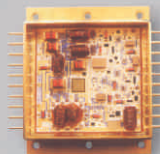
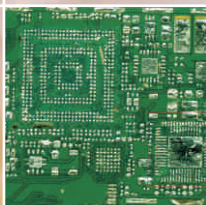


Teamwork • Technology • Trust



CENTUM ELECTRONICS LIMITED

Annual Report 2013-14

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, Independent Director

Dr. P. Rama Rao, Independent Director

Manoj Nagrath, Independent Director

Rajiv C Mody, Independent Director

Pranav Kumar N Patel, Independent Director

Chief Financial Officer (CFO)

K S Desikan

Company Secretary

Ramu Akkili

Statutory Auditors

BSR & Co. LLP

Internal Auditors

Ernst & Young Co. LLP

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.

CIN - L85110KA1993PLC013869

Notice of the 21st Annual General Meeting

Notice is hereby given that the Twenty First 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 Friday, 1st August, 2014 at 2.00 pm to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2014 and Statement of Profit and Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To confirm the payment of Interim Dividend and to declare a Final Dividend for the financial year 2013-14.
3. To appoint M/s. BSR & Co. LLP, (formerly known as 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 an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Pranav Kumar N Patel (DIN 06784801), who was appointed as an Additional Director of the Company and who meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for the appointment, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for a term of five consecutive years.”

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

“**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. S. Krishnan (DIN 1807344), Director of the Company whose period of office is liable to retirement by rotation as per the Companies Act, 1956 and who meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for the appointment, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for a term up to March 31, 2019.”

6. 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 197(1) and other applicable provisions, if any, of the Companies Act, 2013, the Company be and is hereby authorised to pay by way of commission and/or remuneration of Rs.2,00,000/- (Rupees Two lakhs) annually to each independent non-executive director for their guidance/counsel to the company, on matters relating to the Corporate Affairs.”

By the order of the Board
for **Centum Electronics Limited**

Apparao V Mallavarapu
Chairman & Managing Director

Place: Bangalore
Date: May 29, 2014

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 102 (1) of the Companies Act, 2013 in respect of Special Business is set out in the Annexure.
3. Register of members and Share Transfer books will remain closed from 22nd July, 2014 to 24th July, 2014 (both days inclusive) for the purpose of AGM and ascertaining the members eligible to receive the recommended dividend
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 (2013-14).
 - 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.
7. In compliance with the provisions of section 108 of the Act and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all resolutions set forth in this Notice.

The instructions for e-voting are as under:

- A. In case a Member receives an e-mail from NSDL (for Members whose e-mail addresses are registered with the Company/Depositories):
 - i. Open the e-mail and also open PDF file namely "Centum e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
 - ii. Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>.
 - iii. Click on Shareholder - Login.
 - iv. If you are already registered with NSDL for e-voting then you can use your existing user ID and password.
 - v. If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.
 - vi. The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.
 - vii. Once the e-voting home page opens, click on e-voting> Active Voting Cycles.
 - viii. Select "EVEN" (E-Voting Event Number) of Centum Electronics Limited which is 100456. Now you are ready for e-voting as Cast Vote page opens.
 - ix. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - x. Upon confirmation, the message "Vote cast successfully" will be displayed.

Notice (Contd...)

- xi. Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
 - xii. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/Authority letter, etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to cs@nagarajsp818.com, with a copy marked to evoting@nsdl.co.in.
 - xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) - Shareholders and e-voting user manual - Shareholders, available at the downloads section of www.evoting.nsdl.com.
- B. In case a Member receives physical copy of the Notice of AGM (for Members whose email addresses are not registered with the Company/Depositories):
- i. Initial password, EVEN (E-Voting Event Number) and user ID are provided separately in the e-voting notice along with the Notice of AGM.
 - ii. Please follow all steps from Sl. No. (ii) to Sl. No. (xiii) above, to cast vote.
- C. Other Instructions:
- i. The e-voting period commences on Saturday, July 26, 2014 (9.00 a.m. IST) and ends on Monday, July 28, 2014 (6.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on June 30, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently.
 - ii. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on June 30, 2014.
 - iii. Mr. S.P. Nagarajan, Practicing Company Secretary (Membership No. ACS 10028), has been appointed as the Scrutinizer to scrutinize the e-voting process (including the votes casted at the Annual General Meeting) in a fair and transparent manner.
 - iv. The Scrutinizer shall, within a period not exceeding two working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
 - v. The members of the company, holding shares either in physical form or in dematerialized form, as on June 30, 2014 and not casting their vote electronically, may only cast their vote at the Annual General Meeting.
8. The results shall be declared at the Annual General Meeting. The same shall be placed along with the Scrutinizer's Report on the Company's website www.centumelectronics.com and on the website of NSDL www.evoting.nsdl.com and communicated to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

Explanatory Statement under Section 173 (2) of the Companies Act, 1956.**Item No. 4:**

The Board of Directors appointed Mr. Pranavkumar N Patel as an Additional Director at its meeting held on 28th January 2014. Pursuant to the provisions of Section 161 of the Companies Act, 2013, he holds office till conclusion of this Annual General Meeting and is eligible for appointment as a Director of the Company.

Mr. Pranav holds a bachelor's degree in electrical engineering from the University of Illinois @ Urbana - Champaign, a master's degree in electrical and computer engineering and a second master's degree in industrial engineering from the Georgia Institute of Technology and also finished his MBA degree from the Georgia State University.

Mr. Pranav worked in companies like, Siemens and at present works for GE. He is responsible for leading product management and business development activities for the GE's Healthcare Services business covering full portfolio of GE Healthcare System products in North America. He has co-authored five patents in fields of microware integrated circuits, multi-chip module, packaging and energy storage systems

Mr. Pranav is not a member in the Board of any other companies and does not hold any shares of the company.

In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr. Pranav being eligible and offer himself for appointment as an Independent Director of the company for a term of five consecutive years up to 31st March, 2019 on such terms and conditions as specified in the letter of appointment.

In the opinion of the Board, Mr. Pranav fulfills the conditions specified in the Companies Act, 2013 and rules made there under for his appointment as an Independent Director of the Company. The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Pranav. Accordingly, the Board recommends the resolution in relation to appointment of Mr. Pranav as an Independent Director, for the approval by the shareholders of the Company.

Except Mr. Pranav, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested in the said resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange

Item No. 5:

Mr. S. Krishnan is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in the year, 2007. Mr. S. Krishnan is a member in Audit Committee, Nomination and Remuneration Committee, Shareholders' Grievance Committee and Corporate Social Responsibility Committee of the Board of Directors of the Company.

Mr. S. Krishnan received his B.Tech from IIT, Madras and M.E. from IISC, Bangalore. He has 33 years of rich experience in the areas of Design, Manufacturing Process Technology and Quality Assurance. He served as the head of Design and Engineering at Centum since its inception till his retirement in 2004. Mr. Krishnan served in the microelectronics group of Bharat Electronics Limited (BEL) prior to joining Centum.

Mr. S. Krishnan is a Director in the subsidiary company, Centum Rakon India Private Limited.

In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr. S. Krishnan being eligible and offer himself for appointment as an Independent Director of the company for a term of five consecutive years up to 31st March, 2019 on such terms and conditions as specified in the letter of appointment.

In the opinion of the Board, Mr. S. Krishnan fulfils the conditions specified in the Companies Act, 2013 and rules made there under for his appointment as an Independent Director of the Company. The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. S. Krishnan. Accordingly, the Board recommends the resolution in relation to appointment of Mr. S. Krishnan as an Independent Director, for the approval by the shareholders of the Company.

Notice (Contd...)

Mr. S. Krishnan holds 83 shares of the company.

Except Mr. S. Krishnan, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested in the said resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No. 6:

The Board of directors of your company at their meeting held on 29th May 2014, had recommended for the payment of Rs. 2 lakhs (Rupees Two lakhs) to the Independent Non-executive Directors, for their guidance/ counsel to the Company, on matters relating to the Corporate affairs.

The approval of Members under Section 197 of the Companies Act, 2013 is required for payment of commission, if any, to the Non-Executive Directors. The Board, therefore, commends the Special Resolution proposed at Item no. 6 of the Notice for your approval.

All the other directors are interested in the said resolution except Mr. Apparao V Mallavarapu.

By the order of the Board
for **Centum Electronics Limited**

Apparao V Mallavarapu
Chairman & Managing Director

Place: Bangalore
Date: May 29, 2014

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

1. Mr. Pranav Patel 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. Pranav worked in companies like, Siemens and at present works for GE. He is responsible for leading product management and business development activities for the GE's Healthcare Services business covering full portfolio of GE Healthcare System products in North America. He has co-authored five patents in fields of microware integrated circuits, multi-chip module, packaging and energy storage systems

Mr. Pranav holds a bachelor's degree in electrical engineering from the University of Illinois @ Urbana - Champaign, a master's degree in electrical and computer engineering and a second master's degree in industrial engineering from the Georgia Institute of Technology and also finished his MBA degree from the Georgia State University.

Mr. Pranav Patel does not hold any shares of the company.

2. Mr. S. Krishnan is willing to act as a Director of the company, if so appointed and has consented for being appointed as an independent director of the company.

Mr. Krishnan has 33 years of rich experience in the areas of Design, Manufacturing Process Technology and Quality Assurance. He served as the head of Design and Engineering at Centum since its inception till his retirement in 2004. Mr. Krishnan served in the microelectronics group of Bharat Electronics Limited (BEL) prior to joining Centum.

He received his B.Tech from IIT, Madras and M.E. from IISC, Bangalore.

Mr. S. Krishnan holds 83 shares of the company.

Directors' Report

Your Directors have pleasure in presenting their Twenty First Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31st March 2014.

FINANCIAL HIGHLIGHTS

Rs.Millions

Particulars	CONSOLIDATED		STANDALONE	
	2013-14	2012-13	2013-14	2012-13
Revenue	4,258.87	2,835.13	2,981.82	1,824.11
Profit before Depreciation and Interest	828.25	345.65	496.98	24.89
Depreciation	156.84	154.95	71.59	75.82
Interest	54.42	41.67	37.56	27.76
Profit before tax	616.99	149.03	387.83	(78.69)

PERFORMANCE

During the current year of operations, your company has registered consolidated revenue of Rs. 4,258.87 million, an increase of about 50% compared to the previous financial year. Your company posted Profit before Taxes of Rs. 616.99 million with an increase of 314% over the previous financial year.

During the year, significant contributions were made in the Strategic Electronic programs. The investments made in the global sales & marketing in the previous years have resulted in higher revenues from new customers and new product introductions.

Your company has received the below awards during the year under review:

1. IETE corporate award for performance in electronic in Electronic components (2013) - LE.
2. Subsidiary company, Centum Rakon received ELCINA - EFY award for excellence in Electronics - 2012-13 (awarded in Sep' 2013) in recognition of outstanding performance in exports.

SUBSIDIARY

During the Sixth year of operations, Centum Rakon India Private Limited has registered revenue of Rs. 1398.43million and posted Profit before Taxes of Rs. 286.43 million.

DIVIDEND

During the year an interim dividend of Re. 1 per share was paid. Also a final dividend of Rs. 1.50 per share has been recommended by the Board, aggregating to a total dividend of Rs. 2.50 per share for the year. The total dividend payout would be Rs. 31.06 million and Rs. Nil with respect to tax on dividend for the year.

Transfer to reserves

The company proposes to transfer Rs. 49.92 million to the general reserve out of the amount available for appropriation for the financial year 2013-14.

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.

Directors' Report (contd...)

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 year 2007 & 2013.

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

The changes that had occurred in the composition of the Board of Directors are given below:

1. Mr. Pranav Patel was appointed as Additional Director w.e.f. January 28, 2014.
2. In terms of the provisions of Section 149(10) & (11) and other applicable provisions, if any, of the Companies Act, 2013, Mr.S.Krishnan, Independent Director, completes the terms of 5 years. Mr. S. Krishnan, being eligible and qualified for re-appointment, your directors proposes him for the re-appointment for a further period of 5 years with the consent of the shareholders by special resolution.

None of the Directors of the company are disqualified for being appointed as Directors as specified in Section 164 of the Companies Act, 2013.

The Appointments of the aforesaid directors have been included as an item for each director in the notice convening the 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 2014 all the applicable Accounting Standards had been followed along with the proper explanations relating to material departures;
- ii. accounting policies were adopted and applied 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 as at 31st March 2014 and of the profit 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. LLP (formerly known as M/s. BSR & Co.), Chartered Accountants, Statutory Auditors of the company will retire at the forthcoming annual general meeting and are eligible for re-appointment. The retiring auditors have furnished a certificate of their eligibility for reappointment under Sec 139 of the Companies Act, 2013 and have indicated their willingness to continue. Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules framed there under, it is proposed to appoint M/s. BSR & Co. LLP as statutory auditors for the company from the conclusion of the forth coming AGM till the conclusion of the twenty fourth AGM to held in the year 2017, subject to ratification of their appointment at every AGM.

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.

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
Date: May 29, 2014

Apparao V Mallavarapu
Chairman & Managing Director

S. Krishnan
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:

- Chemical de scaling for all AHU'S cooling coil was carried out and improved the efficiency of Centralized AC system.
- AHU'S Cooling coil were replaced with new one wherever efficiency was reduced and improved the AC efficiency.
- Power factor improved from 0.96 to 0.98 by replacing the inefficient/ aged capacitors.
- Trident dryer - Molecular balls are replaced with high efficient larger sized molecular sieves and improved the dew point resulted in reduction in power consumption.
- Incoming power quality was continuously monitored and ensured stable power supply in coordination with BESCOM.
- Regularly monitored the high power consuming equipment like Chillers, air compressors, air conditioners etc. on daily basis and ensured optimum utilization.
- Replaced the process chilled water circuit with CPVC pipe with insulation & improved the efficiency

Directors' Report (contd...)

2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

Technology Absorption:

- Centum is working with the Centre for Nano Science & Engineering (CeNSE) at Indian Institute of Science as the first Industry partner under the Industry Affiliate Program in the areas of increasing the power density of the dc-dc converters and in the areas of RF modules/subsystems
- Technologies related to C-band Transmit Receive Modules and Wide Band Digitally tuned filters have been established with prototype developments meeting the stringent requirements of defense customers
- Technology is also absorbed in the form of design and manufacturing of very high power RF amplifiers in microwave frequency range for mission critical defense and aerospace applications.
- Centum has in the last year absorbed and implemented several new manufacturing processes to cater to the stringent requirements for the Aerospace and mission critical defense applications, for major international customers

Research and Development (R&D) and benefits derived thereon:

(i) Specific areas in which R&D carried out by the Company:

- Digitally tunable wide band filters.
- TR Modules (Single and Quad) operating in C-band
- Power supplies for missile application.
- Point of load converters for space application.

(ii) Benefits derived as result of the above R&D

- Ability to develop modules involving power-digital-RF sections for Quad TR modules
- Development of the capabilities to build TR modules, Transmitters operating in different frequency bands with different power ratings

(iii) Future Plan of Action

- Qualification of Lines and Systems for MIC based RF subsystems for space applications
- Enhancing the Technical services capabilities in Component Engineering / Alternate Management / Obsolescence Management
- Increasing the product range with the inclusion of Digital portions comprising FPGAs

(iv) Expenditure on R & D

	Rs in Millions	
For the year ended 31st March	2013-14	2012-13
A. Capital	16.26	2.58
B. Recurring	31.71	20.55
C. Total	47.97	23.13
Total R&D expenditure as a % of total turnover	1.5%	1.3%

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 40 & 41 and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2014.

EMPLOYEE STOCK OPTION PLAN

Particulars prescribed under Guideline 12.1 of the SEBI (Employee Stock Option scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and forming part of the Directors Report:

		Centum ESOP-2007	Centum ESOP-2013
1	Total Size of ESOP	4,16,666 shares (each option represents one share)	2,50,000 shares (each option represents one share)
2	Options granted	4,16,519	2,50,000
3	Pricing Formula	Closing price, prior to the date of the meeting of Compensation Committee in which Options are granted.	
4	Options vested	227,429	Nil
5	Options exercised	92,276	Nil
6	Number of shares arising as a result of exercise of option	92,276	Nil
7	Options lapsed/surrendered/forfeited	76,113	Nil
8	Variation of terms of options	NA	NA
9	Money realized by exercise of options	Rs. 3,813,071	NA
10	Total number of options in force	248,130	250,000
11	Grant to senior management personnel	Gopinath Vedprakash 15,400 Vinod S Chippalkatti 29,526 P M Unnikrishnan 21,234 Desikan KS 28,426 Sandhya Thyagarajan 18,600 Perry Duffill 26,950 G Jagadish Singh 21,467	Gopinath Vedprakash 9,259 Vinod S Chippalkatti 14,609 P M Unnikrishnan 14,609 Desikan KS 14,609 Sandhya Thyagarajan 14,198 Perry Duffill 12,346 G Jagadish Singh 6,996 Sai Krishna Rao 13,374
12	Employees receiving more than 5% of the options in a year	NA	
13	Employees receiving grants equal or more than 1% of the issued capital	NA	
14	Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS20	Rs. 24.20	
15	Impact on Net Profit and EPS	Profit after tax reduced by Rs. 1,273,286.	Profit after tax reduced by Rs. 2,500,188.
		EPS reduced by Rs. 0.39.	
16	Method used to estimate the fair value of options	Black Scholes model	
17	Significant Assumptions used: a. Dividend Yield b. Risk free interest rate c. Expected Life of Option d. Expected Volatility	10% 5.7-9.1% 1-4 years 63.43%	

For and on behalf of the Board

Place: Bangalore
Date: May 29, 2014

Apparao V Mallavarapu
Chairman & Managing Director

S. Krishnan
Director

Management Discussion & Analysis

COMPANY BACKGROUND

1. Centum Electronics Limited (Centum) designs, manufactures and also exports electronic products: These include subsystems, modules, box builds, besides complex electronic components.

Centum serves customers engaged in mission critical solutions with advanced tailor-made technologies. These range from Strategic Electronics (Space, Defense and Aerospace) to Industrial, Communications, and Medical.

Centum has been steadily increasing its product and service range, geographical reach and catering to increased industry segments in its goal to expand its offerings and become the sophisticated one stop shop OEMs are seeking.

With extensive design & development expertise and leading-edge enabling technologies Centum is now the industry leader in India in electronics solutions & components.

The strategy over the years has been consistent and is based on high customer focus with competent people, state of the art technology and high quality products.

Centum's vision is "To Create Value by contributing to the Success of its Customers, by providing best-in-class Electronics Design and Manufacturing Solutions in high technology areas"

2. **Industry structure and development**

Broadly, the electronics industry is categorized under Consumer, Medical, Strategic Electronics, Communications, Automotive and Industrial segments.

