

Teamwork • Technology • Trust



CENTUM ELECTRONICS LIMITED

Annual Report 2011 - 12

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.

Contents

Board of Directors	3
Notice	4
Directors' Report	6
Management Discussion & Analysis	11
Report on Corporate Governance	16
Auditor's Report	24
Balance Sheet	28
Profit & Loss Account	29
Notes to Financial Statements	30
Cash Flow Statement	53
Balance Sheet Abstract	54
Statement on subsidiary pursuant to Section 212 of the Companies Act, 1956	55
Statement on subsidiary pursuant to Circular No: 51/12/2007-CL-III dt. February 8, 2011	56
Consolidated Financial Results	
Auditor's Report	58
Balance Sheet	59
Profit & Loss Account	60
Notes to Financial Statements	61
Cash Flow Statement	83

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*

Manny Marimuthu, *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

Kumarapark West, 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 19th Annual General Meeting

Notice is hereby given that the Nineteenth 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 Friday, August 3, 2012 at 11.00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2012 and Profit and Loss Account for the year ended 31st March 2012 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year 2011-12
3. To appoint a Director in place of Mr. Manoj Nagrath who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

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. Register of members and Share Transfer books will remain closed from July 30, 2012 to August 3, 2012 (both days inclusive) for the purpose of AGM and ascertaining the members eligible to receive the recommended dividend.
3. 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.
4. 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.
5. 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 (2011-12).
 - 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: 25 May, 2012

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. Manoj Nagrath 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. Manoj Nagrath is the Managing Partner of the firm S.P.Nagrath & Co., Chartered Accountants having its offices in New Delhi and Bangalore, and was enrolled as a member of the Institute of Chartered Accountants of India in 1983.

He has an experience of 29 years in almost every facet of the profession. He has to his credit experience in various fields such as Direct and Indirect taxation, audit, accounting, Company law matters and financial services. He carries wide experience in representing matters at the tax office and other Government authorities.

Your Directors feel that the appointment of Mr. Manoj Nagrath would be in the best interest of the company and accordingly recommend the passing of the resolution proposed at Item No.3 of the Notice.

Mr. Manoj Nagrath does not hold any shares of the company.

No Director other than Mr. Manoj Nagrath is in any way concerned or interested in the said resolution.

Directors' Report

Your Directors have pleasure in presenting their Nineteenth Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the year ended 31st March 2012.

FINANCIAL HIGHLIGHTS

	Rs.Millions	
Year ended March 31	2012	2011
Revenue	1826.00	1892.46
Profit before Depreciation and Interest	183.26	171.16
Depreciation	74.66	74.04
Interest	31.81	31.45
Profit before tax	76.79	65.67
Proposed Dividend including distribution tax	14.37	14.40

PERFORMANCE

During the current year of operations, your company has registered revenue of Rs. 1826.00 million and posted Profit before Taxes of Rs. 76.79 million.

During the year, your company received recognition for In-house R & D from the Department of Scientific and Industrial Research, Government of India. Also your company's subsidiary, Centum Rakon India Pvt Ltd received the same recognition for In-house R & D in the month of April 2012 from the above said authority.

SUBSIDIARY

During the Fourth full year of operations, Centum Rakon India Private Limited has registered revenue of Rs. 841.88 million and posted Profit before Taxes of Rs. 56.34 million.

DIVIDEND

A dividend of Re.1 per share on the paid up share capital of the company is recommended. The dividend payout is Rs. 12.37 million and the tax on dividend for the year is Rs. 2.00 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.

FINANCIALS OF SUBSIDIARY COMPANY

The Board of Directors of your company, pursuant to Circular No: 51/12/2007-CL-III dt. February 8, 2011 issued by Ministry of Corporate Affairs, has opted by passing a resolution at its meeting held on 25 May 2012, for not attaching the balance sheet and other documents of the subsidiary, Centum Rakon India Private Limited.

However, the said documents shall be made available to shareholders of the Company and the subsidiary company 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 registered 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.

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

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars

of Employees) Rules, 1975, the names and other particulars of the employees are to be annexed to this Report. However, pursuant to Section 219(1)(b)(iv) of the said Act, the Report and Accounts excluding the said information, are being sent to all the member of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the company.

EMPLOYEE STOCK OPTION PLAN

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

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

There were no changes in the composition of the Board of Directors.

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

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 required resolutions for re-appointment of the aforesaid director have been included 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 2012 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 judgements 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 2012 and of the profit 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 ensuing 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.

Directors' Report (contd...)

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.

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 25, 2012

Apparao V Mallavarapu
Chairman & Managing Director

S. Krishnan
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:

- Chemical descaling of all the AHU'S cooling coil was carried out and improved the efficiency of Centralized AC system.
- Improved the average power factor from 0.98 to 0.99 and reduced the power cost.
- Inter lock done between Exhaust blower and furnace, reduced the power consumption.
- N2 consumption reduced by minimizing losses while unloading of liquid N2 to our tank & using single storage tank instead of storing in Two separate tanks.

2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

Technology Absorption:

- Centum developed and qualified new processes for MIL and space applications in Micro-electronics and Power areas. These processes play a dominant role in packaging and miniaturizing the high reliability hardware.
- State of the art Automatic Optical Inspection capability developed in house.

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

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

- Development of Low to Medium power dc-dc converters.
- Power amplifiers and Sensors for Vibration Pick.
- Hybrid version dc-dc converters for Satellite application.
- Electronic Delay Units and Laser receivers.
- Redesign of the power supply and Rear Interconnect modules for TCAS for aerospace application.

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

- Modular designs have decreased the time to market our products.
- Successful indigenization of critical modules and subsystems for Strategic Electronics application resulting in self reliance and savings in Foreign Exchange and Costs.

(iii) Future Plan of Action

- Development of high power (kilo watts) multiple output ac-dc and dc-dc power converters for Strategic Electronics application.
- Development of RF modules and subsystems.

(iv) Expenditure on R & D

		Rs in Millions	
For the year ended 31st March	2011-12	2010-11	
A. Capital	1.19	0.69	
B. Recurring	14.48	17.36	
C. Total	15.67	18.05	
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, 2012.

Directors' Report (contd...)

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	65,725	
5	Options exercised	31,850	
6	Number of shares arising as a result of exercise of option	31,850	
7	Options lapsed/surrendered/forfeited	26,993	
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	3,57,676	
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. 3.90	
15	Impact on Net Profit and EPS	Profit after tax reduced by Rs. 3,856,267 EPS reduced by Rs. 0.31	
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	68.67%	

For and on behalf of the Board

Place: Bangalore
Date: May 25, 2012

Apparao V Mallavarapu
Chairman & Managing Director

S. Krishnan
Director

Management Discussion & Analysis

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 and enterprise solutions with advanced tailor-made technologies. These range from Strategic Electronics (Space, Defense and Aerospace) to Industrial, Communications, and Medical & Wellness applications.

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 products & solutions.

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.

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

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 they were partnering only with PSUs or Ordnance Factories.

Till recently, the indigenous defence 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 are also actively working with the private industry to create new capacities and capabilities.

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

Management Discussion & Analysis (contd...)

Space Programme a special status and the budget allocation in the 11th Plan period is 300% higher than the 10th 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 Govt.'s focus on self reliance ISRO, is actively involved in developing the private industry in meeting their increasing requirements.

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

STRATEGY :

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 with equal revenue share from North America, Europe and Asia. This is to ensure that any economic downturn in any one region, had limited impact on the company.

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

BTS

Under this business model, the customer gives only the specifications and the company designs, develops prototypes 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.

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, most of the defense business and some of the space business that the company is involved in, fall under this category.

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 on a few products. 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 a few orders for off-set and we hope to see this grow in the coming years.

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 Infrastrucutre 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 largest OCXO manufacturers 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

Management Discussion & Analysis (contd...)

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.

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.

A large portion of our Industrial & Communication segments revenues come from few customers. Customers may change production quantities or delay production for a number of reasons outside of our control. If customers experience decreases in demand for their products & services, our sales will also get affected.

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

SHARE CAPITAL

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

LOANS

The Secured Loans have decreased by Rs. 22.00 million from Rs. 379.17 million as on 31st March 2011 to Rs. 357.17 million as on 31st March 2012.

FIXED ASSETS

The Capital expenditure for 2011-12 is Rs. 34.89 million.

WORKING CAPITAL

Inventories has decreased by Rs. 123.65 million from Rs. 481.40 million as on 31st March 2011 to Rs. 357.75 million as on 31st March 2012.

Receivables has gone up by Rs. 131.34 million from Rs. 460.61 million as on 31st March 2011 to Rs. 591.95 million as on 31st March 2012.

Current liabilities has decreased by Rs. 52.77 million from Rs. 433.32 million as on 31st March 2011 to Rs. 380.55 million as on 31st March 2012.

CASH FLOWS

	Rs. million
Cash flows from Operating activities	81.99
Cash inflows in Financing activities	(81.69)
Cash outflows in Investing activities	(0.57)

RESULTS OF OPERATIONS

The business operation for 2011-12 resulted in the Company, achieving sales of Rs. 1811.03 million as against Rs. 1869.29 million for 2010-11.

The Profit before tax for the year 2011-12 is Rs. 76.79 million as against Rs. 65.67 million for the year 2010-11.

Management Responsibility for Financial Statements

The accompanying financial statements of Centum Electronics Limited are the responsibility of management and are approved by the Board of Directors of your company.

These financial statements have been prepared by management in conformity with Indian generally accepted accounting principles and includes amounts that are based on best estimates and judgments.

Management of the company in furtherance of the integrity and objectivity of data in the financial statements has developed and maintains systems of internal accounting controls. Management believes that the systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee. The Audit Committee reviews the Company's annual financial statements and formulates the appropriate recommendations to the Board of Directors. The Audit Committee has full access to the auditors appointed by the shareholders, with or without the management being present.

The auditors appointed by the shareholders, BSR & Co., Chartered Accountants have examined these financial statements, and their report is presented hereafter.

K S DESIKAN
CFO

APPARAO V MALLAVARAPU
Chairman & Managing Director

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 2012 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.

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 2011-12 i.e. on May 26, 2011, August 11, 2011, November 9, 2011 and February 8, 2012. 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	2	Yes
Mr. Manny Marimuthu	-	NA

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 2011-12. The Code of Conduct is available on the company's website (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. Manoj Nagrath, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Manoj Nagrath is the Managing Partner of the firm S.P.Nagrath & Co., Chartered Accountants having its offices in New Delhi and Bangalore, and was enrolled as a member of the Institute of Chartered Accountants of India in 1983.

He has an experience of 29 years in almost every facet of the profession. He has to his credit experience in various fields such as Direct and Indirect taxation, audit, accounting, Company law matters and financial services. He carries wide experience in representing matters at the tax office and other Government authorities.

Mr. Manoj Nagrath does not hold any shares of the company.

