

Teamwork • Technology • Trust



CENTUM RAKON INDIA PRIVATE LIMITED

Annual Report 2012 - 13



## QUALITY POLICY

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

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

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

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## Centum 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  
No.97, Railway Parallel Road, Bangalore.

Citi Bank N.A.  
M.G. Road, Bangalore.

### 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 Sixth Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the period ended 31st March 2013.

### FINANCIAL HIGHLIGHTS

		Rs. Millions
Year ended 31 March	2013	2012
Turnover	1078.73	841.88
Profit before Depreciation and Interest	326.53	146.10
Depreciation	79.14	72.40
Interest	17.24	17.36
Profit before tax	230.15	56.34
Provision for tax	74.42	19.00
Profit after tax	155.73	37.34

### PERFORMANCE

During the Sixth year of the operations, the Company posted a turnover of Rs. 1078.73 million and Profit before Tax of Rs. 230.15 million.

### DIVIDEND

A dividend of Rs. 20 per share on the paid up capital of the company is recommended. The dividend payout is Rs 131.03 million and the tax on dividend for the year is Rs. 19.03 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. S. Krishnan, Director shall retire by rotation and being eligible, offers himself for re-appointment.

The re-appointment of the aforesaid director has been included as an item 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 2013 all the applicable Accounting Standards had been followed along with the proper explanations relating to material departures, if any;
- ii. accounting policies were adopted and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st

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March 2013 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.

#### AUDITORS

M/s BSR & Co., Chartered Accountants, Statutory Auditors of the company will retire at the ensuing annual general meeting and are being eligible for re-appointment. Your Directors recommend the re-appointment of the above Statutory Auditors.

#### 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: 28 May, 2013

**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 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:

- Monitored LT voltage & found to be less, discussed with BESCO and improved the Voltage.
- Optimized the compressed air pressure setting & Process chiller temperature setting, which reduced the power consumption.
- Internal energy audit including load balancing study was carried out to understand the power losses.
- Installed energy meters to monitor the top 9 power guzzlers like aging test set up, Process Chillers, air compressors etc. on daily basis and fixed the limits to control the cost.
- AC Temperature increased from 21 to 23 degree without effecting the production / process requirements.
- Air pressure regulator fixed in all the compressed air lines and required pressure setting was done and reduced the losses.
- Chemical descaling of all the AHU'S cooling coil was carried out and improved the efficiency of Centralized AC system.

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

- Established processing and testing capability for high end L code OXCO products.
- Developed many software pokayokes in various test stations to eliminate defective parts escaping in to good parts and reaching end customers.
- Developed automated tap testing system for critical OXCO products to detect defects at an early stage.
- Fabricated many Continuous measurements, temperature test & final testing systems for various types on new oscillator products and also for increasing the overall capacity.
- Successfully developed processes for manufacture of SC cut crystals for medium and low end OXCO products.
- In the process of establishing suitable manufacturing processes for high stability SC cut crystals in HC 37 packages.
- A test system for screening of crystals for frequency jumps is under development.
- Crystals filter development is in the advanced stage.
- Designed, developed and manufactured VCXO products for space application.

#### 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.



- Development of space grade low profile TCXO devices using ceramic based SMD flat pack crystals with Frequency up to 375MHz.
- Development of OCXOs for defense applications with stringent phase noise requirements under vibration.
- TCXO for Launch Vehicle application for Extended temperature range (-55deg to +125deg) with Frequency up to 455MHz.
- Working on High Frequency clock oscillator for Space application (more than 100MHz).

**(2) Benefits derived as result of the above R&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.
- Availability of indigenously developed OCXOs for Radar applications by various defense undertakings.

**(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.
- Developing OCXOs with built-in ageing compensation.
- Development of MEMs based oscillator products.
- Optimizing gold deposition parameters to improve crystal performance.
- Development of various types of Crystal filters for space applications.
- Development of space grade OCXOs with stringent vibration requirements.
- Development of SC cut crystals in HC 37 packages for use on high stability OCXOs for telecommunication applications.
- Process optimizations of quartz crystal and OCXO manufacturing processes to improve OCXO ageing performance.
- Development of High Frequency and High power oscillator (>1Watt) for IFF application.

