



# CENTUM

TEAM WORK | TECHNOLOGY | TRUST



Centum Electronics Limited  
Annual Report 2015-16





Centum is integrating cutting-edge dominant technologies and expertise in the area of design and engineering to strategically develop and produce state-of-the-art modules, sub-systems and electronic components for mission critical applications.

If your specifications require high quality, high performance and zero defect electronics, Centum is your solution. We develop and produce robust and reliable electronics for telecom, automotive, defense and space sectors.

## Contents

Notice	1
Directors' Report	7
Statement on Subsidiary Company	12
Report on Corporate Governance	19
Management Discussion & Analysis	42
Auditor's Report	53
Balance Sheet	60
Statement of Profit & Loss	61
Cash Flow Statement	62
Notes to Financial Statements	63
Consolidated Financial Results	
Auditor's Report	86
Balance Sheet	90
Statement of Profit & Loss	91
Cash Flow Statement	92
Notes to Financial Statements	93

Annual General Meeting : Friday, August 5, 2016

Time : 11.30 a.m.

Venue : No.44, KHB Industrial Area  
Yelahanka Newtown  
Bangalore - 560 106

## Performance

Technologies evolve but one thing stays the same, the need to ensure absolute performance when it matters most. Success depends on the ideal mix of talent and technology - and as technology becomes more complex, assuring readiness gets tougher.



## 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, We shall develop, maintain and continuously improve of every employee, supplier and customer. The documented system and enhance quality of all our products, processes, service and promote customer trust and satisfaction

# Board of Directors



**Apparao V Mallavarapu**  
Chairman & Managing Director



**Rajiv C Mody**  
Independent Director



**Manoj Nagrath**  
Independent Director



**S. Krishnan**  
Independent Director



**Pranav Kumar Patel**  
Independent Director



**Dr. Swarnalatha  
Mallavarapu**  
Director



**P. Thiruvengadam**  
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  
Citibank N.A.  
Kotak Mahindra Bank

## **Share Transfer Agents**

M/s Karvy Computershare Private Limited,  
Karvy Selenium Tower B, Plot 31-32,  
Gachibowli, Financial District, Nanakramguda,  
Hyderabad - 500032

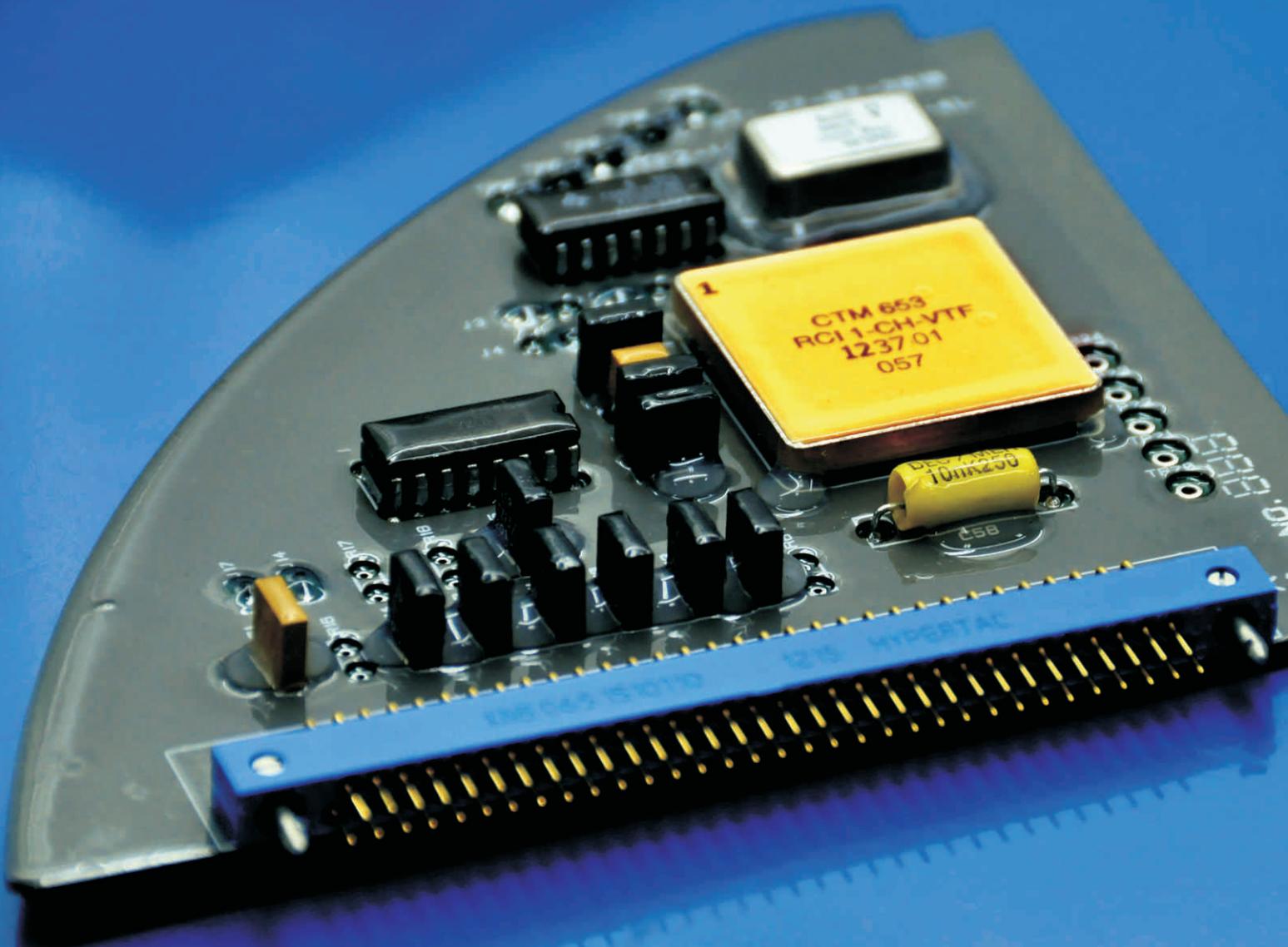
## **CENTUM ELECTRONICS LIMITED**

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

[www.centumelectronics.com](http://www.centumelectronics.com)

“ We will continue to be a frontrunner in the area of critical and high-technology electronics by providing best-of-breed product solutions by leveraging our domain expertise, design excellence and state-of-the-art manufacturing capabilities ”

Apparao Mallavarapu  
Chairman & Managing Director





Technologies evolve but one thing stays the same, the need to ensure absolute performance when it matters most. Success depends on the ideal mix of talent and technology - and as technology becomes more complex, assuring readiness gets tougher.

Centum is a source of assurance that excellence will succeed. Through our expertise, we give more time to the bigger issues: fulfilling today's mission and managing the transition to what comes next.

## Notice of the 23rd Annual General Meeting

---

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of Centum Electronics Limited will be held on Friday, August 5, 2016 at 11.30 am at the registered office of the Company, #44, KHB Industrial Area, Yelahanka New Town, Bangalore - 560 106 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt:
  - a. the Audited Financial Statements of the company for the financial year ended March 31, 2016, together with the Reports of the Directors and Auditors thereon; and
  - b. the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2016, together with the Report of the Auditors thereon.
2. To confirm the payment of first and second Interim Dividend for the financial year 2015-16.
3. To appoint M/s. BSR & Co. LLP, 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, 161 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 Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Thiruvengadam P (DIN 00016375), Director of the Company and who meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and being 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 5 years.”

### NOTES:

1. A member entitled to attend and vote at the Annual General Meeting (AGM) 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. The instrument appointing the proxy, in order to be effective, must be deposited with the company duly completed and signed, not less than FORTY-EIGHT HOURS before the meeting. Proxies submitted on behalf of the companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable.
2. The relative explanatory statement pursuant to Section 102 (1) of the Companies Act, 2013 in respect of Special Business is set annexed hereto.
3. The Register of members and Share Transfer books will remain closed from 30th July, 2016 to 5th August, 2016 (both days inclusive) for the purpose of ascertaining the members eligible to attend and vote on the resolutions.
4. Members holding shares in dematerialized form are requested to intimate all the changes pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ESC), mandates, nominations, power of attorney, change of address, e-mail address, contact numbers, etc., to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the company and the company's Registrars and Transfer Agents, M/s Karvy

## Notice (Contd...)

---

- Computershare Private Limited (Karvy) to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to Karvy.
5. To support the 'Green initiative' members who have not registered their e-mail addresses are requested to register the same with Karvy/Depositories.
  6. Nomination facility: It is to bring 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.
  7. 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 (2015-16).
    - 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.
  8. In compliance with the provisions of section 108 of the Act and the Rules framed thereunder and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by M/s. Karvy Computershare Limited, on all the resolutions set forth in this Notice. Members, who do not have access to the e-voting facility, can send their assent or dissent in writing in respect of the resolutions as set out in this Notice (Ballot Form enclosed).

The instructions for e-voting are as under:

- A. In case a Member receives an e-mail from Karvy (for Members whose e-mail addresses are registered with the Company/Depositories):
  - i. Launch internet browser by typing the URL <https://evoting.karvy.com>
  - ii. Enter the login credentials (i.e., User ID and password mentioned below). Event No. followed by Folio No. / DP ID-Client ID will be your User ID. However, if you are already registered with the Karvy for e-voting, you can use your existing User ID and password for casting your vote.
  - iii. After entering these details appropriately, Click on "LOGIN".
  - iv. You will now reach the password change menu wherein you are required to mandatorily change your password. The new password shall comprise of 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$,etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
  - v. You need to login again with the new credentials.

- vi. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut off Date under “FOR/AGAINST” or alternatively, you may partially enter any number in “FOR” and partially in “AGAINST” but the total number in “FOR/AGAINST” taken together should not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the shareholder does not indicate either “FOR” or “AGAINST” it will be treated as “ABSTAIN” and the shares held will not be counted under either head.
  - vii. Shareholders holding multiple folios/demat accounts shall choose the voting process separately for each folios/demat accounts.
  - viii. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
  - ix. You may then cast your vote by selecting an appropriate option and click on “Submit”.
  - x. A confirmation box will be displayed. Click on “OK” to confirm else “CANCEL” to modify. Once you confirm, you will be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).
  - xi. Corporate/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](mailto:cs@nagarajsp818.com).
  - xii. 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.karvy.com](http://www.evoting.karvy.com).
  - xiii. In case a person has become the Member of the Company after the dispatch of AGM Notice but on or before the cut-off date i.e. July 25, 2016, may write to the Karvy on the email id: [varghese1@karvy.com](mailto:varghese1@karvy.com) or to Mr. P.A Varghese, Contact No. 040-67161564 or at 18003454001 (toll free), at [Unit: Centum Electronics Limited] Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, requesting for the User ID and Password. After receipt of the above credentials, please follow all the steps from Sl. No. (i) to (xii) as mentioned in (A) above, to cast the vote.
- 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. User ID and password- these will be sent separately.
  - ii. Please follow all steps from Sl. No. (i) to (xii) as mentioned in (A) above, to cast your vote.
- C. Other Instructions:
- i. The e-voting period commences on Saturday, July 30, 2016 (9.00 a.m. IST) and ends on Monday, August 1, 2016 (6.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the Cut off date, July 25, 2016, may cast their vote electronically. The e-voting module shall be disabled by Karvy for voting thereafter. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently.
-

Notice (Contd...)

---

- ii. Further, members who could not exercise the voting as above, can vote through Ballot form (enclosed to the notice). The duly completed Ballot form should reach the Scrutinizer at [The Scrutinizer, [Unit: Centum Electronics Limited] Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, not later than Thursday, August 4, 2016. Ballot forms received after this date will be treated invalid.
  - iii. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on July 25, 2016 (Cut off date). A person whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on cut-off date only shall be entitled to avail the facility of e-voting, voting through Postal Ballot as well as voting at the AGM.
  - iv. The members of the company, holding shares either in physical form or in dematerialized form, as on July, 25, 2016 and not casting their vote electronically or Ballot form, can cast their vote at the Annual General Meeting.
  - v. Members can opt for only one mode of voting, i.e., either by e-voting, Ballot form. In case Members cast their votes through both the modes, voting done by e-voting shall prevail and votes cast through Ballot form shall be treated invalid. The Members who have cast their vote by e-vote or Ballot Form, prior to the meeting can also attend the meeting but shall not be entitled to cast their vote again.
  - vi. Mr. S.P. Nagarajan, Practicing Company Secretary (Membership No. ACS 10028), has been appointed as the Scrutinizer to scrutinize the e-voting, ballot paper including the votes casted on the resolutions at the Annual General Meeting in a fair and transparent manner.
  - vii. The Scrutinizer shall, immediately after the conclusion of the voting at the AGM, would count the votes in 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, to the Chairman or a person authorized by him.
9. The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.centumelectronics.com](http://www.centumelectronics.com) immediately after the results are declared. The Company shall simultaneously forward the results to the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), where the shares of the Company are listed.

Place: Bangalore  
Date: May 27, 2016

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

Apparao V Mallavarapu  
Chairman & Managing Director

---

**Explanatory Statement under Section 102 (1) of the Companies Act, 2013**

**Item No. 4:**

The Board of Directors appointed Mr. Thiruvengadam P as an Additional Director on the 8th February 2016. Pursuant to the provisions of Section 161 of the Companies Act, 2013, he holds office till the conclusion of this Annual General Meeting and is eligible for appointment as an Independent Director of the Company.

Mr. Thiruvengadam is a Cost Accountant from The Institute of Cost Accountants of India and a graduate from Indian Institute of Technology, Madras with a B.Tech. He also holds a Post Graduate Diploma in Industrial Engineering from T.I.P.I.E, NPC.

Mr. Thiruvengadam was National Director of the Deloitte Touché Tohmatsu India Pvt. Ltd (DTTIPL) providing leadership to the HR transformation practice and is retired from the position recently. He has over 40 years of experience in management consultancy with a breadth of experience in India, the Middle and Far East Asia. Prior to his association with DTTIPL, he served as a Director at Deloitte Haskins & Sells, Bangalore, India during 1999 - 2007 and as a Director at S.B.Billimoria & Co (Now Known as Deloitte Consulting) during 1980 to 1999.

Further, Mr. Thiruvengadam's main areas of expertise include Management Consulting, Business Process Improvement, Team Leadership, Strategic Planning, Business Strategy, Business Analysis, IT Strategy, HR Strategy, Talent Management, Account Management, Change Management, Quality Audit, Financial Audits, HR Audit, HR Transformation and Business Process Outsourcing Advisory Services; improving HR Service Delivery, Performance and Effectiveness; Systems Design and Organizational Structuring

In terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. Thiruvengadam, being eligible and offer herself for appointment as a Director of the company.

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

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested in the said resolution.

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

Apparao V Mallavarapu  
Chairman & Managing Director

Place: Bangalore  
Date: May 27, 2016

Notice (Contd...)

**Brief details of director proposed to be appointed at the Annual General Meeting**

<b>Name of the Director</b>	<b>Mr. Thiruvengadam P</b>
Date of birth	28.12.1951
Date of appointment	08.02.2016
Qualifications	1. Member of The Institute of Cost Accountants of India. 2. Graduate from Indian Institute of Technology, Madras with a B.Tech 3. Post Graduate Diploma in Industrial Engineering from T.I.P.I.E, NPC
No.of shares held in the company	Nil
List of companies in which Directorship held as on 31st March 2016	1. Centum Electronics Limited 2. DTDC Express Limited 3. Surin Auto Private Limited 4. Micromatic Machine Tools Limited
Chairman/Member of the mandatory Committees of the Board of the companies on which he is a Director as on 31st March 2016	As Chairman - Nil As Member - Nil

Expertise in specific functional areas:

Mr. Thiruvengadam's main areas of expertise include Management Consulting, Business Process Improvement, Team Leadership, Strategic Planning, Business Strategy, Business Analysis, IT Strategy, HR Strategy, Talent Management, Account Management, Change Management, Quality Audit, Financial Audits, HR Audit, HR Transformation and Business Process Outsourcing Advisory Services; improving HR Service Delivery, Performance and Effectiveness; Systems Design and Organizational Structuring.

## Directors' Report

Your Directors have pleasure in presenting their Twenty Third Annual Report on the business and operations of your Company and the audited Statement of Accounts for the year ended 31st March 2016.

### 1. Financial Highlights

Rs.Millions

Particulars	Consolidated		Standalone	
	2015-16	2014-15	2015-16	2014-15
Revenue	4,044.82	4,879.97	3,316.69	3,162.24
Profit before Depreciation and Interest	558.71	1057.99	518.96	511.82
Depreciation	166.49	166.94	62.36	71.30
Interest	33.11	25.16	24.68	13.48
Profit before tax	359.11	865.89	431.92	427.04
Profit after tax	262.61	433.47	324.07	320.46

### 2. Performance

During the current year of operations, your company has registered revenue of Rs. 4,044.82 million at consolidated level, a decrease of about 17% compared to the previous financial year. Your company posted Profit after Taxes of Rs. 262.61 million with a decrease of 39% over the previous financial year.

