

Teamwork • Technology • Trust



CENTUM ELECTRONICS LIMITED

Annual Report 2010 - 11



## 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.

## Contents

Board of Directors	3
Notice	4
Directors' Report	6
Management Discussion & Analysis	10
Report on Corporate Governance	15
Auditor's Report	24
Balance Sheet	28
Profit & Loss Account	29
Schedules to Financial Statements	30
Cash Flow Statement	55
Balance Sheet Abstract	56
Statement on subsidiary pursuant to Section 212 of the Companies Act, 1956	57
Statement on subsidiary pursuant to Circular No: 51/12/2007-CL-III dt. February 8, 2011	58
Consolidated Financial Results	
Auditor's Report	60
Balance Sheet	61
Profit & Loss Account	62
Schedules to Financial Statements	63
Cash Flow Statement	84

## Centum Electronics Limited

### Board of Directors

Apparao V Mallavarapu, *Managing Director*

S. Krishnan, *Director*

Dr. P. Rama Rao, *Director*

Manoj Nagrath, *Director*

Rajiv C Mody, *Director*

Manny Marimuthu, *Director*

### Chief Financial Officer (CFO)

K S Desikan

### Company Secretary

Ellroy Furtado

### Statutory Auditors

BSR & Co.

### Internal Auditors

Ernst & Young Pvt. Ltd.

### Bankers

State Bank of India - Specialised Mid-Corporate Branch

Kumarapark West, Bangalore

Citibank N.A.

M.G. Road, Bangalore

### Share Transfer Agents

M/s Karvy Computershare Private Limited,

No. 17-24, Vittal Rao Nagar,

Madhapur

Hyderabad - 500 081.

### Registered office

No. 44, KHB Industrial Area,

Yelahanka New Township,

Bangalore- 560 106.

## Notice of the 18th Annual General Meeting

---

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of Centum Electronics Limited will be held at the registered office of the Company at #44, KHB Industrial Area, Yelahanka New Town, Bangalore - 560106 on Thursday, 11 August 2011 at 11.00 am to transact the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2011 and Profit and Loss Account for the year ended 31st March 2011 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year 2010-11
3. To appoint a Director in place of Dr. P Rama Rao who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. BSR & Co., Chartered Accountants, as Auditors of the Company for holding office up to the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

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

5. "RESOLVED THAT pursuant to the provisions of Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Board of Directors of the Company (hereinafter referred to as "the Board") be and is hereby authorised to contribute, from time to time, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, such amount or amounts, as the Board may in its absolute discretion deem fit provided however that the total amount that may be so contributed in any financial year of the Company shall not exceed Rs. 30,00,000/- (Rupees Thirty Lakhs only) or five percent of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, whichever is greater."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary and/or expedient for implementing and giving effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard on behalf of the Company."

### NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of himself and a proxy need not be a member of the company. Proxies in order to be effective must be deposited with the company not less than 48 hours before the meeting.
2. Register of members and Share Transfer books will remain closed from 9 August 2011 to 11 August 2011 (both days inclusive) for the purpose of AGM and ascertaining the members eligible to receive the recommended dividend
3. Members are requested to inform any change in their address to the Company or to the Company's Registrar and Share Transfer Agent's (RTA) M/s Karvy Computershare Private Limited giving the relevant details.
4. Nomination facility: Consequent to the introduction of Section 109A of the Companies Act, 1956 and as has been brought to the notice of all the Members, individual Members are entitled to make a nomination in respect of the shares held by them. The Members, who desire to send their nominations, are requested to send the Nomination in Form-2B (in duplicate) to the Registrars and Share Transfer Agents of the company for registering the nominations, if any.
5. Members attending the Annual General Meeting are requested to bring the following with them (as applicable):
  - a) Members holding shares in dematerialized form, their DP & Client ID Number(s).
  - b) Members holding shares in physical form, their folio number,
  - c) Copy of the Annual Report & Notice (2010-11).
  - d) The Attendance Slip duly completed & signed in terms of specimen signature lodged with the company.
  - e) Member companies/Institutions are requested to send a copy of the resolution of their Board/Governing Body, authorizing their representative to attend and vote at the Annual General Meeting.

