit	At actual cost

Fixed production overheads are allocated on the basis of normal capacity of production facilities.

### h) Revenue recognition

Revenue from the sale of products and materials is recognized on transfer of all significant risks and rewards of ownership to the buyer. Sales are accounted inclusive of excise duty and exclude sales tax and trade and quantity discounts and are net of sales returns. Revenue from sale of manufactured goods has been presented both gross and net of excise duty.

Revenue from services is recognized as and when services are rendered as per the terms of the contract.

Interest on deployment of funds is recognized using the time proportionate method, based on underlying interest rates.

### i) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the consolidated statement of profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognized in the consolidated statement of profit and loss.

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**j) Employee benefits**

Contributions payable to the recognised provident fund, which is a defined contribution scheme, are charged to the consolidated statement of profit and loss on accrual basis.

Gratuity costs, which is defined benefit scheme, are accrued based on actuarial valuation at the balance sheet date, carried out by independent actuary.

The expected cost of short-term employee benefits in the form of accumulating compensated absences are recognized as the additional amount that the enterprise expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

**k) Earnings per share**

In determining earnings per share, the Group considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date.

**l) Provisions and contingent liabilities**

The Group recognizes a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

**m) Taxation**

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets / liabilities are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Assets and liabilities representing current and deferred tax are disclosed on a net basis when there is a legally enforceable right to set off and management intends to settle the asset and liability on a net basis.

Minimum Alternate Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by Institute of Chartered Accountants of India ('ICAI'), the said asset is created by way of a credit to the statement of profit and loss. The company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income-tax during the specified period.

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## Notes on Consolidated Accounts (contd...)

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### n) Research and development

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

### o) Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash in flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the consolidated statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

### p) Borrowing costs

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the year in which they are incurred.

### q) Stock compensation expense

The Group accounts for stock based compensation expense based on the intrinsic value method as prescribed by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India (ICAI).

Particulars	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>2. SHARE CAPITAL</b>		
<b>Authorised</b>		
15,500,000 (previous year: 15,500,000) equity shares of Rs 10 each	<u>155,000,000</u>	<u>155,000,000</u>
<b>Issued, subscribed and paid-up</b>		
12,365,183 (previous year: 12,365,183) equity shares of Rs 10 each, fully paid	<u>123,651,830</u>	<u>123,651,830</u>
	<u>123,651,830</u>	<u>123,651,830</u>

Out of the above, 4,933,333 equity shares of Rs 10 each, have been issued for consideration other than cash pursuant to amalgamation of Solectron EMS India Limited with the company effective 1 April 2009.

**Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period**

	As at 31 March 2013		As at 31 March 2012	
	Number	Amount	Number	Amount
Number and value of shares at the beginning of the year	12,365,183	123,651,830	12,348,233	123,482,330
Number of shares issued during the year	-	-	16,950	169,500
Number and value of shares outstanding at the end of the year	12,365,183	123,651,830	12,365,183	123,651,830

**Details of shareholders holding more than 5% shares in the company**

Name of the shareholder	As at 31 March 2013		As at 31 March 2012	
	Number	% of holding	Number	% of holding
Apparao V Mallavarapu	6,604,715	53.41%	6,604,715	53.41%
Hardik Bharat Patel	826,008	6.68%	*	*
Bharat Jayantilal Patel	735,930	5.95%	*	*

\*does not hold more than 5% of equity shares

**Rights, preferences and restrictions attached to equity shares**

The Company has only one class of share referred to as equity share having par value of Rs.10. Each holder of the equity share, as reflected in the records of the Company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholders' meeting.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the 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.

Refer note 30 for disclosure in relation to employee stock option plan.

## Notes on Consolidated Accounts (contd...)

Particulars	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>3 RESERVES AND SURPLUS</b>		
<b>Securities premium account</b>		
Balance at the beginning of the year	120,783,984	120,417,864
Add: Addition during the year	-	366,120
Balance at the end of the year	<u>120,783,984</u>	<u>120,783,984</u>
<b>Hedge reserve</b>		
Balance at the beginning of the year	-	-
Add: Addition during the year	(261,500)	-
Balance at the end of the year	<u>(261,500)</u>	-
<b>General reserve</b>		
Balance at the beginning of the year	409,769,304	409,769,304
Add: Addition during the year	15,414,587	-
Balance at the end of the year	<u>425,183,891</u>	<u>409,769,304</u>
<b>Surplus in statement of profit and loss</b>		
Balance at the beginning of the year	326,474,562	268,946,460
Add: Profit for the year	92,764,673	71,899,227
Less: Appropriations during the year		
Proposed final dividend	54,880,000	12,365,183
Corporate dividend tax	19,034,400	2,005,942
Transfer to general reserve	15,414,587	-
Balance at the end of the year	<u>329,910,248</u>	<u>326,474,562</u>
	<u><u>875,616,623</u></u>	<u><u>857,027,850</u></u>
<b>4 LONG-TERM BORROWINGS</b>		
<i>Secured</i>		
Term loans		
- From banks	3,435,897	27,131,188
- From others	1,664,999	3,692,834
Long-term maturities of finance lease obligations	21,246	299,247
<i>Unsecured</i>		
Loans and advances from related parties	-	77,558,394
	<u>5,122,142</u>	<u><u>108,681,663</u></u>

**Term loans from bank:**

Term loans from bank are secured by exclusive charge on the entire moveable fixed assets of the Company financed by the term loan. The term loan from bank is a foreign currency loan carrying an interest of six months LIBOR plus 600 basis points per annum on the outstanding amount of the loan. The interest is payable quarterly along with the principal repayment. The sanction limit of the term loan is Rs 105,000,000. The Company has availed loan amounting to Rs 90,562,075 as at 31 March 2013.

