

Teamwork • Technology • Trust



CENTUM RAKON INDIA PRIVATE 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.

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## Centum Rakon India Private Limited

### Board of Directors

Apparao V Mallavarapu, *Director*

S. Krishnan, *Director*

Brent John Robinson, *Director*

Darren Paul Robinson, *Director*

### Manager

P M Unnikrishnan, GM - Operations

### Statutory Auditors

BSR & Co.

### Internal Auditors

Ernst & Young Pvt. Ltd.

### Bankers

State Bank of India -SMC Branch  
Railway Parallel Road, Kumara Park West, Bangalore 560 020.

### Registered office

No. 44, KHB Industrial area,  
Yelahanka New Township,  
Bangalore- 560 106.

## Directors' Report

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

### FINANCIAL HIGHLIGHTS

		Rs.Millions
Year ended 31 March	2012	2011
Turnover	841.88	729.47
Profit before Depreciation and Interest	146.10	115.63
Depreciation	72.40	57.45
Interest	17.36	13.66
Profit before tax	56.34	44.52
Provision for tax	19.00	13.46
Profit after tax	37.34	31.06

### PERFORMANCE

During the Fifth full year of the operations, the Company posted revenue of Rs. 841.88 million and Profit Before Tax of Rs. 56.34 million.

### EMPLOYEES

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.

There are no employees whose details are required to be mentioned under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

### DIRECTORS

There were no changes that had occurred in the composition of the Board of Directors.

Mr. Darren Paul Robinson, Director shall retire by rotation and being eligible, offers himself for re-appointment.

The required resolutions for re-appointment of the aforesaid directors have been included in the notice convening 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;

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- 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.

#### AUDITORS

M/s BSR & Co., Chartered Accountants, Statutory Auditors of the company were re-appointed as the statutory auditors at the 4th Annual General Meeting held on June 27, 2011 and will retire at the ensuing annual general meeting and they are eligible for re-appointment. Your Directors recommend the re-appointment of the above Statutory Auditors and resolution in this regard forms part of the agenda for the forthcoming Annual General Meeting, requiring approval of the shareholders.

#### 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, and all the other Central and State Governmental agencies.

For and on behalf of the Board

Place: Bangalore  
Date: 24 May, 2012

**Apparao V Mallavarapu**  
Director

**S Krishnan**  
Director

## Annexure to the Directors' Report

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### 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 has implemented several energy saving measures during the construction of the new oscillator facility. Consistent efforts are being made for identifying potential areas of energy saving & actions are being taken to reduce the energy costs.

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

- Installed Ambiator (Air wash system) instead of air conditioner to ageing room thus saving lot of energy.
- Installed energy saving light fixtures with required light intensity.
- Used High efficiency energy saving lamps like T5, CFL & LED.
- Optimized the compressed air pressure setting & gas pressure setting.
- Used optimum rated compressor, AHU and chillers.
- Increased the temperature setting of process chiller.
- Installed energy meters to monitor the energy for all the feeders.
- All Computer users are strongly advised to fully switch off the system at the end of the day.
- As per the regular PM checklist, completely arrested Compressed air & all the gas leakages in the shop floor.

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

- Fabricated many test and measurement systems like temperature test systems, ageing systems, continuous frequency measurement systems etc. for OCXO manufacturing.
- Developed a new measured ageing system for MIL grade DIP oscillator products.
- Modified many existing software for productivity improvement.
- A test system for screening of crystals for frequency jumps is under development.
- Developed processed inline with the equipments and facilities and started manufacture of SC cut crystals for OCXO products.
- OCXO qualification for space applications in progress.

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

(1) Specific areas in which R&D carried out by the Company.

The main areas of focus of developmental activities were:

- Design and development of quartz crystal controlled TCXO (Temperature compensated crystal oscillators) & OCXO (Oven controlled crystal oscillators) for Defense and Space applications.
- Design and development of quartz crystals in various packages to meet the very stringent specifications of phase noise, stability over wide temperature range and mechanical specifications like vibration & shock for the above applications.



- SC cut crystals meeting very stringent ageing and hysteresis requirements for use in OCXO for communication applications.
- Development of low power & low profile OCXOs for telecom applications

## (2) Benefits derived as result of the above R&amp;D

- As a result of the above developmental activities, successfully developed & sampled various types of OCXO, TCXO, VCXO and SPXO products to customers and qualified.
- By using these indigenously developed oscillator products, Indian space agencies will be able to meet their requirements through indigenization rather than importing these products.
- Capability to design and manufacture SC cut crystals in India and eliminating dependency on imports.

## (3) Future Plan of Action

Future plan on design and developmental activities

- Development of SC cut crystals in TO8 cold weld package meeting the specifications of space grade OCXO devices.
- Development of space grade low profile TCXO devices using ceramic based SMD flat pack crystals.
- Developing OCXOs with built-in ageing compensation.
- Development of MEMs based oscillator products.
- Crystal filter development for space applications.
- Optimizing gold deposition parameters to improve crystal performance.

## (4) Expenditure on R &amp; D

	Rs in Millions	
For the year ended 31st March	2012	2011
A. Capital	11.08	1.48
B. Recurring	31.17	27.31
C. Total	42.24	28.79
Total R&D expenditure as a % of total turnover	5%	4%

**3. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 38 & 39 and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2012.

