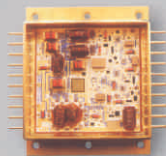
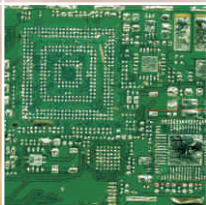


Teamwork • Technology • Trust



CENTUM ELECTRONICS LIMITED

Annual Report 2012-13



## QUALITY POLICY

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

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

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

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## Centum Electronics Limited

### Board of Directors

Apparao V Mallavarapu, *Chairman & Managing Director*

S. Krishnan, *Director*

Dr. P. Rama Rao, *Director*

Manoj Nagrath, *Director*

Rajiv C Mody, *Director*

### Chief Financial Officer (CFO)

K S Desikan

### Company Secretary

Ramu Akkili

### Statutory Auditors

BSR & Co.

### Internal Auditors

Ernst & Young Pvt. Ltd.

### Bankers

State Bank of India - Specialised Mid-Corporate Branch

No. 97, Railway Parallel Road, 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 20th Annual General Meeting

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Notice is hereby given that the Twentieth 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 Wednesday, 7th August, 2013 at 10.30 am to transact the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2013, Statement of Profit & Loss for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Rajiv C Mody who retires by rotation and being eligible, offers himself for re-appointment.
3. 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

4. To Consider and if thought fit to pass, with or without modification(s), the following resolution as a Special resolution:

“RESOLVED THAT pursuant to the provisions of Section 314 (1) (b) 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 consent of the company be and hereby accorded for the appointment of Mr. Nikhil Mallavarapu, to hold and continue to hold an office or place of profit as Manager- Projects, on such remuneration, terms and conditions as may be agreed from time to time”.

“RESOLVED FURTHER THAT the Board of Directors 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 the aforesaid resolution on behalf of the Company”.

5. To Consider and if thought fit to pass, with or without modification(s), the following resolution as a Special resolution:

“RESOLVED THAT the Employee Stock Option Plan (Centum ESOP 2013) be and is hereby approved and, pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment for the time being in force); in accordance with the Articles of Association of the Company and Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (including any statutory modification or re-enactment thereof) and subject to such approvals, consents, permissions and sanctions, as may be required from such other appropriate authorities and subject to such terms and conditions and stipulations, if any while granting such approvals, permissions and sanctions, the Board of Directors of the Company, (which term shall be deemed to include "Compensation Committee", or any "Sub Committee" thereof, constituted by the Board to exercise its powers, including the powers conferred by this resolution) be and is hereby authorized, on behalf of the Company to grant, issue, offer and allot 250,000 options (two hundred and fifty thousands options only) from time to time in one or more tranches, convertible into equity shares of nominal value of Rs10/- (Rupees ten only) each, at such price and on such terms and conditions as may be specified and determined, to the permanent employees of the Company (including Executive Directors but excluding the Promoters, and Promotor Directors, under Centum ESOP - 2013 of the Company for the benefit of the employees, inter alia, on the broad terms and conditions as given in the Explanatory Statement annexed to the notice convening this Annual General Meeting.”

“RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to determine and frame all other terms and conditions of the issue of the said options convertible into equity shares of Rs 10/- (Rupees ten only) each as the Board may in its absolute discretion deem fit.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to seek listing of such equity shares of face value of Rs.10/- (Rupees ten only) each at all such Stock Exchanges where the Equity Shares of the Company are listed.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolutions, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion, deem necessary or desirable for such purpose, including without limitation, the entering into contracts, agreements and any other arrangements with power to settle any questions, difficulties or doubts that may arise in regard to any such issue, conversion and the allotment thereof as it may in its absolute discretion deem fit”.

#### 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. An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business is set out in the Annexure.
3. Register of members and Share Transfer books will remain closed from 3rd August, 2013 to 7th August, 2013 (both days inclusive) for the purpose of AGM.
4. 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.
5. 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.
6. 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 (2012-13).
  - 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.

Place: Bangalore  
Date: 30 May, 2013

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

## Notice (Contd...)

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

#### Item No. 4:

Your company has appointed Mr. Nikhil Mallavarapu as Manager-Projects. He has Master Degree in Electrical and Computer engineering from Carnegie Mellon University, USA. He has over 4 years of experience & worked with Analog Devices, USA. He is the son of Mr. Apparao V Mallavarapu, Chairman & Managing Director of the company.

Pursuant to the provisions of Section 314(1)(b) of the Companies Act, 1956, the consent of the shareholders is required to be obtained at the General Meeting held for the first time after the appointment.

Your Directors felt that the appointment of Mr. Nikhil Mallavarapu would be in the best interest of the company and accordingly recommend the passing of the resolution proposed at Item No.4 of the Notice.

Mr. Nikhil Mallavarapu holds 581,314 shares of the company.

None of the directors except Mr. Apparao V Mallavarapu is interested in the said resolution.

#### Item No. 5:

In order to attract and retain qualified, talented and competent personnel in the Company, it is proposed to have an "Employee Stock Option Plan". This also provides an opportunity to the employees to participate in the growth of the company.

A stock option plan (Centum ESOP - 2013 or Plan) for issue of options convertible into equity shares to the employees and directors of the Company is being formulated in line with the guidelines issued by Securities and Exchange Board of India. The Board of Directors has, at its meeting held on 30th May 2013 constituted a Compensation Committee consisting of three directors for administration and superintendence, including formulating of terms and conditions of the Centum ESOP - 2013.