The term loan is repayable in nine equal quarterly instalments over thirty six months commencing from 27 September 2012.

**Term loan from others:**

The term loan from others represents vehicle loan taken from a non banking financial institution and secured by vehicle of the Company. The term loan carries an interest rate of 10.45% per annum on the outstanding

amount of the loan. The interest is payable monthly along with the principle repayment. The term loan from other is repayable in thirty five equal monthly installments commencing from 1 February 2012.

**Finance lease obligations:**

Finance lease obligation is towards laptops and computers purchased on finance lease and secured by the leased assets. The finance lease obligation is repayable in twelve quarterly installments from the date of lease of the leased assets.

**Loans and advances from related parties represents:**

Loan from other related party amounting to Rs.Nil (previous year: Rs 77,558,394) is a foreign currency loan carrying an interest of LIBOR plus 250 basis points per annum on the outstanding amount of the loan.

The above loans is repaid during the current year.

There is no continuing default in repayment of the principal and interest amount.

Particulars	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>5 DEFERRED TAX ASSETS/(LIABILITIES), NET</b>		
<b>Deferred tax liabilities</b>		
Fixed assets	(23,326,113)	(33,530,344)
	<u>(23,326,113)</u>	<u>(33,530,344)</u>
<b>Deferred tax asset</b>		
Provision for doubtful debts	524,446	2,592,769
Provision for doubtful advances	441,581	441,581
Employee benefits	9,971,127	8,585,749
Unabsorbed depreciation and business loss	20,334,652	-
Current liabilities and provisions	6,019,655	6,019,955
	<u>37,291,461</u>	<u>17,640,054</u>
<b>Net deferred tax assets / (liabilities)</b>	<u>13,965,348</u>	<u>(15,890,290)</u>
<b>6 LONG-TERM PROVISIONS</b>		
Provision for gratuity (Refer Note 29)	16,304,793	12,033,701
	<u>16,304,793</u>	<u>12,033,701</u>
<b>7 SHORT-TERM BORROWINGS</b>		
<i>Secured</i>		
Short term loans from banks		
- Cash credit	21,515,539	77,977,612
- Packing credit	539,538,994	399,432,472
	<u>561,054,533</u>	<u>477,410,084</u>

Cash credit from bank is secured by way of hypothecation on the inventories, book debts and other current assets of the Company. Additionally it is secured by way of collateral charge on plant and machinery and an equitable mortgage of land.

Packing credit from bank is secured by way of hypothecation of inventories, book debts and fixed assets (present and future) of the Company. Additionally it is secured by way of collateral charge on plant and machinery.

There is no continuing default in the repayment of the principal and interest amounts.

## Notes on Consolidated Accounts (contd...)

Particulars	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>8. TRADE PAYABLES</b>		
- Dues to micro and small enterprises	1,617,322	4,663,867
- Dues to others	479,228,892	323,080,993
	<u>480,846,214</u>	<u>327,744,860</u>
<b>9. OTHER CURRENT LIABILITIES</b>		
Current maturities of long-term debt*	54,350,566	53,730,055
Current maturities of finance lease obligations*	278,001	334,581
Interest accrued and due	-	1,027,172
Interest accrued but not due	879,963	821,148
Advance from customers	24,715,586	32,443,036
Unpaid dividends	626,515	629,519
Derivative liability	261,500	-
Other payables		
- withholding and other taxes and duties payable	10,891,229	7,706,550
- for expenses	145,472,275	115,668,960
- for capital goods	8,587,644	12,034,199
	<u>246,063,279</u>	<u>224,395,220</u>
*Refer Note 4 for details with respect to terms and conditions of long term borrowings and finance lease.		
<b>10. SHORT-TERM PROVISIONS</b>		
Provision for gratuity (refer note 29)	1,363,654	1,039,828
Provision for compensated absences	5,429,573	4,475,708
Provision for stamp duty charges (refer note 36)	18,553,413	18,553,413
Proposed final dividend	-	12,365,183
Corporate dividend tax	19,034,400	2,005,942
Provision for taxation, net of advance tax	47,970,850	20,156,507
	<u>92,351,890</u>	<u>58,596,581</u>



## 11 FIXED ASSETS

(Amount in Rs.)