The directors recommend the re-appointment of Mr. Manoj Nagrath as a Director of the company and the related resolution 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 Board's 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

Report on Corporate Governance (contd...)

The Chairman of the Audit Committee is an Independent Director.

The audit committee has met 4 times during the financial year i.e., May 26, 2011, August 11, 2011, November 9, 2011 and February 8, 2012. 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, remuneration has been paid to Non-Executive Directors, based on the approval of shareholders dtd 3 December 2007. 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. During the year the committee met one time on 26 May 2011 and all the members of the committee were present.

The composition of the shareholders 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 1.4.2011 to 31.3.2012

Sl. No.	Nature of Complaints	Opening Balance	Received	Redressed	Pending
1.	Non-receipt of securities	Nil	13	13	Nil
2.	Non-receipt of Dividend Warrants	Nil	8	8	Nil
3.	Non-receipt of Annual Reports	Nil	1	1	Nil
4.	Others	Nil	334	334	Nil
	Total	Nil	356	356	Nil

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 subsequently.

During the year 2010-11, the Committee has granted 55,400 options of which 14,400 options were forfeited subsequently.

During the year, the Committee has granted 288,319 options of which 12,943 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, 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
2008-09	July 30, 2009	No. 4, 12th KM, Bellary Road, Opp. Government Flying School, Jakkur, Bangalore - 560064	11.00 A.M.	1
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.	-

Report on Corporate Governance (contd...)

b) Means of Communication

The company has its own website viz. 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.

The official news releases and the presentations made to institutional investors or to the analysts would be made available in future.

7) GENERAL SHAREHOLDING INFORMATION

A. Annual General Meeting

Date and Time

3 August 2012 at 11 A.M.

Venue

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

B. Dates of book closure

30 July 2012 to 3August 2012 (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-11	124.70	93.00	19,811	18,976	125.00	92.05	5,944	5,693
May-11	116.50	92.15	19,254	17,786	115.00	94.50	5,775	5,329
Jun-11	99.00	76.20	18,873	17,314	100.10	75.00	5,658	5,196
Jul-11	103.50	87.80	19,132	18,132	99.80	85.60	5,740	5,454
Aug-11	100.00	74.00	18,440	15,766	97.90	66.55	5,552	4,720
Sep-11	93.00	75.00	17,212	15,801	88.35	75.00	5,169	4,759
Oct-11	83.95	66.15	17,908	15,745	79.95	66.15	5,400	4,728
Nov-11	68.50	51.20	17,702	15,479	72.80	45.25	5,326	4,639
Dec-11	62.45	42.05	17,004	15,136	64.30	35.30	5,099	4,531
Jan-12	56.00	45.30	17,259	15,358	59.45	46.00	5,217	4,588
Feb-12	72.50	51.00	18,524	17,062	68.95	48.55	5,630	5,159
Mar-12	59.90	46.70	18,041	16,921	56.90	44.15	5,499	5,136

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

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 2012 is as follows:

No of equity shares held		No of share holders	% cases	No of shares held
1	500	7412	90.58 %	774,748
501	1,000	375	4.58 %	298,575
1,001	2,000	169	2.06 %	248,731
2,001	3,000	81	0.99 %	207,252
3,001	4,000	40	0.49 %	145,315
4,001	5,000	25	0.31 %	112,440
5,001	10,000	43	0.53 %	317,836
Above	10,000	38	0.46 %	10,260,286
Total		8183	100.00%	12,365,183

Shareholding pattern

The shareholding pattern as on 31 March 2012 is as follows:

Particulars	No of shares held	% to total shares
Shareholding of promoter and promoter group		
-Indian Promoters	6,973,865	56.40
-Foreign Promoters	581,314	4.70
Public Shareholding		
-Institutions	8,544	0.07
-Non-institutions	4,801,460	38.83
Total	12,365,183	100.00

Report on Corporate Governance (contd...)

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 break up of the shares held in physical and electronic form as on March 31, 2012 is as follows:

Particulars	No.of holders	Total Shares	%
Physical	1,901	231,843	1.87%
NSDL	4,472	10,018,203	81.02 %
CDSL	1,810	2,115,137	17.11 %
Total	8,153	12,365,183	100.00%

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 2012-13 is given below:

Sl. No.	Particulars	Tentative dates
1.	Financial reporting for the quarter ending June 30, 2012	First week of August 2012
2.	Financial reporting for the half year ending September 30, 2012.	Second week of November 2012.
3.	Financial reporting for the quarter ending December 31, 2012	Second week of February 2013.
4.	Financial reporting for the year ending March 31, 2013.	Last week of May 2013.
5.	Annual General Meeting for the year ended March 31, 2013.	August/September 2013.

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 - 560 064
 Phone : +91 80 30046000
 Fax : +91 80 30046005

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: 25 May, 2012

Apparao V Mallavarapu
Chairman & Managing Director

S. Krishnan
Director

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 2012 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

Zubin Shekary
Partner
Membership Number: 48814

Bangalore
Date : 25 May, 2012

Auditor's Report

To the Members of Centum Electronics Limited

We have audited the attached balance sheet of Centum Electronics Limited ("the Company") as at 31 March 2012, the statement of profit and loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as 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 dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (e) on the basis of written representations received from the directors, as at 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
- (g) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2012;
 - (ii) in the case of the statement of profit and loss, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For **BSR & Co.**

Chartered Accountants

Firm registration number: 101248W

Zubin Shekary

Partner

Membership Number: 48814

Bangalore

Date: 25 May, 2012

Annexure to the Auditor's Report

Annexure referred to in our report to the members of Centum Electronics Limited ("the Company") for the year ended 31 March 2012. 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 of 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 98,560,000 and the year end balance of such loan was Rs 60,222,989. 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 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 and fixed assets 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 2012 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
UP Trade Tax Act, 1948	Commercial tax	2,700,000	Assessment Year 2007-08	Additional Commissioner (Appeals) Commercial Tax, Agra

* The Company has filed application for refund of KVAT & CST for Rs 16,853,275 for the year 2006-07 & 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...)

- (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: 25 May, 2012

Zubin Shekary
Partner
Membership Number: 48814

Balance Sheet

	Note	As at 31 March 2012 (Rs.)	As at 31 March 2011 (Rs.)
EQUITY AND LIABILITIES			
Shareholder's funds			
Share capital	2	123,651,830	123,482,330
Reserves and surplus	3	698,943,451	660,682,427
		<u>822,595,281</u>	<u>784,164,757</u>
Non-current liabilities			
Long-term borrowings	4	3,992,081	-
Deferred tax liabilities, net	12	-	1,777,459
Long-term provisions	5	8,695,037	7,303,940
		<u>12,687,118</u>	<u>9,081,399</u>
Current liabilities			
Short-term borrowings	6	353,174,659	379,173,988
Trade payables	7	191,169,981	258,933,551
Other current liabilities	8	135,564,734	128,582,985
Short-term provisions	9	53,818,709	45,801,931
		<u>733,728,083</u>	<u>812,492,455</u>
		<u>1,569,010,482</u>	<u>1,605,738,611</u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	279,702,826	319,635,655
Intangible assets	10	13,288,126	13,128,235
		<u>292,990,952</u>	<u>332,763,890</u>
Non-current investments	11	28,560,000	28,560,000
Deferred tax assets, net	12	10,118,785	-
Long-term loans and advances	13	147,020,495	207,872,458
Other non-current assets	14	48,633,711	18,273,267
		<u>527,323,943</u>	<u>587,469,615</u>
Current assets			
Inventories	15	357,748,694	481,398,343
Trade receivables	16	591,946,610	460,613,999
Cash and bank balances	17	7,997,520	14,578,200
Short-term loans and advances	18	83,993,715	61,678,454
		<u>1,041,686,539</u>	<u>1,018,268,996</u>
		<u>1,569,010,482</u>	<u>1,605,738,611</u>
Significant accounting policies	1		

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

As per our report of even date attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

Zubin Shekary

Partner

Membership No. 48814

Place : Bangalore

Date : 25 May, 2012

for **Centum Electronics Limited**

Apparao V. Mallavarapu

Chairman & Managing Director

Ramu Akkili

Company Secretary

S. Krishnan

Director

K.S.Desikan

CFO

Profit and Loss Account

	Note	Year ended 31 March 2012 (Rs.)	Year ended 31 March 2011 (Rs.)
Income:			
Revenue from operations		1,820,725,516	1,902,174,658
Less: excise duty		<u>9,695,277</u>	<u>32,884,038</u>
	19	1,811,030,239	1,869,290,620
Other income	20	<u>14,970,078</u>	<u>23,167,418</u>
		1,826,000,317	1,892,458,038
Expenses:			
Cost of materials consumed	21	1,182,427,885	1,371,395,108
Changes in inventories of work-in-progress	22	40,154,089	(42,981,968)
Employee benefits expense	23	244,628,899	204,433,846
Finance costs	24	33,842,007	33,740,992
Depreciation and Amortisation	10	74,657,252	74,042,523
Other expenses	25	173,500,594	178,776,568
Provision for stamp duty on merger	42	-	7,379,248
		<u>1,749,210,726</u>	<u>1,826,786,317</u>
Profit before taxation		76,789,591	65,671,721
Tax expense:			
Current tax		36,419,806	29,500,000
Deferred tax		<u>(11,896,244)</u>	<u>2,301,581</u>
Profit for the year		52,266,029	33,870,140
Earnings per equity share (par value Rs 10 each)			
Basic		4.23	2.74
Diluted		4.21	2.72
Significant accounting policies	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

Zubin Shekary

Partner

Membership No. 48814

Place : Bangalore

Date : 25 May, 2012

for **Centum Electronics Limited**

Apparao V. Mallavarapu

Chairman & Managing Director

S. Krishnan

Director

Ramu Akkili

Company Secretary

K.S.Desikan

CFO

Notes on Accounts

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 and 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

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:

Asset categories	Years
Plant and machinery	5 - 9 years
Leasehold improvements	5 years
Computers	5 - 6 years
Software	5 - 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...)

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 profit and loss account 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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 profit and loss account. 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.

q) 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.

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.

Notes on Accounts (contd...)

Particulars	As at 31 March 2012 (Rs.)	As at 31 March 2011 (Rs.)
2. SHARE CAPITAL		
Authorised		
15,500,000 (previous year: 15,500,000) equity shares of Rs 10 each	<u>155,000,000</u>	<u>155,000,000</u>
Issued, subscribed and paid-up		
12,365,183 (previous year: 12,348,233) equity shares of Rs 10 each, fully paid	<u>123,651,830</u>	<u>123,482,330</u>
	<u>123,651,830</u>	<u>123,482,330</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 2012		As at 31 March 2011	
	Number	Amount	Number	Amount
Number and value of shares at the beginning of the year	12,348,233	123,482,330	12,333,333	123,333,330
Number of shares issued during the year	16,950	169,500	14,900	149,000
Number and value of shares outstanding at the end of the year	<u>12,365,183</u>	<u>123,651,830</u>	<u>12,348,233</u>	<u>123,482,330</u>

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

Name of the shareholder	As at 31 March 2012		As at 31 March 2011	
	Number	% of holding	Number	% of holding
Apparao V Mallavarapu	6,604,715	53.41%	6,077,883	49.22%

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, 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 2012, the amount of per share dividend recognised as distributions to equity shareholders was Re 1 (previous year: Re 1). The total dividend appropriation for the year ended 31 March 2012 amounted to Rs 14,371,125 (previous year: Rs 14,399,120) including corporate dividend tax of Rs 2,005,942 (previous year: Rs 2,050,887).