**(4) Expenditure on R & D**

Rs in Millions

For the year ended 31st March	2013	2012
A. Capital	1.16	11.08
B. Recurring	33.38	31.17
C. Total	34.54	42.24
Total R&D expenditure as a % of total turnover	3%	5%

**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, 2013.

For and on behalf of the Board

Place: Bangalore  
Date: 28 May, 2013

**Apparao V Mallavarapu**  
Director

**S Krishnan**  
Director

## Independent Auditor's report

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

#### Report on the financial statements

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

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

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

#### Auditor's responsibility

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

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

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

#### Opinion

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

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

#### Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the balance sheet, the statement of profit and loss and the cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
  - (e) on the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Bangalore  
Date: 28 May, 2013

Supreet Sachdev  
*Partner*  
Membership No. 205385

## 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 2013. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) 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 176,118,394 and the year end balances of such loans aggregated to Rs Nil. 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.
- (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.

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

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- (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, Service 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 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, Service tax, Sales tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2013 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income tax, Service 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 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 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.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

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- (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: 28 May, 2013

Supreet Sachdev  
*Partner*  
Membership No. 205385

## Balance Sheet

(Amount in Rs.)

	NOTE	As at 31 March 2013	As at 31 March 2012
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	2	56,000,000	56,000,000
Reserves and surplus	3	331,040,992	307,929,525
		<b>387,040,992</b>	<b>363,929,525</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4	3,435,897	164,912,571
Deferred tax liabilities, net	5	17,307,893	26,009,075
Long-term provisions	6	4,673,586	3,338,664
		<b>25,417,376</b>	<b>194,260,310</b>
<b>Current liabilities</b>			
Short-term borrowings	7	224,890,917	124,235,425
Trade payables	8	158,727,375	144,250,500
Other current liabilities	9	119,261,352	88,830,486
Short-term provisions	10	176,773,137	4,777,872
		<b>679,652,781</b>	<b>362,094,283</b>
		<b>1,092,111,149</b>	<b>920,284,118</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Fixed assets</i>			
Tangible assets	11	387,912,398	430,217,304
Intangible assets	11	194,693	601,926
Capital work-in-progress		208,338	3,316,148
		<b>388,315,429</b>	<b>434,135,378</b>
Long-term loans and advances	12	28,341,777	32,152,072
		<b>416,657,206</b>	<b>466,287,450</b>
<b>Current assets</b>			
Inventories	13	181,635,175	180,157,347
Trade receivables	14	440,689,347	243,054,181
Cash and bank balance	15	33,654,964	7,552,743
Short-term loans and advances	16	19,474,457	23,232,397
		<b>675,453,943</b>	<b>453,996,668</b>
		<b>1,092,111,149</b>	<b>920,284,118</b>
<b>Significant accounting policies</b>	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

**Supreet Sachdev**

*Partner*

Membership No. 205385

Place : Bangalore

Date : 28 May, 2013

for **Centum Rakon India Private Limited**

**Apparao V. Mallavarapu**  
Director

**S Krishnan**  
Director

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

## Statement of Profit and Loss

(Amount in Rs.)

	NOTE	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>INCOME</b>			
Revenue from operations	17	1,070,241,633	832,214,063
Less : excise duty		375,599	1,567,169
		<u>1,069,866,034</u>	<u>830,646,894</u>
Other income	18	8,866,017	11,236,356
		<u>1,078,732,051</u>	<u>841,883,250</u>
<b>Expenses:</b>			
Cost of materials consumed	19	540,727,766	446,557,956
Changes in inventories of work-in-progress	20	57,700	34,614,579
Employee benefits expense	21	81,008,645	72,582,754
Finance costs	22	18,746,281	19,387,274
Depreciation and amortisation	11	79,134,708	72,397,101
Other expenses	23	131,240,866	140,003,664
		<u>850,915,966</u>	<u>785,543,328</u>
<b>Profit before taxation</b>		<u>227,816,085</u>	<u>56,339,922</u>
<b>Income taxes:</b>			
- Current tax / minimum alternate tax		86,000,000	11,815,000
- Previous years		-	650,000
- Deferred tax (credit) / charge		(8,701,182)	7,655,752
- Minimum alternate tax credit entitlement		-	(1,123,300)
- Minimum alternate tax credit entitlement for earlier years		(3,628,600)	-
<b>Profit for the year</b>		<u>154,145,867</u>	<u>37,342,470</u>
Earnings per share (par value Rs 10 each)	26		
Basic and diluted		27.53	6.67
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 statement of profit and loss.

As per our report of even date attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

**Supreet Sachdev**

Partner

Membership No. 205385

Place : Bangalore

Date : 28 May, 2013

for **Centum Rakon India Private Limited**

**Apparao V. Mallavarapu**

Director

**S Krishnan**

Director

**P M Unnikrishnan**

GM - Operations (Manager)

## Notes to Accounts

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### Note 1. Significant Accounting Policies:

#### 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 and amortisation

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

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

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

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



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.