Particulars	Gross Block			Accumulated Depreciation and Amortisation				Net Block	
	As at 1 April 2012	Additions	Deletions	As at 31 March 2013	Charge for the year	Deletions	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
<b>Tangible assets, owned</b>									
Freehold land	4,409,383	-	-	4,409,383	-	-	-	4,409,383	4,409,383
Leasehold improvements	30,606,079	2,680,792	-	33,286,871	6,970,103	-	14,426,784	18,860,087	23,149,398
Building	59,525,793	-	-	59,525,793	1,983,549	-	19,576,638	39,949,155	41,932,704
Plant and machinery	1,291,421,490	44,156,242	-	1,335,577,732	122,439,847	-	875,617,012	459,960,720	538,244,325
Electrical installations	75,065,045	5,478,344	-	80,543,389	5,154,510	-	27,959,508	52,583,881	52,260,047
Computers	36,085,769	1,603,463	-	37,689,232	5,781,378	-	34,832,755	2,856,477	7,034,392
Office equipments	25,507,743	7,966,592	-	33,474,335	1,350,173	-	7,971,330	25,503,005	18,886,586
Furniture and fixtures	27,226,933	719,599	-	27,946,532	1,542,153	-	12,761,554	15,184,978	16,007,532
Vehicles	16,231,354	608,264	601,977	16,237,641	3,527,560	378,052	8,445,624	7,792,017	10,935,238
<b>Tangible assets, leased</b>									
Computer	990,801	-	-	990,801	125,536	-	247,776	743,025	868,561
<b>TOTAL (A)</b>	<b>1,567,070,390</b>	<b>63,213,296</b>	<b>601,977</b>	<b>1,629,681,709</b>	<b>148,874,809</b>	<b>378,052</b>	<b>1,001,838,981</b>	<b>627,842,728</b>	<b>713,728,166</b>
<b>Intangible assets, owned</b>									
Computer software	31,457,084	2,365,790	-	33,822,874	6,079,349	-	27,454,416	6,368,458	10,082,017
<b>TOTAL (B)</b>	<b>31,457,084</b>	<b>2,365,790</b>	<b>-</b>	<b>33,822,874</b>	<b>6,079,349</b>	<b>-</b>	<b>27,454,416</b>	<b>6,368,458</b>	<b>10,082,017</b>
<b>TOTAL (A)+(B)</b>	<b>1,598,527,474</b>	<b>65,579,086</b>	<b>601,977</b>	<b>1,663,504,583</b>	<b>154,954,158</b>	<b>378,052</b>	<b>1,029,293,397</b>	<b>634,211,186</b>	<b>723,810,183</b>
Previous year	1,453,550,774	145,606,259	629,559	1,598,527,474	147,054,354	622,924	874,717,291	723,810,183	

Notes on Consolidated Accounts (contd...)

Particulars	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>12. LONG-TERM LOANS AND ADVANCES</b>		
<i>Unsecured, considered good</i>		
Capital advances	41,129,183	39,613,500
Balance with government authorities	58,826,142	62,868,687
Advance tax, net of provision for tax	13,966,440	2,272,783
Prepaid expenses	810,236	1,019,900
Deposits	13,654,362	13,224,669
	<u>128,386,363</u>	<u>118,999,539</u>
<i>Unsecured, considered doubtful</i>		
Balance with government authorities	1,361,015	1,361,015
	<u>1,361,015</u>	<u>1,361,015</u>
Less: Provision for doubtful deposits and advances	1,361,015	1,361,015
	<u>128,386,363</u>	<u>118,999,539</u>
<b>13. OTHER NON-CURRENT ASSETS</b>		
Bank balances in margin money accounts*	-	16,117,024
Trade receivables (Unsecured, considered good) (represents trade receivables on deferred credit terms)	22,854,648	32,516,687
	<u>22,854,648</u>	<u>48,633,711</u>
*Margin money is against bank guarantees issued in favour of customers and statutory authorities.		
<b>14. INVENTORIES</b>		
Raw materials [includes raw materials in transit Rs 6,214,182) (previous year Rs 9,297,500)]	394,212,423	320,284,939
Work-in-progress	250,160,448	212,402,928
Stores and spares	5,959,083	4,830,354
	<u>650,331,954</u>	<u>537,518,221</u>
<b>15. TRADE RECEIVABLES</b>		
<i>Unsecured</i>		
Debts due for a period exceeding six months		
- considered good	38,747,300	107,857,555
- considered doubtful	4,739,616	7,277,267
	<u>43,486,916</u>	<u>115,134,822</u>
Other debts		
- considered good	979,676,015	719,467,615
	<u>979,676,015</u>	<u>719,467,615</u>
Less: Provision for doubtful debts	4,739,616	7,277,267
	<u>1,018,423,315</u>	<u>827,325,170</u>

Particulars	As at 31 March 2013 (Rs.)	As at 31 March 2012 (Rs.)
<b>16. CASH AND BANK BALANCES</b>		
Cash on hand	1,189,782	361,847
Balance with banks		
- in current account	7,906,765	3,732,002
- in exchange earners foreign currency account	30,420,279	713,634
	<b>39,516,826</b>	<b>4,807,483</b>
<b>Other bank balances</b>		
Balance with banks		
- in current account*	641,037	644,041
- in margin money accounts**	26,497,580	10,098,739
	<b>66,655,443</b>	<b>15,550,263</b>
	<b>66,655,443</b>	<b>15,550,263</b>
* includes balance in unclaimed dividend account Rs 626,515 (previous year: Rs 629,519).		
**margin money is against bank guarantees issued in favour of customers and statutory authorities.		
<b>17. SHORT-TERM LOANS AND ADVANCES</b>		
<i>Unsecured considered good</i>		
Deposits	160,989	160,989
Staff advances	636,309	731,912
Prepaid expenses	8,448,632	11,921,635
Balances with government authorities	27,001,248	15,532,802
Advance to suppliers	25,026,306	15,020,128
Interest accrued but not due	622,584	1,064,650
Other advances and receivables	3,194,374	2,044,247
Minimum alternate tax credit entitlement	-	13,673,300
Advance tax, net of provision for tax	35,753,611	47,026,487
	<b>100,844,053</b>	<b>107,176,150</b>
<i>Unsecured, considered doubtful</i>		
Advance to suppliers	1,044,008	714,008
	<b>1,044,008</b>	<b>714,008</b>
Less: Provision for doubtful advances	1,044,008	714,008
	<b>100,844,053</b>	<b>107,176,150</b>