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 2012 (Rs.)	As at 31 March 2011 (Rs.)
3 RESERVES AND SURPLUS		
Securities premium account		
Opening balance	321,840	-
Add: Addition during the year	366,120	321,840
Closing balance	<u>687,960</u>	<u>321,840</u>
General reserve		
Opening balance	409,769,304	409,769,304
Add: Addition during the year	-	-
Closing balance	<u>409,769,304</u>	<u>409,769,304</u>
Surplus in statement of profit and loss		
Opening balance	250,591,283	231,120,263
Add: Profit for the year	52,266,029	33,870,140
Less: Appropriations during the year	-	-
Proposed final dividend	12,365,183	12,348,233
Corporate dividend tax	2,005,942	2,050,887
Closing balance	<u>288,486,187</u>	<u>250,591,283</u>
	<u>698,943,451</u>	<u>660,682,427</u>
4 LONG-TERM BORROWINGS		
<i>Secured</i>		
Term loans		
- From others	3,692,834	-
Long-term maturities of finance lease obligations	299,247	-
	<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 thirtyfive 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 repayment of the principal and interest amount.</p>		
5 LONG-TERM PROVISIONS		
Provision for gratuity (refer note 29)	8,695,037	7,303,940
	<u>8,695,037</u>	<u>7,303,940</u>
6 SHORT-TERM BORROWINGS		
Short term loans from banks		
- Cash credit	77,977,612	172,986,435
- Packing credit	275,197,047	206,187,553
	<u>353,174,659</u>	<u>379,173,988</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 Accounts (contd...)

Particulars	As at 31 March 2012 (Rs.)	As at 31 March 2011 (Rs.)
7. TRADE PAYABLES		
- Dues to micro and small enterprises*	4,621,706	6,806,828
- Dues to others	186,548,275	252,126,723
	<u>191,169,981</u>	<u>258,933,551</u>
* refer note 35 for details of dues to micro and small enterprises		
8. OTHER CURRENT LIABILITIES		
Current maturities of long-term debt*	1,827,450	-
Current maturities of finance lease obligations*	334,581	-
Advance from customers	31,732,197	33,520,799
Unpaid dividends	629,519	627,224
[Investor Education and Protection Fund shall we credited when due]		
Other payables		
- withholding and other taxes and duties payable	4,963,432	10,247,925
- for expenses	86,073,979	73,921,312
- for capital goods	10,003,576	10,265,725
	<u>135,564,734</u>	<u>128,582,985</u>
9. SHORT-TERM PROVISIONS		
Provision for gratuity (refer note 29)	746,624	541,891
Provision for compensated absences	3,390,235	3,228,751
Provision for stamp duty charges	18,553,413	18,553,413
Proposed final dividend	12,365,183	12,348,233
Corporate dividend tax	2,005,942	2,050,887
Provision for taxation, net of advance tax	16,757,312	9,078,756
	<u>53,818,709</u>	<u>45,801,931</u>

10 FIXED ASSETS

Particulars	(Amount in Rs.)												
	GROSS BLOCK						ACCUMULATED DEPRECIATION					NET BLOCK	
	As at 1 April 2011	Additions during the year	Deletions during the year	As at 31 March 2012	As at 1 April 2011	Charge for the year	Deletions during the year	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011	As at 31 March 2011		
Tangible assets, owned													
Freehold land	4,409,383	-	-	4,409,383	-	-	-	-	-	4,409,383	4,409,383		
Leasehold improvements	5,384,763	2,455,906	-	7,840,669	1,058,039	1,427,508	-	2,485,547	5,355,122	4,326,724	4,326,724		
Building	59,525,793	-	-	59,525,793	15,609,450	1,983,639	-	17,593,089	41,932,704	43,916,343	43,916,343		
Plant and machinery	641,549,243	17,451,188	-	659,000,431	430,157,758	58,536,823	-	488,694,581	170,305,850	211,391,485	211,391,485		
Electrical installations	27,921,727	115,080	-	28,036,807	9,669,992	1,320,671	-	10,990,663	17,046,144	18,251,735	18,251,735		
Computers	29,954,914	366,082	-	30,320,996	24,915,300	3,559,472	-	28,474,772	1,846,224	5,039,614	5,039,614		
Office equipments	22,474,364	344,979	-	22,819,343	4,999,072	1,044,575	-	6,043,647	16,775,696	17,475,292	17,475,292		
Furniture and fixtures	18,566,898	647,558	-	19,214,456	7,851,530	1,135,022	-	8,986,552	10,227,904	10,715,368	10,715,368		
Vehicles	8,212,933	8,647,980	629,559	16,231,354	4,103,222	1,815,818	622,924	5,296,116	10,935,238	4,109,711	4,109,711		
Tangible assets, leased													
Computer	-	990,801	-	990,801	-	122,240	-	122,240	868,561	-	-		
Total (A)	818,000,018	31,019,574	629,559	848,390,033	498,364,363	70,945,768	622,924	568,687,207	279,702,826	319,635,655	319,635,655		
Intangible assets, owned													
Computer software	25,591,643	3,871,375	-	29,463,018	12,463,408	3,711,484	-	16,174,892	13,288,126	13,128,235	13,128,235		
Total (B)	25,591,643	3,871,375	-	29,463,018	12,463,408	3,711,484	-	16,174,892	13,288,126	13,128,235	13,128,235		
Total (A)+(B)	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	332,763,890	332,763,890		
<i>Previous year</i>	<i>808,831,322</i>	<i>34,760,339</i>	<i>-</i>	<i>843,591,661</i>	<i>436,785,248</i>	<i>74,042,523</i>	<i>-</i>	<i>510,827,771</i>	<i>332,763,890</i>	<i>-</i>	<i>-</i>		

Notes on Accounts (contd...)

Particulars	As at 31 March 2012 (Rs.)	As at 31 March 2011 (Rs.)
11. NON-CURRENT INVESTMENTS		
Long term investments - at cost		
Trade - unquoted		
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>
12. DEFERRED TAX ASSETS/(LIABILITIES), NET		
Deferred tax liabilities		
Fixed assets	(5,326,093)	(14,552,203)
	<u>(5,326,093)</u>	<u>(14,552,203)</u>
Deferred tax asset		
Provision for doubtful debts	2,346,969	1,244,186
Provision for doubtful advances	441,581	557,062
Current liabilities and provisions	12,656,328	10,973,496
	<u>15,444,878</u>	<u>12,774,744</u>
Net deferred tax assets / (liabilities)	<u>10,118,785</u>	<u>(1,777,459)</u>
13. LONG-TERM LOANS AND ADVANCES		
<i>Unsecured, considered good</i>		
Capital advances	39,613,500	28,261,087
Loan to subsidiary company (Refer Note 34)	60,222,989	98,560,000
Balance with government authorities	35,229,271	35,229,271
Advance tax, net of provision for tax	1,833,813	34,251,313
Prepaid expenses	701,252	2,067,241
Deposits	9,419,670	9,503,546
	<u>147,020,495</u>	<u>207,872,458</u>
<i>Unsecured, considered doubtful</i>		
Deposits	-	316,000
Balance with government authorities	1,361,015	1,361,015
	<u>1,361,015</u>	<u>1,677,015</u>
Less: Provision for doubtful deposits and advances	1,361,015	1,677,015
	<u>147,020,495</u>	<u>207,872,458</u>
14. OTHER NON-CURRENT ASSETS		
Bank balances in margin money accounts*	16,117,024	18,273,267
Trade receivables (Unsecured, considered good) (represents trade receivables on deferred credit terms)	32,516,687	-
	<u>48,633,711</u>	<u>18,273,267</u>

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

Particulars	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
15. INVENTORIES		
Raw materials [includes raw material in transit Rs Nil (previous year: Rs 1,163,577)]	244,763,947	326,250,322
Work-in-progress	108,158,340	148,312,429
Stores and spares	4,826,407	6,835,592
	<u>357,748,694</u>	<u>481,398,343</u>
16. TRADE RECEIVABLES*		
<i>Unsecured</i>		
Debts due for a period exceeding six months		
- considered good	99,699,458	31,966,390
- considered doubtful	7,233,685	3,745,574
	<u>106,933,143</u>	<u>35,711,964</u>
Other debts		
- Considered good	492,247,152	428,647,609
	<u>492,247,152</u>	<u>428,647,609</u>
Less: Provision for doubtful debts	7,233,685	3,745,574
	<u>591,946,610</u>	<u>460,613,999</u>
* Includes an amount of Rs 11,327,466 (previous year: Rs 51,623,677) receivable from companies where directors of the company are also directors / members.		
17. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash on hand	332,210	301,596
Balance with banks		
- in current account	1,585,229	1,011,303
- in exchange earners foreign currency account	194,763	174,895
	<u>2,112,202</u>	<u>1,487,794</u>
Other bank balances		
Balance with banks		
- in current account*	644,041	641,746
- in margin money accounts**	5,241,277	12,448,660
	<u>7,997,520</u>	<u>14,578,200</u>
*Includes balance in unclaimed dividend account Rs. 629,519 (Previous year: Rs. 627,224).		
**Margin money is against bank guarantees issued in favour of customers and statutory authorities.		
18. SHORT-TERM LOANS AND ADVANCES		
Deposits	160,989	488,500
Staff advances	301,912	5,644,274
Prepaid expenses	10,096,945	8,367,654
Balances with government authorities	12,155,402	8,651,040
Advance to suppliers	11,193,045	15,741,686
Interest accrued but not due	1,014,688	790,108
Other claims and receivables	2,044,247	2,028,875
Advance tax, net of provision for tax	47,026,487	19,966,317
	<u>83,993,715</u>	<u>61,678,454</u>

Notes on Accounts (contd...)