For and on behalf of the Board

Place: Bangalore  
Date: 24 May, 2012

**Apparao V Mallavarapu**  
Director

**S Krishnan**  
Director

## Auditors' Report

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### To the Members of Centum Rakon India Private Limited

We have audited the attached balance sheet of Centum Rakon India Private 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;
- (f) 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 No. 48814

Bangalore  
Date: 24 May, 2012

## Annexure to the Auditors' Report

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Annexure referred to in our report to the members of Centum Rakon India Private 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) No fixed assets were disposed off during the year. Thus, paragraph 4(i)(c) of the Order is not applicable to the Company.
- (ii) (a) The inventory, except materials-in-transit, 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 not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii)(a) to 4(iii)(d) of the Order is not applicable.
- (b) The Company has taken loan from two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs 206,315,250 and the year end balances of such loans aggregated to Rs 176,118,394. The Company has not taken loan from any other firm / other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (c) In our opinion, the rate of interest and other terms and conditions on which the loans have been taken from the companies listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (d) In the case of loans taken from companies listed in the register maintained under section 301, the Company has been regular in repaying the principal amounts as stipulated and in the payment of interest except *repayment of interest amounting to Rs 1,072,172. The interest was due on 15 March 2012 and was subsequently paid in the month of May 2012.*
- (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 and fixed assets are for the Company's specialised requirements and similarly certain goods sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to purchase of inventories and fixed assets and with regard to the sale of goods. The Company's operations does not involve sale of 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 such contracts or arrangements 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 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, Employees' State Insurance, Income-tax, Sales-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. As informed to us, the Company did not have any dues on account of Investor Education and Protection Fund, Service tax and Wealth tax.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales 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 Income tax, Sales tax, Custom duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company is registered for a period of less than five years and accordingly clause 4(x) of the Order is not applicable.
- (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 debenture holders 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.

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

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- (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) As stated in note 42 of notes on accounts, an employee of the Company had stolen gold, reclaimed in the production process of the Company, weighing 745.47 grams kept in Company's office premises. Further, the employee in collusion with a supplier had misappropriated funds amounting to Rs 1,312,575. The Company has filed a criminal complaint against the employee and the supplier involved. The Company has recovered significant amount of the stolen goods and misappropriated funds. The unrecovered funds amounting to Rs 682,575 have been fully provided for. According to the information and explanations given to us, no other 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

Zubin Shekary  
Partner  
Membership No. 48814

Bangalore  
Date: 24 May, 2012

Balance Sheet

	NOTE	As at 31 March 2012 Rs.	As at 31 March 2011 Rs.
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	2	56,000,000	56,000,000
Reserves and surplus	3	307,929,525	270,587,055
		<b>363,929,525</b>	<b>326,587,055</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4	164,912,571	205,451,712
Deferred tax liabilities, net	5	26,009,075	18,353,323
Long-term provisions	6	3,338,664	2,677,500
		<b>194,260,310</b>	<b>226,482,535</b>
<b>Current liabilities</b>			
Short-term borrowings	7	124,235,425	126,856,214
Trade payables	8	144,250,500	146,670,355
Other current liabilities	9	88,830,486	38,746,583
Short-term provisions	10	4,777,872	10,328,642
		<b>362,094,283</b>	<b>322,601,794</b>
		<b>920,284,118</b>	<b>875,671,384</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Fixed assets</i>			
Tangible assets	11	430,217,304	391,813,581
Intangible assets	11	601,926	687,441
Capital work-in-progress		3,316,148	6,263,095
		<b>434,135,378</b>	<b>398,764,117</b>
Long-term loans and advances	12	32,202,034	47,137,137
		<b>466,337,412</b>	<b>445,901,254</b>
<b>Current assets</b>			
Inventories	13	180,157,347	215,338,967
Trade receivables	14	243,054,181	192,593,606
Cash and bank balance	15	7,552,743	6,410,827
Short-term loans and advances	16	23,182,435	15,426,730
		<b>453,946,706</b>	<b>429,770,130</b>
		<b>920,284,118</b>	<b>875,671,384</b>
<b>Significant accounting policies</b>	1		

The notes referred to above form an integral part of the Balance Sheet

As per our report attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

**Zubin Shekary**

Partner

Membership No. 48814

Place : Bangalore

Date : 24 May, 2012

for **Centum Rakon India Private Limited**

**Apparao V. Mallavarapu**

Director

**S Krishnan**

Director

**P M Unnikrishnan**

GM - Operations (Manager)

## Profit and Loss Account

	NOTE	Rs. For the year ended 31 March 2012	Rs. For the year ended 31 March 2011
<b>INCOME</b>			
Revenue from operations		832,214,063	720,913,539
Less : excise duty		1,567,169	1,672,911
	17	830,646,894	719,240,628
Other income	18	11,236,356	10,228,562
		<b>841,883,250</b>	<b>729,469,190</b>
<b>Expenses:</b>			
Cost of materials consumed	19	446,557,956	523,469,822
Changes in inventories of work-in-progress	20	34,614,579	(81,130,863)
Employee benefits expense	21	72,582,754	58,669,582
Finance costs	22	19,387,274	14,426,747
Depreciation and amortisation	11	72,397,101	57,454,945
Other expenses	23	140,003,664	112,061,325
		<b>785,543,328</b>	<b>684,951,558</b>
<b>Profit before taxation</b>		<b>56,339,922</b>	<b>44,517,632</b>
<b>Income taxes:</b>			
- Current tax / minimum alternate tax		11,815,000	9,050,000
- Previous years		650,000	-
- Deferred		7,655,752	13,458,213
- Minimum alternate tax credit entitlement		(1,123,300)	(9,050,000)
<b>Profit for the year</b>		<b>37,342,470</b>	<b>31,059,419</b>
Earnings per share (par value Rs 10 each)			
Basic and diluted		6.67	5.55
Weighted average number of equity shares - basic and diluted		5,600,000	5,600,000
<b>Significant accounting policies</b>	1		