At standalone level, a revenue of Rs.3,316.69 million, an increase of about 5% compared to the previous financial year. Your company posted Profit after Taxes of Rs.324.07 million with an increase of 1% over the previous financial year.

### Subsidiary

During the 9th year of operations, Centum Rakon India Private Limited has registered revenue of Rs.821.90 million and incurred a loss of Rs.8.70 million. Statement containing salient features of the financial statement of subsidiary is attached herewith as Annexure - I.

### 3. Dividend

During the year, your company has declared first interim dividend of Re. 1 per share and also declared second interim dividend of Rs. 2 per share totaling to Rs. 3 per share for the year 2015-16. The total dividend payout was Rs. 37.98 million for the year.

### 4. Consolidated Financial Statements and subsidiary

The Consolidated Financial statements have been prepared by the Company in accordance with the applicable Accounting standards issued by the Institute of Chartered Accountants of India and the same together with the Auditor's Report thereon is provided in the Annual Report.

The annual accounts of the subsidiary and related detailed information will be kept at the Registered Office of the Company, and will be available to investors seeking information at any time.

The Company has adopted a Policy for determining Material Subsidiaries in terms of Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy, as approved by the Board, is available on the Investor page at Company's website centumelectronics.com.

### 5. Risk Management

Your Company has a robust Risk Management policy. Your Company regularly assess the risks and ensures that the risk mitigation plans are in place.

## Directors' Report (contd...)

---

### 6. Internal Control Systems and their adequacy

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The Company has appointed Ernst and Young LLP., as its Internal auditor. The Audit Committee defines the scope and areas of internal audit. The Internal auditor audits the areas recommended by the committee every year.

The audit observations and corrective actions thereon are being presented to the Audit Committee of the Board. Based on the report of Internal auditor, process owners undertake corrective action in their respective areas and thereby strengthen the controls. During the year, the internal audit was done on the areas recommended and no material weakness observed.

### 7. Directors and Key Managerial Personnel

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

In accordance with the provisions of Section 149 & 161 of the Companies Act, 2013, Mr.Thiruvengadam P was appointed as Additional Director w.e.f. February 8, 2016 and will hold office until the conclusion of the ensuing Annual General Meeting, and being eligible offer himself for appointment as an Independent director.

In the opinion of the Board, he fulfills the conditions of independence as specified in the Act and the Rules made there under and is independent of the management. The Appointment of the aforesaid director has been included as an item in the notice convening the ensuing Annual General Meeting.

Except the above, no other Director or Key Managerial Person has been appointed or has retired or resigned during the year.

Further, all the Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149 (6) of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### *a. Annual evaluation of Board, its Committees and Individual Directors:*

The Board of Directors has carried out an annual evaluation of its own performance, its Committees and individual Directors pursuant to the requirements of the Act and the Listing Regulations.

Further, Independent directors have reviewed the performance of the Board, its Chairman and Non-Executive Directors and other items as stipulated under the listing regulations.

#### *b. Remuneration Policy*

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Nomination and Remuneration Policy is attached to this report as Annexure II.

#### *c. Meetings*

A calendar of Meetings is prepared and circulated in advance to the Directors.

During the year, five meetings of the Board of directors and four meetings of the Audit Committee were convened and held. The details of which are given in the Corporate Governance Report. The Intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

### 8. Directors Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors confirm:

- i. that in the preparation of annual accounts for the year ended March 31, 2016, the applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- ii. that such accounting policies as mentioned in Note 1 of the Notes to the Financial Statements have been

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 March 31, 2016 and of the profit of the Company for year ended on that date;

- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. that the annual financial statements have been prepared on a going concern basis.
- v. that proper internal financial controls were in place and that the financial controls were adequate and operating effectively.
- vi. that systems to ensure compliance with the provisions of all applicable laws were in place were adequate and operating effectively.

## 9. Contracts and Arrangements with Related Parties

All related party transactions that were entered into during the financial year were in the ordinary course of business and were at an arm's length basis. There were no materially significant related party transactions made by the company during the year with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the company at large.

All the related party transactions were placed before the Audit Committee and also the Board for approval. Prior omnibus approval of the Audit Committee is being obtained for the transactions which are of a foreseen and repetitive nature in terms of Regulation 23(3)(a) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The company has framed a policy on dealing with the related party transactions and the same is available on the company website.

Your directors draw attention of the members to Note 33 to financial statement which sets out the related party disclosures.

## 10. Auditors

### a. Statutory 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 under Sec 139 of the Companies Act, 2013 and the Rules framed thereunder for the reappointment as Auditors of the company. Also as required under Regulation 33(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the auditors have confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

### b. Secretarial audit

The Board has appointed Ms. Aarthi G Krishna, Practicing Company Secretary, to conduct Secretarial Audit for the financial year 2015-16. The Secretarial Audit Report for the financial year ended March 31, 2016 is annexed herewith as Annexure III to this report.

## 11. Awards and recognitions

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

- i. Cost out Award from GE
- ii. EHS Excellence Award received from GE
- iii. 'Electronics Man of the year award 2014-15' received by Mr. Apparao V Mallavarapu, Chairman and Managing Director, from ELCINA-EFY

### Directors' Report (contd...)

---

- iv. 'High growth electronic hardware exporter award' for the year 2014 - 15 from the STPI (Software Technology Park of India).
- v. Listed in the Forbes Asia's 200 Best Under Billion List.

#### 12. Corporate Governance

Pursuant to Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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. The Report on Corporate Governance is attached herewith as Annexure IV.

#### 13. Conservation of Energy, Technology absorption, Research & Development and Foreign Exchange Earnings and Outgo.

The particulars prescribed under subsection (3) (m) of Section 134 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, are given in the annexure - V attached to this report.

#### 14. Particulars of Employees

The information pursuant to Section 197 of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, in respect of employees of the company, will be provided upon request.

However, as per the provisions of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars. The same is available for inspection by the Members at the Registered Office of the company during business hours on working days of the Company up to the date of ensuing Annual General meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

#### 15. Particulars of Loans, Guarantees and Investments

The details of the investments made by the Company are in Note 10 of the audited financial statements. The Company has made an investment amounting to Rs. 13.26 Million during the year within the meaning of Section 186.

#### 16. Corporate Social Responsibility

As part of its initiatives under "Corporate Social Responsibility (CSR), the Company has funded many projects that aid and improve education, literacy and healthcare for children. It has also funded and participated in projects that support and aid children with disabilities. These projects are largely in accordance with Schedule VII of the Companies Act, 2013.

The Annual Report on CSR activities is annexed herewith as "Annexure - VI".

#### 17. Details of establishment of Vigil Mechanism

The Company has a Vigil mechanism to deal with the instances of fraud and mismanagement, if any. The details of the Policy is explained in the Corporate Governance Report and also posted on the website of the company. During the year under review, there are no such instances to report.

#### 18. Prevention, Prohibition and Redressal of sexual harassment at work place

The Company has zero tolerance for sexual harassment at workplace and has formulated a Policy on Prevention, Prohibition and Redressal of Sexual Harassment at the Workplace, in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules there under. The Policy aims to provide protection to employees at the workplace and prevent and redress complaints of sexual harassment and for matters connected or incidental thereto, with the objective of providing a safe working environment, where employees feel secure.

---

The Company has also constituted an Internal Complaints Committee, to inquire into complaints of sexual harassment and recommend appropriate action.

The Company has not received any complaint of sexual harassment during the financial year 2015-16.

#### 19. Extract of Annual Return

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as 'Annexure - VII.

#### 20. 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 given in Annexure - VIII attached to this report.

#### 21. 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 - IX attached to this report.

#### 22. General

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- a. Details relating to deposits covered under Chapter V of the Companies Act, 2013.
- b. Issue of equity shares with differential rights as to dividend, voting or otherwise.
- c. Issue of shares (including sweat equity shares) to employees of the company under any scheme save and except ESOP referred to in this report.
- d. There is no remuneration received by the Managing Director from the subsidiary company.
- e. No significant or material orders were passed by the regulators or courts or tribunals which impact the going concern status and the company's operations in future.

#### 23. 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.

By order of the Board

For Centum Electronics Limited

Place: Bangalore  
Date: 27 May, 2016

**Apparao V Mallavarapu**  
Chairman & Managing Director

**S. Krishnan**  
Director

**FORM AOC - I**

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures  
[Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014].

## Part "A" : Subsidiaries

(Rs. In Million)

Sl. No.	Particulars	Name of the Subsidiary
		Centum Rakon India Private Limited
1.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	N.A.
2.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	N.A.
3.	Share capital	56.00
4.	Reserves and Surplus	578.93
5.	Total assets	634.93
6.	Total liabilities	634.93
7.	Investments	-
8.	Turnover	821.90
9.	Profit before taxation	-15.79
10.	Provision for taxation	7.09
11.	Profit after taxation	-8.70
12.	Proposed Dividend	-
13.	% of shareholding	51%

**Notes:**

1. Reporting period and reporting currency of the above subsidiary is the same as that of the company.
2. Part B of the Annexure is not applicable as there are no associate companies/joint ventures of the company as on 31st March 2016.

## NOMINATION AND REMUNERATION POLICY

### 1. Introduction:

Centum has formulated the Nomination and Remuneration Policy (the Policy) consisting of Constitution of the Nomination and Remuneration committee (Committee) and its objectives, appointment, remuneration of the Board, and such other matters as may be required under the Companies Act, 2013 and Clause 49 of the Listing agreement from time to time.

### 2. Constitution of the Committee:

The Board of Directors has the power to constitute/ reconstitute the Committee from time to time in order to make it consistent with the Company's policy and applicable statutory requirement.

### 3. Objectives of the Committee:

The Objectives of the committee are in line with Section 178 of the Companies Act, 2013 and Clause 49 (7) of the Listing agreement. Accordingly, the Committee at Centum shall:

- a. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, key managerial personnel (KMP) and other employees.
- b. Formulation of criteria for evaluation of Independent Director and the Board.
- c. Devising a policy on Board diversity.
- d. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- e. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

### 4. Definitions:

- "Board" means Board of Directors of the Company.
- "Director" means Directors of the Company.
- "Independent Director" means a non-executive director, other than nominee director and more particularly as defined under the Companies Act, 2013 and the revised Clause 49 of the Listing agreement.
- "Key Managerial Personnel":- Key Managerial Personnel (KMP) means-
  - a. the Chief Executive Officer or the managing director or the manager;
  - b. the Whole-Time Director;
  - c. the Chief Financial Officer; and
  - d. the Company Secretary;
  - e. such other officer as may be prescribed under the applicable statutory provisions / regulations
- "Senior Management":- The expression "senior management" means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

**5. Policy on Board diversity:**

The Board of Directors shall have the optimum combination of Directors from the different areas/fields like Technology, Markets, Operations and Finance etc., and as may be considered appropriate.

The Board shall have at least one Board member who has accounting or related financial management expertise.

**6. Appointment:**

**a. General Appointment Criteria:**

- i. The Committee shall consider the ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment as Director/ Independent Director/ KMP/ Senior Management Personnel and accordingly recommend to the Board his / her appointment.
- ii. The Company should ensure that the person so appointed as Director/ Independent Director/ KMP shall not be disqualified under the Companies Act, 2013, rules made thereunder, Listing Agreement or any other enactment for the time being in force.
- iii. The Director/ Independent Director/ KMP shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made thereunder, Listing Agreement or any other enactment for the time being in force.

**b. Additional Criteria for Appointment of Independent Directors:**

The Committee shall consider qualifications for Independent Directors as mentioned herein earlier under the head 'Definitions' and also their appointment and cessation shall be governed as per the provisions of clause 49 of the Listing Agreement (as amended from time to time ) and the Companies Act, 2013.

**7. Evaluation of the Board and Independent Director:**

Following are the Criteria for evaluation of performance of Independent Directors and the Board:

**a. Executive Directors:**

The Executive Directors shall be evaluated on the basis of targets / Criteria given to executive Directors by the board from time to time

**b. Non-Executive Director:**

The Non-Executive Directors shall be evaluated on the basis criteria mentioned in Section 178 of the Companies Act, 2013 and Clause 49 of the Listing agreement, which inter alia consists that the directors:

- i. act objectively and constructively while exercising their duties;
- ii. exercise their responsibilities in a bona fide manner in the interest of the company;
- iii. devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- iv. do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- v. refrain from any action that would lead to loss of his independence
- vi. inform the Board immediately when they lose their independence,
- vii. assist the company in implementing the best corporate governance practices.
- viii. strive to attend all meetings of the Board of Directors and the Committees;

- 
- ix. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
  - x. strive to attend the general meetings of the company;
  - xi. keep themselves well informed about the company and the external environment in which it operates;
  - xii. do not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
  - xiii. moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.
  - xiv. abide by Company's Memorandum and Articles of Association, company's policies and procedures including code of conduct, insider trading guidelines etc.

**c. Senior Management**

The Senior Management shall be evaluated on the basis of targets / Criteria given to them by the Executive Director from time to time.

**8. Remuneration:**

The Committee will recommend the remuneration to be paid to the Managing Director, Whole-time Director, KMP and Senior Management Personnel to the Board for their approval.

The level and composition of remuneration so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate directors, Key Managerial Personnel and Senior Management of the quality required to run the company successfully. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

**a. Director/ Managing Director**

Besides the above Criteria, the Remuneration/ compensation/ commission etc to be paid to Director/ Managing Director etc shall be governed as per provisions of the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

**b. Non-executive Independent Directors**

The Non- Executive Independent Director may receive remuneration by way of sitting fees for attending meetings of Board or Committee thereof and commission as approved by the shareholders. Provided that the amount of such fees/commission shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

**c. KMPs / Senior Management Personnel etc .,**

The Remuneration to be paid to KMPs/ Senior Management Personnel shall be based on the experience, qualification and expertise of the related personnel and governed by the limits, if any prescribed under the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

**9. Directors' and Officers' Insurance**

Where any insurance is taken by the Company on behalf of its Directors, KMPs/ Senior Management Personnel etc. for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

**FORM NO. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2016**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the  
Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,  
The Members,  
**Centum Electronics Limited**  
Bangalore

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Centum Electronics Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Centum Electronics Limited books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Centum Electronics Limited ("the Company") for the financial year ended on 31st March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;<sup>1</sup>
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;<sup>2</sup>
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;<sup>3</sup>
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;<sup>2</sup>
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;<sup>2</sup>  
and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.<sup>4</sup>

- 
- (vi) Other Laws as applicable to Electronic System Design and Manufacturing (ESDM) Company viz:-
1. EXIM Policy of India relating to Export Oriented Unit(EOU).
  2. Semiconductor Integrated Circuits Layout Design Act, 2000.
  3. Environment (Protection) Act, 1986, Water (Prevention and Control of Pollution) Act,1974; Air (Prevention and Control of Pollution) Act,1981; e-waste & hazardous waste (Management and Handling Rules).
  4. Micro Small and Medium Enterprises Development Act, 2006.

I have also examined compliance with applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India;
- (ii) The listing Agreement entered into by the Company with the National Stock Exchange of India Limited and BSE Limited; <sup>5</sup>

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc, mentioned above subject to the following disclaimer:

My opinion is based on audit evidence, explanations and information given to me during the audit and the Management Representation Letter in support of compliances in respect of the Act, Rules, Regulations, Guidelines, Standards, etc, mentioned above.

**I further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

My opinion on the Board Structures/systems and process during the Audit period as reported above is subject to the following observations;

- (i) Notes on items of business which are in the nature of Unpublished Price Sensitive Information are given at a shorter period of time than stated above.

I further report that during the audit period the company has:

- (i) Allotted 91,187 equity shares of Rs. 10/- each to employees who exercised their option under the Employee Stock Option Plans.
- (ii) Obtained the approval of the Members through postal ballot for enhancement of Borrowing limits of the Board of Directors and creation of charge on the assets of the Company.

To be read with our letter annexed hereto which forms an integral part of this report

- 1 Replaced with SEBI(Prohibition of Insider Trading) Regulations, 2015
- 2 There were no actions necessitating compliance under these Regulations.
- 3 Replaced with SEBI (Share Based Employee Benefits) Regulations, 2014
- 4 Including SEBI (Buy-back of Securities) (Amendment) Regulations, 2015.
- 5 and SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015.