## Notes on Consolidated Accounts (contd...)

Particulars	For the year ended 31 March 2013 Rs.	For the year ended 31 March 2012 Rs.
<b>18. REVENUE FROM OPERATIONS</b>		
Sale of products, gross	2,715,138,769	2,480,841,602
Less: Excise duty	<u>35,656,331</u>	<u>11,262,446</u>
Sale of products, net	2,679,482,438	2,469,579,156
Sale of services	<u>146,593,209</u>	<u>104,805,814</u>
	<b><u>2,826,075,647</u></b>	<b><u>2,574,384,970</u></b>
<b>19. OTHER INCOME</b>		
Interest on bank deposits	3,099,591	2,260,446
Interest on income tax refund	3,388,785	-
Profit on sale of fixed assets	-	63,540
Other non-operating income	2,052,058	8,673,610
Provision no longer required written back	<u>509,359</u>	<u>-</u>
	<b><u>9,049,793</u></b>	<b><u>10,997,596</u></b>
<b>20. COST OF RAW MATERIALS CONSUMED</b>		
Inventory of materials at the beginning of the year	325,115,293	408,589,354
Add: Purchase	1,854,649,888	1,539,474,043
Less: Inventory of materials at the end of the year	<u>400,171,506</u>	<u>325,115,293</u>
	<b><u>1,779,593,675</u></b>	<b><u>1,622,948,104</u></b>
<b>21. CHANGE IN INVENTORIES OF WORK-IN-PROGRESS</b>		
<i>Opening Stock</i>		
Work in progress	212,402,928	287,171,597
<i>Closing Stock</i>		
Work in progress	<u>250,160,448</u>	<u>212,402,928</u>
Decrease/ (increase) in inventories of work in progress	<b><u>(37,757,520)</u></b>	<b><u>74,768,669</u></b>
<b>22. EMPLOYEE BENEFIT EXPENSE</b>		
Salaries, wages and allowances	328,433,221	282,108,268
Contribution to provident and other funds	17,652,360	15,442,287
Staff welfare expenses	<u>19,297,895</u>	<u>19,661,099</u>
	<b><u>365,383,476</u></b>	<b><u>317,211,654</u></b>
<b>23. FINANCE COSTS</b>		
Interest expense	41,666,243	43,279,570
Bank charges	<u>5,046,928</u>	<u>4,056,002</u>
	<b><u>46,713,171</u></b>	<b><u>47,335,572</u></b>

Particulars	For the year ended 31 March 2013 Rs.	For the year ended 31 March 2012 Rs.
<b>24. OTHER EXPENSES</b>		
Rent	18,916,520	17,338,857
Rates and taxes	1,783,088	3,686,396
Power and fuel	40,834,261	32,298,532
Repairs and maintenance		
- Building	7,305,347	6,125,198
- Plant and machinery	15,273,674	14,021,712
Insurance	9,737,098	10,441,426
Professional and consultancy	40,404,001	34,201,775
Selling and marketing expenses	3,267,633	4,703,380
Travelling and conveyance	31,104,671	29,649,381
Purchase of services	27,849,319	23,503,007
Postage, telephones and telegrams	3,801,339	4,141,738
Printing and stationery	4,152,471	4,221,791
Donation	2,982,775	3,482,775
Advertisement and promotion	1,547,737	2,155,791
Security charges	4,710,758	4,216,327
Commission paid to non executive directors	-	800,000
Recruitment and training	6,460,721	1,827,131
Bad debts written-off	113,357,264	95,000
Provision for doubtful debts and advances	330,000	5,361,082
Directors sitting fees	64,000	68,000
Freight outwards	10,406,775	10,431,419
Foreign exchange loss, net	11,907,494	9,088,505
Bank charges	13,272,575	14,340,559
Loss on sale of fixed assets	70,492	-
Miscellaneous expenses	7,668,528	6,146,380
	<u>377,208,541</u>	<u>242,346,162</u>

## Notes on Consolidated Accounts (contd...)

## 25. Capital commitments and contingent liabilities

(Amount in Rs.)

Particulars	As at	
	31 March 2013	31 March 2012
<b>Capital commitments</b>		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	150,875,252	186,393,299
<b>Contingent liabilities</b>		
Claims against the Company not acknowledged as debts in respect of:		
Claim by supplier not acknowledged as debts	-	15,119,849
Sales tax	5,106,330	5,106,330
Excise duty	9,988,320	9,988,320
Stamp duty [refer schedule 36]	5,107,137	5,107,137

## 26. Auditors' remuneration excluding service tax (included under professional and consultancy)

(Amount in Rs.)

	Year ended	
	31 March 2013	31 March 2012
Audit fees	3,000,000	2,500,000
Out of pocket expenses reimbursed	135,580	139,217
	<b>3,135,580</b>	<b>2,639,217</b>

## 27. Earnings per share

The computation of earnings / (loss) per share is set out below:

(Amount in Rs.)

