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Advanced Micronic Devices Ltd

**32nd Annual Report
2012-2013**

Board of Directors

Mr. Vinod Ramnani
Mr. Bhaskar Valiveti
Ms. Usha Ramnani
Dr. Suleman Adam Merchant
Dr. Anvay Mulay
Mr. Rajkumar Raisinghani
Mr. V Balasubramaniam

Chairman & Managing Director
Director
Director
Director
Director
Director
Director

Auditors

M/s. Anand Amarnath & Associates
Chartered Accounts
S-2, II Floor, Gem Plaza,
No 66, Infantry Road,
Bengaluru 560 001.

Company Secretary

Ms. Rose Chintamani

Bankers

State Bank of India
Commercial Branch
Hudson Circle, Bengaluru - 560 001.

State Bank of Travancore
Commercial Branch
M.G. Road, Bengaluru - 560 001.

REGISTERED OFFICE AND INVESTOR'S SERVICE CELL

A-306, II Floor, Block I, KSSIDC Building,
Electronics City, Bangalore-560100. Karnataka
Tel: 080-42991800
Fax: 080-42991823
Email: investorsservices@amdcorp.com

CORPORATE OFFICE

Advanced Micronic Devices Ltd.,
Pinnacle Square,
154 Amarjyoti Layout, Domlur,
Bengaluru 560 071.

Website: <http://www.amdcorp.com>

Annual General Meeting

Day & Date : Monday, 30th September 2013
Time : 2.30pm
Venue : Manipal County, No. 65, Singasandra,
Off Hosur Road, Bengaluru 560 068.

Chairman's Statement

Dear Fellow Shareholders,

The year concluded was a year of worry for Indian market scenario. We have seen growth momentum in healthcare and defense sectors but short term economic worries has delayed quite a few of medium and large projects.

This year FY13 was a year of mixed impact for the company. We started the year with great momentum in all our business units but we had to slow down our revenue generation due to couple of unavoidable circumstances. Incident of fire in our Delhi office has caused significant damage to our assets and inventory though we could relocate and start our business operations from the new premises within a very short period of time. We suffered a huge setback on our long term government contracts due to appreciating USD eroding our margins and liquidity crunch in the market hit us on the working capital front.

We have taken a conscious decision to focus on predictable businesses to avoid further strain on our working capital. Our market presence has been strengthened with focus on customer facing resources both on sales and service front. We have also increased our market presence with our new office in Lucknow to focus on Uttar Pradesh and Uttarkhand markets.

We have seen a good response to our AED business with successful wins and executions in defense and emergency response markets. Healthcare division has shown significant improvement in the Indian market with reinforced reach and product basket. Growth in ICU segment and ramp up of healthcare delivery units in tier-II regions were the significant contributor to our healthcare business.

Strategic Electronics division has shown steady business in the area of defense and aerospace. Our strong relationship with key customers continued to show good business prospects and we are confident of leveraging the relationship to grow other business verticals. Apart from time and frequency business unit, we have gained good momentum in the services of Electronic Design Automation. We see strong business opportunity in this area in future periods too.

Our ICTD division has shown excellent results in meeting customer expectations and other service delivery metrics. Strong foundation with focused leadership has been appreciated by our customers and we are confident of continued success in this business.

Reinventing BCD business opportunities over the last two years has started showing good results. Our strong cooperation with system integrators in the area of micro finance, co-operative credit societies, cash collection and money transfer. We see a long term growth opportunity in this business with our new business model.

We will be continuing to reinforce and restructure our different business verticals with our focus on creating shareholder value. Your continued support and confidence will always be our key strength. I would like to thank our Bankers, Vendors & other stake holders for their continued support in these difficult times. I would also like to thank the board, management and employees, who are focused and committed towards enhancement of the value of the company.

DIRECTORS' REPORT

To
The Shareholders,

The Directors are pleased to present the Thirty Second Annual Report on the business and operations of the Company, together with the Audited Financial Statements and Auditors Report for the financial year ended 31st March 2013.