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

### 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.

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(Amount in Rs.)

Particulars	As at 31 March 2013	As at 31 March 2012
<b>2. Share capital</b>		
<b>Authorised</b>		
7,000,000 (previous year: 7,000,000) equity shares of Rs 10 each	70,000,000	70,000,000
<b>Issued, subscribed and paid-up</b>		
5,600,000 (previous year: 5,600,000) shares of Rs 10 each, fully paid up	56,000,000	56,000,000
	<u>56,000,000</u>	<u>56,000,000</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.

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

	As at 31 March 2013		As at 31 March 2012	
	Number	Amount	Number	Amount
Number and value of shares at the beginning of the year	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 2013		As at 31 March 2012	
	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%

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

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

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

During the year ended 31 March 2013, the amount of per share dividend recognised as distributions to equity shareholders was Rs 20 (previous year: Rs Nil). The total dividend appropriation for the year ended 31 March, 2013 amounted to Rs 112,000,000 (previous year: Rs Nil) excluding corporate dividend tax of Rs 19,034,400 (previous year: Rs Nil).

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.

#### Buy back of shares, issue of bonus shares and shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.

There have been no buyback of shares, issue of bonus shares and issue of shares pursuant to contract without payment being received in cash for the period of five years immediately preceding the balance sheet date.

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

(Amount in Rs.)

Particulars	As at 31 March 2013	As at 31 March 2012
<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>General reserve</b>		
Opening balance	-	-
Addition during the year	<u>15,414,587</u>	-
Closing balance	<u>15,414,587</u>	-
<b>Surplus in statement of profit and loss</b>		
Opening balance	72,447,125	35,104,655
Add: Profit for the year	154,145,867	37,342,470
Less: Appropriations		
Proposed final dividend	112,000,000	-
Corporate dividend tax	19,034,400	-
Transfer to reserves	<u>15,414,587</u>	-
Closing balance	<u>80,144,005</u>	<u>72,447,125</u>
	<u>331,040,992</u>	<u>307,929,525</u>
<b>4. Long -Term Borrowings</b>		
<b>Term loans</b>		
<i>Secured</i>		
From bank	3,435,897	27,131,188
<i>Unsecured</i>		
Loans and advances from related parties (refer note 32)	-	137,781,383
	<u>3,435,897</u>	<u>164,912,571</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 six months LIBOR plus 600 basis points per annum on the outstanding amount of the loan. The interest is payable quarterly along with the principal repayment. The sanction limit of the term loan is Rs 105,000,000. The Company has availed loan amounting to Rs 90,562,075 as at 31 March 2013.

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

Loans and advances from related parties represents:

- long term loan from Centum Electronics Limited, the holding company amounting to Rs Nil (previous year: Rs 60,222,989) carries an interest rate 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.

- loan from other related party amounting to Rs Nil (previous year: Rs 115,895,405) is a foreign currency loan carrying an interest of LIBOR plus 250 basis points per annum on the outstanding amount of the loan.

The above loans are repaid during the current year.

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

(Amount in Rs.)

Particulars	As at 31 March 2013	As at 31 March 2012
<b>5. Deferred tax liabilities, net</b>		
<b>Deferred tax (assets)</b>		
Provision for doubtful debts and advances	(352,869)	(245,800)
Provision for retirement benefits	(2,553,980)	(1,949,376)
	(2,906,849)	(2,195,176)
<b>Deferred tax liabilities</b>		
Fixed assets	20,214,742	28,204,251
	20,214,742	28,204,251
<b>Deferred tax liabilities, net</b>	17,307,893	26,009,075
<b>6. Long-term provisions</b>		
Provision for gratuity (refer note 27)	4,673,586	3,338,664
	4,673,586	3,338,664
<b>7. Short-term borrowings</b>		
<i>Secured</i>		
Short term loans from banks		
Cash credit	1,405,416	-
Packing credit	223,485,501	124,235,425
	224,890,917	124,235,425

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

- a) 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.
- b) 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...)

(Amount inRs.)

