



TREND ELECTRONICS LIMITED

ANNUAL REPORT 2012

CORPORATE INFORMATION

Board of Directors

- Vivek D. Dharm
- Bhopinder J. Chopra
- Subhash S. Nabar

Auditors

- **Khandelwal Jain & Co.**
Chartered Accountants
12-B, Baldota Bhavan,
117, Maharshi Karve Road,
Opp. Churchgate Railway
Station, Mumbai - 400 020
- **Kadam & Co.**
Chartered Accountants
"Vedant", 8/9 Viraj Estate,
Opp. Tarapur Bus Stand,
Ahmednagar - 414 003

Company Secretary

- Kaustubha A. Sahasrabudhe

Bankers

- State Bank of Hyderabad
- Central Bank of India
- Punjab National Bank
- ING Vysya Bank Limited
- Indian Bank
- Canara Bank

Registered Office and Manufacturing Facility

20 K. M. Stone,
Aurangabad- Beed Road,
Village: Bhalgaon,
Aurangabad- 431 210
(Maharashtra)

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NOTICE

NOTICE is hereby given that the Twenty-Third Annual General Meeting of the members of **TREND ELECTRONICS LIMITED** (the "Company") will be held on Thursday, 27th June, 2013, at the Registered Office of the Company at 20 K. M. Stone, Aurangabad-Beed Road, Village: Bhalgaon, Aurangabad - 431 210 (Maharashtra) at 1.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended on 31st December, 2012 and the Audited Balance Sheet as at that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Bhopinder J. Chopra, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT M/s. Khandelwal Jain & Co., Chartered Accountants, Mumbai, (Firm Registration No. 105049W) and M/s. Kadam & Co., Chartered Accountants, Ahmednagar, (Firm Registration No. 104524W), be and are hereby appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors of the Company."

By order of the Board of Directors of
TREND ELECTRONICS LIMITED

KAUSTUBHA A. SAHASRABUDHE
Company Secretary

Place : Mumbai

Date : 15th May, 2013

Registered Office :

20 K. M. Stone, Aurangabad-Beed Road,
Village: Bhalgaon, Aurangabad - 431 210 (Maharashtra)

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE "MEETING") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF SELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Corporate Members intending to send their authorized representative(s) to attend the Meeting are requested to send a certified copy of their Board Resolution authorizing their representative(s) to attend and vote on their behalf at the Meeting.
3. In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Bhopinder J. Chopra, Director, is liable to retire by rotation at the ensuing Meeting. Being eligible, he has offered himself for re-appointment. In terms of Clause 49 of the Listing Agreement entered into with the Stock Exchange, a brief profile of Mr. Bhopinder J. Chopra, Director retiring by rotation and seeking re-appointment; nature of his expertise in specific functional areas; names of other public limited companies in which he holds directorship and membership/ chairmanship of the committees of the Board of Directors; together with the number of shares held by him in the Company forms part of the Corporate Governance Report.
4. Members/ Proxies/ Representatives should bring the enclosed Attendance Slip, duly filled in, along with their copy of Annual Report to the Meeting.

5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members holding shares in physical form in multiple folios, in identical names or joint names in the same order of names, are requested to apply for consolidation to the Company's Registrar and Share Transfer Agent, M/s. MCS Limited, alongwith the relevant share certificates for the purpose of consolidation of their shareholdings into a single folio.
7. The Register of Members and Share Transfer Books shall remain closed from Friday, 14th June, 2013 to Thursday, 27th June, 2013 (both days inclusive) for the purpose of the Meeting.
8. Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, the Company has transferred the unclaimed dividend for the financial year 2004-05 to the Investor Education and Protection Fund (IEPF) established by the Central Government. Members are requested to note that no claims shall lie against the Company or IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date they first became due for payment and no payment shall be made in respect of any such claims.
9. The Company's equity shares are compulsorily traded and settled in dematerialized form. The Company has established connectivity with both the depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the enormous advantages offered by the Depository system, members are requested to avail the facility of dematerialization of the Company's shares on either of the depositories, as aforesaid.
10. The Ministry of Corporate Affairs (vide circular No.17/2011 and 18/2011 dated 21st April, 2011 and 29th, April, 2011 respectively) has undertaken a Green Initiative in Corporate Governance and allowed companies to send documents to its shareholders through an electronic mode. Members are requested to support this green initiative by registering /updating their email ID details in following manner:
 - a) If members are holding shares in demat form, register/ update your email ID with the depository participant with whom you are maintaining your demat account.
 - b) If members are holding shares in physical form, register/ update your email ID with us or with our Registrar and Share Transfer Agent, M/s. MCS Limited, quoting their folio number.
11. Non-Resident Indian Members are requested to inform M/s. MCS Limited, the Registrar and Share Transfer Agent of the Company, immediately of the change in their residential status on return to India for permanent settlement together with particulars of their Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank with Pincode Number, if not furnished earlier.
12. Relevant documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, between 12.00 noon to 3.00 p.m. upto the date of the Meeting.
13. Members may address their queries/communications at secretarial_trend@videoconmail.com.

By order of the Board of Directors of
TREND ELECTRONICS LIMITED

KAUSTUBHA A. SAHASRABUDHE
Company Secretary

Place : Mumbai

Date : 15th May, 2013

Registered Office:

20 K. M. Stone, Aurangabad-Beed Road,
Village: Bhalgaon, Aurangabad - 431 210 (Maharashtra)

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Twenty-Third Annual Report of your Company together with the Audited Accounts and Auditors' Report for the financial year ended on 31st December, 2012.

