

## DIRECTORS' REPORT

To the Members

I have great pleasure in presenting to you, on behalf of the Board of Directors, the 49<sup>th</sup> Annual Report of Asian Electronics Limited and the Audited Financial Statements for the year ended 31 March 2014 together with the reports of the Statutory Auditors thereon.

### FINANCIAL RESULTS

			(Amt. in Rs. Lacs)
Year ending March 31,	<u>2014</u>	<u>2013</u>	
Gross Revenue	717	2032	
Operating Profit (PBIDT)	(989)	(1059)	
Finance Expenses	39	39	
Depreciation	244	259	
Profit before Tax & Exceptional items	(1272)	(1356)	
Exceptional Items	--	85	
Profit/Loss after Tax	(1272)	(1441)	
Profit after current tax and deferred	--	--	
Tax and Exceptional Items	(1272)	(1441)	
Balance brought Forward	(21509)	(20068)	
Balance Carried to Balance Sheet	(22781)	(21509)	

### DIVIDEND

During the year under review, in the absence of profit, your Directors are unable to propose any dividend.

### OPERATIONS

During the year, the company was able to achieve gross revenue of R 7.17 crores as against R 20.32 crores in the previous year.

Sales of lighting products comprises of domestic sales only.

The Company has undertaken an exercise including creating SPVs (Special Purpose Vehicle) 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 approval from lenders, shareholders and stakeholders in view of the uncertainty about the impact of any changes to the plans drawn up and timings of implementation, the Company and the Management cannot ascertain the final outcome at this juncture.

### RESEARCH AND DEVELOPMENT

During the year no major work is carried out.

### 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 for establishing the viability of getting over the situation. 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 realizable values of assets have eroded significantly.
- # the new initiatives taken for development and production of identified products, on contract basis, would make the enterprise viable.

The above clearly indicate 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 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 lenders did not execute the master restructuring agreement. Therefore, the CDR proposal has lapsed.

Now, the Company has approached / is in process of approaching individual Banks as part of revival scheme for settlement of their dues and revival of the Company.

#### **CAPITAL EXPENDITURE:**

As at 31<sup>st</sup> March, 2014, the gross fixed assets stood at R 9951.65 lacs and the net fixed assets at R 2553.48 lacs. There has been no addition to fixed assets during the year. The deductions to fixed assets during the year amount to R 9.10 lacs.

#### **INVENTORIES, RECEIVABLES AND CURRENT ASSETS**

The report carried in earlier years have clarified the position.

#### **SUBSIDIARY COMPANIES:**

The Company has, effective from 1<sup>st</sup> October 2009, transferred the following divisions to two 100% subsidiaries (SPVs):

- a. Business of ESCO division, involved in 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 Project division engaged in State Electricity Board Projects and all activities related thereto, together with all related assets, liabilities and entitlements at book value 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 years ended 31<sup>st</sup> March, 2010 to 31<sup>st</sup> March 2014 have incorporated all these transactions at the book values at the time of transfer the difference between the book value of identified assets and liabilities of ESCO division amounting to R 5174.34 Lacs and of Project Division amounting to R 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. 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 2013-2014.

## **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 31<sup>st</sup> March 2014 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 provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

## **AUDITORS' REPORT**

**The comments made by auditors have been adequately explained in notes to accounts and in reports of earlier years.**

## **EROSION OF NET WORTH**

The accumulated losses of the Company as at 31<sup>st</sup> March 2014, amounting to **Rs. 227.81 Crores**, are more than fifty % of its peak net worth of immediately preceding four financial years (**Rs,**).

The Board is already seized of the situation arising on account of erosion of net worth and is taking necessary steps, including discussions with lenders for a package of financial restructuring under revival scheme with the secured lenders. For details regarding reasons of erosion and steps taken and proposed to be taken by the management, please refer to the explanatory statement pursuant to section 173(2) of the Companies **Act** forming part of the notice for the 49<sup>th</sup> Annual General Meeting.