Particulars	As at 31 March 2013	As at 31 March 2012
<b>8. Trade payables</b>		
- Dues to micro and small enterprises*	659,576	42,161
- Dues to others	158,067,799	144,208,339
	<b>158,727,375</b>	<b>144,250,500</b>
*Refer note 33 for details of dues to micro and small enterprises.		
<b>9. Other current liabilities</b>		
Current maturities of long-term debt*	52,322,731	51,902,605
Interest accrued and due	-	1,027,172
Interest accrued but not due	684,980	821,148
Advance from customers	755,977	710,839
Other payables		
- withholding and other taxes and duties payable	4,135,865	2,326,664
- for expenses	57,675,494	30,011,435
- for purchase of fixed assets	3,686,305	2,030,623
	<b>119,261,352</b>	<b>88,830,486</b>
*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)	431,769	293,204
Provision for compensated absences	1,333,025	1,085,473
Proposed final dividend	112,000,000	-
Corporate dividend tax	19,034,400	-
Provision for taxation, net of advance tax	43,973,943	3,399,195
	<b>176,773,137</b>	<b>4,777,872</b>

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

## NOTES : 11 FIXED ASSETS

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION AND AMORTISATION			NET BLOCK	
	As at 1 April 2012	Additions during the year	As at 31 March 2013	As at 1 April 2012	Charge for the year	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
<b>Tangible assets, owned</b>								
Leasehold improvements	22,765,410	1,644,287	24,409,697	4,971,135	5,297,937	10,269,072	14,140,625	17,794,275
Plant and machinery	632,421,059	27,104,145	659,525,204	264,482,193	68,159,588	332,641,781	326,883,423	367,938,866
Electrical installations	47,028,238	5,122,598	52,150,836	11,814,322	3,826,656	15,640,978	36,509,858	35,213,916
Computers	5,764,772	1,433,624	7,198,396	4,384,640	802,529	5,187,169	2,011,227	1,380,132
Office equipment	2,688,400	563,125	3,251,525	577,510	138,175	715,685	2,535,840	2,110,890
Furniture and fixtures	8,012,476	554,790	8,567,266	2,233,251	502,590	2,735,841	5,831,425	5,779,225
<b>Total (A)</b>	<b>718,680,355</b>	<b>36,422,569</b>	<b>755,102,924</b>	<b>288,463,051</b>	<b>78,727,475</b>	<b>367,190,526</b>	<b>387,912,398</b>	<b>430,217,304</b>
<b>Intangible assets, owned</b>								
Computer software	1,994,066	-	1,994,066	1,392,140	407,233	1,799,373	194,693	601,926
<b>Total (B)</b>	<b>1,994,066</b>	<b>-</b>	<b>1,994,066</b>	<b>1,392,140</b>	<b>407,233</b>	<b>1,799,373</b>	<b>194,693</b>	<b>601,926</b>
<b>Total (A) + (B)</b>	<b>720,674,421</b>	<b>36,422,569</b>	<b>757,096,990</b>	<b>289,855,191</b>	<b>79,134,708</b>	<b>368,989,899</b>	<b>388,107,091</b>	<b>430,819,230</b>
Previous year	609,959,112	110,715,309	720,674,421	217,458,090	72,397,101	289,855,191	430,819,230	

Centum Rakon India Private Limited  
Notes to the Financial Statements (contd...)

(Amount inRs.)

Particulars	As at 31 March 2013	As at 31 March 2012
<b>12. Long-term loans and advances</b>		
<i>Unsecured, considered good</i>		
Security deposits	3,805,000	3,805,000
Prepaid expenses	500,936	318,648
Balance with government authorities	23,596,871	27,589,454
Advance tax, net of provision for tax	438,970	438,970
	<b>28,341,777</b>	<b>32,152,072</b>
<b>13. Inventories</b>		
Raw materials	77,448,287	75,908,811
[includes raw material in transit Rs 6,214,182) (previous year: Rs 9,297,500)]		
Work-in-progress	104,186,888	104,244,588
Stores and spares	-	3,948
	<b>181,635,175</b>	<b>180,157,347</b>
<b>14. Trade receivables*</b>		
<i>Unsecured</i>		
Debts due for a period exceeding six months		
- considered good	3,393,156	8,158,097
- considered doubtful	43,582	43,582
	<b>3,436,738</b>	<b>8,201,679</b>
Other debts		
- considered good	437,296,191	234,896,084
	<b>437,296,191</b>	<b>234,896,084</b>
Less: Provision for doubtful debts	43,582	43,582
	<b>440,689,347</b>	<b>243,054,181</b>

\* Includes an amount of Rs 430,909,962 (previous year: Rs 214,960,260) receivable from companies where directors of the Company are also directors/ members.



(Amount inRs.)