FINANCIAL RESULTS AND OPERATIONS

The performance of the Company for the financial year ended on 31st December, 2012, is summarized below:

(₹ in Million)

| Particulars | Year ended 31st Dec., 2012 | Year ended 31st Dec., 2011 |
|---|-------------------------------|-------------------------------|
| Net Sales | 14,507.73 | 16,576.68 |
| Other Income | 21.69 | 68.49 |
| Total Income | 14,529.42 | 16,645.17 |
| Profit before Finance Costs, Tax and Depreciation | 396.21 | 860.54 |
| Finance Costs | 737.97 | 620.63 |
| Depreciation and Amortisation | 204.87 | 186.48 |
| Profit/(Loss) before Tax | (546.63) | 53.43 |
| Profit/(Loss) for the year | (415.71) | 52.48 |

In order to offer products equipped with world class technology to its valued customers and in view of numerous opportunities available for enlargement of area of operation of the Company, the Main Objects Clause of the Memorandum of Association was altered during the year, by inserting the words Light Emission Displays (LEDs), Plasma Display Panels (PDPs), Liquid Crystal Displays (LCDs), DVDs, Set Top Boxes, Mobile Phones, Mobile Tablets, electronic gadgets.

Further, the Authorised Share Capital of the Company has been increased from ₹ 60 Crores to ₹ 125 Crores. During the year, the Company has allotted 10,000,000 8% Non-Cumulative Redeemable Preference Shares of ₹ 100/- each.

BUSINESS PERFORMANCE

The financial year under review, was a difficult period for the Company. During the year, the Indian Economy encountered a slowdown which had an impact on several businesses including the consumer electronics industry. The performance of the Company was affected due to economic slowdown, which resulted in lower business volume. Further, rigid liquidity conditions, increased interest rates, intense competition, appreciation of dollar vis-à-vis the Indian Rupee added to the problems, which impacted the bottom line. All this resulted into deferment of capital investment apart from creating a slowdown in business activity.

During the year 2012, the Company experienced a dip in the sales and severe pressure on the bottom line. The turnover of the Company stood at ₹ 14,507.73 Million as against ₹ 16,576.68 Million for the previous year. The Company has incurred a net loss of ₹ 415.71 Million as against a net profit of ₹ 52.48 Million for the previous year.

In view of the implementation of Digital Addressable System (DAS) mandate by the Government of India, which envisages the mandatory transformation of the entire television distribution system through a digital pipe by December 2014, has offered a landmark opportunity for the Company, since, your Company believes that it is the only Set-top Box manufacturer in India.

APPROPRIATIONS

Dividend:

In view of the loss incurred, the Board of Directors do not recommend any dividend for the year under review.

Transfer to Reserves:

Due to loss incurred during the year, your Directors propose not to transfer any amount to the General Reserve.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

The Company has transferred a sum of ₹ 0.18 Million in respect of unpaid/unclaimed dividend for the financial year 2004-05 to the Investor Education and Protection Fund.

FIXED DEPOSIT

Your Company has not accepted any fixed deposit within the meaning of Section 58A of the Companies Act, 1956 and as such, no amount of principal or interest was outstanding as on the Balance Sheet date.

PERSONNEL

The Company does not have any employee whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time.

CONSERVATION OF ENERGY

Your Company believes that energy is vital for economic growth and social development and must therefore be conserved and used judiciously. The Company is making all efforts to conserve energy by monitoring energy costs and periodical reviews of the consumption of energy. The Company has initiated a drive for the conservation of natural resources, including the energy conservation. The aim is to reduce the consumption of energy, by improving the machine efficiency. Also, as regards to the products, the Company is coming up with a range of new models which are expected to consume less power, but, at the same time, meet the expectations of the consumer.

Some of the other measures taken during the year ended 31st December, 2012, are as under:

1. Increasing capacity of equipment by reducing its cycle time;
2. Installation of improved energy efficient machinery which has built-in cooling system and does not require additional air conditioning;
3. Provision of LED lights in place of conventional lights in factory area and replacing lamps with energy efficient bulbs for internal usage;
4. Installation of Energy Management System;
5. Usage of energy efficient star rated motors in factory;
6. Reduction of energy consumption by turning off lights, personal computers and other electronic equipments, when not in use;
7. Plantation of trees in the factory area;
8. Awareness programmes towards optimum utilization of natural resources at managerial as well as employee level; and
9. Installation of solar street lights in factory premises.

During the year, the Company has introduced, energy efficient lighting at various places, which has helped the Company to save money on the energy bills. An awareness drive was launched for the staff & workmen, to make them aware of the conservation of energy.

Further, the Company has through its "eco ideas" activities contributed to the prevention of global warming by implementing measures that help to reduce carbon dioxide emissions. The operations have been reviewed to improve energy efficiency by reducing energy, fuel and diesel consumptions in daily operations which have a direct impact on carbon dioxide emissions.

RESEARCH AND DEVELOPMENT (R & D) AND TECHNOLOGY ABSORPTION

Innovation continues to be our prime focus. Your Company recognizes that a vigorous intelligent research initiative not only reduces cost through effective process improvement but also adds value through sustained innovative and customized products in line with consumer requirements. Our R & D efforts are in line with changing consumer demands and preferences.

The Company is known for the introduction of innovative models, by using latest technologies. The Company makes continuous efforts to harness new technologies, which make the products even more innovative. These efforts are largely directed to enhance the product performance, reduction in the

material cost, reduction in the manufacturing resources, thereby making the product competitive.