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

As per our report attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

**Zubin Shekary**

Partner

Membership No. 48814

Place : Bangalore

Date : 24 May, 2012

for **Centum Rakon India Private Limited**

**Apparao V. Mallavarapu**

Director

**S Krishnan**

Director

**P M Unnikrishnan**

GM - Operations (Manager)

## Notes to the Financial Statements

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### 1. Background

Centum Rakon India Private Limited (“the Company”) was incorporated as a private limited company on 7 December 2007 under the Companies Act, 1956. The Company has its registered office in Bangalore.

The Company has been formed principally for the manufacture and supply of electronic products including frequency control products and resistor networks catering to the communications, military, aerospace and industrial electronics markets.

### 2. 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, as amended, and the relevant provisions of the Companies Act, 1956, to the extent applicable.

### 3. 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.

### 4. 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.

### 5. 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.

### 6. 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 (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.

Leasehold improvements are being amortised 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.

## 7. 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 enterprise 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
Raw materials in transit	At actual cost
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.

## 8. Revenue recognition

Revenue from the sale of finished goods 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.

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

## 9. 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 period are recognized in the statement of profit and loss for the period.

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.

## 10. Employee benefits

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

Gratuity costs, which are defined benefit scheme, is 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.

## 11. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the year. The Company did not have any potentially dilutive equity shares outstanding during the year.

## 12. 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

## Notes to the Financial Statements (contd...)

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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.

### 13. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period 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 period). 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.

### 14. 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.

### 15. Impairment of assets

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

### 16. 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.

### 17. 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.

Particulars	Rs	
	As at 31 March 2012	As at 31 March 2011
<b>2. Share capital</b>		
<b>Authorised</b>		
7,000,000 (previous year: 7,000,000) equity shares of Rs 10 each	<u>70,000,000</u>	<u>70,000,000</u>
<b>Issued, subscribed and paid-up</b>		
5,600,000 (previous year: 5,600,000) shares of Rs 10 each fully paid up	<u>56,000,000</u>	<u>56,000,000</u>
	<u><b>56,000,000</b></u>	<u><b>56,000,000</b></u>

Out of the above 2,855,999 (previous year: 2,855,999) equity shares of Rs 10 each are held by Centum Electronics Limited, the holding company, 2,744,000 (previous year: 2,744,000) equity shares of Rs 10 each are held by Rakon (Mauritius) Limited and the balance 1 (previous year: 1) equity share is held by Mr. Apparao V Mallavarapu as a beneficial owner on behalf of Centum Electronics Limited.

Out of the above, 2,846,000 (previous year: 2,846,000) equity shares are allotted as fully paid up pursuant to a contract without payment being received in cash.

#### 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	5,600,000	56,000,000	5,600,000	56,000,000
Number of shares issued during the year	-	-	-	-
Number and value of shares outstanding at the end of the year	<u>5,600,000</u>	<u>56,000,000</u>	<u>5,600,000</u>	<u>56,000,000</u>

#### Details of equity 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
Centum Electronics Limited	2,855,999	51%	2,855,999	51%
Rakon (Mauritius) Limited	2,744,000	49%	2,744,000	49%

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

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Refer note 28 for disclosure in relation to employee stock option plan

## Notes to the Financial Statements (contd...)

Particulars	Rs	
	As at 31 March 2012	As at 31 March 2011
<b>3. Reserves and surplus</b>		
<b>Securities premium account</b>		
Opening balance	235,482,400	235,482,400
Add: Additions during the year	-	-
Closing balance	<u>235,482,400</u>	<u>235,482,400</u>
<b>Surplus in statement of profit and loss</b>		
Opening balance	35,104,655	4,045,236
Add: Profit for the year	<u>37,342,470</u>	<u>31,059,419</u>
Closing balance	<u>72,447,125</u>	<u>35,104,655</u>
	<u>307,929,525</u>	<u>270,587,055</u>
<b>4. Secured loan</b>		
<b>Term loans</b>		
<i>Secured</i>		
From bank	27,131,188	-
<i>Unsecured</i>		
Loans and advances from related parties (refer note 32)	<u>137,781,383</u>	<u>205,451,712</u>
	<u>164,912,571</u>	<u>205,451,712</u>

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

The term loan from bank is a foreign currency loan carrying an interest of 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.