Place : Bengaluru  
Date : 27th May, 2016

AARTHI G KRISHNA  
Company Secretary in practice  
FCS No.: 5706  
C P No.: 5645

**ANNEXURE**

To,  
The Members,  
Centum Electronics Limited  
Bangalore

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place : Bengaluru  
Date : 27th May, 2016

AARTHI G KRISHNA  
Company Secretary in practice  
FCS No.: 5706  
C P No.: 5645

## CORPORATE GOVERNANCE REPORT

### 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 7 members. There are 5 independent directors on the Board of the company. The composition of the Board of Directors as at March 31, 2016 is as follows:

Name of the Director	Category	Designation	Number of other Directorships *	Number of 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
Mr. Manoj Nagrath	Non-Executive and Independent	Director	1	2
Mr. Rajiv C Mody	Non-Executive and Independent	Director	5	2
Mr. Pranav Kumar Patel	Non-Executive and Independent	Director	1	1
Dr. Swarnalatha Mallavarapu	Non-Executive and Non Independent	Director	1	-
Mr. Thiruvengadam P	Non-Executive and Independent	Director	2	-

\* 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 five times during the financial year 2015-16 i.e. on May 27, 2015, August 7, 2015, November 6, 2015, February 8, 2016 and March 25, 2016. 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	5	Yes
Mr. S. Krishnan	5	Yes
Mr. Manoj Nagrath	5	Yes
Mr. Rajiv C Mody	1	No
Mr. Pranav Kumar Patel	4	No
Dr. Swarnalatha Mallavarapu	3	No
Mr. Thiruvengadam P*	1	No

\*Appointed as director w.e.f. 8th February, 2016.

## Corporate Governance Report (contd...)

---

### 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 received the annual affirmations with regard to the adherence to the Code of Conduct for the financial year 2015-16. The Code of Conduct is available on the company's website ([www.centumelectronics.com](http://www.centumelectronics.com))

### d) Appointment of Directors

In accordance with the provisions of the Companies Act, 2013, Mr. Thiruvengadam P was appointed as Additional Director w.e.f. February 8, 2016 and holds office upto the conclusion of ensuing Annual General Meeting.

In terms of the provisions of Section 149(10) & (11) and other applicable provisions, if any, of the Companies Act, 2013, Mr. Thiruvengadam P, is eligible and qualified for the appointment as an Independent director. Your directors propose him for the appointment in terms of the said regulations, for a period of 5 years with your consent by special resolution.

### Familiarisation programmes for Board members

At the time of appointing a Director, a formal letter of appointment is given to him, which inter alia explains the role, function, duties and responsibilities expected of him as a Director of the company. The Director is also explained in detail the compliances required from him under the Companies Act, Clause 49 of the listing Agreement and other relevant regulations.

The Board members are provided with necessary documents, reports and internal policies to enable them to familiarize with the Company's procedures and practices.

Periodic presentations are made at the Board and Board Committee meetings, on business and performance updates of the company, its strategy and the risks involved.

### 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 Board's responsibilities, an Audit Committee was formed as a Sub-committee of the Board. The Committee is in line with the requirements of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The functions of the Audit Committee include:

### Financial Reporting and Related Processes

- Oversight of the Company's financial reporting process and financial information submitted to the Stock Exchanges, regulatory authorities or the public.
- Reviewing with the Management the quarterly unaudited financial statements and the Auditors' Limited Review Report thereon/audited annual financial statements and Auditors' Report thereon before submission to the Board for approval. This would, inter alia, include reviewing changes in the accounting policies and reasons for the same, major accounting estimates based on exercise of judgment by the Management, significant adjustments made in the financial statements and / or recommendation, if any, made by the Statutory Auditors in this regard.
- Review the Management Discussion & Analysis of financial and operational performance.
- Discuss with the Statutory Auditors its judgment about the quality and appropriateness of the Company's accounting principles with reference to the Generally Accepted Accounting Principles in India (IGAAP).
- Review the investments made by the Company.

### Internal Controls and Governance Processes

- Review the adequacy and effectiveness of the Company's system and internal controls.
- Review and discuss with the Management the Company's major financial risk exposures and steps taken by the Management to monitor and control such exposure.

- To oversee and review the functioning of a vigil mechanism and to review the findings of investigation into cases of material nature and the actions taken in respect thereof.

#### Audit

- Review the scope of the Statutory Auditors, the annual audit plan and the Internal Audit Plan with a view to ensure adequate coverage.
- Review the significant audit findings from the statutory and internal audits carried out, the recommendations and Management's response thereto.
- Review and recommend to the Board the appointment/re-appointment of the Statutory Auditors considering their independence and effectiveness and their replacement and removal.
- Approve such additional services to be rendered by the Statutory Auditors except those enumerated in Section 144 of the Companies Act, 2013 and payment for such services.
- Recommend to the Board the remuneration of the Statutory Auditors.
- Discuss with the Statutory Auditors/ Internal Auditors any significant difficulties encountered during the course of the Audit.

#### Other Duties

- To approve the appointment, removal and terms of remuneration of the Internal Auditor.
- To grant omnibus approval for related party transactions which are in the ordinary course of business and on an arms length pricing basis and to review and approve such transactions subject to the approval of the Board.

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
Mr. Pranav Kumar N Patel	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 27, 2015, August 7, 2015, November 6, 2015 and February 8, 2016. 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	4
Mr. Pranav Kumar N Patel	4	3

The Company Secretary acts as the Secretary to the Committee.

#### Self Assessment by the Audit Committee

The Audit Committee has set in place a process to measure and benchmark its performance each year. The assessment broadly covers composition, structure and committee meetings, overview of the financial reporting process, internal control systems and overview of internal and external audits.

#### b) Nomination and Remuneration Committee

In compliance with Section 178 of the Companies Act, 2013, the Board has constituted the "Nomination and Remuneration Committee".

## Corporate Governance Report (contd...)

The composition of the committee is as follows:

Mr. Manoj Nagrath	Chairman	Non-executive
Mr. S. Krishnan	Member	Non-executive
Mr. Rajiv C Mody	Member	Non-executive
Mr. Apparao V Mallavarapu	Member	Executive

During the year, the company has paid remuneration (Commission) of Rs. 2,00,000 to each Independent Director and also a sitting fee of Rs.20,000/- per meeting (Board and Audit Committee) attended in person/through Video conference.

Further, the Company has paid the 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.

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The same is annexed to the Directors' report.

#### c) Stakeholders' Relationship Committee

In compliance with the provisions of Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Board has constituted the "Stakeholders' Relationship Committee".

The Stakeholders' Relationship 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 Stakeholders' Relationship committee is as follows:

Name	Particulars
Mr. Manoj Nagrath	Chairman
Mr. Apparao V 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 complaints from the stakeholders from 01.04.2015 to 31.03.2016

Sl. No.	Nature of Complaints	Opening Balance	Received	Redressed	Pending
1.	Non-receipt of securities	NIL	25	25	NIL
2.	Non receipt of Dividend Warrants	NIL	11	11	NIL
3	Non receipt of Annual reports	NIL	14	14	NIL
4.	Others	NIL	420	420	NIL
	Total	NIL	470	470	NIL

#### d) Corporate Social Responsibility (CSR) Committee

In compliance with the provisions of Section 135 of the Companies Act, 2013, the Board has constituted 'Corporate Social Responsibility (CSR) Committee. The terms of the committee broadly comprises the following:

- To review the CSR Policy and to make it more comprehensive so as to indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- To provide guidance on various CSR activities to be undertaken by the Company and to monitor its progress.

The composition of the CSR committee is as follows:

Name	Particulars
Mr. Manoj Nagrath	Chairman
Mr. Apparao Mallavarapu	Member
Mr. S. Krishnan	Member
Dr. Swarnalatha Mallavarapu	Member

#### e) Independent Directors' Meeting

The Independent Directors have reviewed the performance of the Board, its Chairman and Non-Executive Directors and others as stipulated under the regulations.

#### Policy for selection and Appointment of Directors and their Remuneration

The Nomination and Remuneration (N & R) Committee has formulated a policy which, inter alia, deals with the manner of selection of the Board of Directors and the Senior Management. The policy is annexed to the Directors' report.

#### Annual evaluation of Board, its Committees and Individual Directors

The Board of Directors has carried out an annual evaluation of its own performance, its Committees and individual Directors pursuant to the requirements of the Act and the listing regulations.

#### 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 one of the directors in the subsidiary company.

The Audited Annual Financial Statements of Subsidiary Company are tabled at the Audit Committee and Board Meetings of the company.

Copies of the Minutes of the Audit Committee / Board Meetings of Subsidiary Companies are individually given to all the Directors and are tabled at the subsequent Board Meetings.

The company has a policy on material subsidiaries and the weblink for the same is [www.centumelectronics.com](http://www.centumelectronics.com). The Company has material subsidiary which meets the criteria mentioned in the policy.

#### Whistle Blower Policy

The Company promotes ethical behavior in all its business activities and has put in place a mechanism for reporting illegal or unethical behavior. The Company has a Vigil mechanism/Whistle blower policy under which the employees are free to report violations of applicable laws, regulations and the Code of Conduct. During the year under review, there are no such events to report.

#### Related Party Transactions

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, during the financial year were in the ordinary course of business and at an arm's length pricing basis. There are no materially significant related party transactions during the financial year 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. However, the company has taken approval of the Audit Committee and Board of Directors for all the related party transactions during the year.

Details of the significant related party transactions with the group companies are given in the appended financial statements under Note No. 33 of the notes to the accounts of the financial statements.

Corporate Governance Report (contd...)

Pursuant to the said regulations, the Company has framed a policy for dealing with the related party transactions, which has been uploaded on the Company’s website.

**f) Compensation Committee**

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

The composition of the Compensation committee is as follows:

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

**4) Disclosures**

**a) 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.

**b) 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.

**c) Internal Controls**

The Company has a formal system of internal control testing which examines both the design effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory / regulatory compliances. The Company’s business processes are on BAAN-ERP and has a strong monitoring and reporting process resulting in financial discipline and accountability.

**d) CMD/CFO Certification**

The CMD and the CFO have issued certificate pursuant to the provisions of Regulation 17 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, certifying that the financial statements do not contain any untrue statement and these statements represent a true and fair view of the Company’s affairs. The said certificate is annexed and forms part of the Annual Report.

**e) Compliance of mandatory requirements**

The company is pleased to inform you that your company has complied with all the mandatory requirements of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

**5) General Body Meetings**

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

Year	Date	Venue	Time	Number of special resolutions
2012-13	August 7, 2013	No 44, KHB Industrial Area Yelahanka New Township Bangalore- 560106.	10.30 A.M	2
2013-14	August 1, 2014	No 44, KHB Industrial Area Yelahanka New Township Bangalore-560106.	2.00 P.M	1
2014-15	August 7, 2015	No 44, KHB Industrial Area Yelahanka New Township Bangalore-560106.	11.30 A.M	1

All resolutions moved at the last Annual General Meeting were passed by the requisite majority of shareholders.

- # 1. A special resolution was passed through Postal Ballot dated 26th September 2014.
2. A special resolution was passed through Postal Ballot dated 10th February 2015.
3. Two special resolutions were passed through Postal Ballot dated 2nd February 2016.

#### b) Means of Communication

The company has its own website viz. [www.centumelectronics.com](http://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, Economic Times - Bangalore & Mumbai editions and Vijayavani - Bangalore edition.

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 forms part of the Annual Report. Annual reports are sent to each shareholder, brokers and stock exchanges.

#### 6) General Shareholding Information

##### A. Annual General Meeting

###### Date and Time

5th August 2016 at 11.30 a.m.

###### Venue

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

##### B. Dates of book closure

30th July 2016 to 5th August 2016

##### 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-15	840.00	633.00	29,095	26,898	839.90	605.35	8,845	8,145
May-15	810.00	620.00	28,072	26,424	811.80	617.00	8,490	7,998
Jun-15	803.00	663.00	27,969	26,308	805.00	675.00	8,468	7,941
Jul-15	886.50	694.50	28,579	27,417	884.00	692.70	8,655	8,316
Aug-15	931.50	650.00	28,418	25,299	929.95	650.00	8,622	7,770
Sep-15	707.75	605.00	26,472	24,834	710.00	605.20	8,055	7,540
Oct-15	765.25	643.00	27,619	26,169	770.00	636.00	8,337	7,931
Nov-15	740.00	583.25	26,825	25,452	727.95	585.30	8,117	7,715
Dec-15	685.00	580.00	26,257	24,868	689.00	580.10	7,980	7,552
Jan-16	762.00	621.00	26,198	23,840	764.00	620.10	7,973	7,242
Feb-16	673.00	478.00	25,003	22,495	675.95	450.10	7,601	6,826
Mar-16	548.10	484.00	25,480	23,134	548.00	476.55	7,778	7,036

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

## Corporate Governance Report (contd...)

**F. Registrars and Share transfer agents**

<b>Name &amp; Address of the RTA</b>	Karvy Computershare Private Limited <b>Unit: Centum Electronics Limited</b> Karvy Selenium Tower B, Plot No.31-32 Gachibowli, Financial District Nanakramguda, Hyderabad - 500 032 Ph: 040-67161563 Fax No. 040-23001153 Email: einward.ris@karvy.com
--------------------------------------	---

**G. Share transfer system**

The composition of the share transfer committee is as follows:

Sl. No.	Name	Designation
1.	Mr. Apparao V Mallavarapu	Chairman & Managing Director
2.	Mr. K S Desikan	Chief Financial Officer
3.	Mr. Ramu Akkili	Company Secretary

The share transfer committee meets as and when required. The share transfer committee reports periodically to the Stakeholders' Relationship 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 2016 is as follows:

No of equity shares held	No of share holders	% cases	No of shares held
upto 1 - 5000	9,385	92.95	818,548
5001 - 10000	325	3.22	254,386
10001 - 20000	176	1.74	256,093
20001 - 30000	66	0.65	160,313
30001 - 40000	36	0.36	128,843
40001 - 50000	18	0.18	85,083
50001 - 100000	39	0.39	283,493
100001 & ABOVE	52	0.52	10,674,159
Total	10,097	100.00	12,660,918

**Shareholding pattern**

The shareholding pattern as on March 31, 2016 is as follows:

Particulars	No of shares held	% to total shares
<b>Shareholding of promoter and promoter group</b>	<b>7,577,477</b>	<b>59.85</b>
Public Shareholding		
- Institutions	143,182	1.13
- Non-institutions	4,940,259	39.02
<b>Total</b>	<b>12,660,918</b>	<b>100.00</b>

**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.

The breakup of the shares held in physical and electronic form as on March 31, 2016 is as follows:

Particulars	No.of holders	Total Shares	%
Physical	1,804	214,280	1.69
NSDL	5,470	11,464,093	90.55
CDSL	2,823	982,545	7.76
<b>Total</b>	<b>10,097</b>	<b>12,660,918</b>	<b>100.00</b>

#### 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 2016-17 is given below:

Sl. No.	Particulars	Tentative dates
1.	Financial reporting for the quarter ending June 30, 2016	First week of August 2016
2.	Financial reporting for the half year ending September 30, 2016.	Last week of October 2016.
3.	Financial reporting for the quarter ending December 31, 2016	Last week of January 2017.
4.	Financial reporting for the year ending March 31, 2017.	Last week of May 2017.
5.	Annual General Meeting for the year ended March 31, 2017.	July/August 2017.

#### 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-560 106.  
Phone : +91 80 41436000  
Fax : +91 80 41436005  
E-mail ID : ramua@centumelectronics.com

#### Non-mandatory information

- The quarterly financial results are published in the leading English and Kannada newspapers and not sent to individual shareholders. Significant events are published as news items/advertisements in newspapers. Further the financial results are available on the company's website and also communicated to the Stock Exchanges where the shares of the company are listed i.e., BSE and NSE.
- Other non-mandatory requirements have not been complied by the company.

By order of the Board  
For Centum Electronics Limited

Place: Bangalore  
Date: 27 May, 2016

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 2016, 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  
Chief Financial Officer

Apparao V Mallavarapu  
Chairman & Managing Director

## INFORMATION PURSUANT TO THE SECTION 134(3)(m) OF THE COMPANIES ACT, 2013

### 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 descaling of Chillers carried out to improve the efficiency. Currently only one chiller is in operation due to the improved efficiency.
- Chemical descaling of all the AHU'S cooling coil was carried out and improved the efficiency of Centralized AC system.
- Damaged and rusted AHU Condenser coil changed and improved the AC efficiency.
- Power factor improvement is achieved by replacing inefficient capacitors with new capacitors.
- Monitored LT voltage & found to be less, discussed with BESCO and improved the Voltage.
- Regularly monitored the top 10 power guzzlers like chiller, Process Chillers, air compressors etc. on daily basis and fixed the limits to control the cost.
- Consumption monitoring meter is provided for Nitrogen gas resulting in better control.
- Overhauling of Reciprocating air compressors has been carried out to improve the efficiency.
- Thermography imaging for all LT panels are done and corrective actions are taken & completed as a part of predictive maintenance.
- Cooling tower of Chillers are overhauled for improving efficiency of chillers.