	For the year ended	
	31 March 2013	31 March 2012
Profit for the year	92,764,673	71,899,227
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	12,365,183	12,348,233
Weighted average number of shares issued during the year	-	14,396
Weighted average number of equity shares outstanding during the year (in numbers)	12,365,183	12,362,629
Face value of equity shares	10	10
Earnings per share - basic	7.50	5.82
Weighted average number of equity shares outstanding during the year - basic	12,365,183	12,362,629
Add: Effect of dilutive issues of stock options	51,851	52,334
Weighted average number of equity shares and potential equity shares outstanding during the year (in numbers)	12,417,034	12,414,963
Earnings per share dilutive	7.47	5.79

**28. Holding of Centum Electronics Limited in its subsidiary:**

Name of the subsidiary	Country of incorporation	Holding as at 31 March 2013
Centum Rakon India Private Limited	India	51%

On 3 March 2008, the Company acquired 100% stake in Centum Rakon India Private Limited (Centum Rakon) by subscribing to 2,856,000 equity shares of Rs 10 each at par in Centum Rakon. Subsequently, on 25 March 2008, Rakon Limited, New Zealand (Rakon Limited / Minority holder) acquired 49% stake in Centum Rakon through its wholly owned subsidiary Rakon (Mauritius) Limited.

**29. Gratuity plan**

The following table sets out the status of the gratuity plan as required under AS 15.

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

(Amount in Rs.)

Particulars	As at 31 March 2013	As at 31 March 2012
<b>Change in projected benefit obligations</b>		
Obligations at year beginning	13,073,529	10,750,247
Service cost	2,667,812	2,678,699
Past service cost	-	-
Benefits paid	(1,266,323)	(844,640)
Interest cost	1,309,042	1,043,763
Actuarial loss/ (gain)	1,884,387	(554,540)
<b>Obligations at year end</b>	<b>17,668,447</b>	<b>13,073,529</b>
<b>Change in plan assets</b>		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	1,266,323	844,640
Benefits paid	(1,266,323)	(844,640)
<b>Plans assets at year end, at fair value</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	17,668,447	13,073,529
<b>Asset/ (liability) recognised in the balance sheet</b>	<b>(17,668,447)</b>	<b>(13,073,529)</b>
<b>Gratuity cost for the year</b>		
Service cost	2,667,812	2,678,699
Interest cost	1,309,042	1,043,563
Expected return on plan assets	-	-
Actuarial loss/ (gain)	1,884,387	(554,540)
Past service cost	-	-
<b>Net gratuity cost</b>	<b>5,861,241</b>	<b>3,167,722</b>
<b>Assumptions:</b>		
Discount rate	7.95%	8.60%
Expected rate of return on plan assets	Not applicable	Not applicable
Expected rate of salary increase	7%	7%
Attrition rate	1%-15%	1%-15%
Retirement age	58 years	58 years

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. The Company does not have any planned assets.

## Notes on Consolidated Accounts (contd...)

**30. Employee stock options:****Centum employee stock option plan 2007**

The Centum ESOP -2007 was approved by the board of directors of the Company in October 2007 and by the shareholders in December 2007. The 2007 plan provides for the issue of 416,666 shares to the employees. The plan is administered by a compensation committee. Options will be issued to employees of the Company and also its subsidiary at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

Option activity during the year ended 31 March 2013 and the related weighted average exercise price of stock options under the Centum ESOP plan 2007 is presented below. There was no new employee stock option plan during the year ended 31 March 2013.

Particulars	For the year ended 31 March 2013		For the year ended 31 March 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	357,767	58.38	113,300	69.49
Granted during the year	-	-	288,319	53.45
Exercised during the year	-	-	16,950	31.60
Forfeited/Lapsed during the year	22,323	62.77	26,993	69.12
Options outstanding at the end of the year	335,444	58.38	357,767	58.38
Exercisable at the end of the year	107,638	60.08	16,200	86.58

The options outstanding as at 31 March 2013 had an exercise price of Rs 58.09 and the weighted average remaining contractual life of 10.78 years.

The Company applies the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. The Company has therefore adopted the pro forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share Based Payments" issued by the Institute of Chartered Accountants of India with effect from 1 April 2005.

Had the compensation been determined using the fair value approach described in the aforesaid Guidance Note, the Company's net profit and basic and diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Profit for the year</b>	<b>92,764,673</b>	<b>71,899,227</b>
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determined under the fair value method	68,537	3,856,267
Adjusted net profit	<u>92,696,135</u>	<u>68,042,960</u>
Basic earnings per share as reported	7.50	5.82
Pro forma basic earnings per share	7.50	5.50
Diluted earnings per share as reported	7.47	5.79
Pro forma diluted earnings per share	7.50	5.50



The fair value of each option under the 2007 plan is estimated by management on the date of grant using the Black - Scholes model with the following assumptions

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-8.6%	5.7-8.6%
Volatility	64.89%	68.67%

**31.** The Company's foreign currency exposure on account of foreign currency denominated payables not hedged as on 31 March 2013:

Particulars	As at 31 March 2013		As at 31 March 2012	
	Amount (foreign currency)	Amount (INR)	Amount (foreign options)	Amount (INR)
USD	16,951,610	925,219,141	13,309,732	687,978,467
EUR	1,706,257	120,973,594	2,811,123	195,035,671
GBP	46,841	3,926,697	47,836	3,963,177
JPY	10,140,170	5,972,636	2,883,200	1,838,905
CHF	6,422	373,028	1,400	81,130
NZD	-	-	5,100	218,076
SGD	-	-	12	500
SEK	687,799	5,860,046	34,998	274,733
		<b>1,062,325,142</b>		<b>889,390,659</b>

**32.** The Company's foreign currency exposure on account of foreign currency denominated receivables not hedged as on 31 March 2013:

Particulars	As at 31 March 2013		As at 31 March 2012	
	Amount (foreign currency)	Amount (INR)	Amount (foreign options)	Amount (INR)
USD	14,544,275	777,391,498	14,836,029	749,664,518
EUR	724,921	49,403,360	437,959	29,422,812
GBP	34,837	2,815,862	42,295	3,400,541
SGD	-	-	1,035	41,276
JPY	1,156,278	654,685	11,983,875	7,349,496
		<b>830,265,405</b>		<b>789,878,643</b>

**33. Leases**

The Company has taken office facilities and computer equipment under cancelable operating lease agreement. The Company intends to renew the agreement in the normal course of its business. Total lease rentals recognized in the profit and loss for the year in respect of the aforementioned lease is Rs 14,100,520 (previous year: Rs 12,962,857).

The Company has taken factory premises under non cancellable operating lease. The Company intends to renew such leases in the normal course of business. Total lease rentals recognized in the profit and loss account for the year ended 31 March 2013 with respect to the aforementioned lease is Rs 4,816,000 (previous year: Rs 4,376,000).

## Notes on Consolidated Accounts (contd...)

The total future minimum lease payments under noncancellable operating lease as at 31 March 2013 are :  
(Amount in Rs.)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Not later than one year	5,296,000	4,816,000
Later than one year and not later than five years	7,820,000	13,116,000
	<u>13,116,000</u>	<u>17,932,000</u>

The company has taken computers under finance lease. Future minimum lease payments under finance lease obligations are :

Period	As at 31 March 2013			As at 31 March 2013		
	Minimum lease payments	Future interest	Present value of minimum lease payments	Minimum lease payments	Future interest	Present value of minimum lease payments
Not later than one year	292,820	14,819	278,001	380,544	45,963	334,581
Later than one year and not later than five years	22,208	962	21,246	315,028	15,781	299,247
	<u>315,028</u>	<u>15,781</u>	<u>299,247</u>	<u>695,572</u>	<u>61,744</u>	<u>633,828</u>

## 34. Segment Information

The Company operates through two divisions, component business comprising of Modules (Products segment) and Electronic Manufacturing Services (Services segment), which are considered to be the primary segments and geography as the secondary segment.

The accounting principles used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments.

Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identified to that segment, while other items, wherever allocable, are apportioned to the segments on appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company, therefore, believes that it is not practicable to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

Geographic segments:

The Company's business is organised into four geographic segments. Revenues are attributable to individual geographic segments based on the location of the customer. The Company's fixed assets are situated in India.

(Amount in Rs.)

Primary segment information	For the Year ended 31 March 2013	For the Year ended 31 March 2012
<b>Segment revenue</b>		
Products	1,422,543,365	1,007,923,968
Services	1,403,532,282	1,566,461,002
	<u>2,826,075,647</u>	<u>2,574,384,970</u>
<b>Segment result</b>		
Products	307,103,104	69,672,147
Services	(158,073,165)	64,045,904
	<u>149,029,939</u>	<u>133,718,051</u>

	(Amount in Rs.)	
Primary segment information	For the Year ended 31 March 2013	For the Year ended 31 March 2012
<b>Income taxes</b>		
- Current year	86,000,000	48,234,806
- Previous year	-	650,000
- Deferred	(29,855,638)	(4,240,492)
- Minimum alternate tax credit entitlement	(3,628,600)	(1,123,300)
<b>Profit after taxation</b>	<b>96,514,177</b>	<b>90,197,037</b>
<b>Segment assets</b>		
Products	1,447,174,750	1,111,732,961
Services	946,788,080	1,035,409,902
Unallocated	242,575,282	235,186,520
	<b>2,636,538,112</b>	<b>2,382,329,383</b>
<b>Segment liabilities</b>		
Products	691,311,059	655,996,523
Services	666,880,561	542,472,984
Unallocated	43,551,231	26,282,892
	<b>1,401,742,851</b>	<b>1,224,752,399</b>
<b>Capital expenditure [including capital work in progress]</b>		
Products	42,424,359	122,622,758
Services	18,839,400	11,397,998
Unallocable	1,864,977	8,638,556
	<b>63,128,736</b>	<b>142,659,312</b>
<b>Depreciation</b>		
Products	100,196,707	90,005,631
Services	50,275,297	54,711,183
Unallocable	4,482,154	2,337,540
	<b>154,954,158</b>	<b>147,054,354</b>
		(Amount in Rs.)
Geographic segment	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Revenues</b>		
India	507,876,183	381,616,460
Europe	1,511,274,629	1,179,477,098
USA	549,905,328	810,225,645
Rest of the world	257,019,507	203,065,767
	<b>2,826,075,647</b>	<b>2,574,384,970</b>
<b>Segment assets</b>		
India	1,791,996,270	1,604,872,236
Europe	517,102,845	286,130,178
USA	191,296,063	227,921,033
Rest of the world	136,142,934	263,405,936
	<b>2,636,538,112</b>	<b>2,382,329,383</b>