Loans and advances from related parties represents: “- long term loan from Centum Electronics Limited, the holding company amounting to Rs 60,222,989 (previous year: Rs 98,560,000) carries an interest of LIBOR plus 250 basis points or the prevailing bank rate as specified under Section 49 of the Reserve Bank of India Act, 1934, whichever is higher, on the outstanding amount of the loan. The loan is repayable by 29 August 2013; and

- loan from other related party 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	Rs	Rs
	As at 31 March 2012	As at 31 March 2011
<b>5. Deferred tax liabilities, net</b>		
<b>Deferred tax (assets)</b>		
Provision for doubtful debts and advances	(245,800)	(24,920)
Provision for retirement benefits	(1,949,376)	(1,687,472)
Preliminary expenses	-	(165,960)
Accumulated losses	-	(8,297,826)
	<u>(2,195,176)</u>	<u>(10,176,178)</u>
Deferred tax liabilities		
Fixed assets	28,204,251	28,529,501
	<u>28,204,251</u>	<u>28,529,501</u>
Deferred tax liabilities, net	<u>26,009,075</u>	<u>18,353,323</u>
<b>6. Long-term provisions</b>		
Provision for gratuity (refer note 27)	3,338,664	2,677,500
	<u>3,338,664</u>	<u>2,677,500</u>
<b>7. Short-term borrowings</b>		
<i>Secured</i>		
Short term loans from banks		
Cash credit	-	17,339,866
Packing credit	124,235,425	50,478,662
<i>Unsecured</i>		
Short term loans from banks		
Packing credit	-	59,037,686
	<u>124,235,425</u>	<u>126,856,214</u>

Short term loans from banks are secured by the following securities:

- Cash credit obtained from bank is secured by way of hypothecation of inventories and book debts of the Company. Additionally, it is secured by way of collateral charge on plant and machinery.
- Packing credit obtained from bank is secured by way of hypothecation of inventories and book debts 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 to the Financial Statements (contd...)

Particulars	Rs	Rs
	As at 31 March 2012	As at 31 March 2011
<b>8. Trade payables</b>		
- Dues to micro and small enterprises	42,161	124,390
- Dues to others	144,208,339	146,545,965
	<u>144,250,500</u>	<u>146,670,355</u>
Refer note 33 for details of dues to micro and small enterprises		
<b>9. Other current liabilities</b>		
Current maturities of long-term debt from bank*	51,902,605	-
Interest accrued and due	1,027,172	899,828
Interest accrued but not due	821,148	145,165
Advance from customers	710,839	10,460,492
Other payables		
- withholding and other taxes and duties payable	2,326,664	2,828,776
- for employee benefits and other expenses	30,011,435	21,767,564
- for purchase of fixed assets	2,030,623	2,644,758
	<u>88,830,486</u>	<u>38,746,583</u>
*refer note 4 for details with respect to terms and conditions of term loans from bank		
<b>10. Short-term provisions</b>		
Provision for gratuity (refer note 27)	293,204	226,916
Provision for compensated absences	1,085,473	1,076,660
Provision for taxation, net of advance tax	3,399,195	9,025,066
	<u>4,777,872</u>	<u>10,328,642</u>

## Notes to the Financial Statements (contd...)

## NOTES : 11 FIXED ASSETS

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK	
	As at 1 April 2011	Additions during the year	As at 31 March 2012	As at 1 April 2011	Charge for the year	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
<b>Tangible assets, owned</b>								
Leasehold improvements	7,971,419	14,793,991	22,765,410	958,014	4,013,121	4,971,135	17,794,275	7,013,405
Plant and machinery	547,318,596	85,102,463	632,421,059	200,923,522	63,558,671	264,482,193	367,938,866	346,395,074
Electrical installations	41,126,315	5,901,923	47,028,238	8,131,183	3,683,139	11,814,322	35,213,916	32,995,132
Computers	5,233,951	530,821	5,764,772	4,015,423	369,217	4,384,640	1,380,132	1,218,528
Office equipment	1,395,782	1,292,618	2,688,400	463,034	114,476	577,510	2,110,890	932,748
Furniture and fixtures	5,073,304	2,939,172	8,012,476	1,814,610	418,641	2,233,251	5,779,225	3,258,694
<b>Total (A)</b>	<b>608,119,367</b>	<b>110,560,988</b>	<b>718,680,355</b>	<b>216,305,786</b>	<b>72,157,265</b>	<b>288,463,051</b>	<b>430,217,304</b>	<b>391,813,581</b>
<b>Intangible assets, owned</b>								
Computer software	1,839,745	154,321	1,994,066	1,152,304	239,836	1,392,140	601,926	687,441
<b>Total (B)</b>	<b>1,839,745</b>	<b>154,321</b>	<b>1,994,066</b>	<b>1,152,304</b>	<b>239,836</b>	<b>1,392,140</b>	<b>601,926</b>	<b>687,441</b>
<b>Total (A) + (B)</b>	<b>609,959,112</b>	<b>110,715,309</b>	<b>720,674,421</b>	<b>217,458,090</b>	<b>72,397,101</b>	<b>289,855,191</b>	<b>430,819,230</b>	<b>392,501,022</b>
<i>Previous year</i>	<i>532,398,609</i>	<i>77,560,503</i>	<i>609,959,112</i>	<i>160,003,145</i>	<i>57,454,945</i>	<i>217,458,090</i>	<i>392,501,022</i>	