Financial Results

(₹) in Lakhs

Particulars	Year Ended 31.03.2013	Year Ended 31.03.2012
Turnover and Profitability		
Gross Sales	4534.77	5962.22
Total Expenditure	4466.25	5498.39
Profit before Depreciation and Financial Charges	68.52	463.83
Depreciation	178.04	117.71
Financial Charges	237.04	207.00
Profit / (Loss) before Tax	(346.56)	139.12
Provision for Taxation	(16.67)	(80.45)
Profit / (Loss) after Tax	(363.23)	58.67
Extraordinary item	(125.59)	
Add Profit brought forward from previous year	533.21	535.92
Profit available for Appropriation from Operations	(488.83)	594.59
Appropriations		
Proposed Dividend		52.81
Provision for Tax on Proposed Dividend		8.57
Balance in Profit and Loss Account	44.39	533.21

Results from Operations

The total income for your company reduced by 23.94% over the previous year.

Turnover and Profitability

The gross sales and other income for the financial year under review was Rs. 4534.77 lakhs. The loss before tax (after depreciation and Financial charges) was Rs.(346.56) Lakhs and loss after Tax (before extraordinary items) was Rs.(363.23) Lakhs.

Appropriations

Dividend

Considering the performance of the Company, your Directors have not declared Dividend.

Capital Structure

During the financial year under review, the share capital of your company have increased to 50.00 crores.

Corporate Governance

The Company is committed to maintaining the highest standards of Corporate Governance and disclosure practices. The Company ensures compliance to law and adherence to ethical standards to enhance customer value.

A separate section on Corporate Governance, along with a certificate from the Auditors confirming the level of compliance, is annexed and forms a part of the Directors' Report.

Directors

There was no change in the Board of Directors of the Company during the year. Ms. Usha Ramnani and Dr. Suleman Adam Merchant retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment.

Auditors

M/s Anand Amarnath & Associates, Chartered Accountants, Bengaluru retire at the conclusion of the forthcoming Annual General Meeting. Your Company has received a letter from them to the effect that their re-appointment, if made, will be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

In the report by the auditors under Companies (Auditors' Report) Order, 2003 (as amended), the Auditors have reported that the company has maintained proper records of all Accounting transactions.

Auditors Observations:

The Board of Directors would like to give clarity as under to the observations made by the Auditors in the their Report dated 30th May 2013, on Point no. 1, 2, 4 & Annexure 9 under the heading Opinion:

- a. We are working on liquidation of Terminals and Multi Para Patient Monitors, which are slow moving and the Company is confident of liquidating the same by modifying the products, in the current financial year.
- b. We confirm that, receivables of Rs.1,522.54 lakhs over a period of 180 days are good and the Company is confident of recovering it soon.
- c. Dividend of Rs.31.53 lakhs payable to the parent company Opto Circuits (India) Limited will be paid shortly.
- d. As far as the undisputed statutory dues, there have been delays in making payment on account of the tough market conditions and stretched cash flow situation. However, Company is taking steps for payment of statutory dues in time.

Management Discussion and Analysis Report:

The report, as required, is given as Annexure I and forms part of the Directors' Report.

Fixed Deposits

During the year under review, your Company has not accepted any deposits falling under section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975. There are no overdue deposits, due for payment as at the close of the year.

Directors' Responsibility Statement

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to the Directors Responsibility Statement, your Directors state that:

- (i) We have followed the applicable accounting standards in preparation of the Annual Accounts and there has been no material departure;

- (ii) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company as at 31st March 2013 and of the Profit of the Company for the year ended on that date;
- (iii) We have taken proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) We have prepared the Annual Accounts on a going concern basis.

Particulars of Research and Development, Conservation of energy, technology absorption and Foreign exchange earnings and Outgo etc.

Particulars required under Section 217 (1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of directors) Rules, 1988 is given in the Annexure II to the Report.

Particulars of Employees

The details of Employees of the Company who received remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in the Annexure-III to the report.

Acknowledgements

Your Directors would like to place on record their gratitude for all the guidance and cooperation received from all its clients, vendors, bankers, financial institutions, business associates, advisors, regulatory and government authorities.

