



ASIAN ELECTRONICS LIMITED

ANNUAL REPORT

2012-2013

Generating Savings for Generations

A HISTORICAL PERSPECTIVE

Particulars	Year ended March 31				
	2013	2012	2011	2010	2009
	<i>(₹ in lacs except data per share, other information ,no. of shareholders and Ratios)</i>				
Revenue account					
Gross Revenue	2032	8548	14732	22782	21398
Operating profit (PBDIT)	(1059)	(9963)	(4209)	3775	2429
Financial Charges	39	2007	2472	2812	2130
Depreciation	259	387	440	439	461
Exceptional Items	85	-	805	443	698
Provision for taxation					
- Current	-	-	-	-	-
- Deferred	-	-	-	-	-
- F.B.T.	-	-	-	-	33
- Excess Provision written back	-	-	-	213	-
Loss/Profit after tax	(1441)	(12357)	(7926)	294	503
Cash generation	(1182)	(11970)	(6082)	963	266
PBIDT as a percentage of total revenue - before exceptional item	(52.12)	(116.55)	(29)	17	11
PBIDT as a percentage of total revenue - after exceptional item	(56.30)	(116.55)	(34)	15	15
Return on net worth before exceptional item - %	(51.52)	(31.93)	(53.73)	(0.68)	0.75
Return on net worth after exceptional item - %	(54.75)	(31.93)	(48.75)	1.35	2.30
Capital account					
Share capital	1748	1710	1694	1495	1453
Net worth	2632	3945	16260	22383	21756
Loan funds	18817	18692	16860	13366	23885
Net block	2801	3055	3346	3784	4236
Net current assets	6976	7965	17901	20411	35522
Debt-Equity Ratio	7.15	4.74	1.04	0.60	1.09
Per share data					
Earnings per Share of Rs.5/-	(3.74)	(34.85)	(24.48)	0.97	1.68
Book value of Share of Rs.5/-	7	11	46	73	73
Dividend %	Nil	Nil	Nil	Nil	NIL
Other information					
Number of shareholders	46736	49309	51343	50951	45876

Board of Directors

Mr. Arun B. Shah *Executive Chairman*
 Dr. Deepak Divan *Director*
 Mr. D.G. Prasad *Director (up to 08.05.2012)*
 Mr. Suresh Sharma *Additional Director (up to 29.11.2012)*
 Mr. Jim Mitropolous *Director (up to 01.01.2013)*
 Mr. D.B. Shah *Director (w.e.f. 29.11.2012)*
 Mr. Hardik Shah *Additional Director (w.e.f. 06.03.2013)*
 Mr. Rajesh Mehta *Director*
 Mr. S. Neelakanta Iyer *Executive Director & Jt. Chief Executive Officer (Manufacturing Operations)*

Asst. Company Secretary & Compliance Officer
 Mr. Dhananjay M. Dumbre (w.e.f. 18.06.2012)

Chief Financial Officer
 Mr. Sadanand Sahasrabudhe (w.e.f. 21.05.2012)

Auditors
 Messrs Sorab S. Engineer & Co.

Solicitors
 Messrs Legasis Partners

Bankers
 Bank of India
 HDFC Bank Ltd.
 Uco Bank
 The Hongkong and Shanghai Banking Corporation Ltd.
 IDBI Bank Ltd.
 State Bank of India
 ICICI Bank
 Punjab National Bank

R & T Agent
 Link Intime India Pvt. Ltd.
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (W), Mumbai – 400 078.
 Phones: (91-22)25946970, (91-22) 25963838
 Fax: (91-22) 25946969
 E-mail: rnt.helpdesk@linkintime.co.in

Registered Office
 107, Sumer Kendra
 1st Floor, P.B. Marg,
 Behind Mahindra Towers,
 Worli, Mumbai – 400018.
 Phone : (91-22) 6610 4888
 Fax: (91-22) 6610 4887
 E-mail: secdept@aelgroup.com

Branch Offices
 Ahmedabad
 Bangalore
 Kolkata
 Chennai
 Delhi
 Hyderabad

Works
 Plot No. 68, MIDC Industrial Area,
 Satpur, Nashik – 422 007.

R & D Unit
 S. No. 46/2, Narhe Road,
 Nr. Sinhagad Springdale School,
 Opp. Bank of Maharashtra,
 Narhegaon, Pune - 411 041.

DTA Unit
 Plot No. 2, Survey No. 1B/2C,
 Near Octroi Naka, Vilholi, Nashik – 422 010.