Particulars	As at 31 March 2013	As at 31 March 2012
<b>15. Cash and bank balances</b>		
<b>Cash and cash equivalents</b>		
Cash on hand	308,217	29,637
Balance with banks		
- in current accounts	274,549	2,151,651
- in exchange earners foreign currency account	29,672,198	513,993
	<b>30,254,964</b>	<b>2,695,281</b>
<b>Other bank balances</b>		
- in margin money accounts *	3,400,000	4,857,462
	<b>33,654,964</b>	<b>7,552,743</b>
*Margin money is against bank guarantees issued in favour of customers and statutory authorities.		
<b>16. Short-term loans and advances</b>		
<i>Unsecured, considered good</i>		
Advances to suppliers	4,432,984	3,827,083
Staff advances	485,546	430,000
Prepaid expenses	1,687,381	1,824,690
Balances with government authorities	12,745,442	3,427,362
Interest accrued but not due	123,104	49,962
Minimum alternate tax credit entitlement	-	13,673,300
	<b>19,474,457</b>	<b>23,232,397</b>
<i>Unsecured, considered doubtful</i>		
Advances to suppliers	1,044,008	714,008
	<b>1,044,008</b>	<b>714,008</b>
Less: Provision for doubtful advances	1,044,008	714,008
	<b>19,474,457</b>	<b>23,232,397</b>

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

(Amount inRs.)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>17. Revenue from operations</b>		
Sale of products, gross*	1,070,241,633	832,214,063
Less: Excise duty	375,599	1,567,169
Sale of products, net	<u>1,069,866,034</u>	<u>830,646,894</u>
*Refer note 36 for details related to sale of manufactured products.		
<b>18. Other Income</b>		
Interest on bank deposits	992,945	391,543
Foreign exchange gain, net	6,697,360	6,288,644
Other non-operating income	1,175,712	4,556,169
	<u>8,866,017</u>	<u>11,236,356</u>
<b>19. Cost of materials consumed*</b>		
Inventory of materials at the beginning of the year	75,912,759	76,479,800
Add: Purchases	542,263,294	445,990,915
Less: Inventory of materials at the end of the year	77,448,287	75,912,759
	<u>540,727,766</u>	<u>446,557,956</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>		
<i>Opening Stock</i>		
Work in progress	<u>104,244,588</u>	138,859,167
	104,244,588	138,859,167
<i>Closing Stock</i>		
Work in progress	<u>104,186,888</u>	104,244,588
	104,186,888	104,244,588
Decrease/(increase) in inventories of work in progress	<u>57,700</u>	<u>34,614,579</u>
<b>21. Employee benefits expense</b>		
Salaries, wages and allowances	70,304,021	61,307,887
Contribution to provident and other funds	4,578,610	4,484,572
Staff welfare expenses	6,126,014	6,790,295
	<u>81,008,645</u>	<u>72,582,754</u>

(Amount inRs.)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>22. Finance costs</b>		
Interest expense	17,244,367	17,360,050
Other borrowing costs	1,501,914	2,027,224
	<b>18,746,281</b>	<b>19,387,274</b>
<b>23. Other expenses</b>		
Rent	8,032,848	7,704,908
Rates and taxes	505,716	189,530
Power and fuel	16,774,333	12,563,801
Repairs and maintenance		
- Building	77,244	166,965
- Plant and machinery	5,574,425	4,372,378
Insurance	1,968,200	3,828,962
Professional and consultancy	63,223,649	73,295,008
Provision for doubtful advances	330,000	682,575
Travelling and conveyance	2,345,366	1,312,177
Purchase of services	15,209,221	16,940,956
Printing and stationery	1,446,449	1,510,032
Directors sitting fees	16,000	16,000
Bank charges	3,020,830	3,719,609
Freight outwards	10,406,775	10,431,419
Miscellaneous expenses	2,309,810	3,269,344
	<b>131,240,866</b>	<b>140,003,664</b>

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

## 24. Capital commitments and contingent liabilities

(Amount in Rs.)

Particulars	As at 31 March 2013	As at 31 March 2012
<b>Capital commitments:</b>		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	1,539,957	1,964,465
<b>Contingent liabilities:</b>		
Claim by supplier not acknowledged as debts	-	15,119,849

The Company received an order dated 5 April 2013 from the income tax authorities with respect to the assessment year 2009-2010. As per the assessment order, the carried forward loss for the assessment year 2009-2010 has been assessed as Rs 40,704,558 by the assessing officer as against the carried forward loss of Rs 87,137,017 claimed by the Company. The decrease in carried forward tax loss represents the transfer pricing adjustment carried out by the Transfer Pricing Officer on the transfer pricing margin under Section 92CA of the Income-tax Act, 1961. The Company has filed an appeal against the transfer pricing adjustment before the Commissioner of Income-tax (Appeal) and management believes that its position is likely to be upheld in the appellate process. Accordingly, no provision has been made in the financial statements with respect to the aforesaid assessment order received.