Government of India has recognized the importance of Electronic industry and announced the National Electronics Policy (NEP) <http://deity.gov.in>. The demand of the Indian market is expected to reach USD 400 Billion by 2020. At the current growth rate, the domestic production is expected to reach USD 100 Billion leaving a gap of USD 300 Billion. The Govt., of India's vision is to create a globally competitive Electronics System Design and Manufacturing (ESDM) industry to meet the country's needs and serve the international markets. To meet this vision, the Govt., has introduced a scheme for Electronics Manufacturing Cluster (EMC) <http://deity.gov.in> to ensure world class infrastructure and facilities to be provided to attract investments. Accordingly, the Government has decided to offer financial support in the formation of EMCs. Further to attract investments, the Govt., has introduced Modified Special Incentive Package Scheme (MSIPS) <http://deity.gov.in> for new and expansion of existing units. This scheme offers an incentive up to 25% of the value of investment in Plant and Machinery. We hope the focus given by the Govt., of India will create many more opportunities in the ESDM sector.

Keeping in mind the growth plans, your company applied and received approval for incentives covered under Modified Special Incentive Package Scheme in Feb 14, which is valid for 10 years.

As a company we operate in Strategic Electronics, Communication, Industrial and Medical industry segments.

- a. **Strategic Electronics**

- i. **Defense**

The Indian Defense Budget is increasing year on year both in terms of the total value and also as a percentage of the budget allocation itself. Of the total defense budget, the percentage of expenditure towards Capital head is increasing every year creating an even bigger opportunity for the defense market. Also studies show that Indian defense market is one of the most attractive defense markets in the world.

The Armed forces, till recently, procured their requirements either from direct imports or products developed by DRDO labs and productionized by defense PSUs or the Ordnance factories. Due to Govt of India's focus on self reliance, new opportunities are emerging in this sector.

To accelerate the process of self reliance, DRDO labs are partnering with private industries in designing

new products and also willing to transfer technologies of complex products which hitherto were partnering only with PSUs or Ordnance Factories.

Till recently, the indigenous defense manufacturing was restricted to Defense Public Sector Units and Ordnance Factories only. However, in the recent past, the Government is encouraging the private industry participation. Due to increasing requirements, the Defense PSUs and the Ordnance Factories who have huge order book and should more actively work with the private industry to fulfill the requirements. However due to legacy issues of being vertically integrated, the PSUs still do not involve the private industry as much as they should, to be mutually successful.

The Defense Procurement Policy (DPP) of Government of India has created a huge opportunity for Indian industries. Due to this policy the international suppliers of defense products to India are actively looking to procure from high quality companies in the defense segment to meet their offset obligations. Also in some cases, the DPP calls for Buy & Make requirements, due to which many multinational companies are planning to manufacture the products in India either thro' licensing agreement or joint ventures. Also, the latest DPP provides for offset credits for the technologies transferred (TOT) to Indian companies, which will encourage the foreign companies to transfer know how, thereby creating more opportunities to Indian companies

ii. Space

India has a space program which is very vibrant and successful. The Government of India has given the Indian Space Programme a special status and the budget allocation in the 12th Plan period is 151% higher than the 11th Plan period.

The number of satellite launches by the Indian Space Agency has been increasing steadily in the last few years and ISRO plans to launch eight satellites per year in the near future. Until recently ISRO manufactured the systems and subsystems in-house or imported them. However, due to the increased requirements coupled with Govt.'s focus on self reliance ISRO, is actively involved in developing the private industry in meeting their increasing requirements.

Due to increased financial and other controls by the Government of India, the sales cycle in this sector has increased significantly and in some cases by years.

b. Communications

This market comprises of Terminal equipments such as the mobile phones, PDA etc. and the infrastructure equipments such as Base Station, Transmission equipments etc., Centum Rakon manufactures Frequency Control Products (FCP) to primarily cater to the infrastructure equipment companies. After consolidation in the past few years, this market is dominated by companies like Ericsson, Nokia Siemens, Samsung, Alcatel - Lucent, Huawei etc., Although the Telecom market worldwide is increasing, the market is highly competitive and companies are looking for high quality suppliers from the emerging countries to make their products competitive in the market place. We see this as a growing market for our FCP products.

c. Industrial

This sector comprises of segments like Power, Process Automation, Instrumentation, Energy etc. Industrial sector is one of the late entrants to the concept of outsourcing their electronic hardware compared to Telecom and IT sectors. This was due to the stringent quality requirements and long product lifecycles. The large multinationals in this industry segment are focusing on low cost countries like India for their outsourcing requirements due to the design, engineering and testing skills required to manufacture these products. This is growing market for our products and services.

We also see a trend of multinational companies starting green field projects or acquiring companies in India. To make their products competitive these Indian Units, are creating a supply chain eco system in the country.

Management Discussion & Analysis (contd...)

3. Company Strategy

- The company's strategy focuses on industry segments, technology and geographies.

Industry Segment: To ensure that the company is not dependent on any one industry segment, it operates in Space, Defense, Aerospace, (Strategic Electronics), Industrial, Communication and Medical Electronics.

Technology: The strategy of the company is to operate in high technology areas in the above mentioned industry segments.

Geography: The strategy of the company is to address the global markets. We have segmented our markets as North America, Europe, India, and rest of Asia. This is to ensure that any economic downturn in any one region, has limited impact on the company.

- The products & services that your company offers can be classified broadly into "Built to Specification" (BTS) and "Built to Print" (BTP) opportunities.

BTS : In this business model, the customer gives only the specifications and the company designs, develops and manufactures the product. As design is the critical factor in functioning of the product, the Value Add is generally higher than the BTP business. However, as the design and development phase involves multiple iterations and certifications, the lead time to take this to mass production is generally long. All of the current communications business which is done by the subsidiary, most of the space business and some of the defense business that the company is involved in, fall under this category.

To be successful in this segment, the company has a strong design and technology team of over 100 engineers including engineers with Masters and Doctoral degrees from highly reputed universities.

BTP: In this business model, the customer supplies the design and the company builds the product to the design provided by the customer. The critical success factor of the BTP model is operational excellence thro' efficient supply chain management and lean manufacturing practices. As the design is ready, generally the ramp to the production phase is quicker. All of the current Industrial business, some of the Defense & Aerospace and space business that the company is involved in, fall under this category.

As BTP business is working capital intensive, the company is selective and works only with highly reputed domestic and international customers.

- International Sales & Marketing

To ensure that we have the global reach and in line with our strategy, we have invested significantly in worldwide Sales & Marketing. We have started Sales & Marketing offices in North America, UK and Europe. We have hired senior talent from the industry segments to enhance market presence.

4. Business outlook:

a. Strategic Electronics

Your company has established itself as a major player in the Strategic Electronics arena. The strategy will be, to continue to consolidate and grow this business thro' innovation, design, technology, quality and overall competitiveness. Over the years, your company has designed & manufactured systems & modules for the Strategic Electronic industry by delivering advanced and complex products many of which are, for the first time by an Indian company.

- Our strategy for this business has been and will continue to co-develop new products with ISRO & DRDO Labs. The advantage of this approach is your company's product will get designed in and will have good potential when the final product goes into production phase. In this initiative, we are already working with ISRO & DRDO labs. The other approach for this business is to indigenize products that are currently being imported and the advantage with this is that once the product is developed it immediately goes into production quantities. Here again, we are developing new products and are seeing excellent results.

-
- The other opportunity in the Strategic Electronics is that of “off-set” and we see significant potential in this. We have already received orders for off-set and due to our competitive prices, quality and service, we are now seeing orders from ‘Off-set’ customers for their international requirements also.

b. Industrial Electronics

Your Company’s strategy for this market is to focus on high mix medium-to-low volume opportunities which need very high quality products and. also have long product life cycles. This segment has very unique and demanding requirements. The company over the past many years has developed special processes, created specialized infrastructure and human resources and has strong domain knowledge to meet these requirements and make it as a very attractive supplier to the global OEMs. Your Company is already well entrenched into this sector and seeing good growth rates from existing customers and also adding new customers both from within India and outside.

c. Communications;

Your company’s subsidiary, Centum Rakon manufactures Frequency Control Products (FCP) a critical component in the Telecom Infrastructure business segment. The subsidiary has been delivering high quality products at competitive prices, because of which we are seeing a significant increase in the market share. Last year we started to manufacture the key component, “Crystal”, which was imported from Rakon till then. This development made the subsidiary even more competitive, thereby able to increase the market share significantly. The company is already one of the top 3 OXCO manufactures in the world and we hope to further increase our position.

5. Risk Factors

In the Strategic Electronics business as the products are hi-tech and complex, the approval and certification cycles can get much longer than originally planned. This can result in delays in deliveries affecting the revenues. Also some of the products are very complex with only a handful of companies in the world that are capable of developing them and so the risk of product development is high.

In the domestic Strategic Electronics market there are some duty anomalies which, when we compete with the Public Sector Undertakings (PSUs), make the PSUs more competitive. However we have represented this issue with the Govt., and the same is under consideration.

In the BTP business where the material cost is normally high, collection of Receivables is critical and hence as a company, we do business only with large multinationals.

6. Human Resources

Your company has some of the best talent in the country coming from various domains of experience. Great emphasis is given in ensuring that the employees have a rewarding experience working for your company. Special attention is given for training and upgrading of peoples’ skills, providing excellent working conditions, bench mark with other large companies while rewarding the employees. We have retained a large international consulting firm to develop & execute our talent strategy to achieve our business goals.

The Kaizen and Lean Six Sigma initiatives have been in place and have been institutionalized with all the employees of the company taking active part in the same. This has helped in improving the operational excellence continuously and the company has seen the benefits of this in the form of better customer satisfaction.

7. Infrastructure

The company currently operates from 4 locations in Bangalore. To consolidate some of these locations and also for future growth, the company has acquired 6 acres of land at Bengaluru Aerospace Park, Devanahalli, Bangalore, from the Government of Karnataka. Construction is planned to start during the year 2014-15.

Management Discussion & Analysis (contd...)

8. Internal control systems and their adequacy

Your company has placed strong emphasis and effort on the internal control systems. The internal checks and balances are augmented by a formal system of Internal Audit by Ernst & Young.

9. Financial condition (Standalone)

a. Share capital

The share capital of the company stands at Rs. 124.26 million.

b. Loans

The Secured Loans have decreased by Rs. 24.08 million from Rs. 337.85 million as on 31st March 2013 to Rs. 313.77million as on 31st March 2014.

c. Fixed Assets

The Capital expenditure for 2013-14 is Rs. 189.72 million.

d. Working Capital

Inventories has increased by Rs. 50.22 million from Rs. 469.18 million as on 31st March 2013 to Rs. 519.40 million as on 31st March 2014.

Receivables has increased by Rs. 142.04 million from Rs. 608.98 million as on 31st March 2013 to Rs. 751.02 million as on 31st March 2014 .

Current liabilities has increased by Rs. 148.20 million from Rs. 484.89 million as on 31st March 2013 to Rs. 633.09 million as on 31st March 2014.

e. Cash flows

	Rs. Million
Cash flows from Operating activities	263.17
Cash inflows in Financing activities	(79.79)
Cash outflows in Investing activities	(138.34)

f. Results of Operations

The business operation for 2013-14 resulted in the Company, achieving sales of Rs.2981.82 million as against Rs. 1824.11 million for 2012-13.

The Profit before tax for the year 2013-14 is Rs. 387.83 million as against a loss of Rs. 78.69 million for the year 2012-13.

Management Responsibility for Financial Statements

The accompanying financial statements of Centum Electronics Limited are the responsibility of management and are approved by the Board of Directors of your company.

These financial statements have been prepared by management in conformity with Indian generally accepted accounting principles and includes amounts that are based on best estimates and judgments.

Management of the company in furtherance of the integrity and objectivity of data in the financial statements has developed and maintains of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee. The Audit Committee reviews the Company's annual financial statements and formulates the appropriate recommendations to the Board of Directors. The Audit Committee has full access to the auditors appointed by the shareholders, with or without the management being present.

The auditors appointed by the shareholders, BSR & Co. LLP, Chartered Accountants have examined these financial statements, and their report is presented hereafter.

K S Desikan
CFO

Apparao V Mallavarapu
Chairman & Managing Director

Report on Corporate Governance

1) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Centum Electronics Limited firmly believes that implementation of good corporate governance will help the Company to achieve Corporate goals and enhance stakeholders value. Your company's philosophy on corporate governance envisages attainment of the highest level of transparency, accountability and integrity in all facets of its operation. The fundamental objective is enhancement of long-term shareholder value, while at the same time protecting the interests of other stakeholders.

2) BOARD OF DIRECTORS

A) COMPOSITION

The composition of the Board is 6 members. There are 5 independent directors on the Board of the company. The composition of the Board of Directors as at March 31, 2014 is as follows:

Name	Category	Designation	Number of other Directorships *	Number of other Board Committees Membership/ Chairmanship**
Mr. Apparao V Mallavarapu	Executive and Non Independent	Chairman & Managing Director	4	3
Mr. S. Krishnan	Non-Executive and Independent	Director	2	3
Dr. P Rama Rao	Non-Executive and Independent	Director	1	1
Mr. Manoj Nagrath	Non-Executive and Independent	Director	1	2
Mr. Rajiv C Mody	Non-Executive and Independent	Director	5	2
Mr. Pranav Patel	Non-Executive and Independent	Director	1	-

* Only the Directorships of the Indian Companies have been taken into consideration.

** List includes Centum Electronics Limited.

None of the Directors of the company were members in more than ten committees or acted as chairman of more than five companies across all companies in which they are directors.

None of the Independent Non-Executive directors of the company have any pecuniary relationships or transactions with the company.

B) BOARD MEETINGS

The Board has met four times during the financial year 2013-14 i.e. on May 30, 2013, August 7, 2013, October 23, 2013 and January 28, 2014. The details of the attendance of each director at the board meetings and the last Annual General Meeting ('AGM') are as given below:

Name of the Director	Number of meetings attended	Attendance at the last AGM
Mr. Apparao V Mallavarapu	4	Yes
Mr. S. Krishnan	3	Yes
Dr. P Rama Rao	3	No
Mr. Manoj Nagrath	4	Yes
Mr. Rajiv C Mody	3	No
Mr. Pranav Patel*	-	NA

*Appointed as director w.e.f. 28 January, 2014.

C) CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

The company has adopted the Code of Conduct for Directors and Senior Management and the company receives the annual affirmations with regard to the adherence to the Code of Conduct for the financial year 2013-14. The Code of Conduct is available on the company's website (www.centumelectronics.com)

D) TERM OF OFFICE OF DIRECTORS

Pursuant to the provisions of Section 255, 256 and all other applicable provisions of the Companies Act, 1956, two-thirds of the directors are in the category of directors required to retire by rotation and one-third of those directors would retire every year and if eligible, they might seek re-appointment at the annual general meetings.

E) APPOINTMENT OF DIRECTORS

The Board of Directors appointed Mr. Pranav Patel as Additional Director w.e.f. 28.01.2014

Mr. Pranav holds a bachelor's degree in electrical engineering from the University of Illinois @ Urbana - Champaign, a master's degree in electrical and computer engineering and a second master's degree in industrial engineering from the Georgia Institute of Technology and also finished his MBA degree from the Georgia State University.

Mr. Pranav worked in companies like, Siemens and at present works for GE. He is responsible for leading product management and business development activities for the GE's Healthcare Services business covering full portfolio of GE Healthcare System products in North America. He has co-authored five patents in fields of microware integrated circuits, multi-chip module, packaging and energy storage systems

Mr. Pranav Patel does not hold any shares in the Company

F) RE-APPOINTMENT OF DIRECTORS

In terms of Section 149 and any other applicable provisions of the Companies Act, 2013,, Mr. S. Krishnan, is required to be re-appointed as an Independent director for another term of 5 years..

Mr. Krishnan has 33 years of rich experience in the areas of Design, Manufacturing Process Technology and Quality Assurance. He served as the head of Design and Engineering at Centum since its inception till his retirement in 2004. Mr. Krishnan served in the microelectronics group of Bharat Electronics Limited (BEL) prior to joining Centum.

He received his B.Tech from IIT, Madras and M.E. from IISC, Bangalore.

Mr. S. Krishnan holds 83 shares of the company.

3) BOARD COMMITTEES

The Board of Directors has constituted committees, which are mandatory with appropriate delegation of powers. These committees are functioning as required.

A) AUDIT COMMITTEE

As a measure of good corporate governance and to provide assistance to the Board of Directors in overseeing the Boards responsibilities, an Audit Committee was formed on January 29, 2001 as a Sub-committee of the Board. The functions of the Audit Committee include:

- Overseeing of the company's financial reporting process and disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of the external auditor, fixation of the audit fees and also approval for payment of any other services.
- Reviewing the adequacy of the Internal Control systems with the Management, statutory and internal auditors.
- Reviewing the company's financial and risk management policies.

Report on Corporate Governance (contd...)

The composition of the audit committee is as follows:

Mr. Manoj Nagrath	Chairman	Non Executive
Mr. Apparao V Mallavarapu	Member	Executive
Mr. S. Krishnan	Member	Non Executive
Dr. P Rama Rao	Member	Non Executive

The Chairman of the Audit Committee is an Independent Director.

The audit committee has met 4 times during the financial year i.e., May 30, 2013, August 7, 2013, October 23, 2013 and January 28, 2014. The details of the attendance at such meetings is as follows:

Name of the Member	Number of Meetings Held during the year	Number of meetings attended during the year
Mr. Manoj Nagrath	4	4
Mr. Apparao V Mallavarapu	4	4
Mr. S. Krishnan	4	3
Dr. P Rama Rao	4	3

The Company Secretary acts as the Secretary to the Committee.

B) REMUNERATION COMMITTEE

The remuneration committee was constituted on January 29, 2002 to review the payment of remuneration to the executive directors. The composition of the remuneration committee is as follows:

Mr. Manoj Nagrath	Chairman	Non-executive
Mr. S. Krishnan	Member	Non-executive
Dr. P Rama Rao	Member	Non-executive

During the year, a sitting fee of Rs.20,000/- per meeting (Board and Audit Committee) is paid to the Non-Executive Directors attending the meeting in person. Also the company has paid the remuneration to the Non-Executive Directors during the year. As there was no change in the terms and conditions of the payment of remuneration to the Chairman & Managing director, the Committee has not met during the year.

The Company is paying Remuneration to the Chairman & Managing Director of the Company. The details of the same are disclosed in the notes to accounts under Managerial Remuneration.

The Company Secretary acts as the Secretary to the Committee.

C) SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The shareholders'/Investors' Grievance Committee has been formed for the effective redressal of the investors' complaints, reviewing the activities of the share transfer committee and reporting of the same to the Board periodically.

The composition of the shareholders committee is as follows:

Mr. Manoj Nagrath	Chairman
Mr. Apparao Mallavarapu	Member
Mr. S. Krishnan	Member

Compliance Officer - Mr. Ramu Akkili, Company Secretary

The company has received complaints/requests during the year from the shareholders. All the complaints have been redressed to the satisfaction of the shareholders. An analysis of the complaints /requests is as follows:

Status of Redressal of investors' grievances from 01.04.2013 to 31.03.2014

Sl. No.	Nature of Complaints	Opening Balance	Received	Redressed	Pending
1.	Non-receipt of securities	Nil	2	2	NIL
2.	Non-receipt of Dividend Warrants	Nil	3	3	NIL
3.	Non-receipt of Annual Reports	Nil	1	1	NIL
4.	Others	Nil	59	59	NIL
	Total	Nil	65	65	NIL

D) COMPENSATION COMMITTEE

The Compensation Committee has been formed for the administration and supervision of the Employee Stock Option Plan (ESOP).

The composition of the Compensation committee is as follows:

Mr. Manoj Nagrath	Chairman
Mr. S. Krishnan	Member
Mr. Apparao V Mallavarapu	Member

CENTUM ESOP - 2007

During the year 2007-08, the Committee had granted 87,400 options to the employees of the Company. Out of these options granted, 11,100 options were forfeited and 76,300 options were surrendered.

During the year 2009-10, the Committee has granted 88,700 options of which 19,350 options were forfeited.

During the year 2010-11, The Committee granted 55,400 options of which 27,500 options were forfeited.

During the year 2011-2012, the Committee has granted 288,319 options of which 45,163 options were forfeited.

CENTUM ESOP - 2013

During the year, the Committee has granted 2,50,000 options of which Nil options were forfeited.

4) SUBSIDIARY COMPANIES

The company has a subsidiary, Centum Rakon India Private Limited, which is a joint venture between the Company and Rakon Ltd of New Zealand.

Mr. S Krishnan, an independent director of the company is a director of the subsidiary.

5) DISCLOSURES**a) Related Party Transactions**

There are no materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the Directors, the Management, their subsidiaries or the relatives etc. that may have potential conflict with the interests of the company at large.

Details of the significant related party transactions with the group companies are given in the appended financial statements under Note No. 34 of the notes to the accounts of the financial statements.

b) Compliance with Statutory/legal requirements

There are no non-compliances by the company and no penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any other statutory authority, on any matter related to capital matters, during the last three years.

c) Compliance with Accounting Standards

Your company confirms that it has complied with all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

d) Compliance of mandatory requirements

The company is pleased to inform you that your company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement.

Report on Corporate Governance (contd...)

6) GENERAL BODY MEETINGS

a) Date and venue of the last three AGMs are given below:

Year	Date	Venue	Time	Number of special resolutions
2010-11	August 11, 2011	No 44, KHB Industrial Area Yelahanka New Township Bangalore-560064.	11.00 A.M.	1
2011-12	August 3, 2012	No 44, KHB Industrial Area Yelahanka New Township Bangalore-560064.	11.00 A.M.	-
2012-13	August 7, 2013	No 44, KHB Industrial Area Yelahanka New Township Bangalore- 560064.	10.30 A.M.	2

A special resolution was passed through Postal Ballot dated 11th July 2012.

b) Means of Communication

The company has its own website viz. www.centumelectronics.com. The quarterly, half- yearly and annual results are posted on the company's website for the information of the shareholders.

The results are also published in Business Standard - All editions and Udayavani (Bangalore).

All the material information is promptly sent to the stock exchanges where the shares of the company are listed. The Management Discussion and Analysis Report form part of the Annual Report. Annual reports are sent to each shareholder, brokers and stock exchanges.

7) GENERAL SHAREHOLDING INFORMATION

A. Annual General Meeting

Date and Time

1st August 2014 at 2.00 p.m.

Venue

No. 44, KHB Industrial Area, Yelahanka New Township, Bangalore-560106.

B. Dates of book closure

22nd July 2014 to 24th July 2014

C. Listing on stock exchanges

Bombay Stock Exchange Ltd. (BSE)
National Stock Exchange of India Ltd. (NSE)

D. Stock Code

BSE - 517544
NSE - CENTUM

E. Market price data

Month	BSE		Sensex		NSE		Nifty	
	High	Low	High	Low	High	Low	High	Low
Apr-13	59.00	40.75	19,623	18,144	51.10	49.95	5,962	5,868
May-13	56.00	42.60	20,444	19,451	51.45	46.00	6,106	5,976
Jun-13	72.40	55.20	19,860	18,467	72.10	69.00	5,853	5,750
Jul-13	77.65	67.90	20,351	19,127	68.50	68.50	5,752	5,676
Aug-13	84.45	68.50	19,569	17,449	86.00	86.00	5,493	5,360
Sep-13	92.00	78.50	20,740	18,166	80.00	75.55	5,810	5,719
Oct-13	144.05	76.00	21,205	19,265	144.00	135.05	6,309	6,236
Nov-13	147.00	125.05	21,322	20,138	143.35	125.50	6,343	5,972
Dec-13	139.80	122.30	21,484	20,569	141.85	126.20	6,415	6,130
Jan-14	164.00	129.75	21,410	20,344	160.00	131.55	6,358	6,027
Feb-14	186.00	142.60	21,141	19,963	185.20	143.00	6,283	5,933
Mar-14	203.00	155.00	22,467	20,921	204.80	159.00	6,596	6,212

Source: <http://www.bseindia.com> & <http://www.nseindia.com>

F. Registrars and Share transfer agents**Name & Address of the RTA**

Karvy Computershare Private Limited
Unit: Centum Electronics Limited
 Plot No. 17-24, Vittal Rao Nagar,
 Madhapur, Hyderabad - 500 081
 Ph: 040-44655186, Fax No. 040-23420814
 Email: einward.ris@karvy.com

G. Share transfer system

The composition of the share transfer committee is as follows:

Mr. Apparao V Mallavarapu	Chairman & Managing Director
Mr. K S Desikan	Chief Financial Officer
Mr. Ramu Akkili	Company Secretary

The share transfer committee meets as and when required. The share transfer committee reports periodically to the Shareholder/Investors Grievance Committee on receipt of the Investors' complaints, if any.

The company has delegated the power of share transfers to Karvy Computershare Private Limited, the company's Registrar and Share Transfer Agent ('RTA'). They process the share transfers and the same are approved by the share transfer committee periodically. The share transfers are effected within 15 days from the date of receipt. The shareholders can send their share transfer/demat/remat requests either to the RTA directly or to the company.

H. Distribution of shareholding

The distribution of the shareholding as on 31 March 2014 is as follows:

No of equity shares held	No of share holders	% cases	No of shares held
1 - 5000	6,578	90.36	672,637
5001 - 10000	329	4.52	262,430
10001 - 20000	147	2.02	214,035
20001 - 30000	64	0.88	162,931
30001 - 40000	42	0.58	151,454
40001 - 50000	26	0.36	122,768
50001 - 100000	47	0.65	339,324
100001 & ABOVE	47	0.65	10,500,030
Total	7,280	100.00	12,425,609

Shareholding pattern

The shareholding pattern as on March 31, 2014 is as follows:

Particulars	No of shares held	% to total shares
Shareholding of promoter and promoter group		
Public Shareholding	7,577,477	60.98
- Institutions	1,082	0.01
- Non-institutions	4,847,050	39.01
Total	12,425,609	100.00

I. Dematerialisation of shares and liquidity

The company's shares are covered under the compulsory dematerialisation list and are transferable through depository systems. M/s Karvy Computershare Private Limited act as our RTA agents. Shares received for dematerialisation are usually registered within 5 days from the date of the receipt if all the documents are complete in all respects. The ISIN number of the company is INE320B01020.

Report on Corporate Governance (contd...)

The breakup of the shares held in physical and electronic form as on March 31, 2014 is as follows:

Particulars	No.of holders	Total Shares	%
Physical	1,867	225,859	1.82
NSDL	3,852	10,327,486	83.11
CDSL	1,561	1,872,264	15.07
Total	7,280	12,425,609	100.00

J. Financial Year

Financial Year: The financial Year of the Company is from 01st of April to 31st March.

K. Financial Calendar

Tentative calendar of events for the financial year 2014-15 is given below:

Sl. No.	Particulars	Tentative dates
1.	Financial reporting for the quarter ending June 30, 2014	Last week of July 2014
2.	Financial reporting for the half year ending September 30, 2014.	Last week of October 2014.
3.	Financial reporting for the quarter ending December 31, 2014	Last week of January 2015.
4.	Financial reporting for the year ending March 31, 2015.	Last week of May 2015.
5.	Annual General Meeting for the year ended March 31, 2015.	July/August 2015.

L. Outstanding GDRs/ADRs/warrants

Outstanding GDRs/ADRs/warrants of any convertible instruments, conversion date and likely impact on equity. Nil

M. Registered Office & plant address / Phone and Fax Numbers

No 44, KHB Industrial Area
Yelahanka New Town
Bangalore - 560 106
Phone : +91 80 41436000
Fax : +91 80 41436005

N. Investors correspondence

Company Secretary
Centum Electronics Limited
No. 44, KHB Industrial Area
Yelahanka New Town
Bangalore-560 064.
Phone : +91 80 41436000
Fax : +91 80 41436005
E-mail ID : ramua@centumelectronics.com

Non-mandatory information

- As detailed in the earlier paragraphs, the company has constituted a remuneration committee.
- The quarterly results are published in leading English and Kannada newspapers and significant events are published as news items/advertisements in newspapers and on company's website and also communicated to the Stock Exchanges wherever required.
- Other non-mandatory requirements have not been complied by the company

By order of the Board
For Centum Electronics Limited

Place: Bangalore
Date: 29 May, 2014

Apparao V Mallavarapu
Chairman & Managing Director

S. Krishnan
Director

CEO / CFO Certification

We hereby certify that:

- a) We have reviewed financial statements and the cash flow statement for the year ended 31st March 2014, and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit committee
 - i. There are no significant changes in internal control over financial reporting during the year;
 - ii. There are no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. There have been no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

K S Desikan
CFO

Apparao V Mallavarapu
Chairman & Managing Director

Report on Corporate Governance (contd...)

Auditor's Certificate

To the Members of Centum Electronics Limited

We have examined the compliance of conditions of Corporate Governance by Centum Electronics Limited ("the Company") for the year ended on 31 March 2014 as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Bangalore
Date : 29 May, 2014

for **BSR & Co. LLP**
Chartered Accountants
Firm registration number: 101248W
Supreet Sachdev
Partner
Membership Number: 205385

Independent Auditor's report

To the Members of Centum Electronics Limited

Report on the financial statements

We have audited the accompanying financial statements of Centum Electronics Limited ("the Company") which comprise the balance sheet as at 31 March 2014, the statement of profit and loss and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:

Independent Auditor's report

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the balance sheet, the statement of profit and loss and the cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
- (e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

for **BSR & Co. LLP**
Chartered Accountants
Firm registration number: 101248W

Supreet Sachdev
Partner
Membership Number: 205385

Bangalore
Date: 29 May, 2014

Annexure to the Auditor's Report

Annexure referred to in our report to the Members of Centum Electronics Limited ("the Company") for the year ended 31 March 2014. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialised requirements and similarly certain goods and services sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in (a) above and exceeding the value of Rs 5 lakhs with each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time except for purchases of certain items of inventories which are for the Company's specialised requirements and similarly for sale of certain goods and services for the specialised requirements of the buyers and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government of India for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities.

Annexure to the Auditors' Report (contd...)

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Service tax and Wealth tax which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following Income tax, Sales tax, Customs duty and Excise duty dues have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of exemptions	30,719,151	Assessment Year 2005-06	Income Tax Appellate Tribunal, Bangalore
Income Tax Act, 1961	Disallowance of exemptions	2,665,351	Assessment Year 2006-07	Income Tax Appellate Tribunal, Bangalore
Income Tax Act, 1961	Disallowance of exemptions	20,669,278	Assessment Year 2008-09	Honourable High Court of Karnataka
Income Tax Act, 1961	Disallowance of exemptions	630,673	Assessment Year 2008-09	Commissioner of Income Tax (Appeals) - Bangalore
Central Sales Tax Act, 1956 & Karnataka Value Added Tax, 2005 (KVAT)	Central sales tax (CST) & Karnataka Value Added Tax (KVAT)	5,106,330 (5,532,993)*	Financial year 2005-06, 2006-07 & 2007-08	Honourable High Court of Karnataka
Central Excise Act, 1944	Disallowance of cenvat credit availed	9,988,320 (1,000,000)*	Financial year 2004-2005 and 2005-2006	CESTAT, Bangalore
Customs Act, 1962	Redemption fine on Customs Duty	1,000,000	March 2007 to July 2007	CESTAT, Bangalore
UP Trade Tax Act, 1948	Commercial tax	2,700,000	Financial year 2007-08	Appellate Tribunal (Commercial Tax), Agra
UP Trade Tax Act, 1948	Commercial tax	2,753,303	Financial year 2006-07	Additional Commissioner (Appeals) Commercial Tax, Agra

* Amount in parenthesis represents the payment made under protest.

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of its dues to any banks during the year. The Company did not have any outstanding dues to any financial institution or debenture-holders during the year.

-
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 - (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi/ mutual benefit fund/ society.
 - (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
 - (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
 - (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purposes for which they have been raised.
 - (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
 - (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - (xix) The Company did not have any outstanding debentures during the year.
 - (xx) The Company has not raised any money by public issues during the year.
 - (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for **BSR & Co. LLP**
Chartered Accountants
Firm registration number: 101248W

Supreet Sachdev
Partner
Membership Number: 205385

Bangalore
Date: 29 May, 2014

Centum Electronics Limited

Balance Sheet

	Note	As at 31 March 2014 (Rs.)	As at 31 March 2013 (Rs.)
EQUITY AND LIABILITIES			
Shareholder's funds			
Share capital	2	124,256,090	123,651,830
Reserves and surplus	3	917,426,271	641,147,184
		<u>1,041,682,361</u>	<u>764,799,014</u>
Non-current liabilities			
Long-term borrowings	4	-	1,686,245
Long-term provisions	5	12,169,324	11,631,207
		<u>12,169,324</u>	<u>13,317,452</u>
Current liabilities			
Short-term borrowings	6	313,770,315	336,163,616
Trade payables	7	333,574,766	330,507,805
Other current liabilities	8	250,219,276	126,801,927
Short-term provisions	9	49,291,822	27,578,752
		<u>946,856,179</u>	<u>821,052,100</u>
		<u>2,000,707,864</u>	<u>1,599,168,566</u>
ASSETS			
Non-current assets			
<i>Fixed assets</i>			
Tangible assets	10	354,172,307	240,005,980
Intangible assets	10	10,063,178	6,098,114
Capital work-in-progress		500,279	657,461
		<u>364,735,764</u>	<u>246,761,555</u>
Non-current investments	11	28,560,000	28,560,000
Deferred tax assets, net	12	25,844,284	31,273,241
Long-term loans and advances	13	130,672,006	100,044,586
Other non-current assets	14	20,551,465	22,854,648
		<u>570,363,519</u>	<u>429,494,030</u>
Current assets			
Inventories	15	519,400,240	469,181,526
Trade receivables	16	730,463,769	586,122,934
Cash and bank balances	17	87,966,272	33,000,479
Short-term loans and advances	18	92,514,064	81,369,597
		<u>1,430,344,345</u>	<u>1,169,674,536</u>
		<u>2,000,707,864</u>	<u>1,599,168,566</u>
Significant accounting policies	1		

The notes referred to above form an intergral part of the balance sheet.

As per our report of even date attached

for **BSR & Co. LLP**
Chartered Accountants
Firm Registration No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 29 May, 2014

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Chairman & Managing Director

Ramu Akkili
Company Secretary

S. Krishnan
Director

K.S.Desikan
CFO

Statement of Profit and Loss

	Note	For the year ended 31 March 2014 (Rs.)	For the year ended 31 March 2013 (Rs.)
Income:			
Revenue from operations	19	2,978,938,449	1,842,737,000
Less: excise duty		61,213,137	35,280,732
		<u>2,917,725,312</u>	<u>1,807,456,268</u>
Other income	20	64,096,258	16,654,291
		<u>2,981,821,570</u>	<u>1,824,110,559</u>
Expenses:			
Cost of materials consumed	21	1,821,424,101	1,233,797,051
Changes in inventories of work-in-progress	22	34,583,675	(37,815,220)
Employee benefit expense	23	334,456,148	284,374,831
Finance costs	24	40,319,343	31,302,645
Depreciation and amortisation	10	71,591,568	75,819,451
Other expenses	25	291,614,764	315,321,024
		<u>2,593,989,599</u>	<u>1,902,799,782</u>
Profit/(loss) before taxation		387,831,971	(78,689,223)
Income taxes:			
- Current tax		77,480,370	-
- Deferred tax charge / (credit)		5,428,957	(21,154,456)
Profit/(loss) for the year		304,922,644	(57,534,767)
Earnings/(loss) per equity share (par value of Rs 10 each)	28		
Basic		24.64	(4.65)
Diluted		24.20	(4.65)
Significant accounting policies	1		

The notes referred to above form an integral part of the statement of profit and loss.

As per our report of even date attached

for **BSR & Co. LLP**
Chartered Accountants
Firm Registration No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 29 May, 2014

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Chairman & Managing Director

Ramu Akkili
Company Secretary

S. Krishnan
Director

K.S.Desikan
CFO

Notes on Accounts

1. Significant accounting policies

a) Background

Centum Electronics Limited (“the Company”) was incorporated as a public limited company on 8 January 1993 and commenced commercial production in 1994.

The Company is primarily involved in

- manufacture of Advanced Microelectronics Modules and Resistor Networks catering to the communications, military, aerospace and industrial electronics markets; and
- manufacture of printed circuit board assembly (PCBA) and Repair and Return business catering to the automobile, communications and industrial electronics markets

b) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (‘the Act’) which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act 2013 (which has superseded section 211(3C) of the Companies Act 1956 w.e.f. 12 September, 2013) and the provisions of the Companies Act, 2013 (to the extent notified and applicable) and the Companies Act, 1956 (to the extent applicable).

c) Cash flow statement

Cash flow statement is reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows arising from operating, investing and financing activities of the Company are segregated.

d) Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles (GAAP) in India, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

e) Fixed assets

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets. Intangible assets are recorded at their acquisition cost. Machinery spares which are specific to a particular item of fixed asset are capitalized at the time of their purchase.