The following are the areas, where the R & D activities are focused:

1. Study the consumer feedback on the product performance;
2. Study the market trends for competition;
3. Upgrade the product, based on the study & product performance;
4. Develop new products, which suit the changing tastes of the consumer; and
5. Make changes in the design to make the product more reliable.

Benefits derived from R & D Activities:

Your Company remains committed towards introducing new models and improving existing products to meet the ever-increasing demands of the consumers by fully exploring technological advancements. The efforts made by the R & D team have helped in introducing innovative energy efficient products with unique features and superior technology at competitive costs, which is likely to enlarge the market share of the Company in future.

The benefits derived are:

1. Maintenance and improvement of quality;
2. Innovations in product designs and outlook;
3. Cost reduction;
4. Optimum utilization of resources; and
5. Efficient use of technological advancements.

Further, apart from the above benefits, the Company could derive the following benefits:

1. Introduction of new models in LED and LCD TV;
2. Introduction of "Smart TV" model in LCD TV with full fledged high speed internet, Skype, Twitter, You Tube, Picasa etc;
3. Introduction of new Integrated Digital TV with single chip solution with a built in DTH facility having MPEG 4 DVB-S2 digital signal having features like Full HD (1920 x 1080P); 100% full HD reception which improves picture and sound quality etc.; and
4. Introduction of New-age LEDs – DDB TV, having ability to convert 2D channels into life like 3D quality and which will help to receive digital signals without a set-top box giving an audio-visual sense, never experienced before.

The Company has come out with a RF4CE (Radio Frequency for Consumer Electronics) technology in the Set Top Box remote control. Unlike the conventional remote control, this remote, does not need to be directed towards the Set Top Box, for its operation. The remote can be even operated from a longer distance as compared to the traditional remote control.

The Company has also introduced Set Top Box with "Recording" facility, which enables a consumer to record as much content as a subscriber wishes to & playback the recorded contents. It also allows the consumer to "Pause" Live TV & other trick play modes, such as rewind & forward.

Future Plan of action:

Your Company is committed towards bringing out new innovative products at affordable prices. The Company is looking forward to take advantage of technological upgradations and compete efficiently with the competitors.

The future plan of action includes:

1. Implementation of new technology;
2. Introducing environment friendly products; and
3. Harnessing the opportunities created out of Digital Addressable System (DAS) Regime containing cost of fund; steep taxation; which satiates the ever increasing appetite for new content.

During the year under review, the Company has incurred an amount of ₹ 5.22 Million towards R & D Activities representing 0.04 % of the turnover.

Technology Absorption:

The management believes that Information Technology can be extensively used in all spheres of its activities to improve productivity and efficiency levels. The Company has already implemented SAP (System Analysis Programming), a customized ERP (Enterprise Resource Planning) module, at its manufacturing facility.

INFORMATION TECHNOLOGY

In due recognition of the key role played by Information Technology in revolutionizing the world, your Company has re-engineered its processes by leveraging Information Technology for building, sustaining and expanding its competitive edge.

The Company has implemented latest version of SAP ERP ECC 6.0 for better operational control. SAP solution has enabled your Company to leverage the benefits of integration in business operations, optimization of enterprise resources, standardized business process, thereby enabling standard operating practices with well established controls. It has also benefited the management at all levels with business information which is available online and reliable to control the business operations in a well-informed manner. The Company has implemented a network application for facilitating the storage & retrieval of the Set Top Box pairing elements. The application developed uses state of the art Database Servers & deployed using Microsoft.Net & Java. The applications have been integrated with the on-line production management system effectively.

Your Company has designed and implemented web based Customer Relationship Management (CRM) application. It has put in place an enabled consumer interaction centre for addressing complaints and suggestions from consumers, retailers and distributors.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the foreign exchange outgo amounted to ₹ 3,038.46 Million as against ₹ 3,564.89 Million for the year ended on 31st December, 2011. There were no foreign exchange earnings during the year and previous year ended on 31st December, 2011.

HEALTH, SAFETY AND ENVIRONMENT

Your Company believes that healthy and happy working environment is essential for every employee and to provide the same is a duty of the Company. Your Company is committed towards providing a healthy working environment in every possible way.

Your Company took various initiatives to improve compatibility of its operations with the environment. It has adopted new policies for greener surroundings and is strictly adhering to the Environment, Health and Safety norms at its manufacturing plant.

During the year 2012, following activities were conducted for building healthy work culture:

- Health/Eye check up camps;
- Blood Donation camps;
- Vaccination facility for contagious diseases;
- Free distribution of medicines; and
- Aids Awareness Programme.

The manufacturing plant is having appropriate safety initiatives underway, headed by senior officials who diligently oversee the safety aspect.

INDUSTRIAL RELATIONS

Industrial Relations remained cordial during the year under review.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Your Company aims at managing its business processes in such a way so as to produce an overall positive impact on the society. CSR is at the core of your Company's vision and mission which is achieved by focusing on the interest of the employees, customers and shareholders of the Company and the society at large.

The Company believes pursuing a wide socio-economic objective and has always endeavored to not just live upto it, but try and exceed the expectations of the communities in which we operate.

Your Company has been making meaningful contributions to the society in different areas. The Company has chosen 3 broad areas to focus its CSR activities:

TREND ELECTRONICS LIMITED

1. Energy Conservation;
2. Environmental Protection; and
3. Community Service.

Your Company shall continue its efforts to discharge its CSR in the best possible manner.