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

Particulars	For the Year ended 31 March 2013	For the Year ended 31 March 2012
Audit fees	500,000	500,000
Out of pocket expenses reimbursed	42,862	36,780
	<b>542,862</b>	<b>536,780</b>

## 26. Earnings per share

The computation of earnings per share is set out below:

Particulars	For the Year ended 31 March 2013 Rs	For the Year ended 31 March 2012 Rs
Profit for the year	154,145,867	37,342,470
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	27.53	6.67

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:

Particulars	(Amount in Rs.)	
	As at 31 March 2013	As at 31 March 2012
<b>Change in projected benefit obligations</b>		
Obligations at year beginning	3,631,868	2,904,416
Service cost	692,437	703,308
Past service cost	-	-
Benefits paid	(259,015)	(298,613)
Interest cost	359,283	279,541
Liabilities assumed on acquisition / (settled on divestiture)	(120,719)	125,236
Actuarial loss/ (gain)	801,501	(82,020)
<b>Obligations at year end</b>	<b>5,105,355</b>	<b>3,631,868</b>
<b>Change in plan assets</b>		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	259,015	(298,613)
Benefits paid	(259,015)	298,613
<b>Plans assets at year end, at fair value</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	5,105,355	3,631,868
<b>Asset/ (liability) recognised in the balance sheet</b>	<b>(5,105,355)</b>	<b>(3,631,868)</b>
<b>Gratuity cost for the year</b>		
Service cost	692,437	703,308
Interest cost	359,283	279,541
Expected return on plan assets	-	-
Actuarial loss/ (gain)	801,501	(82,020)
Past service cost	-	-
<b>Net gratuity cost</b>	<b>1,853,221</b>	<b>900,829</b>
<b>Assumptions:</b>		
Discount rate	7.95%	8.60%
Expected rate of return on plan assets	Not applicable	Not applicable
Expected rate of salary increase	7%	7%
Attrition rate	1%-15%	1%-15%
Retirement age	58 years	58 years

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

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

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

Particulars	For the year ended 31 March 2013		For the year ended 31 March 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	75,777	51.70	26,250	51.70
Granted during the year	-	-	59,874	53.45
Exercised during the year	-	-	2,250	31.60
Forfeited / lapsed during the year	5,947	53.45	8,097	44.81
Options outstanding at the end of the year	69,830	51.55	75,777	51.70
Exercisable at the end of the year	25,158	48.64	5,925	45.17

The options outstanding as at 31 March 2013 had an exercise price of Rs 51.55 and the weighted average remaining contractual life of 10.60 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 2013	For the year ended 31 March 2012
<b>Profit for the year</b>	154,145,867	37,342,470
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	-	792,891
Adjusted net profit	154,145,867	36,549,579
Basic earnings per share as reported	27.53	6.67
Pro forma basic earnings per share	27.53	6.53
Diluted earnings per share as reported	27.53	6.67
Pro forma diluted earnings per share	27.53	6.53

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

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7 - 8.6%	5.7 - 6.5%
Volatility	64.89%	68.67%

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

Particulars	As at 31 March 2013		As at 31 March 2012	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	6,235,082	336,345,928	4,415,345	228,227,624
EUR	1,267,794	89,886,583	2,572,919	178,509,109
GBP	888	74,456	605	50,124
JPY	10,064,245	5,927,840	2,750,000	1,753,950
CHF	6,422	373,028	1,400	81,130
NZD	-	-	5,100	218,076
		<b>432,607,835</b>		<b>408,840,013</b>

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

Particulars	As at 31 March 2013		As at 31 March 2012	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	8,236,074	440,218,165	3,652,688	184,570,306
EUR	268,298	18,284,502	417,164	28,012,589
JPY	1,156,278	654,685	11,943,875	7,323,984
GBP	27,767	2,244,394	30,362	2,441,105
		<b>461,401,746</b>		<b>222,347,984</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 recognised in the profit and loss account for the year ended 31 March 2013 with respect to the above is Rs 3,216,848 (previous year: Rs 3,328,908).

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 recognised in the profit and loss account for the year ended 31 March 2013 with respect to the above is Rs 4,816,000 (previous year: Rs 4,376,000).