The cost of fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

f) Depreciation and amortisation

Depreciation is provided on the straight-line method from the date the asset is ready for use.

The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. However, where management’s estimate of the useful life of a fixed asset at the time of acquisition of the fixed asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management’s estimate of the useful life/ remaining useful life.

Depreciation on assets has been provided at the rates based on the following estimated useful lives of fixed assets:

Asset categories	Years
Plant and machinery	5 - 9 years
Leasehold improvements	5 years
Computers	4 - 6 years
Software	4 - 6 years
All other assets	On straight line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956

Land is not depreciated.

Leasehold improvements are being depreciated over the useful life or lease term whichever is shorter.

For assets acquired/ disposed during the year, depreciation is provided from/upto the date the assets are acquired/ disposed. Assets individually costing Rs 5,000 or less are depreciated at the rate of 100%.

Machinery spares are depreciated on a systematic basis over the period of the remaining useful life of the fixed asset for which they are utilized.

g) Investments

Investments in subsidiary is made to enhance the Company's business interests and therefore classified as trade investments. Investments are either classified as current or long-term based on the Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises purchase price and all incidental expenses (other than those subsequently recoverable by the Company from the tax authorities) incurred in bringing the inventory to its present location and condition. The basis of determining cost is set out below:

Stores and spares	Weighted average cost method
Raw materials and components	Weighted average cost method
Work-in-progress and finished goods	Weighted average cost including costs of conversion.

Fixed production overheads are allocated on the basis of normal capacity of production facilities.

i) Revenue recognition

Revenue from the sale of products and materials is recognized on transfer of all significant risks and rewards of ownership to the buyer. Sales are accounted inclusive of excise duty and exclude sales tax and trade and quantity discounts and are net of sales returns. Revenue from sale of manufactured goods has been presented both gross and net of excise duty.

Revenue from services is recognized as and when services are rendered as per the terms of the contract.

Rental income from lease of properties under operating lease is recognized in the income statement on a straight line basis over the term of the lease

Commission income is recognised at the time when services are rendered in accordance with the rates as per the agreements entered into with the parties.

Interest on deployment of funds is recognized using the time proportionate method, based on the underlying interest rates.

Notes on Accounts (contd...)

j) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the statement of profit and loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognized in the statement of profit and loss.

The Company is exposed to foreign currency transactions including foreign currency revenues and receivables. With a view to minimize the volatility arising from fluctuations in currency rates, the Company enters into foreign exchange forward contracts.

The Company has adopted the principles of Accounting Standard 30, Financial Instruments: Recognition and Measurement (AS 30) issued by ICAI, to the extent the adoption of AS 30 does not conflict with existing accounting standards prescribed by Companies (Accounting Standards) Rules, 2006 and other authoritative pronouncements.

In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where Company has met all the conditions of cash flow hedge accounting, are fair valued at balance sheet date and the resultant exchange loss/ (gain) is debited/credited to the hedge reserve until the transaction is completed. Other derivative instruments are recorded at fair value at the reporting date and the resultant exchange loss/ (gain) is debited/ credited to statement of profit and loss.

k) Research and development

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

l) Borrowing costs

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

m) Employee benefits

Defined benefit plans

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the statement of profit and loss. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Other short term benefit

The expected cost of short-term employee benefits in the form of accumulating compensated absences are recognized as the additional amount that the enterprise expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Defined contribution plan

Contributions to the recognized provident fund and approved superannuation schemes, which are defined contribution schemes, are charged to the statement of profit and loss.

n) Earnings per share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date.

o) Provisions and contingent liabilities

The Company recognizes a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

p) Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets / liabilities are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Assets and liabilities representing current and deferred tax are disclosed on a net basis when there is a legally enforceable right to set off and management intends to settle the asset and liability on a net basis.

q) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash in flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

r) Stock compensation expense

The Company accounts for stock based compensation expense based on the intrinsic value method as prescribed by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India.

Notes on Accounts (contd...)

Particulars	As at 31 March 2014 (Rs.)	As at 31 March 2013 (Rs.)
2. SHARE CAPITAL		
Authorised		
15,500,000 (previous year: 15,500,000) equity shares of Rs 10 each	<u>155,000,000</u>	<u>155,000,000</u>
Issued, subscribed and paid-up		
12,425,609 (previous year: 12,365,183) equity shares of Rs 10 each, fully paid	<u>124,256,090</u>	<u>123,651,830</u>
	<u>124,256,090</u>	<u>123,651,830</u>

Out of the above, 4,933,333 equity shares of Rs 10 each, have been issued for consideration other than cash pursuant to amalgamation of Solectron EMS India Limited with the company effective 1 April 2009.

Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year

	As at 31 March 2014		As at 31 March 2013	
	Number	Amount	Number	Amount
Number and value of shares at the beginning of the year	12,365,183	123,651,830	12,365,183	123,651,830
Number of shares issued during the year	60,426	604,260	-	-
Number and value of shares outstanding at the end of the year	<u>12,425,609</u>	<u>124,256,090</u>	12,365,183	123,651,830

Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at 31 March 2014		As at 31 March 2013	
	Number	% of holding	Number	% of holding
Apparao V Mallavarapu	6,604,715	53.15%	6,604,715	53.41%
Hardik Bharat Patel	*	*	826,008	6.68%
Bharat Jayantilal Patel	737,930	5.94%	735,930	5.95%

* does not hold more than 5% of equity shares

Rights, preferences and restrictions attached to equity shares

The Company has only one class of share referred to as equity share having par value of Rs.10. Each holder of the equity share, as reflected in the records of the Company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholders' meeting.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2014, the amount of per share interim dividend recognised as distributions to equity shareholders was Re.1 (previous year: Rs Nil) and per share final dividend was Rs.1.50 (Previous year: Rs Nil). The total dividend appropriation for the year ended 31 March, 2014 amounted to Rs 31,108,015 (previous year: Rs Nil) including corporate dividend tax of Rs Nil (previous year: Rs Nil).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Refer note 30 for disclosure in relation to employee stock option plan

Particulars	As at 31 March 2014 (Rs.)	As at 31 March 2013 (Rs.)
3 RESERVES AND SURPLUS		
Securities premium account		
Balance at the beginning of the year	687,960	687,960
Add: Addition during the year	<u>2,202,965</u>	-
Balance at the end of the year	<u>2,890,925</u>	<u>687,960</u>
Hedge reserve		
Balance at the beginning of the year	(261,500)	-
Add: Addition during the year	<u>261,500</u>	(261,500)
Balance at the end of the year	<u>-</u>	<u>(261,500)</u>
General reserve		
Balance at the beginning of the year	409,769,304	409,769,304
Add: Addition during the year	<u>30,492,264</u>	-
Balance at the end of the year	<u>440,261,568</u>	<u>409,769,304</u>
Surplus in statement of profit and loss		
Balance at the beginning of the year	230,951,413	288,486,187
Add: Profit for the year	304,922,644	(57,534,767)
Less: Appropriations during the year		
Interim dividend	12,425,609	-
Proposed final dividend	18,682,406	-
Corporate dividend tax	-	-
Transferred to general reserve	<u>30,492,264</u>	-
Balance at the end of the year	<u>474,273,778</u>	<u>230,951,420</u>
	<u>917,426,271</u>	<u>641,147,184</u>
4 LONG-TERM BORROWINGS		
<i>Secured</i>		
Term loans		
- From others	-	1,664,999
Long-term maturities of finance lease obligations	<u>-</u>	<u>21,246</u>
	<u>-</u>	<u>1,686,245</u>
<p>The term loan from others represents vehicle loan taken from a non banking financial institution and secured by vehicle of the company. The term loan carries an interest rate of 10.45% per annum on the outstanding amount of the loan. The interest was payable monthly along with the principle repayment. The term loan from other was repayable in thirty five equal monthly installments commencing from 1 February 2012.</p> <p>Finance lease obligation is towards laptops and computers purchased on finance lease and secured by the leased assets. The finance lease obligation is repayable in twelve quarterly installments from the date of lease of the leased assets.</p> <p>There is no continuing default in the principle and repayment amount.</p>		
5 LONG-TERM PROVISIONS		
Provision for gratuity (refer note 29)	<u>12,169,324</u>	11,631,207
	<u>12,169,324</u>	<u>11,631,207</u>

Notes on Accounts (contd...)

Particulars	As at 31 March 2014 (Rs.)	As at 31 March 2013 (Rs.)
6. SHORT-TERM BORROWINGS		
<i>Secured</i>		
Short term loans from banks		
- Cash credit	5,855,418	20,110,123
- Packing credit	<u>307,914,897</u>	<u>316,053,493</u>
	<u>313,770,315</u>	<u>336,163,616</u>
Cash credit from bank is secured by way of hypothecation on the inventories, book debts and other current assets of the Company. Additionally it is secured by way of collateral charge on plant and machinery and an equitable mortgage of land.		
Packing credit from bank is secured by way of hypothecation of inventories, book debts and fixed assets (present and future) of the Company. Additionally it is secured by way of collateral charge on plant and machinery.		
There is no continuing default in the repayment of the principal and interest amounts.		
7. TRADE PAYABLES		
- Dues to micro and small enterprises*	2,056,694	989,815
- Dues to others	<u>331,518,072</u>	<u>329,517,990</u>
	<u>333,574,766</u>	<u>330,507,805</u>
* refer note 35 for details of dues to micro and small enterprises.		
8. OTHER CURRENT LIABILITIES		
Current maturities of long-term debt*	1,664,999	2,027,835
Current maturities of finance lease obligations*	21,246	278,001
Interest accrued but not due	-	194,983
Advance from customers	110,172,828	23,959,609
Unpaid dividends	970,620	626,515
[Investor Protection Education Fund shall be credited when due]		
Derivative liabilities	-	261,500
Other payables		
- withholding and other taxes and duties payable	7,024,992	6,755,364
- for expenses	126,162,014	87,796,781
- for capital goods	<u>4,202,577</u>	<u>4,901,339</u>
	<u>250,219,276</u>	<u>126,801,927</u>
*refer note 4 for details with respect to terms and conditions of long term borrowings and finance lease.		
9. SHORT-TERM PROVISIONS		
Provision for gratuity (refer note 29)	2,154,304	931,885
Provision for compensated absences	4,575,846	4,096,548
Provision for stamp duty charges (refer note 42)	19,585,888	18,553,413
Proposed final dividend	18,682,406	-
Provision for taxation, net of advance tax	<u>4,293,378</u>	<u>3,996,906</u>
	<u>49,291,822</u>	<u>27,578,752</u>

10 FIXED ASSETS

(Amount in Rs.)

Particulars	GROSS BLOCK						ACCUMULATED DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at 1 April 2013	Additions during the year	Deletions during the year	As at 31 March 2014	As at 1 April 2013	Charge for the year	Deletions during the year	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013	As at 31 March 2014	As at 31 March 2013
Tangible assets, owned												
Freehold land	4,409,383	-	-	4,409,383	-	-	-	-	-	-	4,409,383	4,409,383
Leasehold improvements	8,877,174	44,640	-	8,921,814	4,157,704	1,721,131	-	5,878,835	3,042,979	4,719,470	4,719,470	
Building	59,525,793	381,396	-	59,907,189	19,576,638	1,996,254	-	21,572,892	38,334,297	39,949,155	39,949,155	
Plant and machinery	676,052,527	60,800,574	-	736,853,101	542,975,231	57,059,843	-	600,035,074	136,818,027	133,077,296	133,077,296	
Electrical installations	28,392,553	2,280,889	199,185	30,474,257	12,318,529	1,587,807	199,185	13,707,151	16,767,106	16,074,024	16,074,024	
Computers	30,490,835	2,590,145	-	33,080,980	29,569,944	1,340,224	-	30,910,168	2,170,812	920,891	920,891	
Office equipments	30,222,810	1,416,465	-	31,639,275	7,255,645	1,452,330	-	8,707,975	22,931,300	22,967,165	22,967,165	
Furniture and fixtures	19,379,265	1,108,116	-	20,487,381	10,025,713	1,159,251	-	11,184,964	9,302,417	9,353,552	9,353,552	
Vehicles	16,237,643	-	-	16,237,643	8,445,624	2,511,518	-	10,957,142	5,280,501	7,792,019	7,792,019	
Tangible assets, leased												
Computer	990,801	-	-	990,801	247,776	239,230	-	487,006	503,795	743,025	743,025	
Leasehold land	-	114,611,690	-	114,611,690	-	-	-	-	114,611,690	-	-	
Total (A)	874,578,784	183,233,915	199,185	1,057,613,514	634,572,804	69,067,588	199,185	703,441,207	354,172,307	240,005,980	240,005,980	
Intangible assets, owned												
Computer software	31,828,808	3,192,901	-	35,021,709	25,730,694	1,699,944	-	27,430,638	7,591,071	6,098,114	6,098,114	
Intellectual property	-	3,296,143	-	3,296,143	-	824,036	-	824,036	2,472,107	-	-	
Total (B)	31,828,808	6,489,044	-	38,317,852	25,730,694	2,523,980	-	28,254,674	10,063,178	6,098,114	6,098,114	
Total (A)+(B)	906,407,592	189,722,959	199,185	1,095,931,366	660,303,498	71,591,568	199,185	731,695,881	364,235,485	246,104,094	246,104,094	
Previous year	877,853,051	29,156,518	601,977	906,407,592	584,862,099	75,819,451	378,052	660,303,498	246,104,094	246,104,094	246,104,094	

Notes on Accounts (contd...)

Particulars	As at 31 March 2014 (Rs.)	As at 31 March 2013 (Rs.)
11. NON-CURRENT INVESTMENTS		
Long term investments - at cost		
Trade - unquoted		
Investments in subsidiary		
2,856,000 (previous year: 2,856,000) equity shares of Rs 10 each, fully paid up in Centum Rakon India Private Limited	28,560,000	28,560,000
	<u>28,560,000</u>	<u>28,560,000</u>
12. DEFERRED TAX ASSETS/(LIABILITIES), NET		
Deferred tax liabilities		
Fixed assets	-	(3,111,371)
	-	<u>(3,111,371)</u>
Deferred tax asset		
Fixed assets	4,584,576	-
Provision for doubtful debts	1,596,182	171,577
Provision for doubtful advances	462,609	441,581
Employee benefits	12,543,673	7,417,147
Unabsorbed depreciation and business loss	-	20,334,652
Current liabilities and provisions	6,657,244	6,019,655
	<u>25,844,284</u>	<u>34,384,612</u>
Deferred tax assets, net	<u>25,844,284</u>	<u>31,273,241</u>
13. LONG-TERM LOANS AND ADVANCES		
<i>Unsecured, considered good</i>		
Capital advances	47,720,051	41,129,183
Balance with government authorities	39,838,386	35,229,271
Advance tax, net of provision for tax	27,064,437	13,527,470
Prepaid expenses	3,907,775	309,300
Deposits	12,141,357	9,849,362
	<u>130,672,006</u>	<u>100,044,586</u>
<i>Unsecured, considered doubtful</i>		
Balance with government authorities	1,361,015	1,361,015
	<u>1,361,015</u>	<u>1,361,015</u>
Less: Provision for doubtful deposits and advances	1,361,015	1,361,015
	<u>130,672,006</u>	<u>100,044,586</u>
14. OTHER NON-CURRENT ASSETS		
Trade receivables (Unsecured, considered good) (represents trade receivables on deferred credit terms)	20,551,465	22,854,648
	<u>20,551,465</u>	<u>22,854,648</u>

Particulars	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
15. INVENTORIES		
Raw materials	401,917,194	317,248,883
Work-in-progress	111,389,885	145,973,560
Stores and spares	6,093,161	5,959,083
	<u>519,400,240</u>	<u>469,181,526</u>
16. TRADE RECEIVABLES*		
<i>Unsecured</i>		
Debts due for a period exceeding six months		
- considered good	46,608,386	38,747,300
- considered doubtful	4,695,653	4,696,034
	<u>51,304,039</u>	<u>43,443,334</u>
Other debts		
- Considered good	683,855,383	547,375,634
	<u>683,855,383</u>	<u>547,375,634</u>
Less: Provision for doubtful debts	4,695,653	4,696,034
	<u>730,463,769</u>	<u>586,122,934</u>
* Includes an amount of Rs. 8,103,625 (previous year Rs. 14,090,610) receivable from companies where directors of the company are also directors / members		
17. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash on hand	458,139	881,565
Balance with banks		
- in current account	9,661,224	7,632,216
- in exchange earners foreign currency account	43,986,447	748,081
	<u>54,105,810</u>	<u>9,261,862</u>
Other bank balances		
Balance with banks		
- in current account*	985,142	641,037
- in margin money accounts**	32,875,320	23,097,580
	<u>87,966,272</u>	<u>33,000,479</u>
* Includes balance in unclaimed dividend account Rs. 970,620 (previous year: Rs.626,515).		
**Margin money is against bank guarantees issued in favour of customers and statutory authorities.		
18. SHORT-TERM LOANS AND ADVANCES		
Deposits	160,989	160,989
Staff advances	539,959	150,763
Prepaid expenses	13,616,864	6,761,252
Balances with government authorities	10,533,694	14,255,806
Advance to suppliers	57,879,677	20,593,322
Interest accrued but not due	1,692,406	499,480
Other advances and receivables	8,090,475	3,194,374
Advance tax, net of provision for tax	-	35,753,611
	<u>92,514,064</u>	<u>81,369,597</u>

Notes on Accounts (contd...)