EOU
 Survey No. 15, Plot No. 1,
 Mumbai-Agra Road, Near Octroi Naka,
 Vilholi, Nashik – 422 010.

HP Unit
 Hadbast No. 932, Khasra No. 228,
 Village Jakhroda,
 P.O. Partha, Panchayat – Narayani,
 Tehsil Kasauli, Dist. Solan,
 Himachal Pradesh.

Silvassa Unit
 Survey No. 113/6,
 Tirupati Industrial Estate,
 Near 66 KV Road,
 Amla, Silvassa – 396 230.

Annual General Meeting

Monday, 12th August, 2013 at 4.30 p.m..

Venue

Victoria Memorial School For Blind, 73,
 Tardeo Road, Opposite Film Centre,
 Tardeo, Mumbai 400 034.

Secretarial Department of the Company is situated at the Corporate Office of the Company.

Asian Electronics Limited.

107, Sumer Kendra
 1st Floor, P.B. Marg,
 Behind Mahindra Towers,
 Mumbai - 400018

Phone: (91-22) 6610 4888
Fax: (91-22) 6610 4887
Website: www.aelgroup.com
Email: secdept@aelgroup.com

We request you to send us your e-mail address on above mentioned e-mail ID to enable us to communicate with you more often.

CONTENTS

● Notice	02
● Directors' Report	06
● Auditors' Report	26
● Balance Sheet	28
● Profit & Loss Account	29
● Cashflow Statement	30
● Notes	31
● Consolidated Accounts.....	56

NOTICE OF THE 48TH ANNUAL GENERAL MEETING

Notice is hereby given that the Forty Eighth Annual General Meeting of the Members of Asian Electronics Ltd. will be held at Victoria Memorial School for Blind, 73, Tardeo Road, Opposite Film Centre, Tardeo, Mumbai 400 034 on Monday the 12th day of August, 2013 at 4.30 P.M. for the purpose of transacting the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company and the Reports of the Directors and Auditors for the year ended 31st March, 2013.
2. To appoint a Director in place of Mr. Rajesh Mehta, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.
4. To appoint the Branch Auditors of the Company.

In this connection, to consider and if thought fit, to pass the following resolution, with or without modification(s), as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956 (‘the Act’), the Board of Directors be and are hereby authorised to appoint Branch Auditor(s) of any branch office(s) of the Company, which may be opened / acquired hereafter, in India or abroad, in consultation with the Company’s Auditors, any person(s) qualified to act as Branch Auditor(s) within the provisions of Section 228 of the Act and to fix their remuneration”

SPECIAL BUSINESS:

5. To consider and, if thought fit to pass with or without modification, the following Resolution as an Ordinary Resolution.

“RESOLVED THAT Mr. Hardik Shah, who was appointed as Additional Director of the Company with effect from 6th March, 2013 and who ceases to hold office at the ensuing Annual General Meeting, as such in terms of Section 260 of the Companies Act, 1956 but being eligible for appointment and in respect of whom notice specifying his candidature for the office of Directorship is received, be and is hereby appointed as Director of the Company.”

6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 (‘the Act’) (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to the approval of Central Government and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the re-appointment and remuneration of Mr. S. Neelakanta Iyer as the Executive Director & Jt. Chief Executive Officer (Manufacturing Operations) of the Company for a further period of 3 years with effect from 1st June, 2013.

RESOLVED FURTHER THAT the Compensation Committee of the Company be and is hereby authorized to enter into and execute appropriate agreement with Mr. S. Neelakanta Iyer outlining detailed terms and conditions of his appointment as the Executive Director & Jt. Chief Executive Officer (Manufacturing Operations).

RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the Executive Director & Jt. Chief Executive Officer (Manufacturing Operations), the Company has no profits or its profits are inadequate, the Company may pay to the Executive Director & Jt. Chief Executive Officer (Manufacturing Operations) remuneration by way of salary, perquisites and other allowances and benefits as may be specified by the Compensation Committee constituted under the supervision of the Board, subject to the receipt of the requisite approvals, if any.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution the Board of Directors of the Company (hereinafter referred to as the ‘Board’ which term shall be deemed to include any duly authorised Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution) be authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard and further to execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient.”