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

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

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

## 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. (Amount in Rs.)

Geographic segment	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Revenues</b>		
India	30,199,638	67,585,879
Europe	1,035,333,293	760,279,780
Rest of the world	4,333,103	2,781,235
	<u>1,069,866,034</u>	<u>830,646,894</u>
<b>Segment assets</b>		
India	658,307,649	702,607,298
Europe	433,006,530	216,750,403
Rest of the world	796,970	926,417
	<u>1,092,111,149</u>	<u>920,284,118</u>

## 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:

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Long-term borrowings received / (repaid)</b>		
<i> Holding company</i>		
Centum Electronics Limited	60,222,989	38,337,011
<i> Joint venture partner</i>		
Rakon (Mauritius) Limited	115,895,405	-
<b>Professional and consultancy</b>		
<i> Holding company</i>		
Centum Electronics Limited	44,896,717	48,410,334
<i> Parties under common control</i>		
Rakon France SAS	16,517,957	16,116,967
<i> Parties having significant influence</i>		
Rakon Limited	1,117,835	1,232,698
<b>Rent</b>		
<i> Holding company</i>		
Centum Electronics Limited	3,032,400	3,032,400
<b>Interest expense</b>		
<i> Holding company</i>		
Centum Electronics Limited	3,335,755	5,887,794
<i> Joint venture partner</i>		
Rakon (Mauritius) Limited	2,503,982	4,587,366
<b>Sale of products</b>		
<i> Holding company</i>		
Centum Electronics Limited	959,784	2,064,737
<i> Parties under common control</i>		
Centum Industries Private Limited	60,300	-
Rakon France SAS	988,008,296	692,734,220
Rakon UK Limited	34,124,363	54,737,057
<i> Parties having significant influence</i>		
Rakon Limited	4,224,438	2,306,382
<b>Purchase of goods and services</b>		
<i> Holding company</i>		
Centum Electronics Limited	8,915,154	16,817,091
<i> Parties under common control</i>		
Centum Industries Private Limited	637,734	794,992
Rakon France SAS	203,534,483	170,892,754
Rakon UK Limited	2,680,257	1,013,380
<i> Parties having significant influence</i>		
Rakon Limited	591,976	3,004,470
<b>Reimbursement of expenses</b>		
<i> Holding company</i>		
Centum Electronics Limited	2,521,793	4,109,309
<b>Purchase of fixed assets</b>		
<i> Parties under common control</i>		
Rakon France SAS	1,551,242	6,101,720
<i> Parties having significant influence</i>		
Rakon Limited	4,396,344	10,575,690

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

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

Particulars	(Amount in Rs.)	
	As at 31 March 2013	As at 31 March 2012
<b>Long-term borrowings (including current maturities of long-term debt)</b>		
<i>Holding company</i>		
Centum Electronics Limited	-	60,222,989
<i>Joint venture partner</i>		
Rakon (Mauritius) Limited	-	115,895,405
<b>Interest accrued and due</b>		
<i>Joint venture partner</i>		
Rakon (Mauritius) Limited	-	1,027,172
<b>Interest accrued but not due</b>		
<i>Joint venture partner</i>		
Rakon (Mauritius) Limited	-	143,064
<b>Trade receivables</b>		
<i>Holding company</i>		
Centum Electronics Limited	1,787,970	2,020,123
<i>Parties under common control</i>		
Rakon France SAS	421,068,553	203,821,004
Rakon UK Limited	7,186,355	8,828,608
Rakon Limited	795,526	290,525
Centum Industries Private Limited	159,808	-
<b>Trade payables</b>		
<i>Holding company</i>		
Centum Electronics Limited	6,976,146	5,655,498
<i>Parties under common control</i>		
Centum Industries Private Limited	26,593	291,932
Rakon France SAS	99,770,773	74,431,315
Rakon UK Limited	1,582,155	113,459
Rakon Limited	657,740	8,543,879

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 2013 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of

the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date. (Amount in Rs.)

Particulars	For the Year ended 31 March 2013	For the Year ended 31 March 2012
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	659,576	42,161
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	-	-
The amount of interest accrued and remaining unpaid at the end of the year;	32,070	11,010
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

Components	For the Year ended 31 March 2013	For the Year ended 31 March 2012
Crystals	119,041,309	189,163,403
Integrated circuits	62,376,122	44,952,868
Others	133,536,933	57,995,812
	<b>314,954,364</b>	<b>292,112,083</b>

Raw materials	For the Year ended 31 March 2013	For the Year ended 31 March 2012
Blanks	68,688,054	36,530,470
Base	63,678,497	55,061,365
PCB	30,958,259	23,919,154
Others	62,448,592	38,934,884
	<b>225,773,402</b>	<b>154,445,873</b>

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

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

## 35. Particulars of raw materials and components consumed

(Amount in Rs.)