---

## Explanatory Statement under Section 173 (2) of the Companies Act, 1956

### Item No. 5:

Under Section 293(1)(e) of the Companies Act, 1956 ("the Act"), the Board of Directors of a public company cannot, except with the consent of its Members, contribute to charitable and other funds not directly relating to the business of the company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed Rs.50,000/- (Rupees Fifty Thousand only) or 5% (five per cent) of the company's average net profit as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

The Company proposes to obtain the enabling approval of the Members of the Company for making contribution to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, during any financial year, for an amount of upto Rs.30,00,000/- (Rupees Thirty Lakhs only) or five percent of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, whichever is greater.

As the Members may be aware, the Company has always believed in strengthening and uplifting the communities across the country. With an ongoing focus on education, development of children, health for all and assistance to poor people, the Company would like to earmark funds for its 'Social Responsibility Initiatives' and hence the above recommendation for making contribution to charitable and other funds.

The Directors, therefore, recommend the proposed Ordinary Resolution as set out in the Notice.

None of the Directors of Company is, concerned or interested in the said Ordinary Resolution

Place: Bangalore  
Date: 26 May 2011

By the order of the Board  
for **Centum Electronics Limited**  
**Apparao V Mallavarapu**  
Managing Director

---

## Brief details of director proposed to be appointed / re-appointed at the Annual General Meeting

Dr. P Rama Rao is willing to act as a Director of the company, if so appointed and has consented for being appointed as a director of the company.

Dr. P. Rama Rao, presently Chairman, Governing Council, ARCI, Hyderabad, obtained his Ph.D. degree in Physics-Metallurgy from Banaras Hindu University (BHU), Varanasi, India in 1964. He was a post-doctoral research associate during 1966-67 at the University of Pennsylvania. In 1991 Professor Rao was appointed Secretary to Government of India, Department of Science and Technology, a position he held till 1995. Additionally, he held charge as Secretary, Department of Ocean Development. Subsequently, during 1996-99, he served as Chairman, Atomic Energy Regulatory Board, Government of India and as Vice-Chancellor, University of Hyderabad during 1999-2002. He was appointed a Member of the Atomic Energy Commission, Government of India in 2004. He was awarded a distinguished Professorship by the Indian Space Research Organisation which he held during 2002-07

He has received the Presidential honours Padma Shri in the year 1989, Padma Bhushan in the year 2001 and Padma Vibhushan in the year 2010.

Dr. P Rama Rao does not hold any shares of the company.

## Directors' Report

Your Directors have pleasure in presenting their Eighteenth Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the year ended 31st March 2011.

### FINANCIAL HIGHLIGHTS

	Rs.Millions	
Year ended March 31	2011	2010
Revenue	1892.46	1109.00
Profit before Depreciation and Interest	171.18	94.64
Depreciation	74.04	75.28
Interest	31.47	16.21
Profit before tax	65.67	3.15
Proposed Dividend including distribution tax	14.40	14.43

### PERFORMANCE

During the current year of operations, your company has registered a revenue of Rs. 1892.46 million and posted Profit before Taxes of Rs. 65.67 million.

During the year, significant contributions were made in the Strategic electronic programs. The investments made in the global sales & marketing initiatives have started to yield results during the year in the form of new customers and new product introductions. These will result in higher revenues in the coming years.

### SUBSIDIARY

During the third full year of operations, Centum Rakon India Private Limited has registered revenue of Rs. 729.47 million and posted Profit before Taxes of Rs. 44.52 million.

### DIVIDEND

A dividend of 10% on the paid up share capital of the company is recommended. The dividend payout is Rs. 12.35 million and the tax on dividend for the year is Rs. 2.05 million.