### 2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

Technology Absorption:

- The company has taken the Transfer of Technology from Space Applications Centre, ISRO Ahmedabad for C, Ext-C band Solid State Power Amplifiers which are used as transponders in Indian Communication satellites.
- With an intention to enhance R&D activities, The company continues to work with Academia. Apart from engagements with Centre for Nano Science and Engineering (CeNSE) at IISc Bangalore, The company is now engaged with SIT Tumkur's Department of NanoTechnology as the member of the Industry Advisory Board (IAB) for guiding their MTech (Nano Technology) programme
- Apart from S and C band Transmit Receive Module development, The company R&D team has taken up development of X band TRMs involving RF, Power and Digital domains
- The company has developed and qualified new manufacturing processes involving efficient materials for Space applications.

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

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

- Channel Amplifiers (RF) and Electronic Power Conditioners for Space grade RF subsystems for Communication satellites.
- Point of Load converters for Hi-Rel applications.
- Very Complex, High Speed, FPGA based digital subsystems for Defense applications are in advanced stages of R&D.
- DC-DC converters for missile applications.
- More variants of Digitally Tunable Filters for Defense Communication and Software Defined Radio applications.
- Developing and improving upon the acceleration sensors for Inertial Navigation applications in the strategic sector.

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

- Ability to develop high speed digital boards with critical signal integrity requirements which are also high power dissipative ones needing thermal analysis and techniques to address the heat flow requirements.
- Ability to develop wider product range in high speed digital, embedded and RF areas.

(iii) Future Plan of Action

- Developing and manufacturing products in the Multi-Processor, Multi FPGA configuration.
- Medium Power converters in the range of 100-400 Watts.
- Continue to enhance the development activities in areas of Electro optics and Inertial Navigation.

(iv) Expenditure on R & D

For the year ended 31st March	Rs in Millions	
	2015-16	2014-15
A. Capital	12.11	-
B. Recurring	63.57	44.28
C. Total	75.68	44.28
Total R&D expenditure as a % of total turnover	2.2%	1.4%

### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 39 & 40 and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2016.

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:

The company has formulated CSR Policy and is available at Investor page on the Company website [www.centumelectronics.com](http://www.centumelectronics.com).

2. Composition of the CSR Committee:

The Composition of the CSR Committee is as follows

Mr. Apparao V Mallavarapu	Chairman and Managing Director	Chairman
Mr. Manoj Nagrath	Independent Director	Member
Mr. S. Krishnan	Independent Director	Member
Dr. Swarnalatha Mallavarapu	Non - Independent Director	Member

3. Average net profits of the Company for the last three financial years:

Average net profit - Rs. 4074.35 lacs.

4. Prescribed CSR Expenditure (two percent of Average net profits):

The company is required to spend Rs. 81.48 lacs towards CSR.

5. Details of CSR spend for the financial year:

a. Total amount spent for the financial year - Rs. 27.15 lacs

b. Manner in which the amount spent during the financial year is detailed below:

Sl. No.	Projects/Activities	Sector	Locations	Amount Spent	Cumulative expenditure upto reporting period	(Amount in Rs. Lacs) Amount spent Direct or through implementing agency*
1	Mathru blind school	Education	Bangalore	7.80	-	Direct
2	Provisio Asia	Health care	Bangalore	3.25	-	Direct
3	SEED	Rural	Hyderabad	16.00	-	Direct
4	FCCI- Flood Relief Fund		Chennai	0.10	-	Direct

\*Details of implementing agencies: N.A.

- c. Amount unspent:

Rs. 54.34 lacs

Reason : The company has been exploring the options by considering the sustainability for spending the amount as required.

**EXTRACT OF ANNUAL RETURN**

as on the financial year ended on 31.03.2016  
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the  
Companies (Management and Administration) Rules, 2014]

Form No. MGT-9

I. Registration and other details	
CIN	L85110KA1993PLC013869
Registration Date	8th January 1993
Name of the company	Centum Electronics Limited
Category/Sub-Category of the company	Company having share capital
Address of the Registered Office and contact details	No. 44, KHB Industrial Area, Yelahanka Newtown, Bangalore - 560 106.
Whether listed company	Yes
Name, address and contact details of Registrar and Transfer Agent, if any.	M/s. Karvy Computershare Private Limited No.17-24, Vittal Rao Nagar, Madhapura, Hyderabad - 560 106.

II. Principal Business Activities of the company			
All the Business activities contributing 10% or more of the total turnover of the company shall be stated:			
Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Modules	26109	28%
2	Printed circuit boards Assembly	26104	65%
3	Others		7%

III. Particulars of holding, subsidiary and associate companies:					
All the Business activities contributing 10% or more of the total turnover of the company shall be stated:					
Sl. No.	Name and Address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1	Centum Rakon India Private Limited	U32109KA2007 PTC044692	Subsidiary	51.00	2(46)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)									
i) Category-wise Shareholding									
Category Code	Category of Shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year			
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)
(A)	PROMOTER AND PROMOTER GROUP								
(1)	INDIAN								
(a)	Individual /HUF	7577477	0	7577477	60.28	7577477	0	7577477	59.85
(b)	Central Government/ State Government(s)	0	0	0	0.00	0	0	0	0.00
(c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00
(d)	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00
	Sub-Total A(1) :	7577477	0	7577477	60.28	7577477	0	7577477	59.85
(2)	FOREIGN								
(a)	Individuals (NRIs/ Foreign Individuals)	0	0	0	0.00	0	0	0	0.00
(b)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00
(c)	Institutions	0	0	0	0.00	0	0	0	0.00
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00
	Sub-Total A(2) :	0	0	0	0.00	0	0	0	0.00
	Total A=A(1)+A(2)	7577477	0	7577477	60.28	7577477	0	7577477	59.85
(B)	PUBLIC SHAREHOLDING								
(1)	INSTITUTIONS								
(a)	Mutual Funds /UTI	994035	83	994118	7.91	1589202	83	1589285	12.55
(b)	Financial Institutions /Banks	7081	166	7247	0.06	2585	166	2751	0.02
(c)	Central Government / State Government(s)	0	0	0	0.00	0	0	0	0.00
(d)	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00
(e)	Insurance Companies	0	0	0	0.00	0	0	0	0.00
(f)	Foreign Institutional Investors	13114	833	13947	0.11	141947	833	142780	1.13

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)									
i) Category-wise Shareholding									
Category Code	Category of Shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year			
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00
(h)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00
(i)	Others	0	0	0	0.00	0	0	0	0.00
	Sub-Total B(1) :	1014230	1082	1015312	8.08	1733734	1082	1734816	13.70
(2)	NON-INSTITUTIONS								
(a)	Bodies Corporate	633086	12274	645360	5.13	550831	12041	562872	4.45
(b)	Individuals								
	(i) Individuals holding nominal share capital upto Rs.1 lakh	1625935	207207	1833142	14.58	1524742	201157	1725899	13.63
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	1409917	0	1409917	11.22	970929	0	970929	7.67
(c)	Others								
	CLEARING MEMBERS	48047	0	48047	0.38	7216	0	7216	0.06
	NON RESIDENT INDIANS	40476	0	40476	0.32	81709	0	81709	0.65
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00
	Sub-Total B(2) :	3757461	219481	3976942	31.64	3135427	213198	3348625	26.45
	Total B=B(1)+B(2) :	4771691	220563	4992254	39.72	4869161	214280	5083441	40.15
	Total (A+B) :	12349168	220563	12569731	100.0	12446638	214280	12660918	100.00
(C)	Shares held by custodians, against which								
	Depository Receipts have been issued								
(1)	Promoter and Promoter Group								
(2)	Public	0	0	0	0.00	0	0	0	0.00
	GRAND TOTAL (A+B+C) :	12349168	220563	12569731	100.0	12446638	214280	12660918	100.00

\* the change in % promoter's shareholding is due to increase in the paid up share capital during the year and there is no change in the Number shares.

## ii) Shareholding of Promoters

Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in the shareholding during the year
	No. of shares	% of total shares of the company	% of shares pledged/ encumbered to total shares	No. of shares	% of total shares of the company	% of shares pledged/ encumbered to total shares	
Apparao Mallavarapu	6604715	52.54	0.00	6604715	52.17	0.00	0.00
Nikhil Mallavarapu	589929	4.69	0.00	589929	4.66	0.00	0.00
Swarnalatha Mallavarapu	369150	2.94	0.00	369150	2.91	0.00	0.00
M.S. Swarna kumari	13683	0.11	0.00	13683	0.11	0.00	0.00

\* the change in % shareholding is due to increase in the paid up share capital during the year and there is no change in the Number shares.

## iii) Change in Promoters' Shareholding (Please specify, if there is no change)

Shareholding at the beginning of the year		Shareholding at the end of the year		
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
At the beginning of the year	7577477	60.28	7577477	59.85
Datewise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.,)	-	-	-	-
At the end of the year	7577477	60.28	7577477	59.85

iv) Shareholding Pattern of Top Ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs)

Sl. No.	Folio/Dpid-Clientid	Type	Name of the Share Holder	Shareholding at the beginning of the year		Shareholding at the end of the year	
				No.of shares	% of total shares of the company	No.of shares	% of total shares of the company
1	IN30015910517046	Opening Balance	BHARAT JAYANTILAL PATEL	320408	2.55	320408	2.55
	29/05/2015	Sale		56871	0.45	263537	2.10
	05/06/2015	Sale		9013	0.07	254524	2.02
	17/07/2015	Sale		36750	0.29	217774	1.73
	31/07/2015	Sale		18500	0.15	199274	1.58
	07/08/2015	Sale		6257	0.05	193017	1.53
	14/08/2015	Sale		70	0.00	192947	1.53
	31/03/2016	Closing Balance			0.00	192947	1.52
2	48000120480000000262	Opening Balance	HARDIK BHARAT PATEL	156469	1.24	156469	1.24
	03/04/2015	Sale		32547	0.26	123922	0.99
	17/04/2015	Sale		1902	0.02	122020	0.97
	15/05/2015	Sale		13982	0.11	108038	0.86
	22/05/2015	Sale		1411	0.01	106627	0.85
	29/05/2015	Sale		2218	0.02	104409	0.83
	17/07/2015	Sale		2165	0.02	102244	0.81
	24/07/2015	Sale		5861	0.05	96383	0.76
	21/08/2015	Sale		91869	0.73	4514	0.04
	15/01/2016	Purchase		2474	0.02	6988	0.06
	11/03/2016	Purchase		50068	0.40	57056	0.45
	18/03/2016	Purchase		200	0.00	57256	0.45
	31/03/2016	Closing Balance			0.00	52742	0.42
3	IN30177410567245	Opening Balance	RELIGARE FINVEST LTD	226007	1.80	226007	1.80
	30/06/2015	Sale		120764	1.96	105243	0.84
	24/07/2015	Purchase		2000	0.02	107243	0.85
	31/07/2015	Sale		2050	0.02	105193	0.83
	27/11/2015	Sale		160	0.00	105033	0.83
	25/12/2015	Sale		172	0.00	104861	0.83
	29/01/2016	Sale		160	0.00	104701	0.83
	31/03/2016	Closing Balance			0.00	104701	0.83

4	IN30007910008252	Opening Balance	VIJAY AGGARWAL	75000	0.60	75000	0.60
	05/02/2016	Sale		75000	0.59	0	0.00
	31/03/2016	Closing Balance			0.00	0	0.00
5	IN30015910566860	Opening Balance	TEJAS B. TRIVEDI	258080	2.05	258080	2.05
	03/04/2015	Sale		1125	0.01	256955	2.04
	10/04/2015	Sale		26002	0.21	230953	1.84
	17/04/2015	Sale		1725	0.01	229228	1.82
	24/04/2015	Sale		10111	0.08	219117	1.74
	01/05/2015	Sale		11654	0.09	207463	1.65
	08/05/2015	Sale		15432	0.12	192031	1.53
	15/05/2015	Sale		31366	0.25	160665	1.28
	22/05/2015	Sale		12090	0.10	148575	1.18
	29/05/2015	Sale		27698	0.22	120877	0.96
	18/09/2015	Sale		120877	0.96	0	0.00
	31/03/2016	Closing Balance			0.00	0	0.00
6	IN30005410009134	Opening Balance	HDFC TRUSTEE COMPANY LIMITED-HDFC PRUDENCE FUND	260000	2.07	260000	2.07
	10/04/2015	Purchase		78500	0.62	338500	2.69
	22/05/2015	Purchase		50000	0.40	388500	3.09
	05/06/2015	Purchase		50000	0.40	438500	3.48
	03/07/2015	Purchase		20400	0.16	458900	3.64
	31/03/2016	Closing Balance			0.00	458900	3.62
7	IN30005410023910	Opening Balance	HDFC TRUSTEE COMPANY LIMITED-HDFC INFRASTRUCTURE	516991	4.11	516991	4.11
	01/05/2015	Purchase		1961	0.02	518952	4.13
		Closing Balance		0.00	518952	4.10	

8	IN30005410064549	Opening Balance	L & T MUTUAL FUND TRUSTEE LTD-L AND T TAX ADVANT	0	0	0	0
	14/08/2015	Purchase		57350		57350	0.46
	21/08/2015	Purchase		26484		83834	0.67
	28/08/2015	Purchase		5000		88834	0.70
	04/09/2015	Purchase		3091		91925	0.73
	18/09/2015	Purchase		5227		97152	0.77
	25/09/2015	Purchase		4329		101481	0.81
	30/09/2015	Purchase		13979		115460	0.92
	30/10/2015	Purchase		5500		120960	0.96
	13/11/2015	Purchase		15000		135960	1.08
	20/11/2015	Purchase		7000		142960	1.13
	12/02/2016	Purchase		4136		147096	1.16
	31/03/2016	Closing Balance		0		147096	1.16
9	IN30152430028427	Opening Balance	EM RESURGENT FUND	0	0	0	0
	19/06/2015	Purchase		5308		5308	0.04
	26/06/2015	Purchase		2018		7326	0.06
	14/08/2015	Purchase		15746		23072	0.18
	21/08/2015	Purchase		19500		42572	0.34
	28/08/2015	Purchase		54739		97311	0.77
	04/09/2015	Purchase		18965		116276	0.92
	11/09/2015	Purchase		7000		123276	0.98
	30/10/2015	Purchase		248		123524	0.98
	20/11/2015	Purchase		111		123635	0.98
	27/11/2015	Purchase		1352		124987	0.99
	11/12/2015	Purchase		48		125035	0.99
	31/12/2015	Purchase		82		125117	0.99
	22/01/2016	Purchase		406		125523	0.99
	31/03/2016	Closing Balance				125523	0.99
10	IN30012611183570	Opening Balance	HDFC TRUSTEE COMPANY LTD-HDFC CORE AND SATELLITE	0	0	0	0
	26/06/2015	Purchase		1967		1967	0.02
	30/06/2015	Purchase		4420		6387	0.05
	03/07/2015	Purchase		50000		56387	0.45
	10/07/2015	Purchase		6495		62882	0.50
	17/07/2015	Purchase		35000		97882	0.78
	31/03/2016	Closing Balance				97882	0.77

## v) Shareholding of Directors and Key Managerial Personnel

For each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
<b>Apparao V Mallavarapu</b>				
At the beginning of the year	6604715	52.54	6604715	52.17
Datewise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment /transfer/bonus/sweat equity etc.,)	-	-	-	-
At the end of the year	6604715	52.54	6604715	52.17
<b>S. Krishnan</b>				
At the beginning of the year	83	0.00	83	0.00
Datewise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment /transfer/bonus/sweat equity etc.,)	-	-	-	-
At the end of the year	83	0.00	83	0.00

For each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
<b>Mr. K.S. Desikan, Chief Financial Officer</b>				
At the beginning of the year	16433	0.12	16433	0.12
Datewise Increase/Decrease in KMPs Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment /transfer/bonus/sweat equity etc.,)	-	-	9014	0.08
At the end of the year	16433	0.12	25447	0.20
<b>Mr. Ramu Akkili, Company Secretary</b>				
At the beginning of the year	925	0.01	925	0.01
Datewise Increase/Decrease in KMPs Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment /transfer/bonus/sweat equity etc.,)	0	0	1260	0.01
At the end of the year	925	0.01	2191	0.02

- Increase in shares of KMP is due to exercise of options under ESOP

<b>v) INDEBTEDNESS</b>				
Indebtedness of the Company including interest outstanding/accrued but not due for payment (Amt in Rs.Cr)				
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	59.45	0.00	0.00	59.45
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.05	0.00	0.00	0.05
<b>Total (i+ii+iii)</b>	<b>59.50</b>	<b>0.00</b>	<b>0.00</b>	<b>59.5</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	303.78	0.00	0.00	303.78
Reduction	293.26	0.00	0.00	293.26
<b>Net Change</b>	<b>10.52</b>	<b>0.00</b>	<b>0.00</b>	<b>10.52</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	69.97	0.00	0.00	69.97
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.08	0.00	0.00	0.08
<b>Total (i+ii+iii)</b>	<b>70.05</b>	<b>0.00</b>	<b>0.00</b>	<b>70.05</b>