## Notes on Consolidated Accounts (contd...)

## 35. Related party disclosures

## A. Parties where control exists:

Apparao V Mallavarapu (directly and indirectly exercises 61% voting power in the Company)

## B. Other related parties where transactions have taken place during the year:

*Associate companies*

Centum Industries private limited

Rakon (Mauritius) Limited

Rakon France SAS

Rakon UK Limited

Rakon Limited

## C. Key executive management personnel represented on the Board:

Mr. Apparao V Mallavarapu - Chairman and Managing Director

## D. The following is a summary of transactions with related parties by the Company:

(Amount in Rs.)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Sale of goods and services</b>		
<i>Associate companies</i>		
Centum Industries Private Limited	408,924	183,834
Rakon France SAS	988,008,296	692,734,220
Rakon UK Limited	34,124,363	54,737,057
Rakon Limited	4,224,438	2,306,382
<b>Purchase of goods and services</b>		
<i>Associate companies</i>		
Rakon France SAS	203,534,483	170,892,754
Rakon UK Limited	2,680,257	1,013,380
Rakon Limited	591,976	3,004,470
Centum Industries Private Limited	16,036,261	24,028,336
<b>Purchase of fixed assets</b>		
<i>Associate companies</i>		
Rakon France SAS	1,551,242	6,101,720
Rakon Limited	4,396,344	10,575,690
<b>Long-term borrowings repaid</b>		
<i>Joint venture partner</i>		
Rakon (Mauritius) Limited	115,895,405	-
<b>Professional and consultancy</b>		
<i>Associate companies</i>		
Rakon France SAS	16,517,957	16,116,967
Rakon Limited	1,117,835	-
<b>Interest expense</b>		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	2,503,982	4,587,366
<b>Managerial remuneration</b>		
Key management personnel	9,432,000	9,432,000

E. The balances receivable from and payable to related parties are as follows:

Particulars	(Amount in Rs.)	
	As at 31 March 2013	As at 31 March 2012
<b>Long-term borrowings (including current maturities of long-term debt)</b>		
<b>Associate companies</b>		
Rakon (Mauritius) Limited	-	115,895,405
<b>Interest accrued and due</b>		
<b>Associate companies</b>		
Rakon (Mauritius) Limited	-	1,027,172
<b>Interest accrued but not due</b>		
<b>Associate companies</b>		
Rakon (Mauritius) Limited	-	143,064
<b>Trade receivables</b>		
<b>Associate companies</b>		
Rakon France SAS	421,068,553	203,821,004
Rakon UK Limited	7,186,355	8,828,608
Rakon Limited	795,526	290,525
Centum Industries Private Limited	201,060	-
<b>Advance to suppliers</b>		
<b>Associate companies</b>		
Centum Industries Private Limited	-	-
<b>Trade payables</b>		
<b>Associate companies</b>		
Rakon France SAS	99,770,773	74,431,315
Rakon UK Limited	1,582,155	113,459
Rakon Limited	657,740	8,543,879
Centum Industries Private Limited	197,712	3,569,671
<b>Managerial Remuneration payable</b>		
Key management personnel	163,238	177,331

36. Based on a demand notice dated 12 February 2010 received from District Registrar, Stamps and Registration Department, Karnataka, the Company has estimated and provided Rs 11,174,165 towards additional stamp duty liability against a claim of Rs 16,281,302 in the aforementioned demand notice, payable pursuant to the demerger of EMS business from Centum Electronics Limited (formerly known as Solectron Centum Electronics Limited) on 1 October 2006, as per the Scheme of Arrangement approved by the Honourable High Court of Karnataka effective 13 July 2007. The differential amount of Rs 5,107,137 has been disclosed as a contingent liability [refer note 25].

The Company has also provided Rs 7,379,248 during 2010-11 towards stamp duty payable pursuant to the merger of Solectron EMS India Limited with the Company.

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Opening balance	18,553,413	18,553,413
Add: Provision made during the year	-	-
	<b>18,553,413</b>	<b>18,553,413</b>

Notes on Consolidated Accounts (contd...)

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37. Minority interest in the consolidated financial statement of the Company as at 31 March 2013 includes final dividend of Rs 20 per share for each equity shares of Rs 10 each aggregating to Rs 54.88 million proposed by the Board of Directors of the subsidiary Company, Centum Rakon India Private Limited. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting of the subsidiary Company.
38. As at 31 March 2013, the Company has outstanding forward contracts amounting to USD 750,000 (As at 31 March 2012: USD Nil). These derivative instruments have been entered to hedge highly probable forecasted sales.
- In accordance with the provisions of AS 30, these derivative instruments qualify for cash flow hedge accounting and have been fair valued at the balance sheet date and the resultant exchange loss has been debited to hedge reserve (Refer Note 3).
39. The comparative figures have been re-grouped/reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date attached  
for **BSR & Co.**  
Chartered Accountants  
Firm Registration No. 101248W