HUMAN RESOURCE MANAGEMENT

Your Company believes that employees are vital to the Company and hence, aims to incorporate the planning and controlling of manpower resources into the corporate level plans so that all resources are used together in the best possible combination. Pay revisions and other benefits are designed in such a way, so as to compensate for good performance of the employees of the Company. The talent base of your Company has steadily increased and the Company has created a favourable work environment which encourages innovation. The Company has also put in place a scalable recruitment and human resource management process which ensures retention and development of competent employees.

Your Company considers the quality of its human resource to be the most important asset and places emphasis on training and development of employees at all levels. It ensures equal opportunities to the employees to excel in their work and advance themselves in their career depending on their abilities. It commits itself to grow hand-in-hand with its employees, encouraging and aiding them to reach their full potential and improve their standard of living.

BOARD OF DIRECTORS

Pursuant to the provisions of the Companies Act, 1956 and in terms of Articles of Association of the Company, Mr. Bhopinder J. Chopra, Director, is liable to retire by rotation and being eligible, has offered himself for re-appointment. Pursuant to the provisions of Clause 49 of the Listing Agreement, a brief profile of Mr. Bhopinder J. Chopra, who is proposed to be re-appointed, forms part of the Corporate Governance Report. The Board recommends re-appointment of Mr. Bhopinder J. Chopra as the Director of the Company.

During the year under review, Mr. Pradipkumar N. Dhoot, Mr. Anirudha V. Dhoot and Mr. Subhash S. Dayama resigned from the directorship of the Company w.e.f. 6th January, 2012. The Board would like to place on record its appreciation for the valuable guidance and services rendered by Mr. Pradipkumar N. Dhoot, Mr. Anirudha V. Dhoot and Mr. Subhash S. Dayama, during their tenure as the Directors of the Company.

CASH FLOW STATEMENT

As per the requirements of Clause 32 of the Listing Agreement with the Stock Exchange, the Cash Flow Statement as prepared in accordance with the Accounting Standard on Cash Flow Statement (AS-3) issued by the Institute of Chartered Accountants of India, is given along with the Balance Sheet and Profit and Loss Account.

AUDITORS' REPORT

The Auditors' Report is unqualified.

AUDITORS

M/s. Khandelwal Jain & Co., Chartered Accountants, Mumbai and M/s. Kadam & Co., Chartered Accountants, Ahmednagar, would retire as the Statutory Auditors of the Company at the conclusion of the Twenty-Third Annual General Meeting and have offered themselves for re-appointment. M/s. Khandelwal Jain & Co., Chartered Accountants, Mumbai and M/s. Kadam & Co., Chartered Accountants, Ahmednagar, have confirmed their eligibility and willingness to accept the office, if re-appointed. The Company has also received certificates from the said Auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Board recommends re-appointment of M/s. Khandelwal Jain & Co., Chartered Accountants, Mumbai and M/s. Kadam & Co., Chartered Accountants, Ahmednagar, as the Statutory Auditors from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

COST AUDIT

As per order dated 6th November, 2012, issued by the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, the Company is required to appoint a Cost Auditor for the financial year commencing from 1st January, 2013 to 31st December, 2013.

In accordance with the provisions of General Circular No. 15/2011 issued by the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, the Board of Directors of the Company have accorded its approval for appointment of Mr. Sudhir C. Sant, Practicing Cost Accountant, Pune, having Membership No. 7836, as the Cost Auditor of the Company, subject to the approval of the Central Government, to conduct audit of the Cost Accounts Records maintained by the Company for the financial year commencing on 1st January, 2013 and ending on 31st December, 2013.

AUDIT COMMITTEE

The Company has duly constituted the Audit Committee, pursuant to the provisions of Section 292A of the Companies Act, 1956 and provisions of the Listing Agreement. The composition, scope and powers of Audit Committee together with details of the meetings held during the year under review forms part of the Corporate Governance Report.

SUBSIDIARY COMPANIES

The Company does not have any subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed review of performance and future prospects is included in the section "Management Discussion and Analysis Report" of the Annual Report.

CORPORATE GOVERNANCE

Good Corporate Governance is an integral part of the management and business philosophy. The Company subscribes fully to the principles and spirit of good Corporate Governance and embeds the principles of independence, integrity, accountability and transparency into the value system driving the Company. A section on Corporate Governance together with a Compliance Certificate from the Statutory Auditors of the Company, confirming compliance with the Clause 49 of the Listing Agreement, forms part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, we, the directors of **TREND ELECTRONICS LIMITED**, state in respect of financial year ended 31st December, 2012 that:

- in the preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;
- the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year ended on that date;
- the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the directors have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to express their deep sense of appreciation for the committed services of all the employees of the Company. Your Directors also take this opportunity to thank all stakeholders, banks, regulatory and government authorities for their continued support.

For and on behalf of the Board of Directors of
TREND ELECTRONICS LIMITED

VIVEK D. DHARM
Director

BHOPINDER J. CHOPRA
Director

Place : Mumbai
Date : 15th May, 2013

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance has become the new corporate jargon. Corporate Governance is really a state of mind. It is embodied in the feelings and traditions of the Company. Corporate Governance today, is one of the attributes of a good corporate citizen. It is part of the management framework. Corporate Governance may be defined as a set of systems, processes and principles which ensure that a company is governed in the best interest of all the stakeholders. It is about promoting corporate fairness, transparency and accountability. In other words, good Corporate Governance is simply good business.