7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as Special Resolution:

RESOLVED THAT pursuant to the approval of the Committee and the Board of Directors of the Company, provisions of Section 314(1B) read with Director’s Relatives (Office or Place of Profit) Rules, 2003 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the consent of the Central Government, approval of the members be and is hereby accorded to the appointment and revision in remuneration payable to Mr. Naman A. Shah, son of Mr. Arun B. Shah, Promoter and Executive Chairman of the Company, to hold and continue to hold an Office or Place of Profit as Vice President – Global Marketing (or any other designation and roles which the Board /Committee of the Board may decide from time to time) on the payment of revised remuneration, increments and positions and other terms and conditions as set out in the Explanatory Statement attached to this Notice with effect from 1st September, 2013.

RESOLVED FURTHER THAT the appointment shall be upto retirement age as per the policy of the Company with effect from 1st September, 2013 with remuneration being paid for such reappointment effective 1st September, 2013 on terms and conditions as per Explanatory Statement attached hereto.

RESOLVED FURTHER THAT the revision in remuneration and other terms of appointment of Mr. Naman Shah will be subject to such modification as the Central Government may suggest or require which the Board of Directors are hereby authorized to accept on behalf of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or any Director or Officer to give effect to the aforesaid resolution.

8. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as Ordinary Resolution:

“RESOLVED THAT pursuant to Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, the applicable provisions

of the Companies Act, 1956 and such other laws, rules, regulations, guidelines or notifications as may be applicable, if any, and subject to approval of Audited Annual Accounts for the financial year 2012-13 by the members of the Company in this Annual General Meeting, the report of the board of directors explaining the reasons of erosion of more than 50% of the peak net worth of the Company as per the audited financial results of the Company for the year ended 31st March, 2013 be and is hereby considered and approved.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds and things in such a manner as the Board may deem fit and proper and most beneficial to the Company at their absolute discretion and all their actions done hitherto be and are hereby ratified.”

By Order of the Board of Directors

Regd. Office:

107, 1st Floor, Sumer Kendra Bldg,
P. B. Marg, Behind Mahindra Towers,
Worli, Mumbai – 400018

Mumbai, 9th July, 2012

For **Asian Electronics Ltd.**

Dhananjay M. Dumbre
Asst. Company Secretary

Notes:

- [a] The explanatory statement relating to the special business mentioned in the notice as required under Section 173(2) of the Companies Act, 1956, is annexed to the Notice.
 - [b] A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
 - [c] The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday the 6th August, 2013 to Monday the 12th August, 2013 [both days inclusive].
 - [d] Members are requested to quote their folio number in all correspondence with the Company.
 - [e] Consequent upon the amendment of Section 205A of the Act and the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.
- The Company has already transferred unclaimed dividends declared upto the financial year ended 31st March, 2005 to the Investor Education & Protection Fund established under Section 205C pursuant to Sub-section (6) of Section 205(A) of the Companies Act, 1956.
- Members who have not yet en-cashed their dividend warrant(s) for the financial year ended March 2006 and onwards, are requested to make their claims to the Company accordingly, without any delay. It may be noted that the unclaimed dividend for the financial year ended 31st March, 2006 is due for transfer to the Fund on 26th February, 2014.
- [f] The Companies (Amendment) Act, 1999 has introduced nomination facility for Shareholders. Those shareholders who are interested

in making nomination are requested to file with the Company the prescribed Form 2B which can be had from the Company on request.

- [g] Corporate members intending to send their authorized representatives to attend the meeting are requested to send their duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the meeting.
- [h] Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, change in name etc. to their Depository Participant (DP). These changes will be automatically reflected in Company's records, which will help the Company to provide efficient and better service to the members.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

Mr. Hardik Shah was appointed as Additional Director of the Company with effect from 6th March, 2013 and pursuant to the provisions of Section 260 of the Companies Act, 1956 his appointment as Director ceases at ensuing Annual General Meeting. The Company has received notice from a member specifying the candidature of Mr. Hardik Shah for the Directorship of the Company under Section 257 of the Companies Act, 1956. The Board proposes his appointment for your approval.

Mr. Hardik obtained 40th rank all over India in CA Final exam in November 2009, He had also completed Diploma in Information Security Audit (DISA) to specialize in the field of Information security audit conducted by ICAI. Besides he has also passed the final exam of the Company Secretaries Course from the Institute of Company Secretaries of India.

Mr. Hardik Shah is a proprietor of Hardik H Shah & Associates, Practicing Chartered Accountant since September 2010 and also working in affiliation with other firms.

The Board of Directors recommends the Resolution at Item No. 5 of the Notice.

None of the Directors except Mr. Hardik Shah is interested or deemed to be interested in the proposed resolution.