In view of the pendency of restructuring , no reference will be made to BIFR.

## **PARTICULARS OF EMPLOYEES**

None of the Employees were drawing salary of R 60,00,000/- or more per annum, if employed throughout the year or R 5,00,000/- or more if employed for part of the year.

## **DIRECTORS**

### **Retirement by Rotation :**

Mr. D. B Shah was appointed as an Independent Director from November 29, 2012. His appointment as Director was approved by the shareholders at the 47<sup>th</sup> Annual General Meeting held on 29<sup>th</sup> December 2012. Therefore, in accordance with the provisions of the Articles of Association of the Company, Mr. D.

B. Shah retires by rotation at the ensuing Annual General Meeting. He is eligible for reappointment. The Board recommends his appointment.

#### **AUDITORS**

M/s. Sorab S Engineer & Co. Chartered accountants, who are the statutory auditors of the Company, hold office until the conclusion of ensuing Annual General Meeting and are eligible for reappointment. The members are requested to consider appointment of Statutory Auditor to hold office till conclusion of the next Annual General Meeting.

The Company also proposes to appoint branch auditors for the same period.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.**

Information on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required to be disclosed pursuant to Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this report.

#### **IMPLEMENTATION OF' GREEN INITIATIVE IN CORPORATE GOVERNANCE' INTRODUCED BY THE MINISTRY OF CORPORATE AFFAIRS**

Your Company's products are designed for energy efficiency. It was, thus, a natural decision for the Company to whole heartedly support the green initiative in Corporate Governance introduced by the Ministry of Corporate Affairs in April 2011. The company, therefore, proposes to send all notices /documents /communication including annual reports in electronic form to email addresses of shareholders registered with Depository Participants (DPs) and made available by the depositories. The shareholders are, therefore, requested to keep their Email addresses updated with the DPs at the email account of their choice. To those shareholders, whose email IDs are not available with the Company, physical copies of such documents will be sent.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, it is hereby confirmed:

1. that in the preparation of annual accounts for the financial ended 31<sup>st</sup> March 2014 , the applicable accounting standards have been followed along with proper explanation relating to material departure,
2. that Directors have selected the accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review.
3. that the directors have taken proper and sufficient care for the maintenance of adequate accounting record 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.
4. that the directors have prepared the accounts for the financial year ended 31<sup>st</sup> March 2014 on 'Going Concern' basis.

## **PUBLIC DEPOSITS**

During the year under review, the Company has not invited any fixed deposits. The total outstanding Fixed Deposits as on 31<sup>st</sup> March 2014 were at R. 3.41 Crore (818 Depositors). The whole of this amount has matured for repayment before 31<sup>st</sup> March, 2014. The amount of unpaid fixed deposits as on 31<sup>st</sup> March 2014 is Rs. 3.41 Crores (818 Depositors). The company has applied to the Central Government for granting extension of time for repayment of fixed deposits pursuant to Rule 2 of the Companies [Application for Extension of Time under sub section (8) of Section 58A] Rules, 1979 which is awaiting disposal by the concerned authority.

## **CORPORATE GOVERNANCE**

A separate report on Corporate Governance along with Auditor's certificate on its compliance is attached as an annexure to this report.

## **DEPOSITORY SYSTEM**

As the members are aware, the Company's shares are compulsory tradable in electronic form. As on 31<sup>st</sup> March 2014, 98.98% of the Company's total paid up capital representing 3,92,27,019 shares are in dematerialized form. In view of the numerous advantages offered by the Depository system, Members holding shares in physical mode are requested to avail the facility of dematerialization of the Company's shares with either of the depositories.

## **ACKNOWLEDGEMENTS**

Your Directors take this opportunity to thank the Financial Institutions, Banks, Central and State Government authorities, Regulatory Authorities, Stock Exchanges and the Shareholders for their continuous co-operation and support to the company.

Your Directors also thank customers, vendors and investors for their faith and support.