Your Directors also take this opportunity to thank all its investors and stakeholders for their continued support and all employees for their valuable contribution and dedicated service.

For and on behalf of the Board of Directors

Place: Bengaluru

Date : 13th August 2013

VINOD RAMNANI

Chairman & Managing Director

ANNEXURE – I

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Macroeconomic Overview

The growth slowed much more than anticipated with the GDP growth for fiscal year 2012-13 being pegged at 5.0%, at factory cost, at constant price, the lowest in a decade. Added to this is the pressure of inflationary condition and resulting high interest rates. The growth in real GDP is placed at 4.8% in the fourth quarter of 2012-2013.

a. **Industry Structure and Developments, opportunities and threats, Segment – wise, Product - wise performance, Outlook, Risks and Concerns:**

The company has a well diversified product portfolio catering to industries like Healthcare, Defense, Aerospace, BFSI and many such industry verticals with promising potential.

The Company's activities are diversified and each business segment is in a widely varying industry type. To make the Analysis and Discussion clearly understandable, each Business division has been covered separately.

i) **AMD L HEALTH**

AMD L HEALTH with its extensive medical product range in the Cardiology and Critical Care segments and its team of experienced sales, service and applications support personnel is a preferred vendor of choice among the medical fraternity. Further, the range of products it offers and the price points makes it a non – stop solution for its customers.

Interestingly, AMD L Health not only has a huge market opportunity in Tier I cities but also in Tier II and Tier III Cities and rural India which are seeing increasing demand for quality and affordable healthcare as there is HEALTH INSURANCE SCHEME supported by NATIONAL and STATE GOVERNMENTS.

AMD L has appointed specialized distributors catering to the target segments with demarcated territories to increase the customer acquisition. The company's direct field force work hand-in-hand with the regional distributors in ensuring maximum lead conversion. Simultaneously it has built a team of experienced support personnel to directly cater to the requirements of these markets. Further, the rejuvenated focus in Accessories and consumable business adds more Dealers and Customers and improves our position in the Market

India is the second largest cardiovascular market in the world and is expected to reach

US\$ 589 Mn by 2017 underlines the potential in this segment.

AMD L has also launched the Power heart Automated External Defibrillator (AEDs) which are easy to use devices that are utilized for emergency treatment of Sudden Cardiac Arrest (SCA). Powerheart AED G3 Plus with Rescue Coach voice prompts to talk rescuers through the process. This is a nascent market in India which has the highest number of deaths due to SCA.

ii) **Strategic Electronic Division (SED) and Information Technology Divisions(ICTD):**

Defense in India is the 10th largest in the world & fastest growing segment today and the Defense expenditure by the government has been pegged at Rs. 1.90 Lakh Crores for the fiscal 2012-2013. AMD L caters to 6% of this market.

Another major industry consumer is Aerospace which according to Lucintel's report "Opportunities in Indian Aerospace and MRO Market : 2011-2016" has experienced significant growth during the last five years and is expected to reach US\$ 23.52 Bn by 2016.

AMD L's SED supplies and supports GPS products from world renowned manufacturers for fighters, missiles and helicopters manufactured by defense organizations. It has been a part of India's missile project for Synchronization systems. Other key applications encompass space programs, telecom and e-commerce. Research labs and universities also use GDP's for Ionosphere research.

AMD L's SED is working very closely with the Indian Defense organizations for their programs.

GPS has widespread application and another emerging area is its utility for Infrastructure and Energy Management. The Power sector budget is pegged at Rs. 13,700 crores for India and the potential market for survey equipment and Services for various Infrastructure segments are listed below.

Segment	Size in Billion US \$
Electricity	167
Railways	65
Highways	92
Seaports	22
Airports	8

AMD L provides cost management and effective services for ELECTRONIC DESIGN AUTOMATION; SIMULATION and AUTOMATION PRODUCTS. The thrust given to ELECTRONICS MANUFACTURING and immeasurable Design and Development projects in various segments provide an opportunity for sustainable and profitable growth.

iii) BankcardDivision

With Government's thrust on reaching out to rural areas with basic banking facilities, the bank card division is expected to see good volumes over the next 18-24 months.