Particulars	For the year ended 31 March 2012 Rs.	For the year ended 31 March 2011 Rs.
19. REVENUE FROM OPERATIONS		
Sale of products, gross	1,654,076,735	1,721,407,332
Less: Excise duty	<u>9,695,277</u>	<u>32,884,038</u>
Sale of products, net	1,644,381,458	1,688,523,294
Sale of services	<u>166,648,781</u>	<u>180,767,326</u>
	<u>1,811,030,239</u>	<u>1,869,290,620</u>
Refer Note 38 for details related to sale of manufactured product and service income.		
20. OTHER INCOME		
Interest on bank deposits	1,868,903	1,845,757
Interest on loan given to subsidiary company	5,887,794	5,913,600
Rental income	3,032,400	3,698,400
Foreign exchange gain, net	-	10,951,609
Profit on sale of fixed assets	63,540	-
Other non-operating income	<u>4,117,441</u>	<u>758,052</u>
	<u>14,970,078</u>	<u>23,167,418</u>
21. COST OF MATERIAL CONSUMED		
Opening stock	333,085,914	305,896,696
Add: Purchases	1,098,932,325	1,398,584,326
Less: Closing stock	<u>249,590,354</u>	<u>333,085,914</u>
	<u>1,182,427,885</u>	<u>1,371,395,108</u>
Refer Note 36 and 37 for details of items of raw materials and components consumed.		
22. CHANGE IN INVENTORIES OF WORK-IN-PROGRESS		
<i>Opening Stock</i>		
Work in progress	148,312,429	105,330,461
<i>Closing Stock</i>		
Work in progress	<u>108,158,340</u>	<u>148,312,429</u>
Decrease/ (increase) in inventories of work in progress	<u>40,154,089</u>	<u>(42,981,968)</u>
23. EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and allowances	220,800,381	177,437,533
Contribution to provident and other funds	10,957,714	10,852,731
Staff welfare expenses	<u>12,870,804</u>	<u>16,143,582</u>
	<u>244,628,899</u>	<u>204,433,846</u>
24. FINANCE COSTS		
Interest expense	31,807,313	31,446,941
Other Borrowing cost	<u>2,034,694</u>	<u>2,294,051</u>
	<u>33,842,007</u>	<u>33,740,992</u>

Particulars	For the year ended 31 March 2012 Rs.	For the year ended 31 March 2011 Rs.
25. OTHER EXPENSES		
Rent	9,789,229	10,409,541
Rates and taxes	3,496,866	2,351,084
Power and fuel	19,734,731	22,392,051
Repairs and maintenance		
- Building	8,795,629	8,203,125
- Plant and machinery	9,689,058	8,594,619
Insurance	6,612,464	4,849,974
Professional and consultancy	22,749,733	22,793,584
Selling and marketing expenses	3,905,646	7,768,276
Travelling and conveyance	28,337,204	23,040,652
Purchase of services	6,562,051	23,132,863
Postage, telephones and telegrams	3,861,493	4,199,795
Printing and stationery	2,711,759	3,778,399
Donation	2,982,775	2,025,800
Advertisement and promotion	2,039,784	2,407,434
Security charges	3,947,281	3,103,835
Commission paid to non executive directors	800,000	720,000
Entertainment expenses	1,546,084	3,366,444
Recruitment and training	1,594,216	8,127,736
Bad debts written-off	95,000	1,190,397
Provision for doubtful debts	4,678,507	-
Directors sitting fees	52,000	126,000
Bank charges	10,615,035	13,015,559
Foreign exchange loss, net	15,377,149	-
Miscellaneous expenses	3,526,900	3,179,400
	<u>173,500,594</u>	<u>178,776,568</u>

Notes on Accounts (contd...)

26. Capital commitments and contingent liabilities

(Amount in Rs.)

Particulars	As at 31 March 2012	As at 31 March 2011
Capital commitment		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	184,428,834	95,505,150
Contingent liabilities		
Claims against the Company not acknowledged as debts in respect of:		
Income tax	-	34,015,175
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.)

	Year ended 31 March 2012	Year ended 31 March 2011
Audit fees	2,000,000	2,000,000
Out of pocket expenses reimbursed	102,437	72,340
Total	2,102,437	2,072,340

28. Earnings per share

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

(Amount in Rs.)

	Year ended 31 March 2012	Year ended 31 March 2011
Profit for the year	52,266,029	33,870,140
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	12,348,233	12,333,333
Weighted average number of shares issued during the year	14,396	9,430
Weighted average number of equity shares outstanding during the year (in numbers)	12,362,629	12,342,763
Face value of equity shares	10	10
Earnings per share - basic	4.23	2.74
Weighted average number of equity shares outstanding during the year - basic	12,362,629	12,342,763
Add: Effect of dilutive issues of stock options	52,334	112,390
Weighted average number of equity shares and potential equity shares outstanding during the year	12,414,963	12,455,153
Earnings per share - dilutive	4.21	2.72

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 2012	As at 31 March 2011
Change in projected benefit obligations		
Obligations at year beginning	7,845,831	4,893,238
Service cost	1,975,591	1,421,344
Past service cost	-	1,423,010
Benefits paid	(546,027)	(79,923)
Interest cost	764,022	481,309
Liabilities assumed on acquisition / (settled on divestiture)	(125,236)	-
Actuarial loss/ (gain)	(472,520)	(293,147)
Obligations at year end	9,441,661	7,845,831
Change in plan assets		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	546,027	79,923
Benefits paid	(546,027)	(79,923)
Plans assets at year end, at fair value	-	-
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	9,441,661	7,845,831
Asset/ (liability) recognised in the balance sheet	(9,441,661)	(7,845,831)
Gratuity cost for the year		
Service cost	1,975,591	1,421,344
Interest cost	764,022	481,309
Expected return on plan assets	-	-
Actuarial loss/ (gain)	(472,520)	(293,147)
Past service cost	-	1,423,010
Net gratuity cost	1,721,066	2,952,593
Assumptions:		
Discount rate	8.60%	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 2012 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 2012.

Particulars	For the year ended 31 March 2012		For the year ended 31 March 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	113,300	69.49	81,100	31.60
Granted during the year	288,319	53.45	55,400	118.50
Exercised during the year	16,950	31.60	14,900	31.60
Forfeited / lapsed during the year	26,993	69.12	8,300	123.35
Options outstanding at the end of the year	357,676	58.38	113,300	69.49
Exercisable at the end of the year	16,200	86.58	4,800	31.60

The weighted average share price of the options exercised as at the date of exercise was 31.60.

There were 288,319 equity shares given as options during the current year. The options outstanding as at 31 March 2012 had an exercise price of Rs 58.38 and the weighted average remaining contractual life of 10.81 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 2012	For the Year ended 31 March 2011
Profit for the year	52,266,029	33,870,140
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	3,856,267	1,012,888
Adjusted net profit	48,409,762	32,857,252
Basic earnings per share as reported	4.23	2.74
Pro forma basic earnings per share	3.92	2.66
Diluted earnings per share as reported	4.21	2.72
Pro forma diluted earnings per share	3.90	2.64

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 2012	Year ended 31 March 2011
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-8.6%	5.7-6.5%
Volatility	68.67%	75.26%

31. The Company's foreign currency exposure on account of foreign currency denominated payables not hedged as on 31 March 2012:

Particulars	As at 31 March 2012		As at 31 March 2011	
	Amount (foreign currency)	Amount (INR)	Amount (foreign options)	Amount (INR)
USD	8,894,387	459,750,843	9,022,041	402,715,514
EUR	238,204	16,526,562	403,691	25,896,696
GBP	47,231	3,913,053	15,618	1,137,818
JPY	133,200	84,955	7,904	4,343
SGD	12	500	5,724	206,540
SEK	34,998	274,733	2,620	19,807
		480,550,646		429,980,718

The Company's foreign currency exposure on account of foreign currency denominated payables not hedged as on 31 March 2012:

Particulars	As at 31 March 2012		As at 31 March 2011	
	Amount (foreign currency)	Amount (INR)	Amount (foreign options)	Amount (INR)
USD	11,183,341	565,094,212	7,089,522	316,388,067
EUR	20,795	1,410,222	20,657	1,287,334
GBP	11,933	959,436	3,842	272,532
SGD	1,035	41,276	-	-
JPY	40,000	25,512	120,000	63,780
		567,530,658		318,011,713

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 profit and loss for the year in respect of the aforementioned lease is Rs 9,789,229 (previous year: Rs 10,409,541).

The Company has also given office facilities under cancelable operating lease agreement to its subsidiary. Total lease rental income recognized in the profit and loss for the year with respect to the above is Rs 3,032,400 (previous year: Rs 3,698,400).

Notes on Accounts (contd...)

The company has taken computers under finance lease. Future minimum lease payments under finance lease obligations as at 31 March 2012 is :

Period	As at 31 March 2012		
	Minimum lease payments	Future interest	Present value lease of minimum payments
Not later than one year	380,544	45,963	334,581
Later than one year and not later than five years	315,028	15,781	299,247
	695,572	61,744	633,828

There was no finance lease obligation as at 31 March 2011.

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'.

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 2012	For the Year ended 31 March 2011
Segment revenue		
Products	208,597,233	247,816,696
Services	1,566,461,002	1,590,193,920
Unallocable	35,972,004	31,280,004
	1,811,030,239	1,869,290,620
Segment result		
Products	(586,729)	(2,005,636)
Services	64,045,904	42,684,602
Unallocable	13,330,416	24,992,755
	76,789,591	65,671,721
Income taxes		
- Current year	36,419,806	29,500,000
- Deferred	(11,896,244)	2,301,581
Profit / (loss) after taxation	52,266,029	33,870,140
Segment assets		
Products	273,847,544	359,271,585
Services	1,035,409,901	990,470,036
Unallocated	259,753,037	255,996,990
	1,569,010,482	1,605,738,611

	(Amount in Rs.)	
Primary segment information	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Segment liabilities		
Products	136,725,823	201,146,768
Services	542,472,984	587,150,758
Unallocated	67,216,394	33,276,328
	<u>746,415,201</u>	<u>821,573,854</u>
Capital expenditure [including capital work in progress]		
Products	14,854,395	34,202,865
Services	11,397,998	12,329,701
Unallocable	8,638,556	-
	<u>34,890,949</u>	<u>46,532,566</u>
Depreciation		
Products	17,608,529	15,482,030
Services	54,711,183	56,578,768
Unallocable	2,337,540	1,981,725
	<u>74,657,252</u>	<u>74,042,523</u>
		(Amount in Rs.)
Geographic segment	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Revenues		
India	381,322,743	717,256,189
Europe	419,197,319	80,855,899
USA	810,225,645	791,792,692
Rest of the world	200,284,532	279,385,840
	<u>1,811,030,239</u>	<u>1,869,290,620</u>
Segment assets		
India	1,009,230,157	1,281,444,260
Europe	69,379,774	10,451,146
USA	227,921,033	200,288,871
Rest of the world	262,479,518	113,554,334
	<u>1,569,010,482</u>	<u>1,605,738,611</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:

Particulars	(Amount in Rs.)	
	Year ended 31 March 2012	Year ended 31 March 2011
Sale of goods and services		
Parties under common control		
<i>Centum Industries Private Limited</i>		
- Sale of goods and services	183,834	-
<i>Subsidiary</i>		
Centum Rakon India Private Limited		
- Service income	49,404,638	39,511,549
- Sale of goods	3,384,458	1,502,083
Other Income		
<i>Subsidiary</i>		
Centum Rakon India Private Limited		
- Interest income on loan	5,887,794	5,913,600
- Rental income	3,032,400	3,698,400
- Commission income	12,438,330	4,843,182
Refund of Long-term loans and advances paid		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	38,337,011	-
Purchase of goods and services		
<i>Parties under common control</i>		
Centum Industries Private Limited	23,233,344	15,640,705
<i>Subsidiary</i>		
Centum Rakon India Private Limited	2,064,737	3,319,459
Managerial remuneration		
<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:

Particulars	(Amount in Rs.)	
	As at 31 March 2012	As at 31 March 2011
Sundry debtors		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	5,655,498	7,719,765
Sundry creditors		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	2,020,123	282,433

<i>Parties under common control</i>		
Centum Industries Private Limited	3,277,739	2,780,752
Advances to suppliers		
<i>Parties under common control</i>		
Centum Industries Private Limited	-	1,679,538
Long term loan to subsidiary		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	60,222,989	98,560,000
Non current investment		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	28,560,000	28,560,000
Managerial remuneration payable		
<i>Key management personnel</i>		
	177,331	156,252

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 2012 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.