Particulars	For the year ended 31 March 2013		For the year ended 31 March 2012	
	%	Amount	%	Amount
<b>Components</b>				
Imported	86%	269,352,615	88%	258,369,448
Indigenous	14%	45,601,749	12%	33,742,635
		<u>314,954,364</u>		<u>292,112,083</u>
<b>Raw materials</b>				
Imported	98%	221,003,314	98%	151,704,260
Indigenous	2%	4,770,088	2%	2,741,613
		<u>225,773,402</u>		<u>154,445,873</u>

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

(Amount in Rs.)

Particulars	For the Year ended 31 March 2013	For the Year ended 31 March 2012
Frequency control products	1,070,241,633	832,214,063
	<u>1,070,241,633</u>	<u>832,214,063</u>

## 37. CIF value of imports

(Amount in Rs.)

Particulars	For the Year ended 31 March 2013	For the Year ended 31 March 2012
Capital goods	24,018,155	74,126,274
Raw materials and components (including goods in transit)	453,790,323	437,076,412
	<u>477,808,478</u>	<u>511,202,686</u>

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

(Amount in Rs.)

Particulars	For the Year ended 31 March 2013	For the Year ended 31 March 2012
Travel	1,174,794	719,480
Interest on long-term borrowings	8,204,665	3,774,811
Professional and consultancy	12,198,269	31,808,986
	<u>21,577,728</u>	<u>36,303,277</u>

## 39. Earnings in foreign currency

(Amount in Rs.)

Particulars	For the Year ended 31 March 2013	For the Year ended 31 March 2012
Sale of manufactured goods	1,039,666,396	763,061,015
<b>Total</b>	<u>1,039,666,396</u>	<u>763,061,015</u>

**40. Expenditure on research and development**

Particulars	(Amount in Rs.)	
	For the Year ended 31 March 2013	For the Year ended 31 March 2012
Capital	1,157,276	11,075,429
Recurring (including depreciation)	33,379,067	31,168,956
	<b>34,536,343</b>	<b>42,244,385</b>

- 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 the date of filing its income tax return, as required by 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.** The comparative figures have been re-grouped/reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date attached.

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

**Supreet Sachdev**  
Partner  
Membership No. 205385

Place : Bangalore  
Date : 28 May, 2013

for **Centum Rakon India Private Limited**

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

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

## Cash Flow Statement

(Amount in Rs.)

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Cash flow from operating activities</b>		
Profit before tax	227,816,085	56,339,922
<i>Adjustments</i>		
Depreciation and amortisation	79,134,708	72,397,101
Interest expenses	18,746,281	19,387,274
Effect of exchange differences on translation of foreign currency monetary balances	4,555,249	27,742,323
Provision for doubtful advances	330,000	682,575
Interest income	(992,945)	(391,543)
<b>Operating cash flows before working capital changes</b>	<b>329,589,378</b>	<b>176,157,652</b>
(Increase)/ decrease in trade receivables	(197,635,166)	(50,460,575)
(Increase)/ decrease in inventories	(1,477,828)	35,181,620
(Increase)/ decrease in loans and advances	(6,364,923)	(6,155,765)
Increase/ (decrease) in liabilities and provisions	45,716,312	(6,336,243)
(Increase)/ decrease in other bank balances	1,457,462	(914,248)
<b>Cash generated from operations</b>	<b>171,285,235</b>	<b>147,472,441</b>
Income taxes	(28,123,353)	(18,076,964)
<b>Net cash generated from operating activities</b>	<b>143,161,882</b>	<b>129,395,477</b>
Cash flow from investing activities		
Interest income	919,803	395,794
Purchase of fixed assets	(31,659,076)	(91,980,010)
<b>Net cash used in investing activities</b>	<b>(30,739,273)</b>	<b>(91,584,216)</b>
<b>Cash flow from financing activities</b>		
Short term loan from bank, net	100,400,726	(20,641,289)
Interest paid	(19,909,621)	(18,583,945)
Proceeds from long-term borrowings	50,566,659	39,995,416
Repayment of long-term borrowings	(37,826,983)	-
Repayment of term loan from related party	(178,093,524)	(38,337,011)
<b>Net cash used in financing activities</b>	<b>(84,862,743)</b>	<b>(37,566,829)</b>
Net increase / (decrease) in cash and cash equivalents	27,559,866	244,432
Effect of exchange differences on translation of foreign currency cash and cash equivalent	(183)	(16,764)
Cash and cash equivalents at the beginning of the year	2,695,281	2,467,613
<b>Cash and cash equivalents at the end of the year (refer note 15)</b>	<b>30,254,964</b>	<b>2,695,281</b>

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

As per our report of even date attached.

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

**Supreet Sachdev**  
Partner  
Membership No. 205385

Place : Bangalore  
Date : 28 May, 2013

for **Centum Rakon India Private Limited**

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

**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