ITEM NO. 6

Mr. S. Neelakanta Iyer was appointed as Executive Director & Jt. Chief Executive Officer (Manufacturing Operations) at the 46th Annual General Meeting of the members of the Company for a period of 2 years with effect from 1st June, 2011 ending on 30th May, 2013. As a part of the initiative to create enduring guidance for the Company, the Board of Directors of the Company, at their meeting held on 9th July, 2013 has approved the re-appointment of Mr. S. Neelakanta Iyer as Executive Director & Jt. Chief Executive Officer (Manufacturing Operations) for a further period of 3 years with effect from 1st June, 2013, on the terms and conditions as may be specified by the Compensation Committee of the Board of Directors, be approved, if deemed fit and proper.

Mr. S. Neelakanta Iyer, is heading the all India manufacturing operations of the Company. With the ever increasing focus of the Company on improving the efficiencies and economies in manufacturing operations, Mr. Iyer has stood the test of time and has excelled even in the most testing and demanding circumstances. Mr. Iyer has been in the forefront in implementing techniques such as Total Quality Management (TQM), Kaizen etc. in his constant bid towards improving the efficiency of the manufacturing operations. Mr. Iyer has truly succeeded in taking the manufacturing operations to the next level and the Management is



confident that the Company would be able to harness much more benefit of his expertise if he is continued given a wider role in the management of the Company.

No change is proposed for any increase in the existing remuneration of Mr. Neelakanta Iyer, the perquisites and benefits if any will be valued as per Income Tax Act.

The Board of Directors recommends the Resolution at Item No. 6 of the Notice. Approval of the members is necessary in view of provisions of Schedule XIII of the Companies Act, 1956.

Approval of the Central Government will be obtained with regard to remuneration payable to Mr. S. Neelakanta Iyer to comply with the requirement of Schedule XIII of the Companies Act, 1956.

Mr. S. Neelakanta Iyer is concerned and interested in the Resolution at Item No. 6 since it relates to his own appointment and remuneration. None of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

ITEM NO. 7

The Special Resolution relates to revision in remuneration of Mr. Naman Shah who shall be re-designated as Vice President – Global Marketing. Mr. Naman Shah is the son of Mr. Arun Shah, Promoter and Executive Chairman of the Company.

Mr. Naman is Bachelor in Mechatronics Engineering from Lancaster University, U.K. with specialization in Thermodynamics, Power Electronic, Dynamic Control Systems and Digital Electronics, He had handled a special project on Design, build and test a prototype contra-Rotating Horizontal Axis Wind Turbine. He has also completed training for 3 months in Innovolt Inc., U.S.A. in Quantitative and Qualitative Research in the area of Optoelectronics, previous to that that he was in Brain Matics Ltd., Mumbai.

Mr. Naman Shah started his career with the Company from 16th August, 2010 as Management Trainee - Marketing & Finance, after completion of his tenure he was promoted as Manager (Commercial) of the Company, He has developed the ability to innovate business processes to fit the business needs.

His remuneration before revision was ₹ 4,05,500/- per annum which was approved by the Board, The Board of Directors at their meeting held on 9th July, 2013 has approved to promote Mr. Naman Shah as Vice President – Global Marketing and have also approved to revise his remuneration to ₹ 15,00,000/- per annum. Since Mr. Naman is related to the Executive Chairman of the Company, he is deemed to hold an office or place of profit as per the provisions of Section 314 of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 which requires the approval of the members of the Company. Consent of the Central Government will also be sought for his appointment and revision in remuneration in terms of the Section and Rules.

The Company is continuously in the lookout for well qualified managers particularly in the area of emerging domain and Industry Practice and Mr. Naman Shah, is a suitable candidate both in terms of qualification as well as experience.

The terms of appointment of Mr. Naman Shah are as follows:

1. Date of Effect of revised remuneration: 1st September, 2013.
2. Details of Revised Salary : Revised Remuneration shall be ₹ 15,00,000/- per annum including all perquisites payable to him with effect from September 1, 2013 with power to the Board of Directors to increase the same from time to time up to a limit of ₹ 20,00,000/- per annum inclusive of all perquisites.