Your Directors also place on record their deep sense of appreciation of the contribution made by employees at all levels. Their continuous support and their competence, hard work, team spirit and solidarity will make all the difference to the business of your Company.

On Behalf of the Board of Directors

Place: Mumbai  
Date: 26-11-14

ARUN B SHAH  
Executive Chairman

## **ANNEXURE TO THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2014.**

ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217(1)(e) OF THE COMPANIES ACT 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

### **A. ENERGY CONSERVATION MEASURES TAKEN**

- (a) 1. Improving Energy Savings/ efficiency of Equipments & System.
  - . Use OF Automatic Power factor Corrections banks, to improve Power Factor wherever the inductive Loads in Prevalent.
  - . Use of Occupancy Sensors for lighting application To save energy whenever the premises are without Occupant.
  - . Use of energy efficient Electronics Ballast in lighting fixtures with T5 technology in place of Conventional Old lighting Fixtures with T8 or T12 lamps.
  - . Reduction in Daily A.C. running time , switching OFF Lights & Air conditioning during lunch breaks and Whenever not required.
  - . Saving of Diesel with provision of small Generators Appropriate utilization wherever full load with machineries is not required.
  - . Use of centralized ACs at Production floors.

- . Initiative of publishing the work instructions at various places for optimized usage of tools and gadgets.
  - . Use of Day light sensor based products.
2. Improving Energy saving /efficiency of Manufacturing Process.
- . Use of Machineries only when in operation.
  - . Improvement in downtime of Machineries.
  - . Reducing the Temp. Zones while Machine in Idle condition.
  - . No use of Machineries during Load cutting periods (Power Shutdown).
  - . Reducing the cycle time of product Manufacturing Processes.
  - . Reducing the burn in time of product with help of cyclic timer.
- (A) Additional Investments and proposals , if any, being implemented for reduction of consumption of energy.
- . Use of Energy saving type of lighting products like LED based products for further savings compared to Fluorescent type of products, use of Led streetlight in stead of Fluorescent or HPSV lamps.
  - . Exploring use of solar AC
  - . Use of Controllers or Timers for Intermittent OFF For ACs.
  - . Reduction of Temperature in AC zone by reducing the Light fixtures or Heating element.
  - . Appropriate usage of light fixtures with LED at Working areas for sufficient /optimum light only.
- (C) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent Impact on the cost of production of goods.
- These steps will generate savings in electricity consumption. However, these savings will have no appreciable impact on the cost of production as the Company's production process are not energy Intensive.

## **B).TECHNOLOGY ABSORPTION**

### **(a)Research and Development**

Specific areas in which R & D  
Carried out by the Company:

1. The company has successfully developed energy efficient retrofit systems, which is protected by Patents registered in U.S.A. and under registration In Europe as also in India. The Company is developing Effective intelligent lighting solution with introduction of new LED Technology & power Protection Devices for various markets.

2. Asian Technology Centre (ATC), the design and development centre of Asian Electronics Limited is based in Pune , Maharashtra. This R & D centre is ISO-9001: 2008 compliant and has developed products Conforming to global standards.  
ATS understand the importance of innovative and Customizing the existing products in minimum Possible time frame. The expertise in developing full Functional prototypes helps customer 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 and 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.

Benefit derived as a result of above :  
R & D.

Major milestone of R & D units are as follow

1. POC samples of LED products are developed using Standard Components available in 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, who's POC had been evaluated and approved have been sent for evaluation to customer.

Future Plan of action

: The company sees a bright future in commercially exploiting the above product.

1. Adopting the new LED technology by introducing the various range of Energy saving of product.
2. To intensify the R&D efforts in power quality improvement and energy conservation products.
3. To develop and introduce variants of the Retrofit Lighting System to suit different market segments.
4. To develop and market cost effective intelligent lighting solutions for optimizing energy cost.
5. To develop technologies to use "lighting as a network".