## Notes to the Financial Statements (contd...)

Particulars	Rs	Rs
	As at 31 March 2012	As at 31 March 2011
<b>12. Long-term loans and advances</b>		
Unsecured, considered good		
Capital advances	-	13,757,730
Security deposits	3,805,000	3,805,000
Prepaid expenses	318,648	-
Balance with government authorities	27,639,416	16,571,530
Minimum alternate tax credit entitlement	-	12,550,000
Advance tax, net of provision for tax	438,970	452,877
	<u>32,202,034</u>	<u>47,137,137</u>
<b>13. Inventories</b>		
Raw materials	75,908,811	76,439,412
[includes raw material in transit Rs 9,297,500) (previous year: Rs 19,386,923)]		
Work-in-progress	104,244,588	138,859,167
Stores and spares	3,948	40,388
	<u>180,157,347</u>	<u>215,338,967</u>
<b>14. Trade receivables*</b>		
Unsecured		
Debts due for a period exceeding six months		
- considered good	8,158,097	18,181,513
- considered doubtful	43,582	43,582
	<u>8,201,679</u>	<u>18,225,095</u>
Other debts		
- considered good	234,896,084	174,412,093
	<u>234,896,084</u>	<u>174,412,093</u>
Less: Provision for doubtful debts	43,582	43,582
	<u>243,054,181</u>	<u>192,593,606</u>

\* Includes an amount of Rs 214,960,260 (previous year: Rs 169,877,198) receivable from companies where directors of the Company are also directors/ members.



Particulars	Rs	Rs
	As at 31 March 2012	As at 31 March 2011
<b>15. Cash and cash equivalents</b>		
Cash and cash equivalents		
Cash on hand	29,637	3,065
Balance with banks		
- in current accounts	2,151,651	626,720
- in exchange earners foreign currency account	513,993	1,837,828
	<u>2,695,281</u>	<u>2,467,613</u>
Other bank balances		
- in margin money accounts *	4,857,462	3,943,214
	<u>7,552,743</u>	<u>6,410,827</u>
*Margin money is against bank guarantees issued in favour of customers and statutory authorities		
<b>16. Short-term loans and advances</b>		
Unsecured, considered good		
Advances to suppliers	3,827,083	7,558,260
Staff advances	430,000	409,525
Prepaid expenses	1,824,690	1,754,644
Balances with government authorities	3,377,400	5,650,088
Interest accrued but not due	49,962	54,213
Minimum alternate tax credit entitlement	13,673,300	-
	<u>23,182,435</u>	<u>15,426,730</u>
Unsecured, considered doubtful		
Advances to suppliers	714,008	31,433
	<u>714,008</u>	<u>31,433</u>
Less: Provision for doubtful advances	714,008	31,433
	<u>23,182,435</u>	<u>15,426,730</u>

## Notes to the Financial Statements (contd...)

Particulars	Rs	Rs
	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>17. Revenue from operations</b>		
Sale of products, gross	832,214,063	720,913,539
Less: Excise duty	1,567,169	1,672,911
Sale of products, net	<u>830,646,894</u>	<u>719,240,628</u>
Refer note 36 for details related to sale of manufactured products.		
<b>18. Other Income</b>		
Interest on bank deposits	391,543	137,046
Foreign exchange gain, net	6,288,644	8,474,929
Other non-operating income	4,556,169	1,616,587
	<u>11,236,356</u>	<u>10,228,562</u>
<b>19. Cost of materials consumed</b>		
Opening stock	76,479,800	77,971,197
Add: Purchases	445,990,915	521,978,425
Less: Closing stock	75,912,759	76,479,800
	<u>446,557,956</u>	<u>523,469,822</u>
Refer note 34 and 35 for details of items of raw materials and components consumed.		
<b>20. Changes in inventories of work-in-progress</b>		
Opening Stock		
Work in progress	138,859,167	57,728,304
	<u>138,859,167</u>	<u>57,728,304</u>
Closing Stock		
Work in progress	104,244,588	138,859,167
	<u>104,244,588</u>	<u>138,859,167</u>
Decrease/(increase) in inventories of work in progress	<u>34,614,579</u>	<u>(81,130,863)</u>
<b>21. Employee benefits expense</b>		
Salaries, wages and allowances	61,307,887	53,173,552
Contribution to provident and other funds	4,484,572	3,689,813
Staff welfare expenses	6,790,295	1,806,217
	<u>72,582,754</u>	<u>58,669,582</u>

Particulars	Rs	Rs
	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>22. Finance costs</b>		
Interest expense	17,360,050	13,659,155
Other borrowing cost	2,027,224	767,592
	<u>19,387,274</u>	<u>14,426,747</u>
<b>23. Other expenses</b>		
Rent	7,704,908	6,846,624
Rates and taxes	189,530	1,376,092
Power and fuel	12,563,801	8,321,648
Repairs and maintenance		
- Building	166,965	638,645
- Plant and machinery	4,372,378	7,077,646
Insurance	3,828,962	3,932,878
Professional and consultancy	73,295,008	55,956,466
Provision for doubtful advances (refer note 42)	682,575	-
Travelling and conveyance	1,312,177	2,874,820
Purchase of services	16,940,956	11,668,196
Printing and stationery	1,510,032	1,154,836
Directors sitting fees	16,000	10,000
Bank charges	3,719,609	4,038,928
Freight outwards	10,431,419	6,631,714
Miscellaneous expenses	3,269,344	1,532,832
	<u>140,003,664</u>	<u>112,061,325</u>

## Notes to the Financial Statements (contd...)

**24. Capital commitments and contingent liabilities** (Amount in Rs.)

Particulars	As at 31 March 2012	As at 31 March 2011
<b>Capital commitments:</b>		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	1,964,465	37,859,822
<b>Contingent liabilities:</b>		
Claim by supplier not acknowledged as debts	15,119,849	-

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

Particulars	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Audit fees	500,000	500,000
Out of pocket expenses reimbursed	36,780	22,750
	<b>536,780</b>	<b>522,750</b>

**26. Earnings per share**

The computation of earnings per share is set out below:

Particulars	For the Year ended 31 March 2012 Rs	For the Year ended 31 March 2011 Rs
Profit for the year	37,342,470	31,059,419
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	5,600,000	5,600,000
Face value of equity shares	10	10
Earnings per share - basic and dilutive	6.67	5.55

The Company has no potentially dilutive equity shares.