3. Within the overall limit as per para 2 above, the appointee shall be entitled to the allowances and perquisites in particular the following allowances, perquisites and benefits as per the policies of the Company.
 - Basic Salary, Allowances including Additional allowance, Leave Travel Concession, Company Leased accommodation or reimbursement of House Rent or House Rent allowance, Performance linked compensation.
 - Company provided car, commutation allowance, education allowance, Telephone rental and other allowances and perquisites as per policies of the Company. Perquisites and benefits will be valued as per Income Tax Act.
4. Other benefits like medical benefits, group medical insurance, group accidental insurance, group life insurance, pension, gratuity and other benefits as per the policies of the Company.
5. Location: The appointee shall be located at Mumbai.
6. Reporting relationship: The appointee will currently report to Mr. Neelakanta Iyer, Executive Director & Jt. C.E.O. (Manufacturing Operations)

The Board of Directors recommends the Resolution at Item No. 7 of the Notice.

None of the Directors except Mr. Arun Shah is interested or deemed to be interested in the proposed resolution.

ITEM NO. 8

In terms of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, if the accumulated losses of an industrial Company, as at the end of any financial year have resulted in erosion of fifty percent or more of its peak net worth during the immediately preceding four financial years, that Company falls under the category of potentially sick Industrial Company and therefore the fact is required to be reported to Board of Industrial and Financial Restructuring (BIFR) within 60 days from the date of finalization of the audited accounts which is the date of this Annual General Meeting.

As per the audited accounts of the Company for the year ended 31st March, 2013 finalized and approved by the board on 30th May, 2013 subject to approval of shareholders, the accumulated losses of the Company as at 31st March, 2013 amounting to ₹ 215.09 Crores have resulted in erosion of more than fifty percent of its peak net worth of ₹ 234.14 Crores during the immediately preceding four financial years.

The Board is already seized of the situation arising on account of erosion of net worth and is taking the necessary steps including discussions with the lenders and a package of financial restructuring under the OTS mechanism which is under consideration with the secured lenders.

The reasons of erosion of net worth are briefly explained here under.

- The global meltdown, which started in September 2008, crippled the economic growth all over the world and as a result various infrastructure and non infrastructure projects were either put on hold or shelved.
- The large amount of working capital of the Company was invested in the oil division of the Company which ceased to be operative since 2008-09 due to which the value of such investments was reduced to a greater extent, subsequently major current assets of the Company were written off as non recoverable.
- The Company has large disputed receivables from MSEB (amounting to ₹ 157.09 Crores) and other municipal corporations and semi government bodies. In some cases, counter claims against the company have been filed by these agencies which have delayed

the recoveries. Coupled with a reduced turnover, this has made recoveries more difficult. The Company has issued legal notices in over 200 cases.

- In view of the above, the Company faced acute working capital shortage, which resulted in to under utilization of production capacity, reduction in sales, frequent staff turnover, The management tried to fill up the vacuum by raising short term debts but the same were consumed in supporting the fixed costs incurred by the Company.
- Due to non achievement of the break-even point and paucity of long term working capital, the Company continued to incur cash losses after the financial year 2010-11, which significantly erode the positive net worth of the Company.

Steps taken and proposed to be taken by the Management:

- The Company had filed a proposal with the Corporate Debt Restructuring (CDR) cell for the restructuring of its Bank Liabilities under consortium. The CDR proposal submitted by the Company was approved by the CDR Empowered Group Committee (CDR-EG) at its meeting held in March 2012. However, since the process consequent to such approval could not be completed, the concerned Banks did not execute the master restructuring agreement, therefore the CDR proposal has lapsed.

Now the Company has approached/is in the process of approaching individual Banks for settlement of their dues under One Time Settlement (OTS) basis.

- The Board has approved a scheme of arrangement with the shareholders and creditors of the Company, the company will transfer its non-core assets to reduce debt burden on the company
- The Company is focusing only on manufacturing of quality products in terms reliability and functionality. The Company has shifted its marketing function to hardcore marketing companies led by a teams of highly talented and experienced professionals. The company thus becomes ideologically a “contract manufacturing” company.
- The Company has established Budgeting system for effective cost control, The worker and employees strength is being rationalized to control the personnel cost.
- Besides the aforesaid, the company has also taken several steps for operational restructuring which are expected to lead to higher efficiency/cost savings.

The Board of Directors recommends the Resolution at Item No. 8 of the Notice.

None of the Directors of the Company is interested or deemed to be interested in the proposed resolution.

By Order of the Board of Directors

Regd. Office:
107, 1st Floor,
Sumer Kendra Bldg,
P. B. Marg,
Behind Mahindra Towers,
Worli, Mumbai – 400018

For Asian Electronics Ltd.