Particulars	For the year ended 31 March 2014 Rs.	For the year ended 31 March 2013 Rs.
19. REVENUE FROM OPERATIONS		
Sale of products, gross	2,824,551,923	1,650,064,014
Less: Excise duty	<u>61,213,137</u>	<u>35,280,732</u>
Sale of products, net	2,763,338,786	1,614,783,282
Sale of services	<u>154,386,526</u>	<u>192,672,986</u>
	<u>2,917,725,312</u>	<u>1,807,456,268</u>
Refer Note 38 for details related to sale of manufactured product and service income.		
20. OTHER INCOME		
Interest on bank deposits	2,384,488	2,106,646
Interest on loan given to subsidiary company	-	3,335,755
Interest on income tax refund	23,863	3,388,785
Rental income	3,032,400	3,032,400
Dividend income from subsidiary company	57,120,000	-
Profit on sale of fixed assets	204,858	-
Other non-operating income	1,330,649	4,281,346
Provision no longer required written back	-	509,359
	<u>64,096,258</u>	<u>16,654,291</u>
21. COST OF MATERIAL CONSUMED		
Inventory of materials at the beginning of the year	323,207,966	249,590,354
Add: Purchases	1,906,226,490	1,307,414,663
Less: Inventory of materials at the end of the year	<u>408,010,355</u>	<u>323,207,966</u>
	<u>1,821,424,101</u>	<u>1,233,797,051</u>
Refer note 36 and 37 for details of items of raw materials and components consumed.		
22. CHANGE IN INVENTORIES OF WORK-IN-PROGRESS		
<i>Opening Stock</i>		
Work in progress	145,973,560	108,158,340
<i>Closing Stock</i>		
Work in progress	<u>111,389,885</u>	<u>145,973,560</u>
Decrease/(increase) in inventories of work in progress	<u>34,583,675</u>	<u>(37,815,220)</u>
23. EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and allowances	299,292,156	258,129,200
Contribution to provident and other funds	15,556,365	13,073,750
Staff welfare expenses	<u>19,607,627</u>	<u>13,171,881</u>
	<u>334,456,148</u>	<u>284,374,831</u>
24. FINANCE COSTS		
Interest expense	37,555,158	27,757,631
Other Borrowing cost	<u>2,764,185</u>	<u>3,545,014</u>
	<u>40,319,343</u>	<u>31,302,645</u>

Particulars	For the year ended 31 March 2014 Rs.	For the year ended 31 March 2013 Rs.
25. OTHER EXPENSES		
Rent	17,108,134	13,916,072
Rates and taxes	3,099,179	1,277,372
Power and fuel	30,251,346	24,059,928
Repairs and maintenance		
- Building	10,019,464	7,211,918
- Plant and machinery	10,492,243	9,715,434
Insurance	8,061,802	7,768,898
Professional and consultancy	26,372,506	26,581,388
Selling and marketing expenses	7,634,527	3,177,833
Travelling and conveyance	25,426,376	28,759,305
Purchase of services	45,593,682	12,640,098
Postage, telephones and telegrams	3,406,297	3,679,831
Printing and stationery	3,256,669	2,706,022
Donation	2,982,250	2,982,775
Contribution towards scientific research	10,000,000	-
Advertisement and promotion	2,429,737	1,543,737
Security charges	4,227,613	4,308,724
Commission paid to non-executive directors	1,000,000	-
Recruitment and training	4,471,744	6,327,800
Bad debts written-off	725,203	113,357,264
Directors sitting fees	370,000	48,000
Freight outwards	8,735,545	10,138,808
Foreign exchange loss, net	42,741,638	18,604,854
Bank charges	15,484,606	10,251,745
Loss on sale of fixed assets	-	70,492
Miscellaneous expenses	7,724,203	6,192,726
	<u>291,614,764</u>	<u>315,321,024</u>

Notes on Accounts (contd...)

26. Capital commitments and contingent liabilities

(Amount in Rs.)

Particulars	As at 31 March 2014	As at 31 March 2013
Capital commitment		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	49,078,476	149,335,295
Contingent liabilities		
Claims against the Company not acknowledged as debts in respect of:		
Income tax	54,053,780	-
Sales tax	10,559,633	5,106,330
Excise duty	9,988,320	9,988,320
Stamp duty [refer schedule 42]	5,107,137	5,107,137

27. Auditors' remuneration excluding service tax (included under professional and consultancy)

(Amount in Rs.)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Audit fees	2,500,000	2,500,000
Out of pocket expenses reimbursed	125,478	92,718
	2,625,478	2,592,718

28. Earnings per share

The computation of earnings per share is set out below:

(Amount in Rs.)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Profit for the year	304,922,644	(57,534,767)
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	12,365,183	12,365,183
Weighted average number of shares issued during the year	11,766	-
Weighted average number of equity shares outstanding during the year (in numbers)	12,376,949	12,365,183
Face value of equity shares	10	10
Earnings per share - basic	24.64	(4.65)
Weighted average number of equity shares outstanding during the year - basic	12,376,949	12,365,183
Add: Effect of dilutive issues of stock options	221,073	-*
Weighted average number of equity shares and potential equity shares outstanding during the year	12,598,022	12,417,034
Earnings per share - dilutive	24.20	(4.65)

*Dilution on account of stock option has not been considered as these were anti-dilutive.

29. The following table sets out the status of the gratuity plan as required under AS 15.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Particulars	(Amount in Rs.)	
	As at 31 March 2014	As at 31 March 2013
Change in projected benefit obligations		
Obligations at year beginning	12,563,092	9,441,661
Service cost	2,574,923	1,975,573
Past service cost	-	-
Benefits paid	(535,287)	(1,007,308)
Interest cost	1,166,430	949,760
Liabilities assumed on acquisition / (settled on divestiture)	-	120,520
Actuarial loss/ (gain)	(1,445,530)	1,082,886
Obligations at year end	14,323,628	12,563,092
Change in plan assets		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	535,287	1,007,308
Benefits paid	(535,287)	(1,007,308)
Plans assets at year end, at fair value	-	-
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	14,323,628	12,563,092
Asset/ (liability) recognised in the balance sheet	(14,323,628)	(12,563,092)
Gratuity cost for the year		
Service cost	2,574,923	1,975,573
Interest cost	1,166,430	949,760
Expected return on plan assets	-	-
Actuarial loss/ (gain)	(1,445,530)	1,082,886
Past service cost	-	-
Net gratuity cost	2,295,823	4,008,219
Assumptions:		
Discount rate	9.10%	7.95%
Expected rate of return on plan assets	Not applicable	Not applicable
Expected rate of salary increase	7%	7%
Attrition rate	1%-15%	1%-15%
Retirement age	58 years	58 years

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. The Company does not have any planned assets.

Notes on Accounts (contd...)

30. Employee stock options:

The company has two stock option plans.

Centum employee stock option plan 2007

The Centum ESOP -2007 was approved by the board of directors of the Company in October 2007 and by the shareholders in December 2007. The 2007 plan provides for the issue of 416,666 shares to the employees. The plan is administered by a compensation committee. Options will be issued to employees of the Company and also its subsidiary at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

Option activity during the year ended 31 March 2014 and the related weighted average exercise price of stock options under the Centum ESOP plan 2007 is presented below.

Particulars	For the year ended 31 March 2014		For the year ended 31 March 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	335,353	58.09	357,676	58.38
Granted during the year	-	-	-	-
Exercised during the year	60,426	46.46	-	-
Forfeited / lapsed during the year	26,797	74.38	22,323	62.77
Options outstanding at the end of the year	248,130	59.17	335,353	58.09
Exercisable at the end of the year	122,576	61.32	107,638	60.08

The options outstanding as at 31 March 2014 had an exercise price of Rs.59.17 and the weighted average remaining contractual life of 10.06 years.

Centum employee stock option plan 2013

The Centum ESOP -2013 was approved by the board of directors of the Company in May 2013 and by the shareholders in August 2013. The 2013 plan provides for the issue of 250,000 shares to the employees. The plan is administered by a compensation committee. Options will be issued to employees of the Company and also its subsidiary at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

Option activity during the year ended 31 March 2014 and the related weighted average exercise price of stock options under the Centum ESOP plan 2013 is presented below.

Particulars	For the year ended 31 March 2014		For the year ended 31 March 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	-	-	-	-
Granted during the year	250,000	71.25	-	-
Exercised during the year	-	-	-	-
Forfeited / lapsed during the year	-	-	-	-
Options outstanding at the end of the year	250,000	71.25	-	-
Exercisable at the end of the year	-	-	-	-

The options outstanding as at 31 March 2014 had an exercise price of Rs 71.25 and the weighted average remaining contractual life of 11.85 years.

The Company applies the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. The Company has therefore adopted the pro forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share Based Payments" issued by the Institute of Chartered Accountants of India with effect from 1 April 2005.

Had the compensation been determined using the fair value approach described in the aforesaid Guidance Note, the Company's net profit and basic and diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

Particulars	(Amount in Rs.)	
	For the Year ended 31 March 2014	For the Year ended 31 March 2013
Profit for the year	304,922,644	(57,534,767)
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	3,773,474	68,537
Adjusted net profit	301,149,170	(57,603,304)
Basic earnings per share as reported	24.64	(4.65)
Pro forma basic earnings per share	24.33	(4.66)
Diluted earnings per share as reported	24.20	(4.65)
Pro forma diluted earnings per share	23.90	(4.66)

The fair value of each option under both plan is estimated by management on the date of grant using the Black - Scholes model with the following assumptions

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-9.1%	5.7-8.6%
Volatility	63.43%	64.89%

31. The Company's foreign currency exposure on account of foreign currency denominated payables not hedged as on 31 March 2014.

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	9,726,085	584,012,476	10,716,528	588,873,214
EUR	1,166,102	96,232,553	438,463	31,087,010
GBP	54,369	5,424,584	45,953	3,852,241
JPY	2,769,000	1,670,815	75,925	44,796
SGD	-	-	-	-
SEK	734,686	6,964,821	687,799	5,860,046
		694,305,249		629,717,307

Notes on Accounts (contd...)

The Company's foreign currency exposure on account of foreign currency denominated receivables not hedged as on 31 March 2014:

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	10,349,579	619,981,170	6,308,201	337,173,333
EUR	792,332	65,251,498	456,623	31,118,857
GBP	8,866	883,014	7,070	571,468
SGD	-	-	-	-
JPY	80,000	48,272	-	-
		686,163,954		368,863,658

32 Leases

The Company has taken office facilities under cancelable operating lease agreement. The Company intends to renew the agreement in the normal course of its business. Total lease rentals recognised in the profit and loss for the year in respect of the aforementioned lease is Rs 17,108,134 (previous year: Rs 13,916,072).

The Company has also given office facilities under cancelable operating lease agreement to its subsidiary. Total lease rental income recognized in the profit and loss for the year with respect to the above is Rs 3,032,400 (previous year: Rs 3,032,400).

The company has taken computers under finance lease. Future minimum lease payments under finance lease obligations as at 31 March 2014 is :

Period	As at 31 March 2014			As at 31 March 2013		
	Minimum lease payments	Future interest	Present value of minimum lease payments	Minimum lease payments	Future interest	Present value of minimum lease payments
Not later than one year	22,208	962	21,246	292,820	14,819	278,001
Later than one year and not later than five years	-	-	-	22,208	962	21,246
	22,208	962	21,246	315,028	15,781	299,247

33. Segment Information

The Company operates through two divisions, component business comprising of Modules (Products segment) and Electronic Manufacturing Services (Services segment), which are considered to be the primary segments and geography as the secondary segment.

The accounting principles used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments.

Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identified to that segment, while other items, wherever allocable, are apportioned to the segments on appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company, therefore, believes that it is not practicable to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

	(Amount in Rs.)	
Primary segment information	For the year ended 31 March 2014	For the year ended 31 March 2013
Segment revenue		
Products	554,107,301	368,241,662
Services	2,317,443,979	1,403,532,282
Unallocable	46,174,032	35,682,324
	<u>2,917,725,312</u>	<u>1,807,456,268</u>
Segment result		
Products	153,162,005	54,049,730
Services	209,130,674	(158,073,165)
Unallocable	25,539,292	25,334,212
	<u>387,831,971</u>	<u>(78,689,223)</u>
Income taxes		
- Current year	77,480,370	-
- Deferred	5,428,957	(21,154,456)
Profit / (loss) after taxation	<u>304,922,644</u>	<u>(57,534,767)</u>
Segment assets		
Products	421,321,112	409,805,203
Services	1,225,056,291	946,788,080
Unallocated	354,330,461	242,575,283
	<u>2,000,707,864</u>	<u>1,599,168,566</u>
Segment liabilities		
Products	77,833,665	123,937,760
Services	801,386,711	666,880,561
Unallocated	79,805,128	43,551,231
	<u>959,025,503</u>	<u>834,369,552</u>
Capital expenditure [including capital work in progress]		
Products	44,095,376	9,109,598
Services	26,542,803	18,839,400
Unallocable	118,927,598	1,864,977
	<u>189,565,777</u>	<u>29,813,975</u>
Depreciation		
Products	19,903,856	21,062,000
Services	46,862,706	50,275,297
Unallocable	4,825,006	4,482,154
	<u>71,591,568</u>	<u>75,819,451</u>
Secondary segment disclosures:	(Amount in Rs.)	
Geographic segment	For the year ended 31 March 2014	For the year ended 31 March 2013
Revenues		
India	768,305,842	528,923,200
Europe	575,129,126	475,941,336
USA	856,684,302	549,905,328
Rest of the world	717,606,042	252,686,404
	<u>2,917,725,312</u>	<u>1,807,456,268</u>
Segment assets		
India	1,363,783,937	1,188,430,225
Europe	161,398,534	84,096,314
USA	276,923,446	191,296,063
Rest of the world	198,601,947	135,345,964
	<u>2,000,707,864</u>	<u>1,599,168,566</u>

Notes on Accounts (contd...)

34 Related party disclosures

A. Parties where control exists:

Apparao V Mallavarapu (directly and indirectly exercises 60.98% voting power in the Company)

Subsidiary of the company

Centum Rakon India Private Limited

B. Other related parties where transactions have taken place during the year:

Parties under common control

Centum Industries Private Limited

C. Key executive management personnel represented on the Board:

Mr. Apparao V Mallavarapu - Chairman and Managing Director

D. The following is a summary of transactions with related parties by the Company:

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Sale of goods and services		
Parties under common control		
<i>Centum Industries Private Limited</i>		
- Sale of goods and services	389,400	348,624
<i>Subsidiary</i>		
Centum Rakon India Private Limited		
- Service income	55,308,557	41,371,717
- Sale of goods	5,559,332	8,915,154
Other Income		
<i>Subsidiary</i>		
Centum Rakon India Private Limited		
- Interest income on loan	-	3,335,755
- Rental income	3,032,400	3,032,400
- Dividend	57,120,000	-
- Others	-	3,525,000
Refund of Long-term loans and advances paid		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	-	60,222,989
Purchase of goods and services		
<i>Parties under common control</i>		
Centum Industries Private Limited	19,779,648	15,398,527
<i>Subsidiary</i>		
Centum Rakon India Private Limited	365,281	959,784
Expense incurred on behalf		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	10,415,163	2,521,793
Managerial remuneration		
<i>Key management personnel</i>		
Managerial remuneration	20,412,000	9,432,000

E. The balances receivable from and payable to related parties are as follows:

Particulars	(Amount in Rs.)	
	As at 31 March 2014	As at 31 March 2013
Trade receivables		
<i>Parties under common control</i>		
Centum Industries Private Limited	41,252	41,252
<i>Subsidiary</i>		
Centum Rakon India Private Limited	3,218,734	6,648,716
Trade payables		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	1,865,147	1,410,859
<i>Parties under common control</i>		
Centum Industries Private Limited	1,824,086	171,119
Non current investment		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	28,560,000	28,560,000
Managerial remuneration payable		
Key management personnel	11,330,836	163,238

35. The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2014 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	2,056,694	989,815
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	117,265	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	-	-
The amount of interest accrued and remaining unpaid at the end of the year;	-	117,265
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	-	-

Notes on Accounts (contd...)

36. Particulars of raw materials and components consumed

(Amount in Rs.)

Components	For the year ended 31 March 2014	For the year ended 31 March 2013
Integrated circuits	646,843,936	380,332,649
Others	731,497,890	548,549,468
	1,378,341,826	928,882,117

(Amount in Rs.)

Raw materials	For the year ended 31 March 2014	For the year ended 31 March 2013
PCB	262,855,081	106,967,322
Base and case	13,870,886	10,339,279
Paste	7,422,610	2,112,618
Others	158,933,698	185,495,715
	443,082,275	304,914,934

Note: No other individual item of raw materials and components consumed account for 10% or more of the total consumption during the year.

37. Particulars of raw materials and components consumed

(Amount in Rs.)

	For the year ended 31 March 2014		For the year ended 31 March 2013	
	%	Amount	%	Amount
Components				
Imported	93%	1,283,711,115	94%	876,637,330
Indigenous	7%	94,630,711	6%	52,244,787
		1,378,341,826		928,882,117
Raw materials				
Imported	79%	349,762,176	82%	248,718,267
Indigenous	21%	93,320,099	18%	56,196,667
		443,082,275		304,914,934

38. Particulars in respect of sale of manufactured products (including excise duty) and service income

(Amount in Rs.)

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Sale of products:		
Modules	603,151,318	393,976,172
Printed circuit boards assembly	2,077,784,374	1,183,118,376
Others	143,616,231	72,969,466
Sale of services:		
Repair services	102,398,681	151,301,269
Commission	5,787,845	5,399,713
Others	46,200,000	35,972,004
	2,978,938,449	1,842,737,000

39. CIF value of imports

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Capital goods	55,003,784	10,378,813
Raw materials and components (including goods in transit)	1,765,636,358	1,274,256,763
	1,820,640,142	1,284,635,576

40. Expenditure in foreign currency (on payment basis)

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Travelling and conveyance	7,799,483	8,417,749
Selling and marketing expenses	1,194,019	977,994
Professional and consultancy	2,454,053	1,572,291
Salaries, wages and allowances	36,051,424	53,863,990
Other financial charges	1,195,842	-
Recruitment and training	1,196,907	3,727,087
Postage, telephone and telegram	602,549	1,174,339
Rent	185,652	165,159
Rates and taxes	-	523,406
Insurance	-	9,097
Miscellaneous expenses	271,894	313,861
	50,951,823	70,744,973

41. Earnings in foreign currency

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Sale of manufactured goods	2,149,419,469	1,278,533,068
Total	2,149,419,469	1,278,533,068

- 42.** Based on a demand notice dated 12 February 2010 received from District Registrar, Stamps and Registration Department, Karnataka, the Company has estimated and provided Rs 11,174,165 towards additional stamp duty liability against a claim of Rs 16,281,302 in the aforementioned demand notice, payable pursuant to the demerger of EMS business from Centum Electronics Limited (formerly known as Solectron Centum Electronics Limited) on 1 October 2006, as per the Scheme of Arrangement approved by the Honourable High Court of Karnataka effective 13 July 2007. The differential amount of Rs 5,107,137 has been disclosed as a contingent liability [refer note 26].

The Company has also provided Rs 8,411,723 towards stamp duty payable pursuant to the merger of Solectron EMS India Limited with the Company

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Opening balance	18,553,413	18,553,413
Add: Provision made during the year	1,032,475	-
	19,585,888	18,553,413

Notes on Accounts (contd...)

43. Expenditure on research and development

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Capital	16,261,175	2,581,136
Recurring (including depreciation)	31,711,726	20,548,218
	<u>47,972,901</u>	<u>23,129,354</u>

44. As at March 31, 2014, the Company has outstanding forward contracts amounting to USD Nil (As at March 31, 2013: USD 750,000). These derivative instruments have been entered to hedge highly probable forecasted sales.

In accordance with the provisions of AS 30, these derivative instruments qualify for cash flow hedge accounting and have been fair valued at the balance sheet date and the resultant exchange loss has been debited to hedge reserve (Refer Note 3).