**Supreet Sachdev**  
*Partner*  
Membership No. 205385

Place : Bangalore  
Date : 30 May, 2013

for **Centum Electronics Limited**

**Apparao V. Mallavarapu**  
*Chairman & Managing Director*

**Ramu Akkili**  
*Company Secretary*

**Manoj Nagrath**  
*Director*

**K.S. Desikan**  
*CFO*

## Consolidated Cash Flow Statement

	For the year ended 31 March 2013 (Rs.)	For the year ended 31 March 2012 (Rs.)
<b>Cash flow from operating activities</b>		
Profit before tax	149,029,939	133,718,051
Adjustments		
Provision for doubtful debts	330,000	5,361,082
Effect of exchange differences on translation of foreign currency monetary balances	6,138,291	(10,545,157)
Bad debts written off	113,357,264	95,000
(Profit) / loss on sale of fixed assets	70,492	(63,540)
Depreciation and amortisation	154,954,158	147,054,354
Interest income	(3,099,591)	(2,260,446)
Interest expenses	46,713,171	47,335,572
<b>Operating cash flows before working capital changes</b>	<b>467,493,724</b>	<b>320,694,916</b>
Increase / (decrease) in liabilities and provisions	178,505,437	(71,624,627)
(Increase) / decrease in inventories	(112,813,736)	158,242,730
(Increase) / decrease in trade receivables	(341,472,855)	(212,090,334)
(Increase) / decrease in loans and advances	16,950,058	946,165
(Increase)/ decrease in other bank balances	(278,813)	8,447,083
<b>Cash generated from operations</b>	<b>208,383,815</b>	<b>204,615,933</b>
Income taxes	(41,304,538)	(41,460,883)
<b>Net cash generated from operating activities</b>	<b>167,079,277</b>	<b>163,155,050</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of fixed assets	153,431	70,175
Interest received	6,877,412	2,040,117
Purchase of fixed assets	(68,090,972)	(141,130,281)
<b>Net cash generated used in investing activities</b>	<b>(61,060,129)</b>	<b>(139,019,989)</b>
<b>Cash flow from financing activities</b>		
Short term borrowings from bank, net	101,604,402	(13,556,669)
Proceeds from long term borrowings	50,566,659	79,089,738
Repayment of long term borrowings	(39,989,014)	(29,333,318)
Issue of share capital	-	535,620
Interest paid	(51,212,266)	(46,532,244)
Repayment of term loan from related party	(117,870,535)	-
Dividend and dividend tax paid	(14,374,129)	(14,396,825)
<b>Net cash generated used in financing activities</b>	<b>(71,274,883)</b>	<b>(24,193,698)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>34,744,265</b>	<b>(58,637)</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalent	(34,922)	910,713
Cash and cash equivalents at the beginning of the year	4,807,483	3,955,407
<b>Cash and cash equivalents at the end of the year (refer note 16)</b>	<b>39,516,826</b>	<b>4,807,483</b>

As Per our report of even date attached

for BSR &amp; Co.

Chartered Accountants

Firm Registration No. 101248W

Supreet Sachdev

Partner

Membership No. 205385

Place : Bangalore

Date : 30 May, 2013

for Centum Electronics Limited

Apparao V. Mallavarapu

Chairman &amp; Managing Director

Ramu Akkili

Company Secretary

Manoj Nagrath

Director

K.S. Desikan

CFO





**Centum Electronics Ltd**

Regd. Office: No. 44 KHB Industrial Area, Yelahanka New Township, Bangalore- 560 106

**PROXY FORM**

I/We..... of .....  
being a Member/(s) of Centum Electronics Limited hereby appoint ..... of .....or  
failing him/her ..... of ..... or  
failing him/her ..... of .....  
as my/our proxy to vote for me/us on my/our behalf at the TWENTIETH ANNUAL GENERAL MEETING of the Company,  
to be held on Wednesday, 7 August 2013 at 11.00 a.m. at No. 44, KHB Industrial Area, Yelahanka New Township,  
Bangalore- 560 106. and at any adjournment thereof.

Reg. Folio No. .... No. of shares .....

For Office Use Only:

Proxy No. ....

Affix Re.1  
Revenue  
Stamp

Notes :

- 1. This Proxy Form should be signed across the stamp as per specimen signature registered with the Company.
- 2. The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.
- 3. A Proxy need not be a member.



**Centum Electronics Ltd**

Regd. Office: No. 44 KHB Industrial Area, Yelahanka New Township, Bangalore- 560 106

**ATTENDANCE SLIP**

**Twentieth Annual General Meeting Wednesday, 7 August 2013 at 11.00 a.m.**

Name of Member (IN BLOCK LETTERS) .....

Name of Proxy (IN BLOCK LETTERS) .....  
(Name of the Proxy to be filled in if the proxy attends instead of the Member)

No. of shares held .....

I /We hereby record my/our presence at the Twentieth Annual General Meeting of the Company held at No. 44, KHB Industrial Area, Yelahanka New Township, Bangalore- 560 106.

Member's/Proxy's Signature

Note:

- 1. Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and handover at the entrance duly signed.
- 2. Transportation facilities will be provided to the shareholders for attending the AGM as per details given below:  
Pick up at 9.45 a.m. Near Shantala Silks in Majestic, Koshy's Hotel at St.Marks Road, Druvadesh Honda in Mehkri Circle.







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Regd. & Corporate Office  
Centum Electronics Limited  
No. 44, KHB Industrial Area  
Yelahanka New Township  
Bangalore - 560 106. India