**27. 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
<b>Change in projected benefit obligations</b>		
Obligations at year beginning	2,904,416	1,777,789
Service cost	703,308	424,351
Past service cost	-	463,975
Benefits paid	(298,613)	-
Interest cost	279,541	166,526
Liabilities assumed on acquisition / (settled on divestiture)	125,236	-
Actuarial loss/ (gain)	(82,020)	71,775
<b>Obligations at year end</b>	<b>3,631,868</b>	<b>2,904,416</b>
<b>Change in plan assets</b>		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	298,613	-
Benefits paid	(298,613)	-
<b>Plans assets at year end, at fair value</b>	<b>-</b>	<b>-</b>

Particulars	(Amount in Rs.)	
	As at 31 March 2012	As at 31 March 2011
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	3,631,868	2,904,416
<b>Asset/ (liability) recognised in the balance sheet</b>	<b>(3,631,868)</b>	<b>(2,904,416)</b>
<b>Gratuity cost for the year</b>		
Service cost	703,308	424,351
Interest cost	279,541	166,526
Expected return on plan assets	-	-
Actuarial loss/ (gain)	(82,020)	71,775
Past service cost	-	463,975
<b>Net gratuity cost</b>	<b>900,829</b>	<b>1,126,627</b>
<b>Assumptions:</b>		
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.

## 28 Employee stock options:

### Centum employee stock option plan 2007

Certain employees of the Company are entitled to the shares of Centum Electronics Limited (parent company) under the Centum ESOP plan 2007. Options will be issued to employees of the Company 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	26,250	45.85	27,400	31.60
Granted during the year	59,874	53.45	3,700	118.50
Exercised during the year	2,250	31.60	4,850	31.60
Forfeited / lapsed during the year	8,097	44.81	-	-
Options outstanding at the end of the year	75,777	51.70	26,250	45.85
Exercisable at the end of the year	5,925	45.17	2,000	31.60

## Notes to the Financial Statements (contd...)

The weighted average share price of the options exercised as at the date of exercise was 31.60. There were 59,874 equity shares were given as options during the current year. The options outstanding as at 31 March 2012 had an exercise price of Rs 51.70 and the weighted average remaining contractual life of 10.71 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:

	For the year ended 31 March 2012	For the year ended 31 March 2011
Profit for the year	37,342,470	31,059,419
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	792,891	156,996
Adjusted net profit	<u>36,549,579</u>	<u>30,902,423</u>
Basic earnings per share as reported	6.67	5.55
Pro forma basic earnings per share	6.53	5.52
Diluted earnings per share as reported	6.67	5.55
Pro forma diluted earnings per share	6.53	5.52

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:

	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%

**29.** 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 currency)	Amount (INR)
USD	4,415,345	228,227,624	652,889	29,530,170
EUR	2,572,919	178,509,109	2,696,421	172,867,533
GBP	605	50,124	-	-
JPY	2,750,000	1,753,950	195,000	107,153
CHF	1,400	81,130	2,906	144,050
NZD	5,100	218,076	5,193	179,122
	<b>408,840,013</b>		<b>202,828,028</b>	

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 currency)	Amount (INR)
USD	3,652,688	184,570,306	3,013,950	133,216,576
EUR	417,164	28,012,589	639,415	39,848,316
JPY	11,943,875	7,323,984	6,718,369	3,570,813
GBP	30,362	2,441,105	45,931	3,258,329
		<b>222,347,984</b>		<b>179,894,034</b>

### 30. Leases

The Company has taken factory premises and computer equipments under 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 above is Rs 3,328,908 (previous year: Rs 4,079,335).

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 above is Rs 4,376,000 (previous year: Rs 2,767,289).

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

	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
	<b>17,932,000</b>	<b>22,308,000</b>

### 31. Segment Information

The Company operates in only one segment i.e. Components business (Frequency Control Products) and accordingly there are no primary segment disclosures.

Geographic segment	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>Revenues</b>		
India	67,585,879	20,215,584
Europe	760,279,780	691,493,865
Rest of the world	2,781,235	7,531,179
	<b>830,646,894</b>	<b>719,240,628</b>
<b>Segment assets</b>		
India	702,607,298	695,780,592
Europe	216,750,403	175,402,216
Rest of the world	926,417	4,488,576
	<b>920,284,118</b>	<b>875,671,384</b>

Notes to the Financial Statements (contd...)