The Company has always been committed to the system by which the business is conducted on the principle of good Corporate Governance. The culture of good Corporate Governance is followed at all stages in conducting the business. The principles of Corporate Governance viz. integrity, equity, fairness, accountability and commitment to values are promoted continuously. The corporate structure, business and financial reporting practices have been aligned to the principles of Corporate Governance. Continuous endeavour is made to improve these practices on an ongoing basis.

Your Company has documented internal governance policies and put in place a formalized system of Corporate Governance which sets out the structure, processes and practices of governance within the Company and serves as a guide for day to day business and strategic decision making in the Company.

The Company's philosophy on the Corporate Governance is based on the following principles:

- Ensure integrity and ethics in all the dealings;
- Simple and transparent corporate structure driven solely by business needs;
- Maintain transparency with a high degree of disclosure and adequate control system;
- Compliance with all the laws and regulations as applicable to the Company; and
- Promote interest of all the stakeholders including customers, shareholders, employees, lenders, vendors, government and the community at large.

There have been continuous efforts to improve and increase the Corporate Governance measures in the recent years, which include among others improved board reporting, building a strong ethics culture with increased focus on implementation of the code of conduct, commitment to corporate sustainability, legal compliances systems, more focused internal audit, etc.

COMPLIANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT

As required under Clause 49 of the Listing Agreement with the Stock Exchange, the Corporate Governance Report forms part of the Annual Report. Your Company is in full compliance with the requirements and disclosures as stated therein. A certificate from the Statutory Auditors of the Company confirming compliance of the Corporate Governance is appended to the Report on Corporate Governance. The details of the compliances are detailed hereunder:

BOARD OF DIRECTORS

As on 31st December, 2012, the strength of the Board was three, all being Non-Executive Independent Directors. The Company has duly complied with the requirements under Clause 49(I)(A) of the Listing Agreement with the Stock Exchange as regards the composition of the Board.

During the year under review, there has been a change in the composition of the Board of Directors, pursuant to resignation of Mr. Pradipkumar N. Dhoot, Mr. Anirudha V. Dhoot and Mr. Subhash S. Dayama from the directorship of the Company.

The Board consists of eminent persons with considerable professional experience and expertise in business and industry. The Board comprised of Mr. Subhash S. Nabar, Mr. Vivek D. Dharm and Mr. Bhopinder J. Chopra as on 31st December, 2012.

Board/Committee Proceedings:

The Company has a well-defined process for the meetings of the Board of Directors and Committees thereof. The meetings of the Board of Directors are held after giving due advance notice to review and discuss the performance of the Company, its future plans, strategies and other pertinent

issues relating to the Company. It helps to facilitate decision making in an informed and efficient manner as under:

- a) The Company Secretary in consultation with the Board of Directors, finalizes the agenda of the Board and Committee Meetings, which is distributed to the Board/Committee Members well in advance. All items in the agenda are supported by notes to agenda which are also circulated well in advance. To address specific urgent need, meetings are also being called at shorter notice. The Board is also authorized to pass resolution by circulation for all such matters which are of utmost urgent nature.
- b) The Board has complete and unqualified access to all information available with the Company. The information regularly provided to the Board includes:
 - Annual Operating plans and budgets and any updates;
 - Capital budgets and any updates;
 - Quarterly/ Annual results of the Company;
 - Minutes of the meetings of Audit and other Committees of the Board and of General Body Meetings;
 - Information on recruitment of senior officers and Company Secretary, including appointment or removal of Chief Financial Officer;
 - Details of Joint Venture or collaboration agreement, if any;
 - Acquisitions/Amalgamation, if any;
 - Details of the Related Party Transactions, if any;
 - Disclosure of Interest by Directors about directorship and committee positions occupied by them in other companies;
 - Sale of material nature, if any, of investments and assets, which is not in the normal course of business;
 - Material important litigations, show cause, demand and penalty notices, if any;
 - Compliance Reports;
 - Significant developments in the human resources & industrial relations;
 - Fatal accidents and other dangerous occurrences;
 - Review details regarding foreign exchange exposure and steps implemented to manage them;
 - Transaction that involves substantial payment towards goodwill, brand equity or intellectual property; and
 - Other materially relevant information.
- c) Minutes of the proceedings of the Board/Committee meetings/ General Body Meetings are recorded. Draft minutes are circulated amongst all members for their comments. The minutes of the proceedings of the meetings are entered in the Minutes Book.
- d) The guidelines for the Board/Committee meetings facilitate an effective post meeting follow-up, review and reporting process for the actions taken on decisions of the Board and Committees.
- e) The Board periodically reviews the compliance reports to ensure adherence to all applicable provisions of law, rules and guidelines as may be applicable to the Company and takes steps to rectify non-compliances, if any.
- f) The Company has laid down code of conduct which binds all the board members and senior management of the Company. A declaration by the Head Operations and Company Secretary to this effect is appended to this Report.

Board Meetings and Attendance:

The Board of Directors of the Company met 13 (Thirteen) times on 06.01.2012, 11.02.2012, 28.02.2012, 26.03.2012, 17.04.2012, 28.04.2012, 15.05.2012, 05.06.2012, 12.06.2012, 03.07.2012, 14.08.2012, 09.11.2012 and 04.12.2012. The gap between any two board meetings was not more than four months.