Particulars	For the Year ended 31 March 2012	For the Year ended 31 March 2011
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	4,621,706	6,806,828
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;	19,184	108,928
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;	19,184	123,168
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 2012	For the Year ended 31 March 2011
Integrated circuits	467,166,312	461,452,271
Others	463,739,031	601,159,445
	930,905,343	1,062,611,716

(Amount in Rs.)

Raw materials	For the Year ended 31 March 2012	For the Year ended 31 March 2011
PCB	143,724,320	119,691,939
Base and case	7,786,677	11,607,249
Paste	3,493,321	6,648,137
Others	96,518,224	170,836,067
	251,522,542	308,783,392

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 2012		For the year ended 31 March 2011	
	%	Amount	%	Amount
Components				
Imported	93%	861,875,096	86%	916,610,510
Indigenous	7%	69,030,247	14%	146,001,206
		930,905,343		1,062,611,716
Raw materials				
Imported	78%	196,483,445	72%	221,772,594
Indigenous	22%	55,039,097	28%	87,010,798
		251,522,542		308,783,392

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 2012	For the Year ended 31 March 2011
Sale of products:		
Modules	201,210,907	234,017,654
Printed circuit boards assembly	1,414,607,416	1,440,095,806
Others	38,258,412	47,293,872
Sale of services:		
Repair services	118,238,448	144,644,140
Commission	12,438,330	4,843,182
Others	35,972,004	31,280,004
	1,820,725,517	1,902,174,658

39. CIF value of imports

Particulars	(Amount in Rs.)	
	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Capital goods	4,929,218	18,742,854
Raw materials and components (including goods in transit)	1,093,622,274	1,173,200,172
Stores and spares	28,095	29,390
	1,098,579,587	1,191,972,416

40. Expenditure in foreign currency (on payment basis)

Particulars	(Amount in Rs.)	
	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Travelling and conveyance	9,990,099	3,896,529
Selling and marketing expenses	820,124	4,465,233
Professional and consultancy	343,407	841,047
Salaries, wages and allowances	45,948,313	14,672,895
Other financial charges	506,612	538,574
Recruitment and training	-	5,606,960
Entertainment expenses	-	945,439
Printing and stationary	-	19,772
Postage, telephone and telegram	1,334,514	688,240
Rent	203,988	213,406
Rates and taxes	18,156	75,754
Insurance	1,229	20,524
Miscellaneous expenses	1,327,491	120,264
	60,493,933	32,104,637

41. Earnings in foreign currency

Particulars	(Amount in Rs.)	
	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Sale of manufactured goods	1,422,317,172	1,146,195,438
Service income	-	995,810
Total	1,422,317,172	1,147,191,248

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 Amalgamation 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 the previous year 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 2012	For the Year ended 31 March 2011
Opening balance	18,553,413	11,174,165
Add: Provision made during the year	-	7,379,248
	18,553,413	18,553,413

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 2012	31 March 2011	31 March 2012	31 March 2011
<i>Subsidiary</i>				
Centum Rakon India Private Limited	60,222,989	98,560,000	98,560,000	98,560,000

44. Research and development expenditure (including depreciation) amounting to Rs 14,476,008 (previous year: Rs 17,356,873) incurred during the year has been charged to the respective heads of account in the statement of profit and loss account.

45. The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

As Per our report attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

Zubin Shekary

Partner

Membership No. 48814

Place : Bangalore

Date : 25 May, 2012

for **Centum Electronics Limited**

Apparao V. Mallavarapu

Chairman & Managing Director

S. Krishnan

Director

Ramu Akkili

Company Secretary

K.S. Desikan

CFO

Cash Flow Statement

	Year ended 31 March 2012 (Rs.)	Year ended 31 March 2011 (Rs.)
Cash flow from operating activities		
Profit before tax	76,789,591	65,671,721
<i>Adjustments</i>		
Provision for doubtful debts	4,678,507	-
Effect of exchange differences on translation of foreign currency monetary balances	13,247,348	(3,408,847)
Profit on sale of fixed assets	(63,540)	-
Depreciation	74,657,252	74,042,523
Interest income	(7,756,697)	(7,759,357)
Interest expenses	33,842,007	33,740,992
Operating cash flows before working capital changes	195,394,468	162,287,033
(Increase) / decrease in liabilities and provision	(60,926,684)	71,803,493
(Increase) / decrease in inventories	123,649,649	(74,296,428)
(Increase) / decrease in trade receivables	(168,527,805)	(170,583,032)
(Increase) / decrease in loans and advances	6,419,354	(5,532,198)
(Increase)/ decrease in other bank balances	9,361,331	(2,006,677)
Cash generated from/(used in) operations	105,370,313	(18,327,809)
Income taxes	(23,383,920)	(33,346,744)
Net cash generated from/(used in) operating activities	81,986,392	(51,674,553)
Cash flow from investing activities		
Proceeds from sale of fixed assets	70,175	-
Receipt of loan given to subsidiary company	38,337,011	-
Interest received	7,532,117	7,992,885
Purchase of fixed assets	(46,505,510)	(39,218,189)
Net cash used in investing activities	(566,207)	(31,225,304)
Cash flow from financing activities		
Short term borrowings from bank, net	(40,140,626)	117,439,737
Long term borrowings, net	6,154,112	-
Issue of share capital	535,620	470,840
Interest expense	(33,842,007)	(33,740,992)
Dividend and dividend tax paid	(14,396,825)	(14,429,383)
Net cash generated from/(used in) financing activities	(81,689,726)	69,740,202
Effect of exchange differences on translation of foreign currency cash and cash equivalent	893,949	131,028
Net increase/(decrease) in cash and cash equivalents	624,409	(13,028,628)
Cash and cash equivalents at the beginning of the year	1,487,793	14,516,421
Cash and cash equivalents at the end of the year	2,112,202	1,487,793

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
Zubin Shekary
Partner
Membership No. 48814

Place : Bangalore
Date : 25 May, 2012

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Chairman & Managing Director

Ramu Akkili
Company Secretary

S. Krishnan
Director

K.S. Desikan
CFO

Balance Sheet Abstract and Company's General Profile

Registration details

Registration No	13869
State Code	08
Balance Sheet Date	31 March 2012

Capital raised during the year

Public issue	Nil
Rights issue	Nil
Private placement	Nil
Exercise of Employee Stock Option	Rs. 1,69,500

Position of mobilization and deployment of funds

(in Rs.)

Total liabilities	1,569,010,482
Total Assets	1,569,010,482

Sources of funds

Paid up capital	123,651,830
Reserves and Surplus	698,943,451
Secured loans	357,166,740
Deferred Tax Liability	-

Application of funds

Net Fixed Assets	292,990,952
Investments	28,560,000
Net Current Assets	848,092,284
Deferred Tax Asset	10,118,785
Miscellaneous Expenditure	-

Performance of Company

(In Rs.)

Turnover	1,826,000,317
Total expenditure	1,749,210,726
Profit/Loss before tax	76,789,591
Profit/Loss after tax	52,266,029
Earnings per share	4.23
Dividend rate(%)	10%

Generic name of the principal products / services of the Company

Item code No (ITC code)	85424000
Product Description	Hybrid Micro Circuit-Active and Passive
Item code No (ITC code)	85170000
Product description	Printed Circuit Board Assembly

for Centum Electronics Limited

Apparao V Mallavarapu S. Krishnan
Chairman & Managing Director Director

Ramu Akkili K.S. Desikan
Company Secretary CFO

Place : Bangalore
 Date : 25 May, 2012

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, 2011 to March 31, 2012
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. 37,342,470
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. 31,059,419

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 25, 2012 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. 307,929,525
3	Total Assets	Rs. 920,284,118
4	Total Liabilities	Rs. 920,284,118
5	Details of investment (except in case of investment in the subsidiaries)	NIL
6	Turnover	Rs. 841,883,250
7	Profit before taxation	Rs. 56,339,922
8	Provision for taxation	Rs. 18,997,452
9	Profit after taxation	Rs. 37,342,470
10	Proposed dividend	NIL

Consolidated Financial Results
Centum Electronics Limited

Auditors' Report

To the Board of Directors of Centum Electronics Limited

We have audited the attached consolidated balance sheet of Centum Electronics Limited (“the Company”) and its subsidiary Centum Rakon India Private Limited (collectively referred to as the ‘Centum Group’) as at 31 March 2012, the consolidated statement of profit and loss and the consolidated cash flow statement of the Centum Group for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company’s Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company’s Management in accordance with the requirements of Accounting Standard (AS 21), Consolidated Financial Statements prescribed by Companies (Accounting Standards) Rules, 2006.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements 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 Centum Group as at 31 March 2012;
- b) in the case of the consolidated statement of profit and loss, of the profit of the Centum Group for the year ended on that date; and
- c) in the case of the consolidated cash flow statement, of the cash flows of the Centum Group for the year ended on that date.