The issue of options shall be in conformity with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999 including any modifications therein from time to time (hereinafter referred as "Guidelines").

The broad terms and conditions of Centum ESOP - 2013 are as under:

**a) The total number of options to be granted:**

The total number of options that may be granted under Centum ESOP - 2013 in one or more tranches are 250,0000 (Two hundred and fifty thousand only) in aggregate which would result in additional 250,000 equity shares of Rs 10/- each in the Company on exercise of such options.

**b) Class of Allottees:**

The Company shall formulate Centum ESOP - 2013 for issue of shares to its permanent employees. Centum ESOP - 2013 would be applicable to all such permanent employees whether working in India or out of India, a director of the Company whether whole time director or not but excluding promoters, and promoter director.

**c) Requirements of vesting, period of vesting and maximum period within which the options shall be vested:**

The minimum period of vesting is one year from the date of grant of option and the maximum period shall be not more than four years. The Compensation Committee shall decide on the vesting schedule in respect of employees. The vesting may also happen in one or more tranches as may be decided and approved by the Compensation Committee.

**d) Exercise price or pricing formula:**



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As per the SEBI Guidelines, the Company granting options to its employees pursuant to Employee Stock Option Scheme will have the freedom to determine the exercise price subject to conforming to the accounting policies specified in clause 13.1 of the Guidelines. The exercise price of an option that shall be fixed shall be based on the "Market Price" as is decided by the Compensation Committee in accordance with the Guidelines.

**e) Exercise period and process of exercise:**

The exercise period of the options shall be ten years from the date of vesting of the options. In order to exercise the options, such employee or director shall give an exercise notice as per the draft provided in the Plan to the designated officer along with the full consideration of the option to be exercised. The employee or director may apply for exercise of options in any number of lots from the date of vesting. The Plan provides for specific time frames, under which the employee or director may exercise the options. The options shall not be permitted to be exercised after the expiry of the above mentioned exercise period. After this date, all the options vested and remain unexercised under the Plan will lapse.

**f) The appraisal process for determining the eligibility of employees and directors to Centum ESOP - 2013:**

Options under Centum ESOP - 2013 shall be given to the employees and directors based on the appraisal system. The appraisal process shall include evaluation of an employee or director based on one or more criteria for determining eligibility of the employee or director to be granted options, some of which are enumerated below:

- i. Work related or academic performance of the employee;
- ii. Length of service in the Company;
- iii. Potential of the employee to contribute to the Company's performance;
- iv. Position held in the Company;
- v. The extent of contribution made by the employee towards business results, achievement of medium to long term performance plans of the Company, processes and customer satisfaction or employee satisfaction;
- vi. High market value/difficulty in replacement;
- vii. High risk of losing the employee to competition.

**g) Maximum Number of options to be issued per employee or director and in aggregate:**

It is proposed that no Eligible Employee shall be granted, in any fiscal year of the Company, Options to purchase more than or equaling 0.25% of the outstanding issued equity share capital as on the date of Grant (excluding outstanding options, warrants and conversions) and would not in the aggregate exceed 0.6 % of Equity shares.

**h) Method of Valuation:**

The Company is granting the options to employees and directors at a price based on the "Market Price", as defined in the Guidelines. The Company shall use Intrinsic Value Method to value the options issued under Centum ESOP - 2013.

**i) Accounting Policies:**

The Company shall comply with the accounting policies specified in clause 13.1 of Guidelines based on the intrinsic value of the options in respect of the Shares issued under Centum ESOP - 2013.

**j) Statement:**

## Notice (Contd...)

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Since the Company calculates the employee compensation cost using the intrinsic value of the Stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors Report and also the impact of this difference on profits and on Earnings Per Share (EPS) of the Company shall be disclosed in the Directors Report.

The provisions of the Companies Act, 1956 & Guidelines, contemplate consent of the members by way of special resolution in General Meeting for further issue of shares to persons other than the existing holders of shares.

A copy of the draft Centum ESOP - 2013 is available for inspection at the registered office of the Company and will also be available for inspection during the General Meeting.

The Board of Directors recommends the passing of the proposed resolution as a special resolution and requests your approval for the same.

None of the Directors of the Company are concerned or interested in the said resolution to the extent of any options, which may be granted to them pursuant to Centum ESOP - 2013.

Place: Bangalore  
Date: 30 May, 2013

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

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

Mr. Rajiv C Mody 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.

Mr. Rajiv C Mody is the Chairman and Managing Director and founder of Sasken Communication Technologies Ltd (Sasken). The Company was set up in the Classical tradition of Silicon Valley Startups, in a garage in Fremont, California.

He qualified in electrical engineering from M.S University, Baroda and Masters Degree in Computer Science from Polytechnique Institute of New York. He worked for Advanced Micro Devices, Seattle Tech Inc., and VLSI Technology Inc., in USA. At VLSI, Mr. Rajiv C Mody was responsible for the design, development and integration of Physical design tools for Gate- Array and Standard Cell Design Styles.

He has Co- authored a patent in the area of Physical design and published a paper at the ICCAD conference. He has been with Sasken since inception. He has over 25 years of experience in the technology business.

Your Directors feel that the appointment of Mr. Rajiv C Mody would be in the best interest of the company and accordingly recommend the passing of the resolution proposed at Item No.2 of the Notice.

Mr. Rajiv C Mody does not hold any shares of the company.

No Director other than Mr. Rajiv C Mody is in any way concerned or interested in the said resolution.