Details of number of Board meetings attended by the Directors, attendance at the last Annual General Meeting, number of other directorships/committee positions held by them during the financial year ended on 31st December, 2012, are as hereunder:

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| Directors | No. of Board Meetings Attended | Attendance At the last AGM (held on 29.06.2012) | Other Directorships ³ | | | |
|--|--------------------------------|---|----------------------------------|-----------------------|---|-----------|
| | | | Directorships ¹ | Company Chairmanships | Number of Committee Memberships in Other Companies ² | |
| | | | | | As Chairman | As Member |
| Mr. Pradipkumar N. Dhoot (upto 06.01.2012) | 0 | No | 14 | - | - | 5 |
| Mr. Anirudha V. Dhoot (upto 06.01.2012) | 0 | No | 13 | - | 3 | 1 |
| Mr. Subhash S. Dayama (upto 06.01.2012) | 0 | No | 14 | - | 4 | 4 |
| Mr. Vivek D. Dharm | 12 | Yes | 9 | - | 1 | 1 |
| Mr. Subhash S. Nabar | 8 | No | 2 | - | - | - |
| Mr. Bhopinder J. Chopra | 8 | Yes | 2 | - | - | 1 |

Notes:

- Number of Directorships held by Directors excludes Alternate Directorships, Directorships in Foreign Companies, Companies incorporated under Section 25 of Companies Act, 1956 and Private Limited Companies.
- Membership/Chairmanship of only the Audit Committee and Shareholders'/ Investors' Grievance Committee of Public Limited Companies have been considered in terms of Clause 49 of the Listing Agreement.
- Other Directorship(s), Company Chairmanship(s), Committee Chairmanship(s) and Committee Membership(s) of Mr. Pradipkumar N. Dhoot, Mr. Anirudha V. Dhoot and Mr. Subhash S. Dayama is/are based on the disclosure submitted at the beginning of the year under review. As regards other directors, it is as on 31st December, 2012.

Brief Profile of Director seeking re-appointment:

The brief profile of Director retiring by rotation and seeking re-appointment as required pursuant to Clause 49 of the Listing Agreement with the Stock Exchange as on the date of this Report, is as under:

Mr. Bhopinder J. Chopra, Independent Director, born on 13th November, 1934, is a Bachelor of Science and has done Post Graduate Diploma in Electrical Communication Engineering. He has a vast experience in the field of manufacturing, marketing and finance. He was appointed as a Director of the Company on 8th December, 2005. Presently, he is on the board of M/s. Videocon Display Limited and M/s. Silver Crest Electronics Limited. He is not holding any equity shares in the Company. He doesn't hold any committee chairmanship. However, he is a member of Audit Committee of M/s. Videocon Display Limited.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has constituted the following four committees:

Mandatory Committees:

- Audit Committee
- Shareholders'/Investors' Grievance Committee

Non-mandatory Committees:

- Remuneration Committee
- Finance and General Affairs Committee

AUDIT COMMITTEE

In terms of the provisions of Section 292A of the Companies Act, 1956, read with Clause 49 of the Listing Agreement, it is mandatory for the Company to constitute an Audit Committee. During the financial year ended on 31st December, 2012, the Audit Committee of the Board of Directors comprised of three independent directors. All the Independent Directors are financially literate and are having vast experience in the fields of finance, accounts and industry. The composition as on 31st December, 2012, was as under:

| Name | Designation | Category |
|-------------------------|-------------|-------------|
| Mr. Vivek D. Dharm | Chairman | Independent |
| Mr. Subhash S. Nabar | Member | Independent |
| Mr. Bhopinder J. Chopra | Member | Independent |

During the year under review, Mr. Anirudha V. Dhoot resigned from the Board of Directors of the Company w.e.f. 6th January, 2012. Consequent to his resignation, he ceased to be a member of the Audit Committee. Mr. Subhash S. Nabar was co-opted as a member of the Audit Committee in place of Mr. Anirudha V. Dhoot w.e.f. 6th January, 2012.

The Company Secretary of the Company acts as a Secretary to the Committee.

The terms of reference of the Audit Committee are in accordance with all the items listed in Clause 49 (II) (D) and (E) of the Listing Agreement.

Terms of reference and scope of the Audit Committee:

The following are the terms of reference and scope of the Audit Committee:

- Overall assessment of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

- Recommending to the Board, the appointment/ re-appointment and if required replacement/ removal of statutory auditors, cost auditor, fixation of audit fee and also approval of payment for any other services rendered by the auditors;
- Reviewing with the management, the performance of statutory and internal auditors and the adequacy of internal control systems;
- Review of quarterly financial results before submission to the Board;
- Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:-
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries based on exercise of judgment by management;
 - Observations and qualifications, if any, in draft audit report;
 - Significant adjustments in the financial statements, if any, arising out of audit findings;
 - Compliance with the accounting standards;
 - Compliance with the listing and other legal requirements concerning financial statements; and
 - Any related party transactions i.e., transactions of the Company of material nature, with the promoters or the management or their relatives, with the subsidiary company etc., that may have potential conflict with the interests of Company at large.
- Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter;
- Reviewing with the management, performance of statutory and internal auditors and adequacy of the internal control system;
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with internal auditors on any significant findings and follow up there on;
- Reviewing the findings, if any, of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with statutory auditors before the audit commences regarding the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

- l) Reviewing the Company's financial and risk management policies;
- m) Looking into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- n) Approval of appointment of CFO (i.e. Whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background etc. of the candidate;
- o) Reviewing the functioning of Whistle Blower Mechanism; and
- p) Carrying out any other function as mentioned in the terms of reference of the Audit Committee.