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

Bangalore
Date: 25 May, 2012

Zubin Shekary
Partner
Membership No. 48814

Consolidated Balance Sheet

Particulars	Note	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	123,651,830	123,482,330
Reserves and surplus	3	857,027,850	799,133,628
		<u>980,679,680</u>	<u>922,615,958</u>
Minority interest		176,897,304	158,599,494
Non-current liabilities			
Long-term borrowings	4	108,681,663	106,891,712
Deferred tax liabilities, net	5	15,890,290	20,130,782
Long-term provisions	6	12,033,701	9,981,440
		<u>136,605,654</u>	<u>137,003,934</u>
Current liabilities			
Short-term borrowings	7	477,410,084	506,030,202
Trade payables	8	327,744,860	405,603,905
Other current liabilities	9	224,395,220	167,329,570
Short-term provisions	10	58,596,581	56,130,573
		<u>1,088,146,745</u>	<u>1,135,094,250</u>
		<u>2,382,329,383</u>	<u>2,353,313,636</u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	11	709,920,130	711,449,236
Intangible assets	11	13,890,052	13,815,676
Capital work-in-progress		3,316,146	6,263,092
		<u>727,126,328</u>	<u>731,528,004</u>
Long-term loans and advances	12	118,999,540	156,449,595
Other non-current assets	13	48,633,711	18,273,267
		<u>894,759,579</u>	<u>906,250,866</u>
Current assets			
Inventories	14	537,518,221	695,760,952
Trade receivables	15	827,325,170	653,207,605
Cash and bank balances	16	15,550,263	20,989,027
Short-term loans and advances	17	107,176,150	77,105,186
		<u>1,487,569,804</u>	<u>1,447,062,770</u>
		<u>2,382,329,383</u>	<u>2,353,313,636</u>
Significant accounting policies	1		

The Notes referred to above form an integral part of the balance sheet.

As per our report of even date attached.

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

Zubin Shekary

Partner

Membership No. 48814

Bangalore

Date: 25 May, 2012

for **Centum Electronics Limited**

Apparao V. Mallavarapu

Chairman & Managing Director

S. Krishnan

Director

Ramu Akkili

Company Secretary

K.S. Desikan

CFO

Consolidated Profit and Loss Account

	Note	Rs. For the year ended 31 March 2012	Rs. For the year ended 31 March 2011
Income			
Revenue from operations	18	2,585,647,416	2,573,911,919
Less: excise duty		11,262,446	34,556,949
		<u>2,574,384,970</u>	<u>2,539,354,970</u>
Other income	19	10,997,597	23,783,980
		<u>2,585,382,567</u>	<u>2,563,138,950</u>
Expenses			
Cost of materials consumed	20	1,622,948,105	1,887,517,813
Changes in inventories of work-in-progress	21	74,768,669	(124,112,832)
Employee benefits expense	22	317,211,654	263,103,428
Finance cost	23	47,341,487	42,254,139
Depreciation and Amortisation	11	147,054,354	131,497,467
Other expenses	24	242,340,247	245,286,088
Provision for stamp duty on merger	35	-	7,379,248
		<u>2,451,664,516</u>	<u>2,452,925,351</u>
Profit before tax and minority interest		133,718,051	110,213,599
Tax expense:			
Current tax including minimum alternate tax		48,234,806	38,550,000
Previous year		650,000	-
Deferred		(4,240,492)	15,759,794
Minimum alternate tax credit entitlement		(1,123,300)	(9,050,000)
Profit after tax and before minority interest		90,197,037	64,953,805
Minority interest		18,297,810	15,230,996
Profit for the year		71,899,227	49,722,809
Earnings per equity share (par value of Rs 10 each)			
Basic		5.82	4.03
Diluted		5.79	3.99
Significant accounting policies	1		

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

As per our report of even date attached.

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

Zubin Shekary
Partner
Membership No. 48814

Bangalore
Date: 25 May, 2012

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Chairman & Managing Director

S. Krishnan
Director

Ramu Akkili
Company Secretary

K.S. Desikan
CFO

Notes on Consolidated Accounts

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

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	5 - 6 years
Software	5 - 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.

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.

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.

Notes on Consolidated Accounts (contd...)

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 2012 (Rs.)	As at 31 March 2011 (Rs.)
2. SHARE CAPITAL		
Authorised		
15,500,000 (previous year: 15,500,000) equity shares of Rs 10 each	<u>155,000,000</u>	<u>155,000,000</u>
Issued, subscribed and paid-up		
12,365,183 (previous year: 12,348,233) equity shares of Rs 10 each, fully paid	<u>123,651,830</u>	<u>123,482,330</u>
	<u>123,651,830</u>	<u>123,482,330</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 2012		As at 31 March 2011	
	Number	Amount	Number	Amount
Number and value of shares at the beginning of the year	12,348,233	123,482,330	12,333,333	123,333,330
Number of shares issued during the year	16,950	169,500	14,900	149,000
Number and value of shares outstanding at the end of the year	<u>12,365,183</u>	<u>123,651,830</u>	<u>12,348,233</u>	<u>123,482,330</u>

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

Name of the shareholder	As at 31 March 2012		As at 31 March 2011	
	Number	% of holding	Number	% of holding
Apparao V Mallavarapu	6,604,715	53.41%	6,077,883	49.22%

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, 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 2012, the amount of per share dividend recognised as distributions to equity shareholders was Re 1 (previous year: Re 1). The total dividend appropriation for the year ended 31 March 2012 amounted to Rs 14,371,125 (previous year: Rs 14,399,120) including corporate dividend tax of Rs 2,005,942 (previous year: Rs 2,050,887).

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 employee stock option plan

Notes on Consolidated Accounts (contd...)

Particulars	As at 31 March 2012 (Rs.)	As at 31 March 2011 (Rs.)
3 RESERVES AND SURPLUS		
Securities premium account		
Opening balance	120,417,864	120,096,024
Add: Addition during the year	366,120	321,840
Closing balance	<u>120,783,984</u>	<u>120,417,864</u>
General reserve		
Opening balance	409,769,304	409,769,304
Add: Addition during the year	-	-
Closing balance	<u>409,769,304</u>	<u>409,769,304</u>
Surplus in statement of profit and loss		
Opening balance	268,946,460	233,622,771
Add: Profit for the year	71,899,227	49,722,809
Less: Appropriations during the year	-	-
Proposed final dividend	12,365,183	12,348,233
Corporate dividend tax	2,005,942	2,050,887
Closing balance	<u>326,474,562</u>	<u>268,946,460</u>
	<u>857,027,850</u>	<u>799,133,628</u>
4 LONG-TERM BORROWINGS		
<i>Secured</i>		
Term loans		
- From banks	27,131,188	-
- From others	3,692,834	-
Long-term maturities of finance lease obligations	299,247	-
<i>Unsecured</i>		
Loans and advances from related parties	77,558,394	106,891,712
	<u>108,681,663</u>	<u>106,891,712</u>

Term loans from bank are secured by exclusive charge on the entire moveable fixed assets financed by the term loan.

The term loan from bank is a foreign currency loan carrying an interest of 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 40,696,782 as at 31 March 2012.

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

Term loan from others:

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 thirtyfive equal monthly installments commencing from 1 February 2012.

Finance lease obligation:

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.

Loan from other related parties:

Loan from other related parties amounting to Rs 115,895,405 (previous year: Rs 106,891,712) is a foreign currency loan carrying an interest of LIBOR plus 250 basis points per annum on the outstanding amount of the loan. The interest is payable on half yearly basis on 15 day of September and 15 day of March. The loan amount is repayable in five unequal instalments by 2 April 2014, 5 August 2014, 30 January 2015, 20 June 2015 and 2 July 2016.

There is a default in the repayment of interest, on long term loan taken from a related party, amounting to Rs 1,072,172. The interest was due on 15 March 2012 and was paid subsequently in the month of May 2012.

Particulars	As at 31 March 2012 (Rs.)	As at 31 March 2011 (Rs.)
5 DEFERRED TAX ASSETS/(LIABILITIES), NET		
Deferred tax liabilities		
Fixed assets	(33,530,344)	(43,081,704)
	<u>(33,530,344)</u>	<u>(43,081,704)</u>
Deferred tax asset		
Provision for doubtful debts and advances	3,034,350	1,826,168
Retirement benefits	1,949,376	1,687,472
Current liabilities and provisions	12,656,328	10,973,496
Preliminary expenses	-	165,960
Unabsorbed accumulated losses	-	8,297,826
	<u>17,640,054</u>	<u>22,950,922</u>
Net deferred tax assets / (liabilities)	<u>(15,890,290)</u>	<u>(20,130,782)</u>
6 LONG-TERM PROVISIONS		
Provision for gratuity (Refer Note 29)	12,033,701	9,981,440
	<u>12,033,701</u>	<u>9,981,440</u>
7 SHORT-TERM BORROWINGS		
<i>Secured</i>		
Short term loans from banks		
Cash credit	77,977,612	190,326,301
Packing credit	399,432,472	256,666,215
<i>Unsecured</i>		
Short term loans from banks		
Packing credit	-	59,037,686
	<u>477,410,084</u>	<u>506,030,202</u>

Short term loans from banks are secured by:

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 obtained from banks are secured by way of hypothecation of inventories, book debts and fixed assets (present and future) of the company.

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

Notes on Consolidated Accounts (contd...)

Particulars	As at 31 March 2012 (Rs.)	As at 31 March 2011 (Rs.)
8. TRADE PAYABLES		
- Dues to micro and small enterprises	4,663,867	6,931,218
- Dues to others	323,080,992	398,672,687
	<u>327,744,859</u>	<u>405,603,905</u>
9. OTHER CURRENT LIABILITIES		
Current maturities of long-term debt from bank*	53,730,055	-
Current maturities of long-term finance lease*	334,581	-
Interest accrued and due	1,027,172	899,828
Interest accrued but not due	821,148	145,165
Advance from customers	32,443,036	43,981,291
Unpaid dividends	629,519	627,224
[Investor Education and Protection Fund shall be credited when due]		
Other payables		
- Withholding and other taxes and duties payable	7,290,096	13,076,701
- for expenses	116,085,414	95,688,877
- for capital goods	12,034,199	12,910,484
	<u>224,395,220</u>	<u>167,329,570</u>
*Refer Note 4 for details with respect to terms and conditions of long term borrowings and finance lease.		
10. SHORT-TERM PROVISIONS		
Provision for gratuity (Refer Note 29)	1,039,828	768,807
Provision for compensated absences	4,475,708	4,305,411
Provision for stamp duty charges	18,553,413	18,553,413
Proposed final dividend	12,365,183	12,348,233
Corporate dividend tax	2,005,942	2,050,887
Provision for taxation, net of advance tax	20,156,507	18,103,822
	<u>58,596,581</u>	<u>56,130,573</u>

11 FIXED ASSETS

(Amount in Rs.)