<b>VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL</b>				
<b>A. Remuneration to Managing Director, Whole-time Directors and/or Manager (Amount in Rs. Mn):</b>				
Sl. No.				Total
1	Gross Salary	Apparao V Mallavarapu	-	Total
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	9.43	-	9.43
	b) Value of perquisites as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-	-	-
	c) Profits in lieu of salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-	-	-
2	Stock Options	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- As % of profit	13.30	-	13.30
	- Others	-	-	-
5	Others			
	i) Deferred bonus (pertaining to the current financial year payable in 2016)	-	-	-
	ii) Retirals	-	-	-
	<b>Total (A)</b>	<b>22.73</b>	<b>-</b>	<b>22.73</b>

B.	Remuneration to other Directors:						
1)	Independent Directors						
	Particulars of remuneration	Mr. S. Krishnan	Mr. Manoj Nagrath	Mr. Rajiv C Mody	Mr. Pranav Kumar N Patel	Mr. Thiruvengadam P	Total
	Fee for attending Board/Committee	0.18	0.18	0.02	0.14	0.02	0.54
	Commission	0.20	0.20	0.20	0.20	0.20	1.20
	Others						
	Total (B)(1)	0.38	0.38	0.22	0.34	0.22	1.54

2)	Other Non-Executive Directors						
	Particulars of remuneration	Dr. Swarnalatha Mallavarapu					Total
	Fee for attending Board/Committee	-	-	-	-	-	
	Commission	-	-	-	-	-	
	Others	-	-	-	-	-	
	Total (B)(2)	-	-	-	-	-	
	Total (B)=(B)(1)+(B)(2)	0.38	0.38	0.22	0.34	0.22	1.54

2) Remuneration to Key Managerial Personnel other than MD/Manager/WTD: (Amt in Rs. Mn)				
Sl. No.	Particulars of remuneration	Mr. K.S. Desikan, Chief Financial Officer	Mr. Ramu Akkili, Company Secretary	Total
1	Gross Salary			
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	6.56	1.35	7.91
	b) Value of perquisites as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-	-	-
	c) Profits in lieu of salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-	-	-
2	Stock Options	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- As % of profit	-	-	-
	- Others	-	-	-
5	Others	-	-	-
	Total (C)	6.56	1.35	7.91

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NIL**

---

## MANAGEMENT DISCUSSION & ANALYSIS

### 1. COMPANY BACKGROUND

Centum Electronics Limited (Centum) designs, manufactures and also exports electronic products: These include systems, subsystems, and modules, 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 in these chosen industry segments and in the geographies it serves, which are North America, Europe, India and rest of Asia, 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 technologies Centum is now the industry leader in India in electronics design and manufacturing solutions.

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

With the renewed focus by Govt of India in the area of manufacturing "Make in India" and also creating an environment of "Ease of Doing Business in India" we foresee the Indian manufacturing sector (including design, wherever applicable) to see high growth rates in the coming years, with significant investments from both domestic and foreign companies. However, the gestation period for the manufacturing sector to show results, is longer compared to other sectors and so, it may take a few years to see the real benefits.

Broadly, the electronics industry is categorized under Consumer, IT, 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.

In line with the "Make in India" initiative, Govt of India not only extended the time limit for the above scheme which was expiring in July 2015 by another 5 years, Govt also added new verticals and simplified the process. 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 Defense Procurement Policy (DPP) of Government of India has created a huge opportunity for Indian industries. Over time, the DPP has been modified taking into account the feedback from various stakeholders and an updated DPP 2016 has been released. DPP 2016 gives a higher focus on “Make in India” and “Self-Reliance”. For example, procurements which may have been classified under “Buy” or “Buy & Make” categories earlier, would under DPP 2016 be classified as “Make” category which would bring lot more opportunity for Indian companies. This would also prompt the Indian / Foreign companies to create Joint Ventures in India to address the Indian market.

Presently, the requirements of Armed Forces are not fully met and of course these can be met by direct imports or procured from Public Sector Units which are monopolies in platforms such as fighter planes, missiles etc., To ensure that Armed Forces are fully prepared and also keeping in mind the “Make in India” focus, the Govt has removed the monopoly of the public sector in these areas also and is encouraging large Indian private conglomerates to make fighter planes, missiles in India with International Joint Venture partners. This initiative, will create a strong supply chain in India giving a further opportunity to Indian companies.

However, for all these initiatives to produce results, may take a few years, but these are the essential steps to be taken to convert opportunity into reality.

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. Due to increasing requirements, the Defense PSUs and the Ordnance Factories have a 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.

## 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 ten to twelve 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. Towards this, chairman of ISRO himself initiated meetings with private industry in evolving a business model to completely outsource the PSLV launch vehicle and also outsource the Satellite integration. Also these are initial steps, it clearly sets the tone and directions ISRO wants to move, which will be great opportunity for the private sector.

## 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. This market is dominated by companies like Ericsson, Nokia Siemens, Samsung, Alcatel - Lucent, Huawei etc., Telecom

### Management Discussion & Analysis (Contd...)

---

market worldwide is cyclical in nature and in the recent past there has been a slow down with major players like Ericsson, Alcatel etc., showing negative growth even, leading to consolidation like Nokia and Alcatel announcing a merger. So, we anticipate this slowdown to continue in the communication sector.

#### c. Industrial

This sector comprises of segments like Power, Process Automation, Instrumentation, Energy, Transport 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.

### 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 Strategic Electronics, (Space, Defense, Aerospace), 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 company implemented the above strategy very well and is seeing the benefits. The focus, going forward, will be increasing the market share in these industry segments & geographies by increasing the products & services of 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.

Company has created significant competencies in Digital, Analog, Power and RF areas. These competencies are in the areas of design, process, manufacturing, quality & reliability. Significant investment are being made in human resources and hard assets.

To be successful in this segment, the company has a strong design and technology team of engineers working along side engineers with relevant domain experience. All these engineers are from highly reputed universities with Bachelors, Masters and Doctoral degrees and with long years of work experience in R&D labs / companies of International repute.

**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. The strategy of the company for the BTP business is to address only the defense and aerospace, industrial and medical markets. These market require, a very high focus on quality and reliability, long product life cycle (in some cases, as high as 15-20 years), medium to low volume capability etc. The company has created a world-class eco system in terms of capabilities and infrastructure to address these unique requirements.

Most Indian companies offer design services only or standard manufacturing services for PCBA or Box build. But the uniqueness of your company, is that we offer both. Apart from very sophisticated design capabilities, our state-of-art manufacturing capabilities extend beyond standard manufacturing services and include technologies such as thick film, thin film, chip and wire, laser welding, complete test & reliability lab and many more sophisticated processes to realize products which need a combination of these technologies. This is the biggest differentiator for your company over competitors.

- **International Sales & Marketing**

Your company strategy is to address the international markets and to ensure that we have the global reach and in line with our strategy, we have invested significantly in worldwide Sales & Marketing. Currently we have offices in France, UK and USA with senior and experienced team. We have seen the results of this initiative with your company exporting to over seventeen countries serving global leaders such as ABB, GE, Nokia, Rafael, Thales, L3 Communications, Emerson etc., We will continue invest in International Sales & Marketing to increase our market presence in these geographies.

#### 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.

- One of our strategies for this business is to identify and indigenize complex products that are currently being imported which need advanced design capabilities and complex manufacturing processes to realize these products. The advantage with this, is that once the product is developed and qualified it immediately goes into production quantities. Here again, we are developing such new products continuously
- Another approach is to 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. However, this process involves long gestation periods and it may take longer time to see 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 and we expect to see continuous growth in Offset business in the coming years
- Govt. of India's focus on "Make in India" has opened new opportunities for Indian companies. Due to this, the multinational companies are looking for opportunities to provide technology to Indian companies or form joint ventures with Indian companies as the Govt of India has permitted 49% FDI in the defence sector also. We are exploring the possibilities of bringing advanced technologies to address the requirements of the Armed Forces directly. However, this is a long term initiative and may take some years before we see any results.

##### 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

### Management Discussion & Analysis (Contd...)

---

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 have seen a significant increase in the market share. The In-house manufacture of the key component, "Crystal", has made the subsidiary more competitive. The company is already one of the top 3 OCXO manufactures in the world. We are seeing a slowdown in our customers' markets and foresee a slowdown in our subsidiary in the coming year.

All the products of your company are systems, subsystems or modules and FCP is the only component in your company's business portfolio and we are in the process of strategizing the way forward for FCP business.

#### 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.

The Govt of India procurement policy necessitates that the L1 bidder be awarded the business. Although there are processes and procedures for Technical Evaluation to qualify the bidder, sometimes bidders who don't have the required capabilities are allowed to bid due to the complexities and risks of elimination. Such bidders, may bid low without knowing the difficulties and complexities of the project.

Some of the projects that are awarded in the D&A segment as BTP, which assumes that the designs are complete in all respects, are actually not so and the burden of design also falls on your company. Due to this, margins are lower than expected and also results in time delays.

In some cases of BTS projects awarded in the D&A segment, the customer expects to receive the ownership of design which has not been paid for and to use our design in floating a BTP tender as a public tender. This causes the problem of not being able to capture the value over the life of the product.

In the BTP business where the material content is normally high and the business is done on the basis of forecast, and if the forecast conversion rates are not good, we can get into excess and obsolete material issues. Although we have agreements and checks & balances with the customers on these issues, sometimes there is a possibility of these issues becoming contentious.

#### 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. As on 31st March 2016, the employee strength of the company was 1375.

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.

#### a. IISC industry affiliation program - first industry

Your company is the First Indian Industry Affiliate Partner for CeNSE at IISc since two years. This program is intended to seed and nurture interactions between CeNSE and the company towards a long term mutually beneficial relationship. The company gets the opportunity to interact with faculty and students at CeNSE. Through this program, the company also supports Post-doctoral fellowships, Annual Research symposium, Summer Internships and participation of CeNSE students in International conference. It provides opportunity for the company in deeper engagements through development of joint research projects. It also provides privileged access to current research and technological developments. This enables access to state of the art facility at CeNSE for research and analysis related activities of the company.

#### b. On the board of university

Your company is on the Industry Advisory Board (IAB) of Siddaganga Institute of Technology (SIT), Tumkur, Karnataka for their MTech (Nano Technology) program guiding on the objectives and outcomes of the program, student development, placement, curriculum and training.

### 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 of 150,000 sq.ft state-of-art facility started last year and is now ready and will be inaugurated in August 2016.

### 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

#### A. Consolidated

##### i. Share capital

The share capital of the company stands at Rs. 126.61 million.

##### ii. Loans

The Secured Loans have reduced by Rs. 79.47 million from Rs. 893.66 million as on 31st March 2015 to Rs. 814.19 million as on 31st March 2016.

##### iii. Fixed Assets

The Capital expenditure for 2015-16 is Rs. 371.78 million.

##### iv. Working Capital

Inventories has increased by Rs. 59.75 million from Rs. 1513.24 million as on 31st March 2015 to Rs. 1572.99 million as on 31st March 2016.

Receivables has decreased by Rs. 80.74 million from Rs. 1104.73 million as on 31st March 2015 to Rs. 1023.99 million as on 31st March 2016 .

Current liabilities has increased by Rs. 242.15 million from Rs. 1309.07 million as on 31st March 2015 to Rs. 1551.23 million as on 31st March 2016.

Management Discussion & Analysis (Contd...)

---

**v. Cash flows**

	Rs. Million
Cash flows from Operating activities	677.09
Cash inflows in Financing activities	(251.55)
Cash outflows in Investing activities	(370.96)

**vi. Results of Operations**

The business operation for 2015-16 resulted in the Company, achieving sales of Rs. 4128.93 million as against Rs. 4952.31 million for 2014-15.

The Profit before tax for the year 2015-16 is Rs. 359.11 million as against Rs. 865.89 million for the year 2014-15.

**B. Standalone**

**i. Share capital**

The share capital of the company stands at Rs. 126.61 million.

**ii. Loans**

The Secured Loans have increased by Rs. 105.21 million from Rs. 594.46 million as on 31st March 2015 to Rs. 699.67 million as on 31st March 2016.

**iii. Fixed Assets**

The Capital expenditure for 2015-16 is Rs. 353.89 million.

**iv. Working Capital**

Inventories has increased by Rs. 208.58 million from Rs. 1120.02 million as on 31st March 2015 to Rs. 1328.60 million as on 31st March 2016.

Receivables has decreased by Rs. 15.94 million from Rs. 903.50 million as on 31st March 2015 to Rs. 887.56 million as on 31st March 2016 .

Current liabilities has increased by Rs. 293.97 million from Rs. 1,120.41 million as on 31st March 2015 to Rs. 1,414.38 million as on 31st March 2016.

**v. Cash flows**

	Rs. Million
Cash flows from Operating activities	413.64
Cash inflows in Financing activities	21.80
Cash outflows in Investing activities	(302.13)

**vi. Results of Operations**

The business operation for 2015-16 resulted in the Company, achieving sales of Rs. 3,433.17 million as against Rs. 3,275.17 million for 2014-15.

The Profit before tax for the year 2015-16 is Rs. 431.92 million as against Rs. 427.04 million for the year 2014-15.

---

**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:

		<b>Centum ESOP-2007</b>	<b>Centum ESOP-2013</b>
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	337,694	124,188
5	Options exercised	252,512	75,072
6	Number of shares arising as a result of exercise of option	252,512	75,072
7	Options lapsed/surrendered/forfeited	78,825	3,987
8	Variation of terms of options	NA	NA
9	Money realized by exercise of options	Rs. 12,888,863	Rs. 5,348,880
10	Total number of options in force	85,183	170,938
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. 25.23	
15	Impact on Net Profit and EPS	Profit after tax reduced by Rs. 163,564	Profit after tax reduced by Rs. 1,975,823
		EPS reduced by Rs. 0.17	
16	Method used to estimate the fair value of options	Black Scholes model	
17	Significant Assumptions used:		
	a. Dividend Yield	10%	
	b. Risk free interest rate	1-4 years	
	c. Expected Life of Option	5.7-8.6%	
	d. Expected Volatility	62.89%	

For and on behalf of the Board

Place: Bangalore  
Date: May 27, 2016

Apparao V Mallavarapu  
Chairman & Managing Director

S. Krishnan  
Director

**DETAIL PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014.**

- (i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2015-16, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2015-16 and the comparison of remuneration of each Key Managerial Personnel(KMP) against the performance of the Company are as under:

Sl. No.	Name of the Director/KMP	Designation	% increase in Remuneration in the Financial Year 2015-16	Ratio of remuneration of each Director/to median remuneration of employees
1	Apparao V Mallavarapu	Chairman and Managing Director	1%	73.28
2	S. Krishnan	Non-Executive Director	6%	1.22
3	Manoj Nagrath	Non-Executive Director	6%	1.22
4	Rajiv C Mody	Non-Executive Director	-	0.71
5	Pranav Kumar N Patel*	Non-Executive Director	31%	1.10
6	Swarnalatha Mallavarapu**	Non-Executive Director	-	-
7	Thiruvengadam P***	Non-Executive Director	-	0.71
8	K. S. Desikan	Chief Financial Officer	6%	Not applicable
9	Ramu Akkili	Company Secretary	12%	Not applicable

Profit before tax increased by 1% in FY 2015-16.

\* Mr. Pranav kumar N Patel was inducted into the Audit committee w.e.f. May 27, 2015, and Sitting fee of Rs. 20,000 per meeting is being paid, hence the increase in %.

\*\* Dr. Swarnalatha Mallavarpu was appointed as a Non executive and Non Independent director.

\*\*\* Mr. Thiruvengadam P was appointed w.e.f Feb 8, 2016.

- (iii) During the financial year, there was an increase of 9.97% in the median remuneration of employees.

- (iii) There were 1067 permanent employees on the rolls of Company as on March 31, 2016.

- (iv) Relationship between average increase in remuneration and company performance:

The revenue increased by 5% and the Profits before tax for the financial year ended March 31, 2016 increased by 1.14% whereas the increase in median remuneration was 9.97%.

- (v) Comparison of Remuneration of the Key Managerial Personnel(s) against the performance of the Company:  
The total remuneration of Key Managerial Personnel increased by 2.61% from Rs. 29.86 Mn in 2014-15 to Rs. 30.64 Mn in 2015-16 whereas the Profit before Tax increased by 1% to Rs. 43.19 Mn in 2015-16 (Rs. 42.70 Mn in 2014-15).
- (vi) Variations in the market capitalisation, Price Earnings ratio, Percentage increase over/decrease in the market quotations of the shares of the company as compared to the rate at which the company came out with the last public offer in the year.