The Audit Committee also reviews:

- i. Management discussion and analysis of financial conditions and results of operations;
- ii. Statement of significant related party transactions, if any;
- iii. Management Letters/Letters of internal control weaknesses issued by the Statutory Auditors;
- iv. Internal audit reports relating to internal control weaknesses, if any; and
- v. Appointment, removal and terms of remuneration of the Chief Internal Auditor, if any.

The Audit Committee is also vested with the following powers:

- a) To investigate any activity within its terms of reference;
- b) To seek any information from any employee;
- c) To obtain external legal and professional advice; and
- d) To secure attendance of outsiders with relevant expertise, if the Committee considers necessary.

Meetings and Attendance:

During the financial year under consideration, 4 (Four) meetings of the Committee were held on 28.02.2012, 15.05.2012, 14.08.2012 and 09.11.2012.

The details of the meetings of Audit Committee attended by the members are as under:-

| Name | Meetings Attended |
|-------------------------|-------------------|
| Mr. Vivek D. Dharm | 4 |
| Mr. Bhopinder J. Chopra | 3 |
| Mr. Subhash S. Nabar | 2 |

The Statutory Auditors and the Head of Internal Audit attended and participated in the meetings on invitation.

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The composition of the Shareholders'/Investors' Grievance Committee of the Board of Directors as on 31st December, 2012, was as under:

| Name | Designation | Category |
|-------------------------|-------------|-------------|
| Mr. Vivek D. Dharm | Chairman | Independent |
| Mr. Subhash S. Nabar | Member | Independent |
| Mr. Bhopinder J. Chopra | Member | Independent |

During the financial year under review, the Shareholders'/Investors' Grievance Committee was reconstituted. Mr. Bhopinder J. Chopra and Mr. Subhash S. Nabar were co-opted as the members in place of Mr. Pradipkumar N. Dhoot and Mr. Subhash S. Dayama, who resigned from the Directorship of the Company, with effect from 6th January, 2012.

Compliance Officer:

After the date of Balance sheet, Mrs. Kanchan Kakade resigned as a Company Secretary of the Company and Mr. Kaustubha A. Sahasrabudhe was appointed as a Company Secretary w.e.f 30th April, 2013.

The Company Secretary, is the Compliance Officer of the Company.

Terms of reference and scope of the Committee:

The Board has delegated the power of Share Transfer to the Registrar and Share Transfer Agent, who processes the transfers. The Committee monitors redressal of Shareholders' and Investors' complaints and also administers the following activities:

- a) Transfer/Transmission/Transposition of shares;
- b) Issue of Duplicate Share Certificates;
- c) Change of Status of holding;
- d) Change of Name;

- e) Issue and Allotment of Shares;
- f) Sub-division of Shares;
- g) Consolidation of Folios;
- h) Dematerialization/Rematerialization of shares;
- i) Review of shares dematerialized;
- j) Monitoring compliance of the code of conduct prescribed by SEBI for prevention of insider trading; and
- k) Redressal of investor grievances.

Particulars of investors' grievances received and redressed during the financial year ended on 31st December, 2012, form part of this report.

Meetings and Attendance:

During the financial year under consideration, 4 (Four) meetings of the Shareholders'/Investors' Grievance Committee were held on 27.02.2012, 14.05.2012, 13.08.2012 and 08.11.2012.

The details of the attendance by the members are as under:

| Name | Meetings Attended |
|-------------------------|-------------------|
| Mr. Vivek D. Dharm | 3 |
| Mr. Subhash S. Nabar | 3 |
| Mr. Bhopinder J. Chopra | 2 |

Share Transfer Details:

The details of shares transferred during the year under review are given below:

| Sr. No. | Particulars | Equity |
|---------|------------------------------------|--------|
| 1. | Number of Transfers | 39 |
| 2. | Average No. of Transfers per month | 3.25 |
| 3. | Number of Shares Transferred | 2,800 |

Demat/Remat of Shares:

Details of Shares Dematerialized/Rematerialized during the year under review are given below:

| Sr. No. | Particulars | Equity |
|---------|---|--------|
| 1. | Number of Demat Requests approved | 138 |
| 2. | Number of Sub-committee Meetings held | 49 |
| 3. | Number of Shares Dematerialised | 13,575 |
| 4. | Percentage of Shares Dematerialised | 0.18 |
| 5. | Number of Rematerialisation requests approved | 0 |
| 6. | Number of Shares Rematerialised | 0 |

Details of complaints received and redressed during the year ended on 31st December, 2012:

| Sr. No. | Particulars | Received | Redressed | Pending as on 31.12.2012 |
|---------|--|-----------|-----------|--------------------------|
| 1. | Non-receipt of refund order | 0 | 0 | 0 |
| 2. | Non-receipt of dividend/ interest/ redemption warrants | 19 | 19 | 0 |
| 3. | Non-receipt of share certificates | 7 | 6 | 1 |
| 4. | Others | 11 | 11 | 0 |
| | Total | 37 | 36 | 1 |

Note: Representatives of the Company are in constant touch with M/s. MCS Limited, Registrar and Share Transfer Agent of the Company and they periodically review the outstanding complaints.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board of Directors comprised of three Independent Directors. The composition as on 31st December, 2012, was as under:

| Name | Designation | Category |
|-------------------------|-------------|-------------|
| Mr. Bhopinder J. Chopra | Chairman | Independent |
| Mr. Subhash S. Nabar | Member | Independent |
| Mr. Vivek D. Dharm | Member | Independent |

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During the year under review, the Remuneration Committee was reconstituted and Mr. Vivek D. Dharm was co-opted as the member in place of Mr. Subhash S. Dayama, who resigned as a Director of the Company, with effect from 6th January, 2012.