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1 April 2011	Additions during the year	Deletions during the year	As at 31 March 2012	As at 1 April 2011	Charge for the year	Deletions during the year	As at 31 March 2012	As at 31 March 2011
Tangible assets, owned									
Freehold land	4,409,383	-	-	4,409,383	-	-	-	4,409,383	4,409,383
Leasehold improvements	13,356,182	17,249,897	-	30,606,079	2,016,053	5,440,629	-	23,149,397	11,340,129
Building	59,525,793	-	-	59,525,793	15,609,450	1,983,639	-	41,932,704	43,916,343
Plant and machinery	1,188,867,839	102,553,652	-	1,291,421,491	631,081,280	122,095,494	-	538,244,717	557,786,559
Electrical installations	69,048,042	6,017,003	-	75,065,045	17,801,175	5,003,811	-	52,260,059	51,246,867
Computers	35,188,865	896,903	-	36,085,768	28,930,723	3,928,689	-	3,226,356	6,258,142
Office equipments	23,870,146	1,637,597	-	25,507,743	5,462,106	1,159,051	-	18,886,586	18,408,040
Furniture and fixtures	23,640,202	3,586,730	-	27,226,932	9,666,140	1,553,663	-	16,007,129	13,974,062
Vehicles	8,212,933	8,647,980	629,559	16,231,354	4,103,222	1,815,818	622,924	10,935,238	4,109,711
Tangible asset, leased									
Computer	-	990,801	-	990,801	-	122,240	-	868,561	-
Total - (A)	1,426,119,385	141,580,563	629,559	1,567,070,389	714,670,149	143,103,034	622,924	709,920,130	711,449,236
Intangible assets, owned									
Computer software	27,431,388	4,025,696	-	31,457,084	13,615,712	3,951,320	-	17,567,032	13,815,676
Total - (B)	27,431,388	4,025,696	-	31,457,084	13,615,712	3,951,320	-	17,567,032	13,815,676
Total (A)+(B)	1,453,550,773	145,606,259	629,559	1,598,527,473	728,285,861	147,054,354	622,924	723,810,182	725,264,912
Previous year	1,341,229,933	112,320,840	-	1,453,550,773	596,788,394	131,497,467	-	725,264,912	725,264,912

Notes on Consolidated Accounts (contd...)

Particulars	As at 31 March 2012 (Rs.)	As at 31 March 2011 (Rs.)
12. LONG-TERM LOANS AND ADVANCES		
<i>Unsecured, considered good</i>		
Capital advances	39,613,500	42,018,817
Loan to subsidiary company	-	-
Balance with government authorities	62,868,687	51,800,801
Prepaid expenses	1,019,900	2,067,241
Advance tax, net of provision for tax	2,272,783	34,704,190
Minimum alternate tax credit entitlement	-	12,550,000
Deposits	13,224,670	13,308,546
	<u>118,999,540</u>	<u>156,449,595</u>
<i>Unsecured considered doubtful</i>		
Deposits	-	316,000
Balance with government authorities	1,361,015	1,361,015
	<u>1,361,015</u>	<u>1,677,015</u>
Provision for doubtful advances	1,361,015	1,677,015
	<u>118,999,540</u>	<u>156,449,595</u>
13. OTHER NON-CURRENT ASSETS		
Bank balances in margin money accounts*	16,117,024	18,273,267
Trade receivables (Unsecured, considered good) (represents trade receivables on deferred credit terms)	32,516,687	-
	<u>48,633,711</u>	<u>18,273,267</u>
*Margin money is against bank guarantees issued in favour of customers and statutory authorities		
14. INVENTORIES		
Raw materials [includes raw materials in transit Rs 9,297,500) (previous year Rs 20,550,500)]	320,284,939	401,713,374
Work-in-progress	212,402,928	287,171,597
Stores and spares	4,830,354	6,875,981
	<u>537,518,221</u>	<u>695,760,952</u>
15. TRADE RECEIVABLES*		
<i>Unsecured</i>		
Debts due for a period exceeding six months		
- considered good	107,857,555	50,147,903
- considered doubtful	7,277,267	3,789,156
	<u>115,134,822</u>	<u>53,937,059</u>
Other debts		
- considered good	719,467,615	603,059,702
	<u>719,467,615</u>	<u>603,059,702</u>
Less: Provision for doubtful debts	7,277,267	3,789,156
	<u>827,325,170</u>	<u>653,207,605</u>

Particulars	As at 31 March 2012 (Rs.)	As at 31 March 2011 (Rs.)
16. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash on hand	361,847	304,661
Balance with banks		
- in current account	3,736,880	1,638,023
- in exchange earners foreign currency account	708,756	2,012,723
	<u>4,807,483</u>	<u>3,955,407</u>
Other bank balances		
- in current account*	644,041	641,746
- in margin money accounts**	10,098,739	16,391,874
	<u>15,550,263</u>	<u>20,989,027</u>
*Includes balance in unclaimed dividend account Rs. 629,519 (Previous year: Rs. 627,224).		
**Margin money is against bank guarantees issued in favour of customers and statutory authorities.		
17. SHORT-TERM LOANS AND ADVANCES		
<i>Unsecured considered good</i>		
Deposits	160,989	488,500
Staff advance	731,912	6,053,799
Prepaid expenses	11,921,635	10,122,298
Balances with government authorities	15,532,802	14,301,129
Advance to suppliers	15,020,128	23,299,947
Interest accrued	1,064,650	844,321
Other claims and receivables	2,044,247	2,028,875
Minimum alternate tax credit entitlement	13,673,300	-
Advance tax, net of provision for tax	47,026,487	19,966,317
	<u>107,176,150</u>	<u>77,105,186</u>
<i>Unsecured, considered doubtful</i>		
Advance to suppliers	714,008	31,433
	<u>714,008</u>	<u>31,433</u>
Less: Provision for doubtful advances	714,008	31,433
	<u>107,176,150</u>	<u>77,105,186</u>

Notes on Consolidated Accounts (contd...)

Particulars	For the year ended 31 March 2012 Rs.	For the year ended 31 March 2011 Rs.
18. REVENUE FROM OPERATIONS		
Sale of products, gross	2,480,841,603	2,434,997,997
Less: Excise duty	11,262,446	34,556,949
Sale of products, net	2,469,579,157	2,400,441,048
Sale of services	104,805,813	138,913,922
	<u>2,574,384,970</u>	<u>2,539,354,970</u>
19. OTHER INCOME		
Interest on bank deposits	2,260,446	1,982,803
Foreign exchange gain, net	-	19,426,538
Profit on sale of fixed assets	63,540	-
Other non-operating income	8,673,611	2,374,639
	<u>10,997,597</u>	<u>23,783,980</u>
20. COST OF MATERIALS CONSUMED		
Opening stock	408,589,355	383,867,893
Add: Purchases	1,539,474,043	1,912,239,275
Less: Closing stock	325,115,293	408,589,355
	<u>1,622,948,105</u>	<u>1,887,517,813</u>
21. CHANGE IN INVENTORIES OF WORK-IN-PROGRESS		
<i>Opening Stock</i>		
Work in progress	287,171,597	163,058,765
<i>Closing Stock</i>		
Work in progress	212,402,928	287,171,597
Decrease/(increase) in inventories of work in progress	<u>74,768,669</u>	<u>(124,112,832)</u>
22. EMPLOYEE BENEFIT EXPENSE		
Salaries, wages and allowances	282,108,268	230,611,085
Contribution to provident and other funds	15,442,287	14,542,544
Staff welfare expenses	19,661,099	17,949,799
	<u>317,211,654</u>	<u>263,103,428</u>
23. FINANCE COSTS		
Interest expense	43,279,569	39,192,496
Other borrowing cost	4,061,918	3,061,643
	<u>47,341,487</u>	<u>42,254,139</u>

Particulars	For the year ended 31 March 2012 Rs.	For the year ended 31 March 2011 Rs.
24. OTHER EXPENSES		
Rent	14,461,737	13,557,765
Rates and taxes	3,686,396	3,727,176
Power and fuel	32,298,532	30,713,699
Repairs and maintenance		
- Building	8,962,594	8,841,770
- Plant and machinery	14,061,437	15,672,265
Insurance	10,441,426	8,782,852
Professional and consultancy	47,634,407	42,626,863
Selling and marketing expenses	3,905,646	7,768,276
Travelling and conveyance	29,649,382	25,915,471
Purchase of services	10,070,373	29,070,842
Postage, telephones and telegrams	4,141,738	4,255,781
Printing and stationery	4,221,791	4,933,235
Donation	3,482,775	2,030,800
Advertisement and promotion	2,155,791	2,495,134
Security charges	4,216,327	3,235,397
Commission paid to non executive directors	800,000	720,000
Entertainment expenses	2,133,355	3,799,640
Recruitment and training	1,827,131	8,419,262
Bad debts written-off	95,000	1,190,397
Provision for doubtful debts	5,361,082	-
Directors sitting fees	68,000	136,000
Bank charges	14,334,644	17,054,487
Freight outwards	10,431,419	6,631,714
Foreign exchange loss, net	9,088,504	-
Miscellaneous expenses	4,810,760	3,707,262
	<u>242,340,247</u>	<u>245,286,088</u>

Notes on Consolidated Accounts (contd...)

25. Capital commitments and contingent liabilities

(Amount in Rs.)

Particulars	As at 31 March 2012	As at 31 March 2011
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	186,393,299	133,364,972
Contingent liabilities		
Claims against the Company not acknowledged as debts in respect of:		
Income tax	-	34,015,175
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 Note 35]	5,107,137	5,107,137

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

(Amount in Rs.)

	Year ended 31 March 2012	Year ended 31 March 2011
Audit fees	2,500,000	2,500,000
Out of pocket expenses reimbursed	139,217	95,090
Total	2,639,217	2,595,090

27. Earnings per share

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

(Amount in Rs.)

	Year ended 31 March 2012	Year ended 31 March 2011
Profit for the year	71,899,227	49,722,809
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	12,348,233	12,333,333
Weighted average number of shares issued during the year	14,396	9,430
Weighted average number of equity shares outstanding during the year (in numbers)	12,362,629	12,342,763
Face value of equity shares	10	10
Earnings per share - basic	5.82	4.03
Weighted average number of equity shares outstanding during the year - basic	12,362,629	12,342,763
Add: Effect of dilutive issues of stock options	52,334	112,390
Weighted average number of equity shares and potential equity shares outstanding during the year (in numbers)	12,414,963	12,455,153
Earnings per share dilutive	5.79	3.99

28. Holding of Centum Electronics Limited in its subsidiary:

Name of the subsidiary	Country of incorporation	Holding as at 31 March 2012
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 2012	As at 31 March 2011
Obligations at year beginning	10,750,247	6,671,027
Service cost	2,678,699	1,845,695
Past service cost	-	1,886,985
Benefits paid	(844,640)	(79,923)
Interest cost	1,043,763	647,835
Liabilities assumed on acquisition / (settled on divestiture)	-	-
Actuarial loss/ (gain)	(554,540)	(221,372)
Obligations at year end	13,073,529	10,750,247
Change in plan assets		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	844,640	79,923
Benefits paid	(844,640)	(79,923)
Plans assets at year end, at fair value	-	-
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	13,073,529	10,750,247
Asset/ (liability) recognised in the balance sheet	(13,073,529)	(10,750,247)
Gratuity cost for the year		
Service cost	2,678,699	1,845,695
Interest cost	1,043,563	647,835
Expected return on plan assets	-	-
Actuarial loss/ (gain)	(554,540)	(221,372)
Past service cost	-	1,886,985
Net gratuity cost	3,167,722	4,159,143
Assumptions:		
Discount rate	8.60%	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 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 2012 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 2012.