### CONSOLIDATED FINANCIAL RESULTS

The Consolidated Financial statements have been prepared by the Company in accordance with the applicable Accounting standards (AS-21, AS-23 and AS-27) issued by the Institute of Chartered Accountants of India and the same together with the Auditor's Report thereon form part of the Annual Report.

### HUMAN RESOURCES

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.

### PARTICULARS OF EMPLOYEES

Information pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders of the Company excluding the statement of particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office address.

### EMPLOYEE STOCK OPTION PLAN

As a measure of rewarding the employees, your company had introduced an Employee Stock Option Plan (ESOP) during the previous year.

The particulars prescribed under Guideline 12.1 of the SEBI (Employee Stock Option scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are given in the annexure included in this report



## DIRECTORS

There were no changes in the composition of the Board of Directors.

In terms of the provisions of Section 256 and other applicable provisions, if any, of the Companies Act, 1956, Dr. P Rama Rao, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The particulars relating to Dr. P Rama Rao are mentioned in the Report of Corporate Governance. Your Directors recommend for re-appointment of Dr. P Rama Rao.

None of the Directors of the company are disqualified for being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

The required resolutions for re-appointment of the aforesaid director have been included in the notice convening ensuing Annual General Meeting.

## DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of Companies (Amendment) Act, 2000, the Directors confirm that:

- i. in the preparation of annual accounts for the year ended 31st March 2011 all the applicable Accounting Standards had been followed along with the proper explanations relating to material departures, if any;
- ii. accounting policies were adopted and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2011 and of the profit or loss 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.

## CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the company has complied with the requirements. The Certificate on compliance of Corporate Governance requirements, issued by the Statutory Auditors is annexed to the Report of Corporate Governance.

## AUDITORS

M/s BSR & Co., Chartered Accountants, Statutory Auditors of the company will retire at the forthcoming annual general meeting and they are eligible for re-appointment. Your Directors recommend the re-appointment of the above Statutory Auditors and resolution in this regard forms part of the agenda for the forthcoming Annual General Meeting, requiring approval of the shareholders. The retiring auditors have furnished a certificate of their eligibility for reappointment under Sec 224 (1B) of the Companies Act, 1956 and have indicated their willingness to continue.

## MANAGEMENT DISCUSSION AND ANALYSIS

In compliance with the requirements of the listing agreement, a detailed Management Discussion and Analysis Report giving details of the company's business and operating results is annexed to this report.

## 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.

## Directors' Report (contd...)

---

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, the Department of Industries and Commerce, Karnataka, the Karnataka Udyog Mitra and all the other Central and State Governmental agencies.

for and on behalf of the Board

Place: Bangalore

Apparao V Mallavarapu

S. Krishnan

Date: May 26, 2011

Managing Director

Director

### ANNEXURES TO THE DIRECTORS' REPORT

#### 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:

- Improved the average Power Factor from 0.972 to 0.98 and reduced the demand charges
- Improved Chiller Condenser Cooling efficiency by doing descaling of Condenser.
- Monitored LT voltage & found to be less (395V-400V), discussed with BESCOM and improved the Voltage.
- Top 20 power guzzlers identified & controlled the switch ON & OFF time.
- Optimized the compressed air pressure setting.
- Internal energy audit including load balancing study was carried out to understand the power losses.
- Installed energy meters to monitor the top 10 power guzzlers like Furnaces, Chillers, air compressors etc. on daily basis and fixed the limits to control the cost.
- All Computer users are strongly advised to fully switch off the system at the end of the day.
- As per the regular PM checklist, Completely arrested Compressed air & all the gas leakages in the shop floor.

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

- Six different types of DC-DC convertors have been developed and delivered for Space Applications
- Three different types of modules were developed for defence applications
- Several new processes have been developed and qualified for defence applications in thin film assembly technology areas
- IPC Class III products launched during the current year for medical electronics customers.
- Conformal coating process developed and implemented for mass production assemblies.
- DFM (Design for manufacturability) Capability installed using Valor software.

##### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 19 (m) & (l) and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2011.