As Per our report of even date attached
for **BSR & Co. LLP**
Chartered Accountants
Firm Registration No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 29 May, 2014

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Chairman & Managing Director

Ramu Akkili
Company Secretary

S. Krishnan
Director

K.S. Desikan
CFO

Cash Flow Statement

	For the year ended 31 March 2014 (Rs.)	For the year ended 31 March 2013 (Rs.)
Cash flow from operating activities		
Profit/(Loss) before tax	387,831,971	(78,689,223)
Adjustments		
Effect of exchange differences on translation of foreign currency monetary balances	7,311,739	1,583,042
Dividend income from subsidiary company	(57,120,000)	-
Bad debts written off	725,203	113,357,264
(Profit) / loss on sale of fixed assets	(204,858)	70,492
Depreciation and amortisation	71,591,568	75,819,451
Interest expenses	40,319,343	31,302,645
Interest income	(2,384,488)	(5,442,401)
Operating cash flows before working capital changes	448,070,478	138,001,270
Changes in liabilities and provisions	131,183,962	141,178,090
Changes in inventories	(50,218,714)	(111,432,832)
Changes in trade receivables	(144,571,773)	(152,226,654)
Changes in loans and advances	(56,204,737)	23,314,981
Changes in other bank balances	(10,121,845)	(1,736,275)
Cash generated from operations	318,137,371	37,098,580
Income taxes	(54,967,254)	(13,181,187)
Net cash generated from operating activities	263,170,117	23,917,393
Cash flow from investing activities		
Proceeds from sale of fixed assets	204,858	153,429
Receipt of loan given to subsidiary company	-	60,222,989
Interest received	1,191,562	5,957,609
Dividend received from subsidiary company	57,120,000	-
Purchase of fixed assets	(196,855,402)	(36,431,895)
Net cash generated from/(used in) investing activities	(138,338,982)	29,902,132
Cash flow from financing activities		
Short term borrowings from bank, net	(27,700,313)	1,203,679
Repayment of long term borrowings	(2,305,836)	(2,162,031)
Proceeds from issue of share capital	2,807,225	-
Interest paid	(40,514,326)	(31,302,645)
Dividend and dividend tax paid	(12,081,504)	(14,374,129)
Net cash used in financing activities	(79,794,754)	(46,635,126)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(192,433)	(34,739)
Net increase in cash and cash equivalents	45,036,381	7,184,399
Cash and cash equivalents at the beginning of the year	9,261,862	2,112,202
Cash and cash equivalents at the end of the year (refer note 17)	54,105,810	9,261,862

This is the Cash Flow statement referred to in our report attached

As Per our report of even date attached

for **BSR & Co. LLP**
Chartered Accountants
Firm Registration No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 29 May, 2014

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Chairman & Managing Director

Ramu Akkili
Company Secretary

S. Krishnan
Director

K.S. Desikan
CFO

Section 212 of the Companies Act, 1956

Statement on subsidiary company pursuant to Section 212 of the Companies Act, 1956

1	Name of the subsidiary	Centum Rakon India Private Limited
2	Financial period	April 1, 2013 to March 31, 2014
3	Holding Company's interest	51% in equity share capital
4	Shares held by the holding company	28,56,000 equity shares of Rs. 10/- each fully paid up amounting to Rs. 2.856 crores
5	The net aggregate of the profits & losses of the subsidiary for the current period so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	NIL
	b. not dealt with or provided for in the accounts of the holding company	Profit of Rs. 194,239,058
6	The net aggregate of the profits & losses of the subsidiary for previous financial years so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	NA
	b. not dealt with or provided for in the accounts of the holding company	Profit of Rs. 154,145,867

Statement on subsidiary pursuant to Circular No: 51/12/2007-CL-III dt. February 8, 2011 issued by Ministry of Corporate Affairs

Pursuant to the said circular, The Board of Directors of the Company has passed a resolution at its meeting held on May 29, 2014 consenting for not attaching the balance sheet of the subsidiary, Centum Rakon India Private Limited and other documents required to be attached to the balance sheet as required by law to the balance sheet of the Company.

The Company hereby undertakes that annual accounts of the subsidiary, Centum Rakon India Private Limited and the related detailed information shall be made available to shareholders of the Company and the subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary company shall also be kept for inspection by any shareholders at the head office of the Company at 44, KHB Industrial Area, Yelahanka New Town, Bangalore -560106. The Company shall furnish a hard copy of details of accounts of subsidiary to any shareholder on demand.

The company hereby discloses in the consolidated balance sheet the following information in aggregate for its subsidiary, Centum Rakon India Private Limited.

S. No.	Particulars	Amount
1	Capital	Rs. 56,000,000
2	Reserves	Rs. 394,245,650
3	Total Assets	Rs. 996,835,207
4	Total Liabilities	Rs. 996,835,207
5	Details of investment (except in case of investment in the subsidiaries)	NIL
6	Turnover	Rs. 1398,433,189
7	Profit before taxation	Rs. 286,427,807
8	Provision for taxation	Rs. 92,188,749
9	Profit after taxation	Rs. 194,239,058
10	Proposed dividend	Rs. 112,000,000

Consolidated Financial Results
Centum Electronics Limited

Independent Auditor's report

To the Board of directors of Centum Electronics Limited

We have audited the accompanying consolidated financial statements of Centum Electronics Limited ("the Company") and its subsidiary Centum Rakon India Private Limited (collectively referred to as the 'Centum Group'), which comprise the consolidated balance sheet as at 31 March 2014, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the consolidated statement of profit and loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

for **BSR & Co. LLP**
Chartered Accountants
Firm registration number: 101248W

Supreet Sachdev
Partner
Membership No. 205385

Bangalore
Date: 29 May, 2014

Centum Electronics Limited

Consolidated Balance Sheet

Particulars	Note	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	124,256,090	123,651,830
Reserves and surplus	3	<u>1,183,989,286</u>	<u>875,616,623</u>
		1,308,245,376	999,268,453
Minority interest	37	266,486,536	235,526,808
Non-current liabilities			
Long-term borrowings	4	-	5,122,142
Long-term provisions	5	<u>17,226,342</u>	<u>16,304,793</u>
		17,226,342	21,426,935
Current liabilities			
Short-term borrowings	6	526,691,750	561,054,533
Trade payables	7	429,350,097	480,846,214
Other current liabilities	8	332,237,744	246,063,279
Short-term provisions	9	<u>72,128,606</u>	<u>92,351,890</u>
		1,360,408,197	1,380,315,916
		<u>2,952,366,451</u>	<u>2,636,538,112</u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	738,717,270	627,842,728
Intangible assets	10	10,339,261	6,368,458
Capital work-in-progress		<u>1,232,967</u>	<u>865,802</u>
		750,289,498	635,076,988
Deferred tax assets, net	11	14,347,643	13,965,348
Long-term loans and advances	12	140,674,562	128,386,363
Other non-current assets	13	<u>20,551,465</u>	<u>22,854,648</u>
		925,863,168	800,283,347
Current assets			
Inventories	14	766,697,135	650,331,954
Trade receivables	15	971,676,486	1,018,423,315
Cash and bank balances	16	165,265,601	66,655,443
Short-term loans and advances	17	<u>122,864,061</u>	<u>100,844,053</u>
		2,026,503,283	1,836,254,765
		<u>2,952,366,451</u>	<u>2,636,538,112</u>

The notes referred to above form an integral part of the balance sheet.

As per our report of even date attached

for **BSR & Co. LLP**
Chartered Accountants
Firm Registration No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 29 May, 2014

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Chairman & Managing Director

Ramu Akkili
Company Secretary

S. Krishnan
Director

K.S.Desikan
CFO

Consolidated Statement of Profit and Loss

	Note	Rs. For the year ended 31 March 2014	Rs. For the year ended 31 March 2013
Income			
Revenue from operations	18	4,313,952,046	2,861,731,978
Less: excise duty		62,133,415	35,656,331
		<u>4,251,818,631</u>	<u>2,826,075,647</u>
Other income	19	7,050,559	9,049,793
		<u>4,258,869,190</u>	<u>2,835,125,440</u>
Expenses			
Cost of materials consumed	20	2,622,379,186	1,759,048,092
Changes in inventories of work-in-progress	21	(13,393,646)	(37,757,520)
Employee benefits expense	22	429,959,682	365,383,476
Finance costs	23	58,968,125	46,713,171
Depreciation and Amortisation	10	156,839,402	154,954,158
Other expenses	24	387,128,024	397,754,124
		<u>3,641,880,773</u>	<u>2,686,095,501</u>
		<u>616,988,417</u>	<u>149,029,939</u>
Profit before tax and minority interest			
Income Taxes:			
Current tax including minimum alternate tax		175,480,370	86,000,000
Deferred tax credit		(382,294)	(29,855,638)
Minimum alternate tax credit entitlement for earlier year		-	(3,628,600)
		<u>441,890,341</u>	<u>96,514,177</u>
Profit after tax and before minority interest		<u>441,890,341</u>	<u>96,514,177</u>
Minority interest		95,166,584	3,749,504
		<u>346,723,757</u>	<u>92,764,673</u>
Profit for the year		<u>346,723,757</u>	<u>92,764,673</u>
Earnings per equity share (par value of Rs 10 each)	27		
Basic		28.01	7.50
Diluted		27.52	7.47
Significant accounting policies	1		

The Notes referred to above form an integral part of the statement of profit and loss.

As per our report of even date attached

for **BSR & Co. LLP**
Chartered Accountants
Firm Registration No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 29 May, 2014

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Chairman & Managing Director

S. Krishnan
Director

Ramu Akkili
Company Secretary

K.S.Desikan
CFO

Notes on Consolidated Accounts

1. Significant accounting policies

a) Background

Centum Electronics Limited (“the Company”) along with its majority owned and controlled subsidiary, Centum Rakon India Private Limited (together referred to as “Centum” or “Group”) are primarily involved in the manufacture of Advanced Microelectronics Modules, Frequency Control Products, Printed Circuit Board Assembly (PCBA) and Resistor Networks catering to the communications, military, aerospace and industrial electronics markets. Centum is headquartered in Bangalore, India.

b) Basis of preparation of consolidated financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified and applicable) and the Companies Act, 1956 (to the extent applicable) and the guidelines issued by the Securities and Exchange Board of India, to the extent applicable.

The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standard on Consolidated Financial Statements as specified in the Companies (Accounting Standards) Rules, 2006. The financial statements of Centum Electronics Limited - the parent Company and Centum Rakon India Private Limited have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gain /loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. Minority interests have been excluded. Minority interests represent that part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the Company.

c) Cash flow statement

Cash flow statement is reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows arising from operating, investing and financing activities of the Group are segregated.

d) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

e) Fixed assets

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets. Intangible assets are recorded at their acquisition cost. Machinery spares which are specific to a particular item of fixed asset are capitalized at the time of their purchase.

The cost of fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

f) Depreciation and amortisation

Depreciation is provided on the straight-line method from the date the asset is ready for use.

The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. However, where management’s estimate of the useful life of a fixed asset at the time of acquisition of the fixed asset or of the remaining useful life on a subsequent review is shorter than that

envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management's estimate of the useful life/ remaining useful life.

Depreciation on assets has been provided at the rates based on the following estimated useful lives of fixed assets:

Asset categories	Years
Plant and machinery (including the related intellectual property)	5 - 9 years
Computers	4 - 6 years
Software	4 - 6 years
All other assets	On straight line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956.

Land is not depreciated.

Leasehold improvements are being depreciated over the useful life or lease term whichever is shorter.

For assets acquired/ disposed during the year, depreciation is provided for from/ upto the date the assets are acquired/ disposed. Assets individually costing Rs 5,000 or less are depreciated at the rate of 100%.

Machinery spares are depreciated on a systematic basis over the period of the remaining useful life of the fixed asset for which they are utilized.

g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises purchase price and all incidental expenses (other than those subsequently recoverable by the Group from the tax authorities) incurred in bringing the inventory to its present location and condition. The basis of determining cost is set out below:

Stores and spares	Weighted average cost method
Raw materials and components	Weighted average cost method
Work-in-progress and finished goods	Weighted average cost including costs of conversion
Goods in transit	At actual cost

Fixed production overheads are allocated on the basis of normal capacity of production facilities.

h) Revenue recognition

Revenue from the sale of products and materials is recognized on transfer of all significant risks and rewards of ownership to the buyer. Sales are accounted inclusive of excise duty and exclude sales tax and trade and quantity discounts and are net of sales returns. Revenue from sale of manufactured goods has been presented both gross and net of excise duty.

Revenue from services is recognized as and when services are rendered as per the terms of the contract.

Interest on deployment of funds is recognized using the time proportionate method, based on underlying interest rates.

i) Employee benefits

Contributions payable to the recognised provident fund, which is a defined contribution scheme, are charged to the consolidated statement of profit and loss on accrual basis.

Gratuity costs, which is defined benefit scheme, are accrued based on actuarial valuation at the balance sheet date, carried out by independent actuary.

The expected cost of short-term employee benefits in the form of accumulating compensated absences are recognized as the additional amount that the enterprise expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Notes on Consolidated Accounts (contd...)

j) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the consolidated statement of profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognized in the consolidated statement of profit and loss.

The Group is exposed to foreign currency transactions including foreign currency revenues and receivables. With a view to minimize the volatility arising from fluctuations in currency rates, the Group enters into foreign exchange forward contracts.

The Group has adopted the principles of Accounting Standard 30, Financial Instruments: Recognition and Measurement (AS 30) issued by ICAI, to the extent the adoption of AS 30 does not conflict with existing accounting standards prescribed by Companies (Accounting Standards) Rules, 2006 and other authoritative pronouncements.

In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where Group has met all the conditions of cash flow hedge accounting, are fair valued at balance sheet date and the resultant exchange loss/(gain) is debited/credited to the hedge reserve until the transaction is completed. Other derivative instruments are recorded at fair value at the reporting date and the resultant exchange loss/ (gain) is debited/ credited to statement of profit and loss.

k) Earnings per share

In determining earnings per share, the Group considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date.

l) Provisions and contingent liabilities

The Group recognizes a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

m) Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the

corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets / liabilities are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Assets and liabilities representing current and deferred tax are disclosed on a net basis when there is a legally enforceable right to set off and management intends to settle the asset and liability on a net basis.

Minimum Alternate Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by Institute of Chartered Accountants of India ('ICAI'), the said asset is created by way of a credit to the statement of profit and loss. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Group will pay normal income-tax during the specified period.

n) Research and development

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Group has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

o) Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash in flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the consolidated statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the year in which they are incurred.

q) Stock compensation expense

The Group accounts for stock based compensation expense based on the intrinsic value method as prescribed by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India (ICAI).

Notes on Consolidated Accounts (contd...)

Particulars	As at 31 March 2014 (Rs.)	As at 31 March 2013 (Rs.)
2. SHARE CAPITAL		
Authorised		
15,500,000 (previous year: 15,500,000) equity shares of Rs 10 each	<u>155,000,000</u>	<u>155,000,000</u>
Issued, subscribed and paid-up		
12,425,609 (previous year: 12,365,183) equity shares of Rs 10 each, fully paid	<u>124,256,090</u>	<u>123,651,830</u>
	<u>124,256,090</u>	<u>123,651,830</u>

Out of the above, 4,933,333 equity shares of Rs 10 each, have been issued for consideration other than cash pursuant to amalgamation of Solectron EMS India Limited with the company effective 1 April 2009.

Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

	As at 31 March 2014		As at 31 March 2013	
	Number	Amount	Number	Amount
Number and value of shares at the beginning of the year	12,365,183	123,651,830	12,365,183	123,651,830
Number of shares issued during the year	60,426	604,260	-	-
Number and value of shares outstanding at the end of the year	12,425,609	124,256,090	12,365,183	123,651,830

Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at 31 March 2014		As at 31 March 2013	
	Number	% of holding	Number	% of holding
Apparao V Mallavarapu	6,604,715	53.15%	6,604,715	53.41%
Hardik Bharat Patel	*	*	826,008	6.68%
Bharat Jayantilal Patel	737,930	5.94%	735,930	5.95%

*does not hold more than 5% of equity shares

Rights, preferences and restrictions attached to equity shares

The Company has only one class of share referred to as equity share having par value of Rs 10. Each holder of the equity share, as reflected in the records of the Company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholders' meeting.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2014, the amount of per share interim dividend recognised as distributions to equity shareholders was Re.1 (previous year: Rs Nil) and per share final dividend was Rs 1.50 (previous year: Rs Nil). The total dividend appropriation for the year ended 31 March, 2014 amounted to Rs 31,108,015 (previous year: Rs Nil) including corporate dividend tax of Rs Nil (previous year: Rs Nil).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Refer note 30 for disclosure in relation to employee stock option plan.

Particulars	As at 31 March 2014 (Rs.)	As at 31 March 2013 (Rs.)
3. RESERVES AND SURPLUS		
Securities premium account		
Balance at the beginning of the year	120,783,984	120,783,984
Add: Addition during the year	2,202,965	-
Balance at the end of the year	<u>122,986,949</u>	<u>120,783,984</u>
Hedge reserve		
Balance at the beginning of the year	(261,500)	-
Add: Addition during the year	261,500	(261,500)
Balance at the end of the year	<u>-</u>	<u>(261,500)</u>
General reserve		
Balance at the beginning of the year	425,183,891	409,769,304
Add: Addition during the year	49,916,169	15,414,587
Balance at the end of the year	<u>475,100,060</u>	<u>425,183,891</u>
Surplus in statement of profit and loss		
Balance at the beginning of the year	329,910,248	326,474,562
Add: Profit for the year	346,723,757	92,764,673
Less: Appropriations during the year		
Interim dividend	12,425,609	-
Proposed final dividend	18,682,406	54,880,000
Corporate dividend tax	9,707,544	19,034,400
Transfer to general reserve	49,916,169	15,414,587
Balance at the end of the year	<u>585,902,277</u>	<u>329,910,248</u>
	<u>1,183,989,286</u>	<u>875,616,623</u>
4. LONG-TERM BORROWINGS		
<i>Secured</i>		
Term loans		
- From banks	-	3,435,897
- From others	-	1,664,999
Long-term maturities of finance lease obligations	-	21,246
	<u>-</u>	<u>5,122,142</u>
Term loans from bank:		
The term loan from bank was a foreign currency loan carrying an interest of LIBOR plus 600 basis points per annum on the outstanding amount of the loan. Term loans from bank were secured by exclusive charge on the entire moveable fixed assets financed by the term loan. The interest were payable quarterly along with the principal repayment. The sanction limit of the term loan was Rs 105,000,000. The term loan was repayable in nine equal quarterly instalments over thirty six months commencing from 27 September 2012. The above loan was repaid during the year.		
Term loan from others:		
The term loan from others represents vehicle loan taken from a non banking financial institution and secured by vehicle of the company. The term loan carries an interest rate of 10.45% per annum on the outstanding amount of the loan. The interest is payable monthly along with the principle repayment. The term loan from other is repayable in thirty five equal monthly installments commencing from 1 February 2012.		
Finance lease obligations:		
Finance lease obligation is towards laptops and computers purchased on finance lease and secured by the leased assets. The finance lease obligation is repayable in twelve quarterly installments from the date of lease of the leased assets. There is no continuing default in repayment of the principal and interest amount.		