Particulars	2015	2016
Share price as at March 31	755.35	517.90
No. of Equity shares	12,569,731	12,660,918
PE Ratio	29.45	20.16
Market capitalisation (Rs. In million)	9,494.55	6,557.09

*The Company came out with initial public offer (IPO) in 1994 at an issue price of Rs. 10/- per share*

- (vii) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e., 2015-16 was 5.95% whereas the increase in the managerial personnel for the same financial year was 2.61%.
- (viii) The key parameters for the variable component of remuneration availed by the directors are considered by the Board of Directors as per the Nomination and Remuneration Policy of the company.
- (ix) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year - There was one employee during the year received remuneration of 16% in excess of remuneration of the Chairman & Managing Director.
- (x) "Affirmation that the remuneration is as per the Remuneration Policy of the Company:  
It is affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other employees, adopted by the Company.

### Declaration of Code of Conduct

To,  
The Members of Centum Electronics Limited

I, Apparao V Mallavarapu, Chairman and Managing Director of Centum Electronics Limited hereby declare that all the members of the Board of Directors and Senior management personnel have affirmed compliance with the Code of Conduct, as applicable to them, for the year ended 31st March, 2016.

Date : 27th May 2016  
Place : Bangalore

Apparao V Mallavarapu  
Chairman and Managing Director

**Auditors' certificate on compliance with the conditions of Corporate Governance under applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**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 31st March 2016, as stipulated in applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'SEBI (LODR) Regulations, 2015').

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 regulations of Corporate Governance as stipulated in the above mentioned the SEBI (LODR) Regulations, 2015.

We further 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.

*for BSR & Co. LLP*

*Chartered Accountants*

Firm registration number: 101248W/W-100022

**Supreet Sachdev**

Partner

Membership Number: 205385

Bangalore

Date: 27 May, 2016

## 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 2016, 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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the disclosures in the financial statements. The procedures selected depend on the Auditor's judgement, 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2016 and its profit and its cash flows for the year ended on that date.

## Independent Auditor's report (Contd...)

---

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure-A" a statement on the matters specified in the paragraphs 3 and 4 of the Order to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies(Accounts) Rules, 2014;
  - (e) on the basis of the written representations received from the Directors as on 31 March 2016 taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March 2016 from being appointed as a Director in terms of Section 164 (2) of the Act; and
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure -B" ; and
  - (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 24 to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
    - iii. There were no amounts during the year which were required to be transferred to the Investor Education and Protection Fund by the Company.

*for BSR & Co. LLP*

*Chartered Accountants*

Firm registration number: 101248W/W-100022

**Supreet Sachdev**

Partner

Membership Number: 205385

Bangalore

Date: 27 May, 2016

## “Annexure-A” to the Independent Auditor’s Report

---

The Annexure referred to in the Auditor’s Report to the Members of Centum Electronics Limited (“the Company”) for the year ended 31 March 2016. 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 fixed assets. No material discrepancies were observed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The inventories, except materials-in-transit, have been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were observed on such verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act 2013 (‘the Act’).
- (iv) According to the information and explanations given to us, the Company has not granted loans, investments, guarantees, and security to companies, firms or other parties under section 185 and 186 of the Act .
- (v) The Company has not accepted any deposits from the public.
- (vi) 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 148 (1) of the Companies Act, 2013 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.
- (vii) (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, Employees’ State Insurance, Income-tax, Sales tax, Cess, Valued added tax, Service tax, Duty of Customs, Duty of Excise and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education Protection Fund and Wealth tax.

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, Service tax, Duty of Customs, Value added tax, Duty of Excise and other material statutory dues that were in arrears as at 31 March 2016 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 duty of customs which have not been deposited with the appropriate authorities on account of any dispute.

## “Annexure-A” to the Independent Auditor’s Report (Contd...)

According to the information and explanations given to us, the following Income tax, Sales tax, Value of added tax and Duty of excise dues have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount net of paid under protest (Rs)	Period to which amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Disallowance of exemptions	30,719,151 (5,463,180)*	Assessment Year 2005-06	Income Tax Appellate Tribunal, Bangalore
Income Tax Act, 1961	Disallowance of exemptions	2,665,351 (2,360,739)*	Assessment Year 2006-07	Income Tax Appellate Tribunal, Bangalore
Income Tax Act, 1961	Disallowance of exemptions	1,893,642	Assessment Year 2008-09	Commissioner of Income Tax (Appeals) - Bangalore
Central Excise Act, 1944	Disallowance of cenvat credit availed	9,988,320 (1,000,000)*	Financial year 2004-2005 and 2005-2006	CESTAT, Bangalore
Central Excise Act, 1944	Disallowance of cenvat credit availed	22,257,402	Financial year 2010-2011 2011-2012 2012-2013	CESTAT, Bangalore
Karnataka Value Added Tax 2005	Commercial tax	548,809	Financial year 2009-2010	Joint Commissioner of Commercial Taxes Bangalore
Karnataka Value Added Tax 2005	Commercial tax	6,487,682	Financial year 2013-2014	Joint Commissioner of Commercial Taxes Bangalore

\* Amount in parenthesis represents the payment made under protest.

- (viii) 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 or Government, during the year.
- (ix) According to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and no term loans has been raised. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

- 
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the managerial remuneration has been paid/provided for in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable
- (xiii) According to the information and explanations given to us, all the transactions with the related parties are in compliance with Section 177 and 188 of the Act, where applicable and the details have been disclosed in the financial Statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares fully or partly convertibles debentures under section 42 of the Act during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3 (xv) of the Order is not applicable
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.
- 

Bangalore  
Date: 27 May, 2016

*for BSR & Co. LLP*  
*Chartered Accountants*  
Firm registration number: 101248W/W-100022  
**Supreet Sachdev**  
Partner  
Membership Number: 205385

**“ANNEXURE B” TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF CENTUM ELECTRONICS LIMITED.**

---

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of Centum Electronics Limited (“the Company”) as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

The Company’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

---

**Meaning of Internal Financial Controls over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

---

Bangalore  
Date: 27 May, 2016

*for BSR & Co. LLP*  
*Chartered Accountants*  
Firm registration number: 101248W/W-100022

**Supreet Sachdev**  
Partner  
Membership Number: 205385

## Balance Sheet

	Note	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
Share capital	2	126,609,180	125,697,310
Reserves and surplus	3	1,481,296,867	1,190,199,547
		<u>1,607,906,047</u>	<u>1,315,896,857</u>
<b>Non-current liabilities</b>			
Long-term provisions	4	20,297,271	15,060,115
		<u>20,297,271</u>	<u>15,060,115</u>
<b>Current liabilities</b>			
Short-term borrowings	5	699,674,213	594,463,813
Trade payables	6	604,287,947	462,780,534
Other current liabilities	7	756,292,733	590,539,889
Short-term provisions	8	53,799,861	67,089,631
		<u>2,114,054,754</u>	<u>1,714,873,867</u>
		<b><u>3,742,258,072</u></b>	<b><u>3,045,830,839</u></b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Fixed assets</i>			
Tangible assets	9	334,397,344	298,024,217
Intangible assets	9	64,847,097	18,053,085
Capital work-in-progress		208,506,408	150,338
		<u>607,750,849</u>	<u>316,227,640</u>
Non-current investments	10	41,819,700	28,560,000
Deferred tax assets (net)	11	40,102,297	43,377,893
Long-term loans and advances	12	190,067,323	158,953,276
		<u>879,740,169</u>	<u>547,118,809</u>
<b>Current assets</b>			
Inventories	13	1,328,603,511	1,120,023,815
Trade receivables	14	887,558,710	903,495,138
Cash and bank balances	15	507,601,238	300,911,707
Short-term loans and advances	16	138,754,444	174,281,370
		<u>2,862,517,903</u>	<u>2,498,712,030</u>
		<b><u>3,742,258,072</u></b>	<b><u>3,045,830,839</u></b>
<b>Significant accounting policies</b>	1		

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/W-100022

Supreet Sachdev

Partner

Membership No. 205385

Place : Bangalore

Date : 27 May, 2016

for Centum Electronics Limited

Apparao V. Mallavarapu

Chairman & Managing Director

K.S. Desikan

Chief Financial Officer

S. Krishnan

Director

Ramu Akkili

Company Secretary

## Statement of Profit and Loss

	Note	For the year ended 31 March 2016 (Rs.)	For the year ended 31 March 2015 (Rs.)
<b>Revenue from operations</b>			
Sale of Product/goods (Gross)	17	3,413,709,993	3,219,227,149
Less: Excise duty		97,020,869	56,992,154
Sale of Product/goods (Net)		3,316,689,124	3,162,234,995
Other income	18	116,477,114	112,935,665
		<u>3,433,166,238</u>	<u>3,275,170,660</u>
<b>Expenses:</b>			
Cost of materials consumed	19	2,204,144,911	2,269,832,645
Changes in inventories of work-in-progress	20	(90,443,434)	(174,787,015)
Employee benefit expense	21	438,128,790	400,203,276
Finance costs	22	29,178,602	17,772,145
Depreciation and amortisation	9	62,362,809	71,296,227
Other expenses	23	357,875,761	263,815,144
		<u>3,001,247,439</u>	<u>2,848,132,422</u>
		<u>431,918,799</u>	<u>427,038,238</u>
<b>Profit before taxation</b>			
<b>Income tax expenses:</b>			
- Current tax		109,330,000	130,000,000
- Previous year		(4,755,520)	(5,891,618)
- Deferred tax charge / (credit)		3,275,596	(17,533,609)
		<u>324,068,723</u>	<u>320,463,465</u>
<b>Profit for the year after tax</b>		<u>324,068,723</u>	<u>320,463,465</u>
<b>Earnings per equity share</b> (par value of Rs 10 each)	27		
Basic		25.69	25.65
Diluted		25.23	25.04
<b>Significant accounting policies</b>	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/W-100022

for **Centum Electronics Limited**

**Supreet Sachdev**  
Partner  
Membership No. 205385

**Apparao V. Mallavarapu**  
Chairman & Managing Director

**S. Krishnan**  
Director

Place : Bangalore  
Date : 27 May, 2016

**K.S. Desikan**  
Chief Financial Officer

**Ramu Akkili**  
Company Secretary

## Cash Flow Statement

	For the year ended 31 March 2016 (Rs.)	For the year ended 31 March 2015 (Rs.)
<b>Cash flow from operating activities</b>		
Profit before tax	431,918,799	427,038,238
<b>Adjustments</b>		
Unrealised foreign exchange (gain)/loss	7,148,492	(6,980,324)
Dividend income from subsidiary company	(57,120,000)	(57,120,000)
Bad debts written off	1,422,850	-
Profit on sale of fixed assets	(1,432,751)	-
Depreciation and amortisation	62,362,809	71,296,227
Finance cost	29,178,602	17,772,145
Interest income	(26,246,013)	(12,461,962)
<b>Operating cash flows before working capital changes</b>	<b>447,232,788</b>	<b>439,544,324</b>
Changes in liabilities and provisions	249,261,023	474,093,404
Changes in inventories	(193,170,441)	(600,623,575)
Changes in trade receivables	31,176,960	(134,805,013)
Changes in loans and advances	37,374,902	(82,117,395)
Changes in other bank balances	(65,287,119)	(15,163,055)
<b>Cash generated from operations</b>	<b>506,588,113</b>	<b>80,928,690</b>
Income tax paid, net	(92,945,786)	(111,718,938)
<b>Net cash generated from / (used in) operating activities</b>	<b>413,642,326</b>	<b>(30,790,248)</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of fixed assets	1,432,752	-
Investment made	(13,259,700)	-
Purchase of assets on slump sale (refer note 25)	(57,000,000)	-
Interest received	23,351,799	13,980,003
Dividend received from subsidiary company	57,120,000	57,120,000
Purchase of fixed assets	(313,779,428)	(75,179,642)
<b>Net cash used in investing activities</b>	<b>(302,134,576)</b>	<b>(4,079,638)</b>
<b>Cash flow from financing activities</b>		
Proceeds from short term borrowings from bank	82,688,779	275,540,095
Repayment of long term borrowings	-	(1,686,245)
Proceeds from issue of share capital	5,923,221	8,500,950
Finance cost paid	(29,178,601)	(17,772,145)
Dividend paid	(37,637,291)	(30,824,756)
<b>Net cash provided by financing activities</b>	<b>21,796,108</b>	<b>233,757,899</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalents	382,000	(1,105,633)
Net increase in cash and cash equivalents	133,303,858	198,888,013
Cash and cash equivalents at the beginning of the year	251,888,190	54,105,810
Cash and cash equivalents acquired under slump sale	6,445,857	-
<b>Cash and cash equivalents at the end of the year (refer note 15)</b>	<b>392,019,905</b>	<b>251,888,190</b>

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/W-100022

Supreet Sachdev  
Partner  
Membership No. 205385

Place : Bangalore  
Date : 27 May, 2016

for Centum Electronics Limited

Apparao V. Mallavarapu  
Chairman & Managing Director

K.S. Desikan  
Chief Financial Officer

S. Krishnan  
Director

Ramu Akkili  
Company Secretary

## Notes on financial statements for the year ended 31st March, 2016

---

### 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 in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis of accounting and GAAP comprises mandatory Accounting Standards as prescribed under section 133 of the Companies Act, 2013 (‘the Act’) read with Rule 7 of The Company (Accounts) Rules 2014, the provision of Act (to the extent notifies and 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 on tangible assets is provided on the straight-line method over the useful lives of assets as prescribed under Part C of Schedule II of the Companies Act 2013 except for Plant and equipment which is estimated by the Company. Depreciation for assets purchased/ sold during a period is proportionately charged. Intangible assets are amortised over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

The Company believes that the useful lives as given below best represent the useful lives of these assets based on internal assessment and supported by technical advice where necessary which is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

## Notes on financial statements (contd...)

The Company estimates the useful lives for fixed assets as follows:

Asset categories	Years
Plant and equipment (including the related intellectual property)	8 years (Lives as estimated by Company)
Electrical installations	10 years
Furniture and fixtures	10 years
Office equipment	5 year
Computers	3 years

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.

Government grants and subsidies are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants/subsidy will be received.

---

**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.

Forward exchange contracts and other similar instruments that are not in respect of forecasted transactions are accounted for using the guidance in Accounting Standard ('AS') 11, 'The effects of changes in foreign exchange rates'. For such forward exchange contracts and other similar instruments covered by AS 11, based on the nature and purpose of the contract, either the contracts are recorded based on the forward rate/ fair value at the reporting date, or based on the spot exchange rate on the reporting date. For contracts recorded at the spot exchange rates, the premium or discount at the inception is amortized as income or expense over the life of the contract.

**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.

## Notes on financial statements (contd...)

---

### 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.

Particulars	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>2. SHARE CAPITAL</b>		
<b>Authorised</b>		
15,500,000 (previous year: 15,500,000) equity shares of Rs 10 each	155,000,000	155,000,000
<b>Issued, subscribed and paid-up</b>		
12,660,918 (previous year 12,569,731) equity shares of Rs 10 each, fully paid	126,609,180	125,697,310
	<b>126,609,180</b>	<b>125,697,310</b>

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 2016		As at 31 March 2015	
	Number	Amount	Number	Amount
Number and value of shares at the beginning of the year	12,569,731	125,697,310	12,425,609	124,256,090
Number of shares issued during the year	91,187	911,870	144,122	1,441,220
Number and value of shares outstanding at the end of the year	12,660,918	126,609,180	12,569,731	125,697,310

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

Name of the shareholder	As at 31 March 2016		As at 31 March 2015	
	Number	% of holding	Number	% of holding
Apparao V Mallavarapu	6,604,715	52.17%	6,604,715	52.54%

#### 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. During the year ended 31 March 2016, the amount of per share interim dividend recognised as distributions to equity shareholders was Rs.3 (previous year: Re 1) and per share final dividend was Rs. Nil (Previous year: Rs 2). The total dividend appropriation for the year ended 31 March, 2016 amounted to Rs 37,982,754 (previous year: Rs 37,769,288) 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 29 for disclosure in relation to employee stock option plan.

## Notes on financial statements (contd...)

Particulars	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>3 RESERVES AND SURPLUS</b>		
<b>Securities premium account</b>		
Balance at the beginning of the year	9,950,655	2,890,925
Add: Addition during the year	5,011,351	7,059,730
Closing balance	<u>14,962,006</u>	<u>9,950,655</u>
<b>General reserve</b>		
Balance at the beginning of the year	440,261,568	440,261,568
Closing balance	<u>440,261,568</u>	<u>440,261,568</u>
<b>Surplus in statement of profit and loss</b>		
Opening balance	739,987,324	474,273,778
Add: Profit for the year	324,068,723	320,463,465
Less: Appropriations during the year		
Interim dividend	37,982,754	12,570,378
Proposed final dividend	-	25,198,910
Additional depreciation as per Schedule II of Companies Act 2013 (refer note 9)	-	16,980,631
Closing balance	<u>1,026,073,293</u>	<u>739,987,324</u>
	<u>1,481,296,867</u>	<u>1,190,199,547</u>
<b>4 LONG-TERM PROVISIONS</b>		
Provision for employee benefit (refer note 28)	20,297,271	15,060,115
	<u>20,297,271</u>	<u>15,060,115</u>
<b>5. SHORT-TERM BORROWINGS</b>		
<i>Secured</i>		
Loans repayable on demand		
- Cash credit	32,971,542	1,136,260
- Packing credit	666,702,671	593,327,553
	<u>699,674,213</u>	<u>594,463,813</u>

Cash credit and Packing 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.