Dhananjay M. Dumbre
Asst. Company Secretary

Mumbai, 9th July, 2013

Brief resume of Directors being appointed/re-appointment at the Annual General Meeting to be held on 12th August, 2013. Nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership/ chairmanship of Board Committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, is as under:			
Name of Director	Mr. Rajesh Mehta	Mr. S. Neelakanta Iyer	Mr. Hardik Shah
Date of Birth	2nd November, 1960	20th April, 1958	25th April, 1988
Date of Appointment	1st June, 2011	1st June, 2011	6th March, 2013
Expetise in specific General Functional Area	Technology	Manufacturing Operations	Accounts and Finance
Qualification	B.E. (Electrical) Birla Institute of Technology	B.E. (E & TC)	A.C.A, C.S. and Diploma in Information Security Audit (DISA)
List of outside Directorship held (Public Limited Companies)	Integral Technologies Private Limited	1. Midcom Magnetics Management Private Limited 2. Pal Technology Private Limited 3. Karnataka Pyronics Private Limited 4. Lite'Tecniks India Private Limited	N.A.
Chairman/Member of the Committee of the Board of Directors of the Company.	1. Audit Committee, Member 2. Committee for transfer of shares, Member	1. Executive Committee, Member 2. Compensation Committee, Member	1. Audit Committee, Member
Chairman/Member of the Committee of Directors of other companies in which he / she is Director.	Nil	Nil	Nil
a) Audit Committee	N.A.	N.A.	N.A.
b) Share Transfer & Investor Grievances Committee	N.A.	N.A.	N.A.
c) Remuneration Committee	N.A.	N.A.	N.A.
d) Executive Committee	N.A.	N.A.	N.A.
Number of Shares of the Company held on 31-03-2013	NIL	NIL	NIL

By Order of the Board of Directors

Regd. Office:
107, 1st Floor,
Sumer Kendra Bldg,
P. B. Marg,
Behind Mahindra Towers,
Worli, Mumbai – 400018

For Asian Electronics Ltd.

Dhananjay M. Dumbre
Asst. Company Secretary

Mumbai, 9th July, 2013

DIRECTORS' REPORT

To the Members

Your Directors present the Forty-Eighth Annual Report on the business and operations of the Company for the year ended 31st March, 2013.

FINANCIAL RESULTS

	[Amt in ₹ Lacs]	
Year ending March 31,	<u>2013</u>	<u>2012</u>
Gross revenue	2032	8548
Operating profit (PBIDT)	(1059)	(9963)
Finance Expenses	39	2007
Depreciation	259	387
Profit before tax & Exceptional items	(1356)	(12357)
Exceptional items	85	-
Profit / (Loss) after tax	(1441)	(12357)
Excess provision of Income Tax of earlier year written back.	-	-
Profit after current tax and deferred Tax and Exceptional items	(1441)	(12357)
Balance brought forward	(20068)	(7711)
Balance carried to Balance Sheet	(21509)	(20068)

DIVIDEND

In respect of the year under review, i.e., the year 2012-2013, in the absence of profits your Directors do not propose to declare any dividend.

OPERATIONS

During the year, the Company was able to achieve gross revenue of ₹ 20.32 crores as against ₹ 85.48 crores in the previous year.

Sales of lighting products comprises of domestic sales and export sales.

The Company has undertaken an exercise including creating SPVs (Special Purpose Vehicles) for effective and consolidated recovery of various assets and minimizing the impact on the operations or financial stability of the Company. However, such exercise needs an approval from lenders, shareholders and stakeholders in view of the uncertainty about the impact of any changes to the plans drawn up and timing of implementation, the Company and the management cannot ascertain the final outcome at this juncture.

DOMESTIC SALES

The Company's sales suffered significantly for want of working capital and delayed recoveries from markets.

EXPORT SALES

The Export Sales was to the tune of ₹ 4.41 Crores for the year under review as compared to ₹ 10.45 crores in the previous year. Your Company intends to increase contract manufacturing and exports sales.

RESEARCH AND DEVELOPMENT

Asian Technology Center (ATC), the design and development center of the Company is based in Pune, Maharashtra. This R&D center is ISO-9001:2008 compliant and has developed products conforming to global standards.

ATC understands the importance of innovating and customizing the existing products in minimum possible time frame. The expertise in developing full functional prototypes helps to reduce the design cycles and achieve faster time to market.

Global practices of 'NPI' (New Product Introduction) and 'TOT' (Transfer of Technology) are being followed for conducting Research & Development activities. The team at ATC consisting more than 20 engineers and 5 support staff has more than 100 man-years of experience of working together among them.