**32. Related party disclosures**

**A. Parties where control exists:**

Centum Electronics Limited - Holding Company ('CEL')

**B. Venturer in respect of which the Company is a joint venture:**

Rakon (Mauritius) Limited

**C. Other related parties where transactions have taken place during the year:**

*Party having significant influence*

Rakon Limited - [ultimate holding company of Rakon (Mauritius) Limited]

*Parties under common control*

Rakon France SAS

Rakon UK Limited

Centum Industries Private Limited

**D. Key management personnel**

Apparao V Mallavarappu

S. Krishnan

Darren Robinson

Brent Robinson

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

(Amount in Rs.)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>Long-term borrowings received / (repaid)</b>		
<i>Holding company</i>		
Centum Electronics Limited	(38,337,011)	-
<i>Joint venture partner</i>		
Rakon (Mauritius) Limited	-	7,348,308
<b>Professional and consultancy</b>		
<i>Holding company</i>		
Centum Electronics Limited	48,410,334	36,123,186
<i>Parties under common control</i>		
Rakon France SAS	16,116,967	14,600,898
<b>Rent</b>		
<i>Holding company</i>		
Centum Electronics Limited	3,032,400	3,698,400
<b>Interest expense</b>		
<i>Holding company</i>		
Centum Electronics Limited	5,887,794	5,913,600
<i>Joint venture partner</i>		
Rakon (Mauritius) Limited	4,587,366	3,528,662
<b>Sale of products</b>		
<i>Holding company</i>		
Centum Electronics Limited	2,064,737	3,319,459
<i>Parties under common control</i>		
Rakon France SAS	692,734,220	602,257,347
Rakon UK Limited	54,737,057	67,438,321
<i>Parties having significant influence</i>		
Rakon Limited	2,306,382	1,395,915



Particulars	(Amount in Rs.)	
	For the year ended 31 March 2012	For the year ended 31 March 2011
<b>Purchase of goods and services</b>		
<i>Holding company</i>		
Centum Electronics Limited	16,817,091	9,733,628
<i>Parties under common control</i>		
Centum Industries Private Limited	794,992	-
Rakon France SAS	170,892,754	245,994,456
Rakon UK Limited	1,013,380	8,025,665
<i>Parties having significant influence</i>		
Rakon Limited	3,004,470	3,759,583
<b>Purchase of fixed assets</b>		
<i>Parties under common control</i>		
Rakon France SAS	6,101,720	4,630,953
<i>Parties having significant influence</i>		
Rakon Limited	10,575,690	618,300

F. 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
<b>Long-term borrowings (including current maturities of long-term debt)</b>		
<i>Holding company</i>		
Centum Electronics Limited	60,222,989	98,560,000
<i>Joint venture partner</i>		
Rakon (Mauritius) Limited	115,895,405	106,891,712
<b>Interest accrued and due</b>		
<i>Joint venture partner</i>		
Rakon (Mauritius) Limited	1,027,172	899,828
<b>Interest accrued but not due</b>		
<i>Joint venture partner</i>		
Rakon (Mauritius) Limited	143,064	145,165
<b>Trade receivables</b>		
<i>Holding company</i>		
Centum Electronics Limited	2,020,123	282,433
<i>Parties under common control</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
<b>Trade payables</b>		
<i>Holding company</i>		
Centum Electronics Limited	5,655,498	7,719,765
<i>Parties under common control</i>		
Centum Industries Private Limited	291,932	-
Rakon France SAS	74,431,315	96,061,041
Rakon UK Limited	113,459	2,487,446
Rakon Limited	8,543,879	518,402

## Notes to the Financial Statements (contd...)

33. 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;	42,161	124,390
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;	11,010	7,414
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;	11,010	11,272
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.	-	-

## 34. 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
Crystals	189,163,403	233,165,826
Integrated circuits	44,952,868	41,817,218
PCBA assembly	-	3,875,205
Others	57,995,812	93,665,313
	<u>292,112,083</u>	<u>372,523,562</u>

(Amount in Rs.)

Raw materials	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Blanks	36,530,470	25,992,292
Base	55,061,365	52,264,356
PCB	23,919,154	30,062,754
Others	38,934,884	42,626,858
	<u>154,445,873</u>	<u>150,946,260</u>

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

**35. 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
<b>Components</b>				
Imported	88%	258,369,448	93%	347,655,286
Indigenous	12%	33,742,635	7%	24,868,276
		<u>292,112,083</u>		<u>372,523,562</u>
<b>Raw materials</b>				
Imported	98%	151,704,260	97%	146,574,802
Indigenous	2%	2,741,613	3%	4,371,458
		<u>154,445,873</u>		<u>150,946,260</u>

**36. Particulars in respect of sale of manufactured products (including excise duty)**

(Amount in Rs.)

Particulars	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Frequency control products	832,214,063	720,913,539
	<u>832,214,063</u>	<u>720,913,539</u>

**37. CIF value of imports**

(Amount in Rs.)

Particulars	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Capital goods	74,126,274	39,354,431
Raw materials and components (including goods in transit)	437,076,412	502,766,382
	<u>511,202,686</u>	<u>542,120,813</u>

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

(Amount in Rs.)

Particulars	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Travel	719,480	1,626,271
Interest on long-term borrowings	3,774,811	4,211,448
Professional and consultancy	31,808,986	6,336,560
	<u>36,303,277</u>	<u>12,174,279</u>

**39. Earnings in foreign currency**

(Amount in Rs.)