Notes on Consolidated Accounts (contd...)

Particulars	As at 31 March 2014 (Rs.)	As at 31 March 2013 (Rs.)
5. LONG-TERM PROVISIONS		
Provision for gratuity (Refer Note 29)	17,226,342	16,304,793
	<u>17,226,342</u>	<u>16,304,793</u>
6. SHORT-TERM BORROWINGS		
<i>Secured</i>		
Short term loans from banks		
- Cash credit	6,707,787	21,515,539
- Packing credit	519,983,963	539,538,994
	<u>526,691,750</u>	<u>561,054,533</u>
Cash credit from bank is secured by way of hypothecation on the inventories, book debts and other current assets of the Company. Additionally it is secured by way of collateral charge on plant and machinery and an equitable mortgage of land.		
Packing credit from bank is secured by way of hypothecation of inventories, book debts and fixed assets (present and future) of the Company. Additionally it is secured by way of collateral charge on plant and machinery.		
There is no continuing default in the repayment of the principal and interest amounts.		
7. TRADE PAYABLES		
- Dues to micro and small enterprises	2,414,254	1,617,322
- Dues to others	426,935,843	479,228,892
	<u>429,350,097</u>	<u>480,846,214</u>
8. OTHER CURRENT LIABILITIES		
Current maturities of long-term debt*	1,664,999	54,350,566
Current maturities of finance lease obligations*	21,246	278,001
Interest accrued but not due	203,039	879,963
Advance from customers	124,731,618	24,715,586
Unpaid dividends	970,620	626,515
Derivative liability	-	261,500
Other payables		
- withholding and other taxes and duties payable	9,329,630	10,891,229
- for expenses	189,700,347	145,472,275
- for capital goods	5,616,245	8,587,644
	<u>332,237,744</u>	<u>246,063,279</u>
*Refer Note 4 for details with respect to terms and conditions of long term borrowings and finance lease.		
9. SHORT-TERM PROVISIONS		
Provision for gratuity (refer note 29)	2,699,942	1,363,654
Provision for compensated absences	6,175,707	5,429,573
Provision for stamp duty charges (refer note 36)	19,585,888	18,553,413
Proposed final dividend	18,682,406	-
Corporate dividend tax	19,034,400	19,034,400
Provision for taxation, net of advance tax	5,950,263	47,970,850
	<u>72,128,606</u>	<u>92,351,890</u>

10 FIXED ASSETS

(Amount in Rs.)

Particulars	Gross Block			Accumulated Depreciation and Amortisation				Net Block	
	As at 1 April 2013	Additions during the year	Deletions during the year	As at 31 March 2014	Charge for the year	Deletions during the year	As at 31 March 2014	As at 31 March 2013	
Tangible assets, owned									
Freehold land	4,409,383	-	-	4,409,383	-	-	4,409,383	4,409,383	
Leasehold improvements	33,286,871	2,575,986	-	35,862,857	7,242,215	-	14,193,858	18,860,087	
Building	59,525,793	381,396	-	59,907,189	1,996,254	-	38,334,297	39,949,155	
Plant and machinery	1,335,577,732	133,858,601	-	1,469,436,333	130,720,643	-	463,098,678	459,960,720	
Electrical installations	80,543,389	4,303,605	199,185	84,647,809	5,649,251	199,185	51,238,235	52,583,881	
Computers	37,689,232	4,793,340	-	42,482,572	2,514,918	-	5,134,899	2,856,477	
Office equipments	33,474,335	2,751,397	-	36,225,732	1,611,040	-	26,643,362	25,503,005	
Furniture and fixtures	27,946,532	1,774,088	-	29,720,620	1,690,492	-	15,268,574	15,184,978	
Vehicles	16,237,641	-	-	16,237,641	2,511,518	-	5,280,499	7,792,017	
Tangible assets, leased									
Computer	990,801	-	-	990,801	239,230	-	503,795	743,025	
Leasehold land	-	114,611,690	-	114,611,690	-	-	114,611,690	-	
TOTAL (A)	1,629,681,709	265,050,103	199,185	1,894,532,627	154,175,561	199,185	738,717,270	627,842,728	
Intangible assets, owned									
Computer software	33,822,874	3,338,501	-	37,161,375	1,839,805	-	7,867,154	6,368,458	
Intellectual property	-	3,296,143	-	3,296,143	824,036	-	2,472,107	-	
TOTAL (B)	33,822,874	6,634,644	-	40,457,518	2,663,841	-	10,339,261	6,368,458	
TOTAL (A)+(B)	1,663,504,583	271,684,747	199,185	1,934,990,145	156,839,402	199,185	749,056,531	634,211,186	
<i>Previous year</i>	<i>1,598,527,474</i>	<i>65,579,086</i>	<i>601,977</i>	<i>1,663,504,583</i>	<i>154,954,158</i>	<i>378,052</i>	<i>634,211,186</i>		

Notes on Consolidated Accounts (contd...)

Particulars	As at 31 March 2014 (Rs.)	As at 31 March 2013 (Rs.)
11. DEFERRED TAX ASSETS/(LIABILITIES), NET		
Deferred tax liabilities		
Fixed assets	(14,669,020)	(23,326,113)
	<u>(14,669,020)</u>	<u>(23,326,113)</u>
Deferred tax asset		
Fixed assets	4,584,576	-
Provision for doubtful debts	1,965,854	524,446
Provision for doubtful advances	462,609	441,581
Retirement benefits	15,346,380	9,971,127
Unabsorbed depreciation and business loss	-	20,334,652
Current liabilities and provisions	6,657,244	6,019,655
	<u>29,016,663</u>	<u>37,291,461</u>
Net deferred tax assets, net	<u>14,347,643</u>	<u>13,965,348</u>
12. LONG-TERM LOANS AND ADVANCES		
<i>Unsecured, considered good</i>		
Capital advances	50,736,021	41,129,183
Balance with government authorities	41,482,591	58,826,142
Advance tax, net of provision for tax	27,064,437	13,966,440
Prepaid expenses	4,252,389	810,236
Deposits	17,139,124	13,654,362
	<u>140,674,562</u>	<u>128,386,363</u>
<i>Unsecured, considered doubtful</i>		
Balance with government authorities	1,361,015	1,361,015
	<u>1,361,015</u>	<u>1,361,015</u>
Less: Provision for doubtful deposits and advances	1,361,015	1,361,015
	<u>140,674,562</u>	<u>128,386,363</u>
13. OTHER NON-CURRENT ASSETS		
Trade receivables (Unsecured, considered good) (represents trade receivables on deferred credit terms)	20,551,465	22,854,648
	<u>20,551,465</u>	<u>22,854,648</u>
14. INVENTORIES		
Raw materials [includes raw materials in transit Rs 18,534,042] (previous year Rs 6,214,182)]	497,049,881	394,212,423
Work-in-progress	263,554,094	250,160,448
Stores and spares	6,093,160	5,959,083
	<u>766,697,135</u>	<u>650,331,954</u>

Particulars	As at 31 March 2014 (Rs.)	As at 31 March 2013 (Rs.)
15. TRADE RECEIVABLES		
<i>Unsecured</i>		
Debts due for a period exceeding six months		
- considered good	46,608,386	38,747,300
- considered doubtful	4,739,235	4,739,616
	<u>51,347,621</u>	<u>43,486,916</u>
Other debts		
- considered good	925,068,100	979,676,015
	<u>925,068,100</u>	<u>979,676,015</u>
Less: Provision for doubtful debts	4,739,235	4,739,616
	<u>971,676,486</u>	<u>1,018,423,315</u>
16. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash on hand	551,682	1,189,782
Balance with banks		
- in current account	10,136,603	7,906,765
- in exchange earners foreign currency account	117,057,378	30,420,279
	<u>127,745,663</u>	<u>39,516,826</u>
Other bank balances		
Balance with banks		
- in current account*	985,142	641,037
- in margin money accounts**	36,534,796	26,497,580
	<u>165,265,601</u>	<u>66,655,443</u>
* includes balance in unclaimed dividend account Rs 970,620 (previous year: Rs 626,515).		
**margin money is against bank guarantees issued in favour of customers and statutory authorities.		
17. SHORT-TERM LOANS AND ADVANCES		
<i>Unsecured considered good</i>		
Deposits	160,989	160,989
Staff advances	1,251,247	636,309
Prepaid expenses	15,909,646	8,448,632
Balances with government authorities	35,623,705	27,001,248
Advance to suppliers	59,993,151	25,026,306
Interest accrued but not due	1,834,845	622,584
Other advances and receivables	8,090,478	3,194,374
Advance tax, net of provision for tax	-	35,753,611
	<u>122,864,061</u>	<u>100,844,053</u>
<i>Unsecured, considered doubtful</i>		
Advance to suppliers	1,044,008	1,044,008
	<u>1,044,008</u>	<u>1,044,008</u>
Less: Provision for doubtful advances	1,044,008	1,044,008
	<u>122,864,061</u>	<u>100,844,053</u>

Notes on Consolidated Accounts (contd...)

Particulars	For the year ended 31 March 2014 Rs.	For the year ended 31 March 2013 Rs.
18. REVENUE FROM OPERATIONS		
Sale of products, gross	4,214,874,077	2,715,138,769
Less: Excise duty	<u>62,133,415</u>	<u>35,656,331</u>
Sale of products, net	4,152,740,662	2,679,482,438
Sale of services	99,077,969	146,593,209
	<u>4,251,818,631</u>	<u>2,826,075,647</u>
19. OTHER INCOME		
Interest on bank deposits	2,975,450	3,099,591
Interest on income tax refund	23,863	3,388,785
Profit on sale of fixed assets	1,514,143	-
Other non-operating income	2,537,103	2,052,058
Provision no longer required written back	-	509,359
	<u>7,050,559</u>	<u>9,049,793</u>
20. COST OF RAW MATERIALS CONSUMED		
Inventory of materials at the beginning of the year	400,171,506	325,115,293
Add: Purchase	2,725,350,721	1,834,104,305
Less: Inventory of materials at the end of the year	<u>503,143,041</u>	<u>400,171,506</u>
	<u>2,622,379,186</u>	<u>1,759,048,092</u>
21. CHANGE IN INVENTORIES OF WORK-IN-PROGRESS		
<i>Opening Stock</i>		
Work in progress	250,160,448	212,402,928
<i>Closing Stock</i>		
Work in progress	<u>263,554,094</u>	<u>250,160,448</u>
Decrease/ (increase) in inventories of work in progress	<u>(13,393,646)</u>	<u>(37,757,520)</u>
22. EMPLOYEE BENEFIT EXPENSE		
Salaries, wages and allowances	382,360,509	328,433,221
Contribution to provident and other funds	21,144,965	17,652,360
Staff welfare expenses	26,454,208	19,297,895
	<u>429,959,682</u>	<u>365,383,476</u>
23. FINANCE COSTS		
Interest expense	54,420,062	41,666,243
Other borrowing costs	4,548,063	5,046,928
	<u>58,968,125</u>	<u>46,713,171</u>

Particulars	For the year ended 31 March 2014 Rs.	For the year ended 31 March 2013 Rs.
24. OTHER EXPENSES		
Rent	23,485,787	18,916,520
Rates and taxes	3,470,590	1,783,088
Power and fuel	54,597,790	40,834,261
Repairs and maintenance		
- Building	11,089,518	7,305,347
- Plant and machinery	21,139,627	15,273,674
Insurance	10,793,492	9,737,098
Professional and consultancy	30,340,942	40,404,001
Selling and marketing expenses	16,809,593	3,267,633
Travelling and conveyance	29,670,513	31,104,671
Purchase of services	60,306,036	27,849,319
Postage, telephones and telegrams	3,594,646	3,801,339
Printing and stationery	4,842,462	4,152,471
Donation	2,982,250	2,982,775
Contribution to scientific research	10,000,000	-
Advertisement and promotion	2,454,737	1,547,737
Security charges	4,607,787	4,710,758
Commission paid to non executive directors	1,000,000	-
Recruitment and training	4,835,893	6,460,721
Bad debts written-off	725,203	113,357,264
Provision for doubtful debts and advances	-	330,000
Directors sitting fees	378,000	64,000
Freight outwards	14,807,518	30,952,358
Foreign exchange loss, net	46,654,133	11,907,494
Bank charges	18,086,506	13,272,575
Loss on sale of fixed assets	-	70,492
Miscellaneous expenses	10,455,001	7,668,528
	<u>387,128,024</u>	<u>397,754,124</u>

Notes on Consolidated Accounts (contd...)

25. Capital commitments and contingent liabilities

(Amount in Rs.)

Particulars	As at 31 March 2014	As at 31 March 2013
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	58,490,130	150,875,252
Contingent liabilities		
Claims against the Company not acknowledged as debts in respect of:		
Income tax	54,053,780	-
Sales tax	10,559,633	5,106,330
Excise duty	9,988,320	9,988,320
Stamp duty [refer schedule 36]	5,107,137	5,107,137

The Company's subsidiary has received an order dated 5 April 2013 from the income tax authorities with respect to the assessment year 2009 - 2010. As per the assessment order, the carried forward loss for the assessment year 2009-2010 has been assessed as Rs 40,704,558 by the assessing officer as against the carried forward loss of Rs 87,137,017 claimed by the subsidiary. The decrease in carried forward tax loss represents the transfer pricing adjustment carried out by the Transfer Pricing Officer on the transfer pricing margin under Section 92CA of the Income-tax Act, 1961. The subsidiary has filed an appeal against the transfer pricing adjustment before the Commissioner of Income-tax (Appeal) and management believes that its position is likely to be upheld in the appellate process. Accordingly, no provision has been made in the financial statements with respect to the aforesaid assessment order received.

Further, the Company's subsidiary has received an order dated 22 February 2014 from the income tax authorities with respect to the assessment year 2010 - 2011. As per the assessment order, the taxable income has been assessed as Rs 66,669,084 by the assessing officer as against the taxable income declared by subsidiary amounting to Rs 20,118,108. The increase in taxable income represents the transfer pricing adjustment carried out by the Transfer Pricing Officer on the transfer pricing margin under Section 92CA of the Income-tax Act, 1961. The subsidiary has filed an appeal against the transfer pricing adjustment before the Dispute Resolution Panel and management believes that its position is likely to be upheld in the panel process. Accordingly, no provision has been made in the financial statements with respect to the aforesaid assessment order received.

26. Auditors' remuneration excluding service tax (included under professional and consultancy)

(Amount in Rs.)

	Year ended 31 March 2014	Year ended 31 March 2013
Audit fees	3,000,000	3,000,000
Out of pocket expenses reimbursed	169,820	135,580
	3,169,820	3,135,580

27. Earnings per share

The computation of earnings per share is set out below:

	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Profit for the year	346,723,757	92,764,673
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	12,365,183	12,365,183
Weighted average number of shares issued during the year	11,766	-
Weighted average number of equity shares outstanding during the year (in numbers)	12,376,949	12,365,183
Face value of equity shares	10	10
Earnings per share - basic	28.01	7.50
Weighted average number of equity shares outstanding during the year - basic	12,376,949	12,365,183
Add: Effect of dilutive issues of stock options	221,073	51,851
Weighted average number of equity shares and potential equity shares outstanding during the year (in numbers)	12,598,022	12,417,034
Earnings per share dilutive	27.52	7.47

28. Holding of Centum Electronics Limited in its subsidiary:

Name of the subsidiary	Country of incorporation	Holding as at 31 March 2014
Centum Rakon India Private Limited	India	51%

On 3 March 2008, the company acquired 100% stake in Centum Rakon India Private Limited (Centum Rakon) by subscribing to 2,856,000 equity shares of Rs 10 each at par in Centum Rakon. Subsequently, on 25 March 2008, Rakon Limited, New Zealand (Rakon Limited / Minority holder) acquired 49% stake in Centum Rakon through its wholly owned subsidiary Rakon (Mauritius) Limited.

29. Gratuity plan

The following table set out the status of the gratuity plan as required under AS 15. Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	(Amount in Rs.)	
Particulars	As at 31 March 2014	As at 31 March 2013
Change in projected benefit obligations		
Obligations at year beginning	17,668,447	13,073,529
Service cost	3,436,542	2,667,812
Past service cost	-	-
Benefits paid	(1,215,559)	(1,266,323)
Interest cost	1,623,642	1,309,042
Actuarial loss/ (gain)	(1,586,788)	1,884,387
Obligations at year end	19,926,284	17,668,447
Change in plan assets		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	1,215,559	1,266,323
Benefits paid	(1,215,559)	(1,266,323)
Plans assets at year end, at fair value	-	-

Notes on Consolidated Accounts (contd...)

Particulars	(Amount in Rs.)	
	As at 31 March 2014	As at 31 March 2013
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	19,926,284	17,668,447
Asset/ (liability) recognised in the balance sheet	(19,926,284)	(17,668,447)
Gratuity cost for the year		
Service cost	3,436,542	2,667,812
Interest cost	1,623,642	1,309,042
Expected return on plan assets	-	-
Actuarial loss/ (gain)	(1,586,788)	1,884,387
Past service cost	-	-
Net gratuity cost	3,473,396	5,861,241
Assumptions:		
Discount rate	9.10%	7.95%
Expected rate of return on plan assets	Not applicable	Not applicable
Expected rate of salary increase	7%	7%
Attrition rate	1%-15%	1%-15%
Retirement age	58 years	58 years

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. The Company does not have any planned assets.

30. Employee stock options:

The company has two stock option plans.

Centum employee stock option plan 2007

The Centum ESOP -2007 was approved by the board of directors of the Company in October 2007 and by the shareholders in December 2007. The 2007 plan provides for the issue of 416,666 shares to the employees. The plan is administered by a compensation committee. Options will be issued to employees of the Company and also its subsidiary at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

Option activity during the year ended 31 March 2014 and the related weighted average exercise price of stock options under the Centum ESOP plan 2007 is presented below.