There is no default in the repayment of the principal and interest amounts.

Particulars	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>6. TRADE PAYABLES</b>		
-Total outstanding dues of micro enterprises and small enterprises *	5,091,529	2,162,724
-Total outstanding dues of creditors other than micro enterprises and small enterprises	599,196,418	460,617,810
	<b><u>604,287,947</u></b>	<b><u>462,780,534</u></b>
* Refer note 34 for details of dues to micro and small enterprises.		
<b>7. OTHER CURRENT LIABILITIES</b>		
Advance from customers	528,623,735	407,387,506
Unpaid dividends [Investor Protection Education Fund shall be credited when due]	26,943,010	1,398,636
Other payables		
- withholding and other taxes and duties payable	19,434,632	32,230,020
- for expenses	162,387,285	148,568,423
- for capital goods	18,904,071	955,304
	<b><u>756,292,733</u></b>	<b><u>590,539,889</u></b>
<b>8. SHORT-TERM PROVISIONS</b>		
Provision for gratuity (refer note 28)	2,526,956	2,187,841
Provision for compensated absences	8,425,027	6,148,571
Provision for stamp duty charges (refer note 24)	19,585,888	19,585,888
Proposed final dividend	-	25,198,910
Provision for taxation, net of advance tax	23,261,990	13,968,421
	<b><u>53,799,861</u></b>	<b><u>67,089,631</u></b>

Notes on financial statements (contd...)

9 FIXED ASSETS

Particulars	(Amount in Rs.)									
	GROSS BLOCK			ACCUMULATED DEPRECIATION AND AMORTISATION				NET BLOCK		
	As at 1 April 2015	Additions during the year - note 3	Deletions during the year	As at 31 March 2016	As at 1 April 2015	Charge for the year	Adjusted in reserves	Deletions during the year	As at 31 March 2016	As at 31 March 2015
<b>Tangible assets, owned</b>										
Freehold land	4,409,383	-	-	4,409,383	-	-	-	-	4,409,383	4,409,383
Leasehold improvements	15,079,404	1,129,706	-	16,209,110	8,118,454	4,202,019	-	12,320,473	3,888,637	6,960,950
Building	60,050,721	23,052	-	60,073,773	23,589,106	2,017,353	-	25,606,459	34,467,314	36,461,615
Plant and equipment	754,068,542	71,869,718	-	825,938,260	647,113,282	29,004,460	-	676,117,742	149,820,518	106,955,260
Electrical installations	31,252,352	1,278,470	-	32,530,822	19,314,695	4,429,091	-	23,743,786	8,787,036	11,937,657
Computers	33,370,774	1,207,682	-	34,578,456	32,392,979	309,165	-	32,702,144	1,876,312	977,795
Office equipment	31,858,347	1,161,060	-	33,019,407	25,009,423	3,044,018	-	28,053,441	4,965,966	6,848,924
Furniture and fixtures	21,330,004	1,719,496	-	23,049,500	14,440,268	2,606,873	-	17,047,141	6,002,359	6,889,736
Vehicles	16,237,643	5,628,306	6,899,907	14,966,042	14,290,230	2,018,532	-	9,408,856	5,557,186	1,947,413
<b>Tangible assets, leased</b>										
Computer	9,990,801	-	-	990,801	967,007	12,851	-	979,858	10,943	23,794
Leasehold land (Refer note 2)	114,611,690	-	-	114,611,690	-	-	-	-	114,611,690	114,611,690
<b>Total (A)</b>	<b>1,083,259,661</b>	<b>84,017,490</b>	<b>6,899,907</b>	<b>1,160,377,244</b>	<b>785,235,444</b>	<b>47,644,362</b>	<b>-</b>	<b>825,979,900</b>	<b>334,397,344</b>	<b>298,024,217</b>
<b>Intangible assets, owned</b>										
Computer software	44,166,715	18,614,547	-	62,781,262	33,820,944	9,968,164	-	43,789,108	18,992,154	10,345,771
Intellectual property rights	8,623,664	3,245,290	-	11,868,954	916,350	1,445,897	-	2,362,247	9,506,707	7,707,314
Goodwill (Refer note 3)	-	39,652,622	-	39,652,622	-	3,304,386	-	3,304,386	36,348,236	-
<b>Total (B)</b>	<b>52,790,379</b>	<b>61,512,459</b>	<b>-</b>	<b>114,302,838</b>	<b>34,737,294</b>	<b>14,718,447</b>	<b>-</b>	<b>49,455,741</b>	<b>64,847,097</b>	<b>18,053,085</b>
<b>Total (A)+(B)</b>	<b>1,136,050,040</b>	<b>145,529,949</b>	<b>6,899,907</b>	<b>1,274,680,082</b>	<b>819,972,739</b>	<b>62,362,809</b>	<b>-</b>	<b>875,435,641</b>	<b>399,244,441</b>	<b>316,077,302</b>
<b>Previous year</b>	<b>1,095,931,366</b>	<b>40,118,674</b>	<b>-</b>	<b>1,136,050,040</b>	<b>731,695,881</b>	<b>71,296,237</b>	<b>16,980,621</b>	<b>819,972,738</b>	<b>316,077,305</b>	<b>364,235,485</b>

Note -1 During the previous year, the Company has reassessed the estimated useful life of fixed assets considering the guidelines under Schedule II of the Companies Act, 2013. The realignment of the useful lives has resulted in adjustment of Rs.16,980,631 against the opening balance of retained earnings as at 1 April 2014.

Note -2 Karnataka Industrial Area Development (KIADB) has allotted following land to the Company on a lease cum sale basis:  
 i.e. 24,280.60 sq. mts at Plot No. 58 -P Bengaluru Aerospace Park, Industrial Area for a period of 10 years w.e.f 18 December 2013 . The aggregate capitalized cost of the land at the end of the year is Rs 114,611,690 . The agreement gives a right to the Company to acquire land at the end of the lease term at an additional consideration, if any fixed by KIADB, after reducing the amount already paid.

Note -3 Of the total additions for the year Rs.12,897,562 pertain to acquisition of fixed assets from Centum Industries Private Limited, pursuant to slump sale agreement dated 1 December 2015, also refer note 25.

Particulars	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>10. NON-CURRENT INVESTMENTS</b>		
<b>Trade investment unquoted</b>		
<b>Investments in equity instruments</b>		
Aggregate amount of unquoted investment		
- Investments in subsidiary	28,560,000	28,560,000
- Others	13,259,700	-
	<u>41,819,700</u>	<u>28,560,000</u>
2,856,000 (previous year: 2,856,000) equity shares of Rs.10 each, fully paid up in Centum Rakon India Private Limited		
59,347 (previous year: Nil) equity shares of USD 0.01 each, fully paid up in Qulsar Inc.		
<b>11. DEFERRED TAX ASSETS/(LIABILITIES), NET</b>		
<b>Deferred tax asset</b>		
Fixed assets	13,555,731	18,545,262
Provision for doubtful debts	1,625,072	1,596,052
Provision for doubtful advances	471,020	462,609
Provision for gratuity	17,672,190	16,116,727
Current liabilities and provisions	6,778,284	6,657,243
<b>Deferred tax assets, net</b>	<u>40,102,297</u>	<u>43,377,893</u>
<b>12. LONG-TERM LOANS AND ADVANCES</b>		
<i>Unsecured, considered good</i>		
Capital advances	110,485,895	79,883,680
Balance with government authorities	38,760,883	38,957,255
Advance tax, net of provision for tax	22,014,905	24,350,030
Prepaid expenses	3,124,520	3,192,681
Deposits	15,681,120	12,569,630
	<u>190,067,323</u>	<u>158,953,276</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>190,067,323</u>	<u>158,953,276</u>
<b>13. INVENTORIES</b>		
Raw materials*	944,854,316	824,431,021
[Includes raw material in transit Rs.75,885,065 (previous year: Rs.26,432,917)]		
Work-in-progress*	376,620,334	286,176,900
Stores and spares*	7,128,861	9,415,894
	<u>1,328,603,511</u>	<u>1,120,023,815</u>
[*Refer significant accounting policy note 'h' for mode of valuation]		

## Notes on financial statements (contd...)

Particulars	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>14. TRADE RECEIVABLES*</b>		
<i>Unsecured</i>		
Debts due for a period exceeding six months		
- considered good	35,911,092	57,539,497
- considered doubtful	528,825	4,695,653
	<u>36,439,917</u>	<u>62,235,150</u>
Other debts		
- Considered good	851,647,617	845,955,641
	<u>851,647,617</u>	<u>845,955,641</u>
Less: Provision for doubtful debts	528,825	4,695,653
	<u><b>887,558,710</b></u>	<u><b>903,495,138</b></u>
* Includes an amount of Rs.12,319,409 (previous year Rs.122,520) receivable from companies where directors of the company are also directors / members		
<b>15. CASH AND BANK BALANCES</b>		
<b>Cash and cash equivalents</b>		
Cash on hand	490,825	802,737
Balance with banks		
- on current account	15,901,761	40,234,717
- on fixed deposit account	364,966,134	208,100,758
- on exchange earners foreign currency account	10,661,185	2,749,978
	<u><b>392,019,905</b></u>	<u><b>251,888,190</b></u>
<b>Other bank balances</b>		
Balance with banks		
- on current account*	26,957,531	1,413,158
- on margin money accounts**	88,623,802	47,610,359
	<u><b>507,601,238</b></u>	<u><b>300,911,707</b></u>
*** Includes balance in unclaimed dividend account Rs.26,943,010 (previous year: Rs.1,398,636).		
**Margin money is against bank guarantees issued in favour of customers and statutory authorities.		
<b>16. SHORT-TERM LOANS AND ADVANCES</b>		
<i>Unsecured considered good</i>		
Deposits	160,989	160,989
Staff advances	587,606	1,202,112
Prepaid expenses	19,215,206	16,187,121
Balances with government authorities	9,813,184	3,125,060
Advance to suppliers	86,201,635	125,687,511
Interest accrued but not due	3,068,580	174,365
Other advances and receivables	19,707,244	27,744,212
	<u><b>138,754,444</b></u>	<u><b>174,281,370</b></u>

Particulars	For the year ended 31 March 2016 (Rs.)	For the year ended 31 March 2015 (Rs.)
<b>17. REVENUE FROM OPERATIONS</b>		
Sale of products, gross	3,310,681,543	3,083,921,593
Less: Excise duty	97,020,869	56,992,154
Sale of products, net	<u>3,213,660,674</u>	<u>3,026,929,439</u>
Sale of services	103,028,450	135,305,556
	<b><u>3,316,689,124</u></b>	<b><u>3,162,234,995</u></b>
*Refer Note 37 for details related to sale of manufactured product and service income.		
<b>18. OTHER INCOME</b>		
Interest on bank deposits	26,246,013	12,461,962
Rental income	3,032,400	3,032,400
Dividend income from subsidiary company	57,120,000	57,120,000
Profit on sale of fixed assets	1,432,751	-
Other non-operating income	28,645,950	29,803,692
Foreign exchange gain, net	-	10,517,611
	<b><u>116,477,114</u></b>	<b><u>112,935,665</u></b>
<b>19. COST OF MATERIAL CONSUMED</b>		
Inventory of materials at the beginning of the year	833,846,915	408,010,355
Add: Purchases	2,322,281,172	2,695,669,205
Less: Inventory of materials at the end of the year	951,983,176	833,846,915
	<b><u>2,204,144,911</u></b>	<b><u>2,269,832,645</u></b>
Refer note 35 and 36 for details of items of raw materials and components consumed.		
<b>20. CHANGE IN INVENTORIES OF WORK-IN-PROGRESS</b>		
<i>Opening Stock</i>		
Work in progress	286,176,900	111,389,885
<i>Closing Stock</i>		
Work in progress	<u>376,620,334</u>	<u>286,176,900</u>
Decrease/(increase) in inventories of work in progress	<b><u>(90,443,434)</u></b>	<b><u>(174,787,015)</u></b>
<b>21. EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages and allowances	391,023,297	363,218,300
Contribution to provident and other funds	20,763,190	17,638,516
Staff welfare expenses	26,342,303	19,346,460
	<b><u>438,128,790</u></b>	<b><u>400,203,276</u></b>
<b>22. FINANCE COSTS</b>		
Interest expense	24,681,556	13,478,003
Other Borrowing cost	4,497,046	4,294,142
	<b><u>29,178,602</u></b>	<b><u>17,772,145</u></b>

## Notes on financial statements (contd...)

Particulars	For the year ended 31 March 2016 (Rs.)	For the year ended 31 March 2015 (Rs.)
<b>23. OTHER EXPENSES</b>		
Rent	24,615,036	19,130,347
Rates and taxes	4,384,653	2,291,317
Power and fuel	41,783,584	36,136,458
Repairs and maintenance		
- Building	11,465,478	12,235,098
- Plant and equipment	15,143,370	16,261,929
Insurance	7,669,264	9,486,746
Professional and consultancy	42,874,187	28,551,600
Selling and marketing expenses	5,666,726	2,163,131
Travelling and conveyance	44,702,476	42,387,422
Purchase of services	40,332,934	34,064,406
Postage, telephones and telegrams	4,966,230	5,222,294
Printing and stationery	4,696,330	3,909,440
Corporate social responsibility expenses	2,946,250	3,819,750
Advertisement and promotion	3,583,332	5,505,327
Security charges	5,243,924	4,272,359
Commission paid to non-executive directors	1,000,000	800,000
Recruitment and training	8,104,575	9,709,778
Bad debts written-off	1,422,850	-
Directors sitting fees	540,000	560,000
Freight outwards	3,709,504	2,446,147
Foreign exchange loss, net	50,931,269	-
Bank charges	23,519,868	16,899,560
Miscellaneous expenses	8,573,924	7,962,035
	<b>357,875,761</b>	<b>263,815,144</b>

**24. Capital commitments and contingent liabilities**

(Amount in Rs.)

Particulars	As at 31 March 2016	As at 31 March 2015
<b>Capital commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and provided for (net of advances)	146,267,125	435,582,192
<b>Contingent liabilities</b>		
Claims against the Company not acknowledged as debts in respect of:		
Income tax	35,278,144	34,015,175
Sales tax	7,036,491	10,559,633
Excise duty	32,245,722	9,988,320
Stamp duty	5,107,137	5,107,137

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

- 25.** During the year the Company has entered into a business transfer agreement with Centum Industries Private Limited on 1 December 2015 for the purchase of business on slump sale. As per the terms of agreement, the Company has purchased the net assets pertaining to plastic and defence and space of Centum Industries Private Limited for an aggregate consideration Rs.57,000,000, which was arrived at based on the business valuation done by an independent professional firm. The valuation ascribed to assets by an independent professional valuer amounting Rs 17,347,378, resulting in a goodwill of Rs.39,652,622.

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

(Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Statutory audit	2,500,000	2,500,000
Out of pocket expenses reimbursed	221,404	221,956
	<b>2,721,404</b>	<b>2,721,956</b>

**27. Earnings per share**

The computation of earnings per share is set out below:

(Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Profit for the year	324,068,724	320,463,465
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	12,569,731	12,425,609
Weighted average number of shares issued during the year	46,963	67,037
Weighted average number of equity shares outstanding during the year (in numbers)	12,616,694	12,492,646
Face value of equity shares	10	10
Earnings per share - basic	25.69	25.65

## Notes on financial statements (contd...)

	(Amount in Rs.)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Weighted average number of equity shares outstanding during the year - basic	12,616,694	12,492,646
Add: Effect of dilutive issues of stock options	230,228	304,958
Weighted average number of equity shares and potential equity shares outstanding during the year (in numbers)	12,846,922	12,797,604
Earnings per share - dilutive	25.23	25.04

28. 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:

	(Amount in Rs.)	
Particulars	As at 31 March 2016	As at 31 March 2015
<b>Change in projected benefit obligations</b>		
Obligations at year beginning	17,247,956	14,323,628
Service cost	4,499,416	3,714,888
Past service cost	-	-
Benefits paid	(1,335,676)	(562,563)
Interest cost	1,431,811	1,446,880
Liabilities assumed on acquisition / (settled on divestiture)	-	-
Actuarial loss/ (gain)	980,720	(1,674,877)
<b>Obligations at year end</b>	<b>22,824,228</b>	<b>17,247,956</b>
<b>Change in plan assets</b>		
Plan assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	1,335,676	562,563
Benefits paid	(1,335,676)	(562,563)
<b>Plan assets at year end, at fair value</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	22,824,228	17,247,956
<b>Asset/(liability) recognised in the balance sheet</b>	<b>(22,824,228)</b>	<b>(17,247,956)</b>
<b>Gratuity cost for the year</b>		
Service cost	4,499,416	3,714,888
Interest cost	1,431,811	1,446,880
Expected return on plan assets	-	-
Actuarial loss/ (gain)	980,720	(1,674,877)
Past service cost	-	-
<b>Net gratuity cost</b>	<b>6,911,947</b>	<b>3,486,891</b>

**Amounts for the current and previous four periods are as follows:**

Five-year information	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined benefit obligation	(22,824,228)	(17,247,956)	(14,323,628)	(12,563,091)	(9,441,461)
Fair value of plan assets	-	-	-	-	-
Asset/ (liability) recognised in the balance sheet	(22,824,228)	(17,247,956)	(14,323,628)	(12,563,091)	(9,441,461)
Experience adjustments arising on plan liabilities -loss/(gain)	980,720	(1,674,877)	(1,445,530)	338,302	81,455
Experience adjustments arising on plan assets-loss/ (gain)	-	-	-	-	-
<b>Assumptions:</b>					
Discount rate				7.80%	7.78%
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.