Particulars	For the year ended 31 March 2012		For the year ended 31 March 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	113,300	69.49	81,100	31.60
Granted during the year	288,319	53.45	55,400	118.50
Exercised during the year	16,950	31.60	14,900	31.60
Forfeited / lapsed during the year	26,993	69.12	8,300	123.35
Options outstanding at the end of the year	357,676	58.38	113,300	69.49
Exercisable at the end of the year	16,200	86.58	4,800	

The weighted average share price of the options exercised as at the date of exercise was Rs. 31.60.

There were 288,319 equity shares given as options during the current year. The options outstanding as at 31 March 2012 had an exercise price of Rs 58.38 and the weighted average remaining contractual life of 10.81 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 2012	For the Year ended 31 March 2011
Profit / (loss) for the year	71,899,226	49,722,809
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	3,856,267	1,012,888
Adjusted net profit	68,042,959	48,709,921
Basic earnings per share as reported	5.82	4.03
Pro forma basic earnings per share	5.50	3.95
Diluted earnings per share as reported	5.79	3.99
Pro forma diluted earnings per share	5.48	3.91

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 2012	Year ended 31 March 2011
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-8.6%	5.7-6.5%
Volatility	68.67%	75.26%

31. The Company's foreign currency exposure on account of foreign currency denominated payables not hedged as on 31 March 2012:

Particulars	As at 31 March 2012		As at 31 March 2011	
	Amount (foreign currency)	Amount (INR)	Amount (foreign options)	Amount (INR)
USD	13,309,732	687,978,467	9,674,930	432,245,684
EUR	2,811,123	195,035,671	3,100,112	198,764,229
GBP	47,836	3,963,177	15,618	1,137,818
JPY	2,883,200	1,838,905	202,904	111,496
CHF	1,400	81,130	2,906	144,050
NZD	5,100	218,076	5,193	179,122
SGD	12	500	5,724	206,540
SEK	34,998	274,733	2,620	19,807
		889,390,659		632,808,746

The Company's foreign currency exposure on account of foreign currency denominated receivables not hedged as on 31 March 2012:

Particulars	As at 31 March 2012		As at 31 March 2011	
	Amount (foreign currency)	Amount (INR)	Amount (foreign options)	Amount (INR)
USD	14,836,029	749,664,518	10,103,472	449,604,643
EUR	437,959	29,422,811	660,072	41,135,650
GBP	42,295	3,400,541	49,773	3,530,861
SGD	1,035	41,276	-	-
JPY	11,983,875	7,349,496	6,838,369	3,634,593
		789,878,642		497,905,747

32 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 10,085,737 (previous year: Rs 10,790,476).

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 2012 with respect to the aforementioned lease is Rs 4,376,000 (previous year: Rs 2,767,289).

Notes on Consolidated Accounts (contd...)

The total future minimum lease payments under noncancellable operating lease as at 31 March 2012 are :

Particulars	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Not later than one year	4,816,000	4,376,000
Later than one year and not later than five years	13,116,000	17,932,000
	<u>17,932,000</u>	<u>22,308,000</u>

The company has taken computers under finance lease. Future minimum lease payments under finance lease obligations as at 31 March 2012 is :

Period	As at 31 March 2012		
	Minimum lease payments	Future interest	Present value lease of minimum payments
Not later than one year	380,544	45,963	334,581
Later than one year and not later than five years	315,028	15,781	299,247
	<u>695,572</u>	<u>61,744</u>	<u>633,828</u>

There was no finance lease obligation as at 31 March 2011.

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'.

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.

Primary segment information	(Amount in Rs.)	
	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Segment revenue		
Products	1,007,923,968	949,161,050
Services	1,566,461,002	1,590,193,920
Unallocable	-	-
	<u>2,574,384,970</u>	<u>2,539,354,970</u>
Segment result		
Products	69,672,147	67,528,997
Services	64,045,904	42,684,602
Unallocable	-	-
	<u>133,718,051</u>	<u>110,213,599</u>

	(Amount in Rs.)	
Primary segment information	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Income taxes		
- Current year	48,234,806	38,550,000
- Previous year	650,000	-
- Deferred	(4,240,492)	15,759,794
- Minimum alternate tax credit entitlement	(1,123,300)	(9,050,000)
Profit / (loss) after taxation	90,197,037	64,953,805
Segment assets		
Products	1,111,732,961	1,093,843,733
Services	1,035,409,901	990,470,036
Unallocated	235,186,521	268,999,867
	2,382,329,383	2,353,313,636
Segment liabilities		
Products	655,996,523	624,292,708
Services	542,472,984	585,373,300
Unallocated	26,282,892	62,432,176
	1,224,752,399	1,272,098,184
Capital expenditure [including capital work in progress]		
Products	122,622,758	108,277,457
Services	11,397,998	12,329,701
Unallocable	8,638,556	-
	142,659,312	120,607,158
Depreciation		
Products	90,005,631	72,936,974
Services	54,711,183	56,578,768
Unallocable	2,337,540	1,981,725
	147,054,354	131,497,467
		(Amount in Rs.)
Geographic segment	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Revenues		
India	381,616,460	688,295,496
Europe	1,179,477,098	772,349,764
USA	810,225,645	791,792,692
Rest of the world	203,065,767	286,917,018
	2,574,384,970	2,539,354,970
Segment assets		
India	1,604,872,236	1,849,128,493
Europe	286,130,178	229,657,744
USA	227,921,033	200,288,871
Rest of the world	263,405,935	72,651,543
	2,382,329,383	2,353,313,636

Notes on Consolidated Accounts (contd...)

34. 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	Year ended 31 March 2012	Year ended 31 March 2011
Sale of goods and services		
<i>Associate companies</i>		
Centum Industries private limited	183,834	-
Rakon France SAS	692,734,220	602,257,347
Rakon UK Limited	54,737,057	67,438,321
Rakon Limited	2,306,382	1,395,915
Purchase of goods and services		
<i>Associate companies</i>		
Rakon France SAS	170,892,754	245,994,456
Rakon UK Limited	1,013,380	8,025,665
Rakon Limited	3,004,470	3,759,583
Centum Industries Private Limited	24,028,336	15,640,705
Purchase of fixed assets		
<i>Associate companies</i>		
Rakon France SAS	6,101,720	4,630,953
Rakon Limited	10,575,690	618,300
Unsecured loan		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	-	7,348,308
Professional and consultancy		
<i>Associate companies</i>		
Rakon France SAS	16,116,967	14,600,898
Interest expense		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	4,587,366	3,528,662
Managerial remuneration		
<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:

Particulars	(Amount in Rs.)	
	As at 31 March 2012	As at 31 March 2011
Long-term borrowings (including current maturities of long-term debt)		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	115,895,405	106,891,712
Interest accrued and due		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	1,027,172	899,828
Interest accrued but not due		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	143,064	145,165
Trade receivables		
<i>Associate companies</i>		
Rakon France SAS	203,821,004	153,266,110
Rakon UK Limited	8,828,608	16,052,427
Rakon Limited	290,525	276,228
Advance to suppliers		
<i>Associate companies</i>		
Centum Industries Private Limited	-	1,679,538
Trade payables		
<i>Associate companies</i>		
Rakon France SAS	74,431,315	96,061,041
Rakon UK Limited	113,459	2,487,446
Rakon Limited	8,543,879	518,402
Centum Industries Private Limited	3,569,671	2,780,752
Managerial Remuneration payable		
<i>Key management personnel</i>	177,331	156,252

35. 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 the previous year towards stamp duty payable pursuant to the merger of Solectron EMS India Limited with the company.

Particulars	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Opening balance	18,553,413	11,174,165
Add: Provision made during the year	-	7,379,248
	18,553,413	18,553,413

Notes on Consolidated Accounts (contd...)

36. Research and development expenditure (including depreciation) amounting to Rs 45,644,964 (previous year: Rs 44,664,899) incurred during the year has been charged to the respective heads of account in the profit and loss account.
37. The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

As per our report of even date attached
for **BSR & Co.**
Chartered Accountants

Firm Registration No. 101248W

Zubin Shekary

Partner

Membership No. 48814

Place : Bangalore

Date : 25 May, 2012

for **Centum Electronics Limited**

Apparao V. Mallavarapu

Chairman & Managing Director

S. Krishnan

Director

Ramu Akkili

Company Secretary

K.S. Desikan

CFO

Consolidated Cash Flow Statement

	Year ended 31 March 2012 (Rs.)	Year ended 31 March 2011 (Rs.)
Cash flow from operating activities		
Profit before tax	133,718,051	110,213,599
Adjustments		
Provision for doubtful debts	5,361,082	-
Effect of exchange differences on translation of foreign currency monetary balances	(10,545,157)	1,903,721
Profit on sale of fixed assets	(63,540)	-
Depreciation and amortisation	147,054,354	131,497,467
Interest income	(2,260,446)	(1,982,803)
Interest expenses	47,341,487	42,254,139
Operating cash flows before working capital changes	320,605,831	283,886,123
Increase / (decrease) in liabilities and provisions	(71,624,627)	107,084,562
(Increase) / decrease in inventories	158,242,730	(153,928,907)
(Increase) / decrease in trade receivables	(211,995,334)	(201,569,340)
(Increase) / decrease in loans and advances	946,165	(24,324,611)
(Increase)/ decrease in other bank balances	8,447,083	(4,758,009)
Cash generated from operations	204,621,848	6,389,818
Income taxes	(41,460,882)	(37,108,168)
Net cash generated from/(used in) operating activities	163,160,966	(30,718,350)
Cash flow from investing activities		
Proceeds from sale of fixed assets	70,175	-
Interest received	2,040,117	2,216,332
Purchase of fixed assets	(141,130,281)	(127,050,497)
Net cash used in investing activities	(139,019,989)	(124,834,165)
Cash flow from financing activities		
Short term borrowings from bank, net	(13,556,669)	193,466,876
Long term borrowings, net	49,756,420	-
Issue of share capital	535,620	470,840
Interest paid	(46,538,159)	(41,366,186)
Dividend and dividend tax paid	(14,396,825)	(14,429,383)
Net cash generated from/(used in) financing activities	(24,199,613)	138,142,147
Effect of exchange differences on translation of foreign currency cash and cash equivalent	910,712	332,773
Net increase/(decrease) in cash and cash equivalents	852,076	(17,077,595)
Cash and cash equivalents at the beginning of the year	3,955,407	21,033,002
Cash and cash equivalents at the end of the year (refer note 16)	4,807,483	3,955,407

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
Zubin Shekary
Partner
Membership No. 48814

Place : Bangalore
Date : 25 May, 2012

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Chairman & Managing Director

Ramu Akkili
Company Secretary

S. Krishnan
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 ofor
failing him/her of or
failing him/her of

as my/our proxy to vote for me/us on my/our behalf at the NINETEENTH ANNUAL GENERAL MEETING of the Company,
to be held on Friday, 3 August 2012 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

Nineteenth Annual General Meeting Friday, 3 August 2012 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 Nineteenth 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.



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