Particulars	For the year ended 31 March 2014		For the year ended 31 March 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	335,353	58.09	357,676	58.38
Granted during the year	-	-	-	-
Exercised during the year	60,426	46.46	-	-
Forfeited/Lapsed during the year	26,797	74.38	22,323	62.77
Options outstanding at the end of the year	248,130	59.17	335,353	58.09
Exercisable at the end of the year	122,576	61.32	107,638	60.08

The options outstanding as at 31 March 2014 had an exercise price of Rs.59.17 and the weighted average remaining contractual life of 10.06 years.

Centum employee stock option plan 2013

The Centum ESOP - 2013 was approved by the board of directors of the Company in May 2013 and by the shareholders in August 2013. The 2013 plan provides for the issue of 250,000 shares to the employees. The plan is administered by a compensation committee. Options will be issued to employees of the Company and also its subsidiary at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

Option activity during the year ended 31 March 2014 and the related weighted average exercise price of stock options under the Centum ESOP plan 2013 is presented below.

Particulars	For the year ended 31 March 2014		For the year ended 31 March 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	-	-	-	-
Granted during the year	250,000	71.25	-	-
Exercised during the year	-	-	-	-
Forfeited/Lapsed during the year	-	-	-	-
Options outstanding at the end of the year	250,000	71.25	-	-
Exercisable at the end of the year	-	-	-	-

The options outstanding as at 31 March 2014 had an exercise price of Rs 71.25 and the weighted average remaining contractual life of 11.85 years.

The Company applies the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. The Company has therefore adopted the pro forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share Based Payments" issued by the Institute of Chartered Accountants of India with effect from 1 April 2005.

Had the compensation been determined using the fair value approach described in the aforesaid Guidance Note, the Company's net profit and basic and diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Profit for the year	346,723,757	92,764,673
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determined under the fair value method	4,190,889	68,537
Adjusted net profit	<u>342,532,868</u>	<u>92,696,136</u>
Basic earnings per share as reported	28.01	7.50
Pro forma basic earnings per share	27.68	7.50
Diluted earnings per share as reported	27.52	7.47
Pro forma diluted earnings per share	27.19	7.50

Notes on Consolidated Accounts (contd...)

The fair value of each option under the 2007 plan is estimated by management on the date of grant using the Black - Scholes model with the following assumptions

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-9.1%	5.7-8.6%
Volatility	63.43%	64.89%

31. The Group's foreign currency exposure on account of foreign currency denominated payables not hedged as on 31 March 2014:

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	13,864,381	832,475,780	16,951,610	925,219,142
EUR	2,151,826	177,574,544	1,706,257	120,973,592
GBP	55,756	5,562,883	46,841	3,926,697
JPY	5,189,750	3,131,496	10,140,170	5,972,636
CHF	1,687	116,704	6,422	373,028
NZD	-	-	687,799	5,860,046
SEK	734,686	6,964,821	-	-
		1,025,826,228		1,062,325,141

32. The Group's foreign currency exposure on account of foreign currency denominated receivables not hedged as on 31 March 2014:

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	15,231,445	912,404,954	14,544,275	777,391,498
EUR	857,358	70,606,389	724,921	49,403,360
GBP	24,243	2,414,409	34,837	2,815,862
JPY	8,287,500	4,746,245	1,156,278	654,685
		990,171,997		830,265,405

33. Leases

The Group has taken office facilities and computer equipment under cancelable operating lease agreement. The Company intends to renew the agreement in the normal course of its business. Total lease rentals recognized in the profit and loss for the year in respect of the aforementioned lease is Rs 21,222,187 (previous year: Rs 14,100,520).

The Group has taken factory premises under non-cancellable operating lease. The Company intends to renew such leases in the normal course of business. Total lease rentals recognized in the profit and loss account for the year ended 31 March 2014 with respect to the aforementioned lease is Rs 5,296,000 (previous year: Rs 4,816,000).

The total future minimum lease payments under non-cancellable operating lease as at 31 March 2014 are :
(Amount in Rs.)

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Not later than one year	5,820,000	5,296,000
Later than one year and not later than five years	2,000,000	7,820,000
	<u>7,820,000</u>	<u>13,116,000</u>

The Group has taken computers under finance lease. Future minimum lease payments under finance lease obligations as at 31 March 2014 is:

Period	As at 31 March 2014			As at 31 March 2013		
	Minimum lease payments	Future interest	Present value of minimum lease payments	Minimum lease payments	Future interest	Present value of minimum lease payments
Not later than one year	22,208	962	21,246	292,820	14,819	278,001
Later than one year and not later than five years	-	-	-	22,208	962	21,246
Total	<u>22,208</u>	<u>962</u>	<u>21,246</u>	<u>315,028</u>	<u>15,781</u>	<u>299,247</u>

34. Segment Information

The Company operates through two divisions, component business comprising of Modules (Products segment) and Electronic Manufacturing Services (Services segment), which are considered to be the primary segments and geography as the secondary segment.

The accounting principles used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identified to that segment, while other items, wherever allocable, are apportioned to the segments on appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company, therefore, believes that it is not practicable to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

	(Amount in Rs.)	
Primary segment information	For the Year ended 31 March 2014	For the Year ended 31 March 2013
Segment revenue		
Products	1,934,374,652	1,422,543,365
Services	2,317,443,979	1,403,532,282
	<u>4,251,818,631</u>	<u>2,826,075,647</u>
Segment result		
Products	407,857,732	307,103,104
Services	209,130,685	(158,073,165)
	<u>616,988,417</u>	<u>149,029,939</u>

Notes on Consolidated Accounts (contd...)

	(Amount in Rs.)	
Primary segment information	For the Year ended 31 March 2014	For the Year ended 31 March 2013
Income taxes		
- Current year	175,480,370	86,000,000
- Deferred	(382,294)	(29,855,638)
- Minimum alternate tax credit entitlement	-	(3,628,600)
Profit / (loss) after taxation	441,890,341	96,514,177
Segment assets		
Products	1,372,979,678	1,447,174,749
Services	1,225,056,291	946,788,080
Unallocated	354,330,482	242,575,283
	2,952,366,451	2,636,538,112
Segment liabilities		
Products	496,442,700	691,311,059
Services	801,386,711	666,880,561
Unallocated	79,805,128	43,551,231
	1,377,634,539	1,401,742,851
Capital expenditure [including capital work in progress]		
Products	126,789,835	42,424,359
Services	26,542,803	18,839,400
Unallocable	118,719,274	1,864,977
	272,051,912	63,128,736
Depreciation		
Products	105,151,701	100,196,707
Services	46,862,706	50,275,297
Unallocable	4,824,995	4,482,154
	156,839,402	154,954,158
Secondary segment disclosures:	(Amount in Rs.)	
Geographic segment	For the year ended 31 March 2014	For the year ended 31 March 2013
Revenues		
India	740,770,237	507,876,183
Europe	1,934,440,124	1,511,274,629
USA	856,684,302	549,905,328
Rest of the world	719,923,968	257,019,507
	4,251,818,631	2,826,075,647
Segment assets		
India	2,083,764,798	1,791,996,270
Europe	392,339,381	517,102,845
USA	276,923,446	191,296,063
Rest of the world	199,338,826	136,142,934
	2,952,366,451	2,636,538,112

35. Related party disclosures

A. Parties where control exists:

Apparao V Mallavarapu (directly and indirectly exercises 60.98% voting power in the Company)

B. Other related parties where transactions have taken place during the year:

Associate companies

Centum Industries private limited

Rakon (Mauritius) Limited

Rakon France SAS

Rakon UK Limited

Rakon Limited

C. Key executive management personnel represented on the Board:

Mr. Apparao V Mallavarapu - Chairman and Managing Director

D. The following is a summary of transactions with related parties by the Company:

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Sale of goods and services		
<i>Associate companies</i>		
Centum Industries Private Limited	389,400	408,924
Rakon France SAS	1,317,601,743	988,008,296
Rakon UK Limited	27,929,304	34,124,363
Rakon Limited	2,303,925	4,224,438
Purchase of goods and services		
<i>Associate companies</i>		
Rakon France SAS	312,726,501	203,534,483
Rakon UK Limited	5,592,885	2,680,257
Rakon Limited	801,220	591,976
Centum Industries Private Limited	21,047,479	16,036,261
Reimbursement of expenses		
<i>Parties under common control</i>		
Rakon France SAS	6,135,995	-
Centum Industries Private Limited	26,470	-
<i>Parties having significant influence</i>		
Rakon Limited	857,646	-
Purchase of fixed assets		
<i>Associate companies</i>		
Rakon France SAS	4,629,656	1,551,242
Rakon Limited	21,497,807	4,396,344
Long-term borrowings repaid		
<i>Joint venture partner</i>		
Rakon (Mauritius) Limited	-	115,895,405
Professional and consultancy		
<i>Associate companies</i>		
Rakon France SAS	-	16,517,957
Rakon Limited	-	1,117,835
Interest expense		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	-	2,503,982
Managerial remuneration		
<i>Key management personnel</i>		
Managerial remuneration	20,412,000	9,432,000

Notes on Consolidated Accounts (contd...)

E. The balances receivable from and payable to related parties are as follows:

Particulars	(Amount in Rs.)	
	As at 31 March 2014	As at 31 March 2013
Trade receivables		
<i>Associate companies</i>		
Rakon France SAS	217,766,661	421,068,553
Rakon UK Limited	7,768,480	7,186,355
Rakon Limited	289,421	795,526
Centum Industries Private Limited	41,252	201,060
Trade payables		
<i>Associate companies</i>		
Rakon France SAS	57,113,708	99,770,773
Rakon UK Limited	1,183,400	1,582,155
Rakon Limited	11,075,688	657,740
Centum Industries Private Limited	1,877,059	197,712
Other current liabilities		
<i>Parties under common control</i>		
Rakon France SAS	34,951,478	-
Managerial Remuneration payable		
Key management personnel	11,330,836	163,238

36. Based on a demand notice dated 12 February 2010 received from District Registrar, Stamps and Registration Department, Karnataka, the Company has estimated and provided Rs 11,174,165 towards additional stamp duty liability against a claim of Rs 16,281,302 in the aforementioned demand notice, payable pursuant to the demerger of EMS business from Centum Electronics Limited (formerly known as Solectron Centum Electronics Limited) on 1 October 2006, as per the Scheme of Arrangement approved by the Honourable High Court of Karnataka effective 13 July 2007. The differential amount of Rs 5,107,137 has been disclosed as a contingent liability [refer note 25].

The Company has also provided Rs 8,411,723 towards stamp duty payable pursuant to the merger of Solectron EMS India Limited with the Company.

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Opening balance	18,553,413	18,553,413
Add: Provision made during the year	1,032,475	-
	<u>19,585,888</u>	<u>18,553,413</u>

37. Minority interest in the consolidated financial statement of the company as at 31 March 2014 includes final dividend of Rs 20 per share for each equity shares of Rs 10 each aggregating to Rs 54.88 million (previous year Rs 54.88 million) proposed by the board of directors of the subsidiary company, Centum Rakon India Private limited. The dividend proposed by the Board of Directors is subject to the approval of the share holders in the ensuing Annual General Meeting of the subsidiary company. Further, the minority interest in the consolidated statement of profit and loss for the year ended 31 March 2013 is net of proposed dividend by the Company's subsidiary.

38. As at March 31, 2014, the Group has outstanding forward contracts amounting to USD Nil (As at March 31, 2013: USD 750,000). These derivative instruments have been entered to hedge highly probable forecasted sales.

In accordance with the provisions of AS 30, these derivative instruments qualify for cash flow hedge accounting and have been fair valued at the balance sheet date and the resultant exchange loss has been debited to hedge reserve (Refer Note 3).

As per our report of even date attached

for **BSR & Co. LLP**

Chartered Accountants

Firm Registration No. 101248W

Supreet Sachdev

Partner

Membership No. 205385

Place : Bangalore

Date : 29 May, 2014

for **Centum Electronics Limited**

Apparao V. Mallavarapu

Chairman & Managing Director

Ramu Akkili

Company Secretary

S. Krishnan

Director

K.S. Desikan

CFO

Consolidated Cash Flow Statement

	For the year ended 31 March 2014 (Rs.)	For the year ended 31 March 2013 (Rs.)
Cash flow from operating activities		
Profit before tax	616,988,417	149,029,939
Adjustments		
Provision for doubtful debts	-	330,000
Effect of exchange differences on translation of foreign currency monetary balances	34,364,197	6,138,291
Bad debts written off	725,203	113,357,264
(Profit) / loss on sale of fixed assets	(204,858)	70,492
Depreciation and amortisation	156,839,402	154,954,158
Interest income	(2,975,450)	(3,099,591)
Interest expenses	58,968,125	46,713,171
Operating cash flows before working capital changes	864,705,036	467,493,724
Changes in liabilities and provisions	95,798,242	178,505,437
Changes in inventories	(116,365,180)	(112,813,736)
Changes in trade receivables	45,937,095	(341,472,855)
Changes in loans and advances	(46,096,360)	16,950,058
Changes in other bank balances	(10,381,321)	(278,813)
Cash generated from operations	833,597,512	208,383,815
Income taxes	(194,845,344)	(41,304,538)
Net cash generated from operating activities	638,752,168	167,079,277
Cash flow from investing activities		
Proceeds from sale of fixed assets	204,858	153,431
Interest received	1,714,831	6,877,412
Purchase of fixed assets	(284,630,142)	(68,090,972)
Net cash used in investing activities	(282,710,453)	(61,060,129)
Cash flow from financing activities		
Short term borrowings from bank, net	(59,936,710)	101,604,402
Proceeds from long term borrowings	-	50,566,659
Repayment of long term borrowings	(64,850,007)	(39,989,014)
Proceeds from issue of share capital	2,807,225	-
Interest paid	(59,645,049)	(51,212,266)
Repayment of term loan from related party	-	(117,870,535)
Dividend and dividend tax paid	(85,995,904)	(14,374,129)
Net cash used in financing activities	(267,620,445)	(71,274,883)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(192,433)	(34,922)
Net increase in cash and cash equivalents	88,421,270	34,744,265
Cash and cash equivalents at the beginning of the year	39,516,826	4,807,483
Cash and cash equivalents at the end of the year (refer note 16)	127,745,663	39,516,826

This is the cash flow statement referred to in our report attached

As Per our report of even date attached

for BSR & Co. LLP
Chartered Accountants
Firm Registration No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 29 May, 2014

for Centum Electronics Limited

Apparao V. Mallavarapu
Chairman & Managing Director

Ramu Akkili
Company Secretary

S. Krishnan
Director

K.S. Desikan
CFO

Centum Electronics Ltd

Regd. Office: No. 44 KHB Industrial Area, Yelahanka New Township, Bangalore- 560 106.
CIN - L85110KA1993PLC013869

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member (s):			
Registered address:			
E- Mail Id:			
Folio No/ Client Id:		DP ID	

I/ We, being the member (s) ofShares of Centum Electronics Limited, hereby appoint:

1.	NAME		
	Address		
	E- Mail Id	Signature	
	or failing him		
2.	NAME		
	Address		
	E- Mail Id	Signature	
	or failing him		
3.	NAME		
	Address		
	E- Mail Id	Signature	

as my/ our proxy to attend and vote (on a poll) for me/us and our behalf at the 21st Annual General Meeting of the Company, to be held on Friday, the 1st August, 2014 at 2.00 P.M. at No. 44, KHB Industrial Area, Yelahanka New Township, Bangalore- 560106 and on adjournment thereof in respect of such resolutions as are indicated below:

Sl. No.	Resolutions	Optional	
		For	Against
ORDINARY BUSINESS			
1	Adoption of Financial Statements for the year ended 31st March, 2014.		
2	Confirmation of the payment of Interim Dividend and declaration of Final Dividend for the financial year 2013-14.		
3	Re- appointment of Auditors and fixing their remuneration.		
SPECIAL BUSINESS			
4	Appointment of Mr. Pranav Kumar N Patel as an Independent Director		
5	Re- Appointment of Mr. S. Krishnan as an Independent Director		
6	Payment of commission and/ or remuneration to each independent non- executive director		

Signed thisDay of 2014.

Signature of shareholder : _____

Signature of Proxy holder (s) : _____

Affix a
Re. 1
Revenue
Stamp

- Note: 1. This form of proxy in order to be effective should be duly completed and deposited at the Registered office of the Company, not less than 48 hours before the commencement of the Meeting.
2. * It is optional to put a 'x' in the appropriate column against the resolutions indicated in the box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/ she thinks appropriate.
3. Please complete all details including details of member (s) in above before submission.

Centum Electronics Ltd

Regd. Office: No. 44 KHB Industrial Area, Yelahanka New Township, Bangalore- 560 106
CIN - L85110KA1993PLC013869

ATTENDANCE SLIP

Twenty First Annual General Meeting Friday, 1 August 2014 at 2.00 p.m.



Name of Member (IN BLOCK LETTERS)

Name of Proxy (IN BLOCK LETTERS)

(Name of the Proxy to be filled in if the proxy attends instead of the Member)

No. of shares held

I /We hereby record my/our presence at the Twenty First Annual General Meeting of the Company held at No. 44, KHB Industrial Area, Yelahanka New Township, Bangalore- 560 106.

Member's/Proxy's Signature

Note:

1. Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and handover at the entrance duly signed.
2. Transportation facilities will be provided to the shareholders for attending the AGM as per details given below:
Pick up at 12.45 p.m. Near Shantala Silks in Majestic, Koshy's Hotel at St.Marks Road, Druvadesh Honda in Mehkri Circle.





Regd. & Corporate Office
Centum Electronics Limited
No. 44, KHB Industrial Area
Yelahanka New Township
Bangalore - 560 106. India

FORM A

Covering letter to the annual audit report to be filed with the stock exchanges

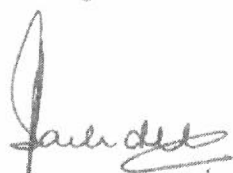
1.	Name of the Company	Centum Electronics Limited
2.	Annual financial statements for the year ended	31 March 2014
3.	Type of Audit observation	Unqualified
4.	Frequency of observation	Not applicable

for BSR & Co.LLP

Chartered Accountants

Firm registration No.: 101248W

for Centum Electronics Limited



Supreet Sachdev

Partner

Membership No.: 205385

Place: Bangalore

Date: 29 May 2014



Apparao V Mallavarapu

Chairman & Managing

Director

Place: Bangalore

Date: 29 May 2014



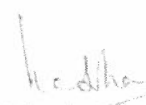
Manoj Nagrath

Chairman- Audit

Committee

Place: Bangalore

Date: 29 May 2014



K.S. Desikan

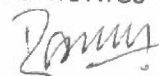
Chief Financial

Officer

Place: Bangalore

Date: 29 May 2014

Certified True Copy
For CENTUM ELECTRONICS LIMITED



Ramu Akkili
Company Secretary