Major milestone of the R&D unit are as follows:

- 1) POC samples of LED products are developed using standard component available in the market.
- 2) Completion of pilot batch of Line Monitoring and Controllers for an overseas company in the field of Power Control and Management. The product involves 4-5 multilayer boards, its integration with IP cabinet, testing and basic functioning.
- 3) The sample batch quantities have been put in place for the coming year.
- 4) Some new projects regarding the Line monitoring devices are now into NPI.
- 5) Modified Samples of High Voltage loop management System, whose POC had been evaluated and approved have been sent for evaluation to customer.

FINANCE

The enclosed statement forming part of the report gives details such as Financial Position at a glance, Distribution of Income etc. Your directors wish to bring the following to your attention:

The Company has a debt burden which its established sources of income and assets cannot service or repay. A detailed exercise had been carried out with the help of professional agencies and secured creditors in pursuance of establishing the viability. The reports inter alia conclude as under:

- # The unit is viable and business is feasible.
- # The Company needs equity infusion and debt restructuring or repayment at a discount.
- # The present realisable values of assets have eroded significantly.
- # The new initiatives taken for development and production of identified products on contract basis make the enterprise viable.

The above clearly indicates need for fresh fund raising and the debt restructuring. The relevant notes have been carried elsewhere in this report.

The Company had filed a proposal with the Corporate Debt Restructuring (CDR) cell for the restructuring of its Bank Liabilities under consortium. The CDR proposal submitted by the Company was approved by the CDR Empowered Group Committee (CDR-EG) at

its meeting held in March 2012. However, since the process consequent to such approval could not be completed, the concerned Banks did not execute the master restructuring agreement, therefore the CDR proposal has lapsed.

Now the Company has approached/is in the process of approaching individual Banks for settlement of their dues under One Time Settlement (OTS) basis.

CAPITAL EXPENDITURE

As at 31st March, 2013, the gross fixed assets stood at ₹ 9960.75 lacs and the net fixed assets at ₹ 2800.60 lacs. Additions to fixed assets during the year Amt ₹ 6.65 Lacs and deductions to the fixed assets during the year amt ₹ 6.34 Lacs.

INVENTORIES, RECEIVABLES AND CURRENT ASSETS

The management has done a detailed analysis of its current assets as reported in the previous year. For the reasons explained below, the board is of the opinion that the realizable value of assets has gone down significantly:

Inventories: The inventories include a large portion of products meant for oil division which has ceased to be operative and hence not realizable. Also a large volume of components, WIP remained unutilized for such products.

Receivables: The Company has disputed export receivables from M/s Westinghouse Lighting Corporation where a lawsuit has been lost and also other cases where quality counter claims and customers' reorganization have delayed recoveries. On domestic front, large number of debtors have raised counter claims. Coupled with a reduced turnover, this has made recoveries more difficult. The Company has issued legal notices in over 200 cases.

Advances: In many cases, the Company had advanced certain amounts for long term business contracts. The reconciliation for the individual parties is under process and once confirmed suitable action for recovery shall be taken.

In view of the above, current assets as stated above are not at realizable values as stated in the Balance Sheet

REGISTERED OFFICE

Pursuant to the approval of members by way of Special Resolution passed at the Annual General Meeting held on 29th December, 2012 the registered office of the Company has been shifted from D-11, Road No.28, Wagle Industrial Estate, Thane – 400604 to 107, Sumer Kendra Building, P.B. Marg, Behind Mahindra Towers, Worli. Mumbai – 400 018.

SHARE CAPITAL

During the year under review, the paid up share capital of the Company was increased consequent upon the allotment of 41,80,057 equity shares to Asian Electronics Limited, Employees Welfare Trust, 2009 under Employees Stock Option Scheme 2009.

SUBSIDIARY COMPANIES

The Company has effective from 1st October, 2009 transferred the following Divisions to two 100% subsidiaries (SPVs) as under:

- a. Business of ESCO Division, i.e. financing of Projects / Products to customers on energy saving basis, and all activities related thereto together with all related assets, liabilities and entitlements at book values as at the time of transfer, on a going concern basis. The name of this 100% subsidiary is AEL ESCO PRIVATE LIMITED.
- b. Business of Projects Division, i.e. State Electricity Board Projects and all activities related thereto together with all related assets, liabilities and entitlements at book values as at the time of transfer on a going concern basis. The name of this 100% subsidiary is AEL PROJECTS PRIVATE LIMITED.

The Accounts for the year ended 31st March, 2010 to 31st March, 2013 have incorporated all these transactions at the book values at the time of transfer the difference between the book values of identified assets and liabilities of ESCO Division amounting to ₹ 5174.34 Lacs and of Project Division amounting to ₹ 1129.15 Lacs are shown as investment in those subsidiaries.