Risks & Concerns

- Competition from foreign vendors
- Technological obsolescence
- Extended sales cycle.
- Execution Risk of Projects
- Slowing Economy
- Volatile Foreign Exchange affecting the GROSS MARGIN.
- Likely import controls.

b. Internal Control Systems & their Adequacy:

Your company has adequate internal control systems and procedures in all the areas of activities. The activities are also subject to internal and external audit. The finance department is well staffed with experienced and qualified personnel who play an important role in implementing and monitoring internal control environment. The internal control and procedures are commensurate and adequate with the size and nature of the business of the Company.

c. Discussion on Financial performance with respect to operational performance:

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956.

PARTICULARS	Amount in Rs.	
	As on 31.03.2013	As on 31.03.2012
EQUITY AND LIABILITIES		
SHAREHOLDERS FUNDS		
(a) Share Capital	52,811,000	52,811,000
(b) Reserves & Surplus	102,751,656	149,373,355
(c) Money received against share warrants	-	-
	155,562,656	202,184,355
SHARE APPLICATION MONEY PENDING ALLOTMENT		
NON-CURRENT LIABILITIES		
(a) Long-term borrowings	151,556,043	91,049,531
(b) Deferred tax liabilities (Net)	6,594,995	4,927,637
(c) Other Long term liabilities	-	-
(d) Long term provisions	-	-
	158,151,038	95,977,168
CURRENT LIABILITIES		
(a) Short-term borrowings	153,097,378	147,232,452
(b) Trade payables	161,865,435	150,466,601
(c) Other current liabilities	61,140,964	41,600,404
(d) Short-term provisions	7,920,146	6,137,694
	384,023,923	345,437,151
Total	697,737,617	643,598,674
ASSETS		
NON-CURRENT ASSETS		
(a) Fixed assets	-	-
(i) Tangible assets	87,629,425	104,655,369
(ii) Intangible assets	-	-
(iii) Capital work in progress	-	-
(iv) Intangible assets under development	-	-
	87,629,425	104,655,369
(b) Non-current investments	109,000	109,000
(c) Deferred tax assets (net)	-	-
(d) Long term loans and advances	-	-
(e) Other non-current assets	27,883,804	11,357,454
	27,992,804	11,466,454
CURRENT ASSETS		
(a) Current investments	-	-
(b) Inventories	277,957,181	188,401,330
(c) Trade receivables	273,554,984	290,663,333
(d) Cash and Cash Equivalents	18,406,716	31,225,034
(e) Short-term loans and advances	12,196,507	17,187,154
(f) Other current assets	-	-
	582,115,388	527,476,851
	697,737,617	643,598,674

Revenues

Amount in Rs.

Profit And Loss Account for the year ended March 31,2013

PARTICULARS	As on 31.03.2013	As on 31.03.2012
INCOME		
Sales	451,490,040	595,621,468
Other income	1,986,753	600,503
	453,476,793	596,221,971
EXPENDITURE		
Changes in inventories of Stock-in-Trade	236,025,815	379,669,676
Employees benefit expense	123,160,365	83,042,252
Finance costs	23,704,330	20,700,437
Other expenses	87,438,437	87,126,697
	470,328,947	570,539,062
PROFIT BEFORE DEPRECIATION AND TAXES	(16,852,154)	25,682,909
Depreciation	17,804,195	11,771,133
PROFIT BEFORE TAXES	(34,656,349)	13,911,776
Provision for Taxes	-	-
Current Tax	-	6,900,000
Deferred Tax	1,667,358	1,145,000
Extraordinary item	12,559,207	-
NET PROFIT FOR THE YEAR	(48,882,914)	5,866,776
Balance brought forward from the previous year	53,321,564	53,592,482
PROFIT AVAILABLE FOR APPROPRIATION	4,438,650	59,459,258
Proposed dividend on equity shares	-	5,281,100
Tax on proposed dividend	-	856,594
Transfer to General Reserve	-	-
BALANCE AT END OF THE YEAR	4,438,650	53,321,564

The Company's total income has three components

- Sales and Service of Healthcare products
- Sales and Service of Information Technology products
- Other Income