Terms of reference and scope of the Committee:

The following matters are referred to the Remuneration Committee:

- Fixing and reviewing the remuneration of the Chief Executives and other senior officers of the Company;
- Recommending the remuneration including the perquisite package of key management personnel;
- Determining the remuneration policy of the Company;
- Recommending the retirement benefit plans of the Company;
- Reviewing the performance of employees against specific key result areas; and
- Attending any other responsibility as may be entrusted by the Board.

Meetings and Attendance:

During the financial year under consideration, one meeting was held on 30th January, 2012.

The details of the meeting of Remuneration Committee attended by the members are as under:-

| Name | Meeting attended |
|-------------------------|------------------|
| Mr. Bhopinder J. Chopra | 0 |
| Mr. Subhash S. Nabar | 1 |
| Mr. Vivek D. Dharm | 1 |

Directors' Remuneration:

The non-executive and independent directors are paid only sitting fees for participating in the Board and various Committee meetings.

Details of payment towards sitting fees to independent directors during the financial year ended on 31st December, 2012, are as under:

| Name | Sitting fees paid (`) |
|-------------------------|-------------------------|
| Mr. Vivek D. Dharm | 42,000 |
| Mr. Subhash S. Nabar | 29,000 |
| Mr. Bhopinder J. Chopra | 28,000 |
| TOTAL | 99,000 |

Stock Options:

The Company has not issued any stock options during the financial year ended on 31st December, 2012.

FINANCE AND GENERAL AFFAIRS COMMITTEE

During the year, the Board of Directors of the Company have constituted a Standing Committee titled as "Finance and General Affairs Committee" at its meeting held on 3rd July, 2012.

The composition of the Finance and General Affairs Committee of the Board of Directors as on 31st December, 2012, was as under:

| Name | Designation | Category |
|-------------------------|-------------|-------------|
| Mr. Vivek D. Dharm | Chairman | Independent |
| Mr. Subhash S. Nabar | Member | Independent |
| Mr. Bhopinder J. Chopra | Member | Independent |

The Company Secretary is the de-facto Secretary of the Committee.

Meetings and attendance:

During the financial year under consideration, 5 (Five) meetings of the Finance and General Affairs Committee were held on 03.08.2012, 12.09.2012, 23.10.2012, 05.11.2012 and 27.11.2012.

The details of the attendance by the members are as under:-

| Name | Meetings Attended |
|-------------------------|-------------------|
| Mr. Vivek D. Dharm | 4 |
| Mr. Subhash S. Nabar | 3 |
| Mr. Bhopinder J. Chopra | 3 |

Terms of reference and scope of Finance and General Affairs Committee:

The Committee is entrusted with various powers from time to time, which shall aid in speedy implementation of various projects, activities and transactions whether routine or non-routine in nature.

GENERAL BODY MEETINGS

Date, time and location where the last three Annual General Meetings (AGMs) were held are as under:

| AGM | AGM Date | Location | Time | No. of Special Resolution Passed |
|------|------------|--|-----------|----------------------------------|
| 20th | 30.03.2010 | 20 K.M. Stone, Aurangabad - Beed Road, Village: Bhalgaon, Aurangabad - 431 210 (Maharashtra) | 4.00 p.m. | NIL |
| 21st | 29.06.2011 | 20 K.M. Stone, Aurangabad - Beed Road, Village: Bhalgaon, Aurangabad - 431 210 (Maharashtra) | 4.00 p.m. | NIL |
| 22nd | 29.06.2012 | 20 K.M. Stone, Aurangabad - Beed Road, Village: Bhalgaon, Aurangabad - 431 210 (Maharashtra) | 4.00 p.m. | NIL |

POSTAL BALLOT

During the year under review, seven resolutions were passed through Postal Ballot, particulars of which are set out hereunder:

| Resolution No. | Particulars of the resolution passed | Section of the Companies Act, 1956, under which the resolution was passed | Nature of Resolution |
|----------------|--|---|----------------------|
| 1. | Alteration of the Main Object Clause No. III A 1. of the Memorandum of Association of the Company by inserting the words Light Emission Displays (LEDs), Plasma Display Panels (PDPs), Liquid Crystal Displays (LCDs), DVDs, Set Top Boxes, Mobile Phones, Mobile Tablets, electronic gadgets. | 17 | Special |
| 2. | Amendment to the Articles of Association of the Company by substituting the existing set of regulations No. 1 to 187 (both inclusive) with new set of regulations No. 1 to 199 (both inclusive), in the manner provided in the Resolution. | 31 | Special |
| 3. | Increase in the Authorized Share Capital of the Company from ` 60 Cr. to ` 125 Cr. divided into 250 Lakhs Equity Shares of ` 10/- each and 1 Cr. Redeemable Preference Shares of ` 100/- each aggregating to ` 125 Cr. and consequent alteration to Clause V of the Memorandum of Association of the Company. | 94 | Ordinary |
| 4. | Authorization to the Board of Directors of the Company, to issue, offer & allot Equity Shares and/or other equity linked financial instrument, for an amount not exceeding ` 250 Crores, inclusive of premium, at an appropriate time, in one or more tranches, to such persons or entities, whether or not such investors are members of the Company, in the manner provided in the Resolution. | 81(1A) | Special |