Particulars	For the Year ended 31 March 2012	For the Year ended 31 March 2011
Sale of manufactured goods	763,061,015	699,025,044
<b>Total</b>	<u>763,061,015</u>	<u>699,025,044</u>

Notes to the Financial Statements (contd...)

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40. Research and development expenditure (including depreciation) amounting to Rs 31,168,956 (previous year: Rs 27,308,026) incurred during the year has been charged to the respective heads of account in the statement of profit and loss.
41. The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company has completed the process of updating the documentation for the international transactions entered into with the associated enterprises relating to the previous year. Further, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by November 2012 as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.
42. An employee of the Company had stolen gold, reclaimed in the production process of the Company, weighing 745.47 grams kept in Company's office premises. Further, the employee in collusion with a supplier had misappropriated funds amounting to Rs 1,312,575. The Company has filed a criminal complaint against the employee and the supplier involved. The Company has recovered significant amount of the stolen goods and misappropriated funds. The unrecovered fund amounting to Rs 682,575 have been fully provided for in the books of account.
43. 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.

Per our report attached.

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

**Zubin Shekary**  
Partner  
Membership No. 48814

Place : Bangalore  
Date : 24 May, 2012

for **Centum Rakon India Private Limited**

**Apparao V. Mallavarapu**      **S Krishnan**  
Director                                      Director

**P M Unnikrishnan**  
GM - Operations (Manager)

## Cash Flow Statement

	Rs. For the year ended 31 March 2012	Rs. For the year ended 31 March 2011
<b>Cash flow from operating activities</b>		
Profit before tax	56,339,922	44,517,634
<i>Adjustments</i>		
Depreciation and amortisation	72,397,101	57,454,945
Interest expenses	19,387,274	14,426,747
Effect of exchange differences on translation of foreign currency monetary balances	11,884,002	5,338,640
Provision for doubtful advances	682,575	-
Interest income	(391,543)	(137,046)
<b>Operating cash flows before working capital changes</b>	<b>160,299,331</b>	<b>121,600,920</b>
(Increase)/ decrease in trade receivables	(50,460,575)	(30,986,308)
(Increase)/ decrease in inventories	35,181,621	(79,608,235)
(Increase)/ decrease in loans and advances	(6,155,764)	(18,792,413)
Increase/ (decrease) in liabilities and provisions	6,336,243	35,281,069
(Increase)/ decrease in other bank balances	(914,248)	(2,560,277)
<b>Cash generated from operations</b>	<b>131,614,122</b>	<b>24,934,756</b>
Income taxes	(18,076,965)	(3,761,414)
<b>Net cash generated from operating activities</b>	<b>113,537,157</b>	<b>21,173,342</b>
Cash flow from investing activities		
Interest income	395,794	89,884
Purchase of fixed assets	(91,980,010)	(87,832,318)
<b>Net cash used in investing activities</b>	<b>(91,584,216)</b>	<b>(87,742,434)</b>
Cash flow from financing activities		
Short term loan from bank, net	(4,782,969)	71,337,120
Interest paid	(18,583,945)	(13,491,631)
Long-term borrowings, net	39,995,416	4,970,903
Repayment of term loan from related party	(38,337,011)	-
<b>Net cash provided by/ (used in) financing activities</b>	<b>(21,708,509)</b>	<b>62,816,392</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalent	(16,764)	(105,212)
Net increase / (decrease) in cash and cash equivalents	227,668	(3,857,912)
Cash and cash equivalents at the beginning of the year	2,467,613	6,325,525
<b>Cash and cash equivalents at the end of the year (refer note 15)</b>	<b>2,695,281</b>	<b>2,467,613</b>

This is the cash flow statement referred to in our report attached

As per our report attached

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

**Zubin Shekary**  
Partner  
Membership No. 48814

Place : Bangalore  
Date : 24 May, 2012

for **Centum Rakon India Private Limited**

**Apparao V. Mallavarapu**      **S Krishnan**  
Director                                      Director

**P M Unnikrishnan**  
GM - Operations (Manager)

## Balance Sheet Abstract and Company's General Profile

### REGISTRATION DETAILS

Registration No	44692
State Code	08
Balance Sheet date	31 March, 2012

### CAPITAL RAISED DURING THE YEAR

Public Issue	Nil
Rights Issue	Nil
Private placement	Nil

### POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(in Rs.)

Total liabilities	920,284,118
Total Assets	920,284,118

### SOURCES OF FUNDS

(in Rs.)

Paid up capital	56,000,000
Reserves and Surplus	307,929,525
Secured loans	151,366,613
Unsecured loans	137,781,383
Deferred Tax Liability	26,009,075
Other liabilities	241,197,522

### APPLICATION OF FUNDS

Net Fixed Assets	434,135,378
Investments	-
Net Current Assets	453,946,706
Other assets	32,202,035

### PERFORMANCE OF THE COMPANY

(in Rs.)

Turnover	841,883,250
Total expenditure	785,543,328
Profit/Loss before tax	56,339,922
Extraordinary income	-
Profit/Loss after tax	37,342,470
Earnings per share	6.67
Dividend rate(%)	NIL

### GENERIC NAME OF THE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item code no (ITC code)	85416000
Product description	Frequency Controlled Products

for Centum Rakon India Private Limited

Apparao V Mallavarapu  
Director

S. Krishnan  
Director

Bangalore  
24 May, 2012

P M Unnikrishnan  
GM - Operations (Manager)





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