Pending approval of secured / unsecured lenders, the Company has, for the time being, shown the said investments under Investment Suspense Account read with Note 10 of the Accounts as on 31st March, 2013. On account of transfer of these two Divisions to two separate subsidiaries, the Company has also prepared Consolidated Balance Sheet and Profit & Loss Account which forms part of the Annual Reports for the financial years 2009-2010 to 2012-13.

ACCOUNTS

The accompanying Financial Statements of the Company have been prepared on a going concern basis.

In preparation of these accounts, the Accounting Standards made applicable by the Institute of Chartered Accountants of India, have been followed.

We have selected appropriate accounting policies which have been applied consistently and have made judgments and estimates that are reasonable and prudent so as to ensure that the accounts give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the loss of the Company for the year ended on that date.

We have taken proper and sufficient care for maintenance of appropriate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

AUDITORS' REPORT

As regards observations contained in Auditors' Report dated 30th May, 2013, regarding transfer of related loans and debentures of ESCO and Project Divisions to wholly owned subsidiaries, Stock Options granted to Directors and Employees, litigations initiated by LIC Mutual Fund, Bank of India and other Banks for recovery of their dues and diminution in the value of investments, old / unsalable stocks, sundry debtors and loans and advances the following explanation of the Management may be noted:

Sr No.	Subject	Auditor's Comment	Company's response
1	Transfer of related loans and debentures of ESCO and Project Division aggregating to ₹ 14,279.62 Lacs to two wholly owned subsidiaries	Transfer is made without the lender's approval and hence Company is liable	The Company has included the same in consolidated results. In standalone it will be contingent liability and is disclosed accordingly.
2	Stock Options granted to Directors and Employees under ESOP Schemes of the Company.	The Company has not ascertained the fair value of the Options granted	The current grant of options is at market value or a higher amount. Impact, if any, in future, will be recognized at the time of exercise of the options
3	Actions taken by Secured and unsecured Creditors	No Opinion	The Company is in negotiation with creditors under OTS (One Time Settlement) scheme to settle amicably.
4	Diminution in value of Investments, receivables and other assets	No provision is made	In view of the future potential of the businesses, no diminution in the value of Investment is provided. Impact if any will be ascertained in future
5	Interest on outstanding loans which have been recalled by Banks	No provision is made	The Company is in negotiation with the Banks under OTS proposal (One Time Settlement) to waive off the Interest and some part of the principal amount.
6	Interest on account of delays in payment of various statutory dues like Tax Deducted at Source, Service Tax, ESIC, Customs Duty, Sales Tax, Provident Fund etc.	No provision is made	The final liability is being worked out as on the Balance sheet date, the same shall be provided after finalization.
7	Interest on outstanding public deposits matured and claimed but not paid	No provision is made	Same shall be paid at the time of repayment of Fixed deposits or interest accrued thereon as per the terms of Fixed deposits

Sr No.	Subject	Auditor's Comment	Company's response
8	Managerial remuneration	The same is subject to approval of central government	The Company is in process of obtaining the requisite approval of Central Government.
9	Impairment of the Company's assets in line with Accounting Standard - 28 "Impairment of Assets"	Impairment of the Company's assets and impact thereof on the loss for the year has not been ascertained.	It is proposed to re-organise the businesses in various SPVs. The impairment in various assets of a business if any will be recognized in the Accounts of the Company at the time of transfer of assets to the concerned SPVs.
10	Future viability of the Company as a 'going concern'	Unable to express an opinion on the recoverability / realizability of the above mentioned items, the impact of the same on the Loss for the year as well as the future viability of the Company as a 'going concern'	The Company is exploring various avenues to extricate itself out of the current financial turmoil. A tie up with a multinational is a step in this direction. An Increase in capacity utilization and profitability is viewed as the immediate improvement in the operations of the Company.
11	Disqualification of Directors under Section 274 (1) (g)	In view of the failure of the Company to repay its public deposits and interest thereon for more than one year, the Directors as on March 31, 2013 are disqualified to be appointed as Directors in any other Public Company.	The Company's application to Central Government pursuant to rule 2 of the Companies (Application for Extension of Time under sub section (8) of Section 58A) Rules, 1979 for extension of time period for repayment of Fixed Deposits for 6 months from the date of approval is under process with the concerned ministry. Therefore the management is inclined to believe that the said disqualification does not apply.