Expenditure on R & D  
(a) Capital

:

Nil



(b) Recurring	<u>R 1.78 lacs</u>
(c) Total	<u>R 1.78 lacs</u>
(d) R & D Expenditure as a percentage of The total turnover	0.26%

## **b) Technology Absorption, Adaptation and Innovation**

Efforts, in brief made towards : The Company has introduced various new and improved Technology absorption, adaptation and innovation. models of electronic Ballasts, LED Based products & Power Protection devices different applications.

Benefit derived as a result of the above Efforts. The Company has launched different products with separate Designs of Ballasts for different market segments & introduction of new products like LED based, Power protection devices for US markets, thus enhancing its product range offered to its customers.

Technology Imported during the last 5 years

- (a) Technology Imported : Not Applicable
- (b) Year of Import : Not Applicable
- (c) Status : Not Applicable

## **C). FOREIGN EXCHANGE EARNINGS AND OUTGO**

- (a) Activities relating to exports : The company is in process of making marketing arrangements With giants in U.S.A. and elsewhere to market Company's E+ Initiatives taken in increasing Exports , development of new Export markets for products and Services, and export plans. Tube light & Power Protection devices in various global export markets.

(b) Foreign Exchange Earned

(c) Foreign Exchange Used

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

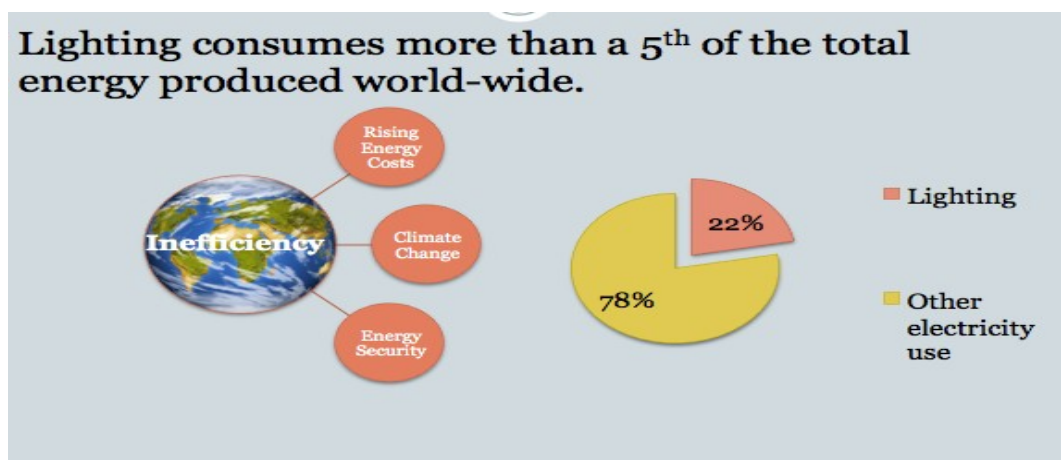
### Business Review

Asian Electronics Limited (AEL or 'the Company') has been one of the pioneering Companies in the energy efficient lighting industry in India.

Over the years, the reliability and quality of the AEL's product has resulted in a strong brand creation.

Traditionally, the Company has focused on institutional and project-related sales, and has built a strong distribution network of over 450 distributors & over 130 marketing consultants for this purpose. However, going forward, the Company will concentrate only on manufacturing of quality products in terms reliability and functionality. The Company has shifted its market outlook to hardcore marketing companies in India and overseas, which is lead by a team of highly talented and experienced professionals. The company thus becomes ideologically a "contract manufacturing" company.

### Market Prospects:



Lighting consumes more than a 5<sup>th</sup> of the total energy produced world-wide. As evident, rising costs of energy coupled with awareness about global warming and energy security has brought about radical changes in the industry which is riding on a wave of energy efficiency. There are six basic types of lighting: (i) incandescent, (ii) fluorescent, (iii) high intensity discharge, (iv) low pressure sodium, (v) compact fluorescent lamp (CFL) and (vi) LED. The new trend to save energy and improve illumination has ushered in a wide