**29. 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 2016 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 2016		For the year ended 31 March 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	132,688	61.97	248,130	59.17
Granted during the year	-	-	-	-
Exercised during the year	44,795	58.44	115,442	55.94
Forfeited / lapsed during the year	2,710	53.45	-	-
Options outstanding at the end of the year	85,183	61.97	132,688	61.97
Exercisable at the end of the year	85,183	64.10	73,401	68.86

The options outstanding as at 31 March 2016 had an exercise price of Rs.64.10 and the weighted average remaining contractual life of 8.96 years.

## Notes on financial statements (contd...)

**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 2016 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 2016		For the year ended 31 March 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	221,320	71.25	250,000	71.25
Granted during the year	-	-	-	-
Exercised during the year	46,392	71.25	28,680	71.25
Forfeited / lapsed during the year	3,987	71.25	-	-
Options outstanding at the end of the year	170,941	71.25	221,320	71.25
Exercisable at the end of the year	49,116	71.25	33,807	71.25

The options outstanding as at 31 March 2016 had an exercise price of Rs 71.25 and the weighted average remaining contractual life of 10.31 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 2016	For the Year ended 31 March 2015
Profit for the year	324,068,723	320,463,465
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	2,139,387	5,949,680
Adjusted net profit	321,929,337	314,513,785
Basic earnings per share as reported	25.69	25.65
Pro forma basic earnings per share	25.52	25.18
Diluted earnings per share as reported	25.23	25.04
Pro forma diluted earnings per share	25.06	24.58

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 2016	Year ended 31 March 2015
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-8.6%	5.7-8.6%
Volatility	62.89%	99.49%

**30.** The Company's foreign currency exposure on account of foreign currency denominated payables not hedged as on 31 March 2016.

Particulars	As at 31 March 2016		As at 31 March 2015	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	16,782,833	1,105,596,172	15,708,466	980,852,328
EUR	713,995	51,960,406	1,702,365	115,280,608
GBP	12,582	1,213,202	5,930	548,738
JPY	1,157,562	704,680	540,250	277,148
SEK	520,707	4,195,967	198,441	1,412,902
		<b>1,163,670,426</b>		<b>1,098,371,724</b>

The Company's foreign currency exposure on account of foreign currency denominated receivables not hedged as on 31 March 2016:

Particulars	As at 31 March 2016		As at 31 March 2015	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	8,748,064	580,232,369	8,546,167	532,490,328
EUR	496,740	30,211,212	407,100	27,504,600
GBP	5,885	901,520	17,216	1,590,190
JPY	40,000	21,648	-	-
SEK	12,636	103,836	-	-
		<b>611,470,586</b>		<b>561,585,118</b>

**31 Leases**

The Company has taken office facilities, car and computer 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 24,615,036 (previous year: Rs 19,130,347).

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).

## Notes on financial statements (contd...)

## 32. Segment Information

The Company's primary segment is identified as a business segment based on risk, return and nature of products and secondary segment is defined based on the geographical location of the Customers as per Accounting Standard -17. The disclosure on primary business segment reporting has been changed to a single segment called "Electronic System Design and Manufacturing (ESDM)" instead of the two segments "Products" and "Electronics Manufacturing Services" previously. The change has been made to reflect the evolved business of the company appropriately.

Accordingly, the secondary segment disclosure are as under:

(Amount in Rs.)		
Geographic segment	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Revenues</b>		
India	1,354,626,875	863,900,138
Europe	707,801,584	664,824,641
USA	407,769,592	760,204,718
Rest of the world	846,491,072	873,305,498
	<b>3,316,689,124</b>	<b>3,162,234,995</b>
<b>Segment assets</b>		
India	3,102,174,460	2,431,435,318
Europe	197,777,813	269,455,645
USA	230,293,379	122,792,138
Rest of the world	212,012,420	222,147,738
	<b>3,742,258,072</b>	<b>3,045,830,839</b>

## 33. Related party disclosures

## A. Parties where control exists:

Apparao V Mallavarapu (directly and indirectly exercises 59.85% 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:

Apparao V Mallavarapu - Chairman and Managing Director

S Krishnan (Director)

Rajiv C Mody (Director)

Pranav Patel (Director)

Manoj Nagrath (Director)

Swarnalatha Mallavarapu (Additional Director)

K S Desikan (Chief Financial Officer)

Ramu Akkili (Company Secretary)

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

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Sale of goods and services</b>		
Parties under common control		
<i>Centum Industries Private Limited</i>		
- Sale of goods and services	-	69,000
<i>Subsidiary</i>		
Centum Rakon India Private Limited		
- Service income	62,497,221	88,836,124
- Sale of goods	2,522,965	6,008,653
<b>Other Income</b>		
<i>Subsidiary</i>		
Centum Rakon India Private Limited		
- Rental income	3,032,400	3,032,400
- Dividend	57,120,000	57,120,000
<b>Purchase of goods and services</b>		
<i>Parties under common control</i>		
Centum Industries Private Limited	13,404,983	26,948,993
<i>Subsidiary</i>		
Centum Rakon India Private Limited	988,584	627,433
<b>Expense incurred on behalf</b>		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	11,857,018	10,877,598
<b>Managerial remuneration</b>		
<i>Key management personnel</i>		
Managerial remuneration	22,731,930	22,478,235

## Notes on financial statements (contd...)

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

Particulars	(Amount in Rs.)	
	As at 31 March 2016	As at 31 March 2015
<b>Trade receivables</b>		
<i>Parties under common control</i>		
Centum Industries Private Limited	-	622,149
<i>Subsidiary</i>		
Centum Rakon India Private Limited	12,319,409	122,520
<b>Other advances and receivables</b>		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	-	328,451
<b>Trade payables</b>		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	2,309,246	-
<i>Parties under common control</i>		
Centum Industries Private Limited	16,324	2,313,400
<b>Non current investment</b>		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	28,560,000	28,560,000
<b>Managerial remuneration payable</b>		
Key management personnel	13,299,930	13,046,235

34. 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 2016 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.

(Amount in Rs.)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting period		
- Principal	5,091,529	2,162,724
- Interest	323	1,628
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting period	1,628	-
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 period) but without adding the interest		

(Amount in Rs.)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
specified under Micro Small and Medium Enterprise Development Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting period; and	-	-
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 for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	-	-

**35. Particulars of raw materials and components consumed**

(Amount in Rs.)

Components	For the year ended 31 March 2016	For the year ended 31 March 2015
Integrated circuits	611,997,354	736,869,104
Others	943,277,241	1,012,045,385
	<b>1,555,274,595</b>	<b>1,748,914,489</b>

(Amount in Rs.)

Raw materials	For the year ended 31 March 2016	For the year ended 31 March 2015
PCB	399,291,287	302,416,252
Others	249,579,028	218,501,904
	<b>648,870,316</b>	<b>520,918,156</b>

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

**36. Particulars of raw materials and components consumed**

(Amount in Rs.)

	For the year ended 31 March 2016		For the year ended 31 March 2015	
	%	Amount	%	Amount
<b>Components</b>				
Imported	94%	1,454,234,008	94%	1,635,990,936
Indigenous	6%	101,040,587	6%	112,923,553
		<b>1,555,274,595</b>		<b>1,748,914,489</b>
<b>Raw materials</b>				
Imported	74%	479,082,450	98%	509,990,718
Indigenous	26%	169,787,865	2%	10,927,438
		<b>648,870,315</b>		<b>520,918,156</b>

## Notes on financial statements (contd...)

**37. Particulars in respect of sale of manufactured products (including excise duty) and service income**  
(Amount in Rs.)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Sale of products:</b>		
Modules	945,975,551	532,952,520
Printed circuit boards assembly	2,213,095,797	2,402,605,556
Others	151,607,195	148,642,370
<b>Sale of services:</b>		
Repair services	48,461,600	71,564,428
Commission	8,366,850	7,971,128
Others	46,200,000	55,491,147
	<b>3,413,709,993</b>	<b>3,219,227,149</b>

**38. CIF value of imports**

(Amount in Rs.)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Capital goods	53,373,478	11,426,111
Raw materials and components (including goods in transit)	1,948,269,073	2,371,892,496
	<b>2,001,642,551</b>	<b>2,383,318,607</b>

**39. Expenditure in foreign currency (on payment basis)**

(Amount in Rs.)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Travelling and conveyance	12,200,141	16,411,541
Selling and marketing expenses	693,421	1,030,753
Professional and consultancy	4,046,359	942,541
Salaries, wages and allowances	51,506,709	53,179,942
Other financial charges	1,980,266	1,434,238
Recruitment and training	8,945,229	3,898,386
Postage, telephone and telegram	906,221	842,599
Rent	51,150	250,486
Miscellaneous expenses	307,393	199,480
	<b>80,636,889</b>	<b>78,189,966</b>

**40. Earnings in foreign currency**

(Amount in Rs.)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Sale of manufactured goods	1,962,062,249	2,298,334,857
<b>Total</b>	<b>1,962,062,249</b>	<b>2,298,334,857</b>

**41. Expenditure on research and development**

(Amount in Rs.)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Capital	12,111,115	-
Recurring (including depreciation)	63,569,349	44,285,351
	<b>75,680,463</b>	<b>44,285,351</b>

42. Previous year's figure including those in brackets have been regrouped and / or rearranged wherever necessary.

As per our report of even date attached  
for **BSR & Co. LLP**  
Chartered Accountants  
Firm Registration No. 101248W/W-100022

**Supreet Sachdev**  
Partner  
Membership No. 205385  
Place : Bangalore  
Date : 27 May, 2016

for **Centum Electronics Limited**

**Apparao V. Mallavarapu**  
Chairman & Managing Director

**K.S. Desikan**  
Chief Financial Officer

**S. Krishnan**  
Director

**Ramu Akkili**  
Company Secretary

### Independent Auditor's report

---

To the Members of Centum Electronics Limited

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Centum Electronics Limited (hereinafter referred to as “the Holding Company”) and its subsidiary Centum Rakon India Private Limited (collectively referred to as “the Group”) which comprise the Consolidated Balance Sheet as at 31 March 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as “the consolidated financial statements”).

#### Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as “the Act”) that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the Companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

#### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid

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:

- i. in the case of the consolidated balance sheet, of the consolidated state of affairs of the Group as at 31 March 2016;
- ii. in the case of the consolidated statement of profit and loss, of the consolidated profit for the year ended on that date; and
- iii. in the case of the consolidated cash flow statement, of the consolidated cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

#### Report on Other Legal and Regulatory Requirements

- (b) in our opinion, proper books of account as required by law relating to preparation of aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books;
- (c) the Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) on the basis of the written representations received from the directors of the Holding Company as on 31 March 2016 taken on record by the Board of Directors of the Holding Company and statutory audit report of the subsidiary company, none of the directors of the Holding and its subsidiary company and incorporated in India is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act; and
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A"
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Holding Company and its subsidiary company- Refer note 24 to the consolidated financial statements;
  - i. the Holding Company and its subsidiary company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
  - ii. There were no amounts during the year which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company.

*for BSR & Co. LLP*  
*Chartered Accountants*

Firm registration number: 101248W/W-100022

**Supreet Sachdev**

Partner

Membership Number: 205385

Bangalore

Date: 27 May, 2016

**“ANNEXURE A” TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CENTUM ELECTRONICS LIMITED.**

---

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of Centum Electronics Limited (“the Company”) as of 31 March 2016 in conjunction with our audit of the consolidated financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (“the Act”).

**Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

---

### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

*for BSR & Co. LLP*

*Chartered Accountants*

Firm registration number: 101248W/W-100022

**Supreet Sachdev**

Partner

Membership Number: 205385

Bangalore

Date: 27 May, 2016

## Consolidated Balance Sheet

	Note	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	126,609,180	125,697,310
Reserves and surplus	3	1,785,460,942	1,555,826,706
		<u>1,912,070,122</u>	<u>1,681,524,016</u>
Minority interest		302,100,719	361,242,361
<b>Non-current liabilities</b>			
Long-term provisions	4	26,999,572	21,767,482
		<u>26,999,572</u>	<u>21,767,482</u>
<b>Current liabilities</b>			
Short-term borrowings	5	814,190,979	893,657,277
Trade payables	6	681,359,474	525,665,623
Other current liabilities	7	813,317,472	668,742,401
Short-term provisions	8	56,553,207	114,667,654
		<u>2,365,421,132</u>	<u>2,202,732,955</u>
		<u><b>4,606,591,545</b></u>	<u><b>4,267,266,814</b></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	9	655,024,266	704,698,922
Intangible assets	9	64,901,989	18,158,542
Capital work-in-progress		208,506,408	291,401
		<u>928,432,663</u>	<u>723,148,865</u>
Non-current investments	10	13,259,700	-
Deferred tax assets, net	11	53,460,821	41,220,625
Long-term loans and advances	12	214,047,482	180,509,242
		<u>1,209,200,666</u>	<u>944,878,733</u>
<b>Current assets</b>			
Inventories	13	1,572,990,376	1,513,244,078
Trade receivables	14	1,023,987,654	1,104,726,577
Cash and bank balances	15	632,078,517	503,371,802
Short-term loans and advances	16	168,334,332	201,045,625
		<u>3,397,390,879</u>	<u>3,322,388,082</u>
		<u><b>4,606,591,545</b></u>	<u><b>4,267,266,814</b></u>
<b>Significant accounting policies</b>	1		

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/W-100022

Supreet Sachdev

Partner

Membership No. 205385

Place : Bangalore

Date : 27 May, 2016

for Centum Electronics Limited

Apparao V. Mallavarapu

Chairman & Managing Director

K.S. Desikan

Chief Financial Officer

S. Krishnan

Director

Ramu Akkili

Company Secretary

## Consolidated Statement of Profit and Loss

	Note	For the year ended 31 March 2016 (Rs.)	For the year ended 31 March 2015 (Rs.)
<b>Revenue from operations</b>			
Sale of Product/goods (Gross)	17	4,144,131,425	4,939,603,908
Less: excise duty		99,317,241	59,633,734
Sale of Product/goods (Net)		4,044,814,184	4,879,970,174
Other income	18	84,113,776	72,343,144
		<b>4,128,927,960</b>	<b>4,952,313,318</b>
<b>Expenses:</b>			
Cost of materials consumed	19	2,566,122,771	3,232,293,972
Changes in inventories of work-in-progress	20	11,500,607	(246,468,239)
Employee benefits expense	21	538,829,009	529,857,278
Finance costs	22	40,348,623	31,551,473
Depreciation and amortisation	9	166,489,277	166,938,606
Other expenses	23	446,532,426	372,249,799
		<b>3,769,822,713</b>	<b>4,086,422,889</b>
		<b>359,105,247</b>	<b>865,890,429</b>
<b>Profit before tax and minority interest</b>			
<b>Income tax expenses</b>			
Current tax		117,030,000	301,700,000
Previous year		(4,028,552)	(5,430,452)
Deferred tax credit		(12,240,196)	(26,872,983)
		<b>258,343,995</b>	<b>596,493,863</b>
<b>Profit after tax and before minority interest</b>			
Minority interest		(4,261,643)	163,027,736
		<b>262,605,638</b>	<b>433,466,127</b>
<b>Profit for the year</b>			
Earnings per equity share (Par value of Rs.10 each)	27		
Basic		20.81	34.70
Diluted		20.44	33.87
<b>Significant accounting policies</b>			
	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/W-100022

**Supreet Sachdev**  
Partner  
Membership No. 205385  
Place : Bangalore  
Date : 27 May, 2016

for **Centum Electronics Limited**

**Apparao V. Mallavarapu**  
Chairman & Managing Director  
**K.S. Desikan**  
Chief Financial Officer

**S. Krishnan**  
Director  
**Ramu Akkili**  
Company Secretary

## Consolidated Cash Flow Statement

	For the year ended 31 March 2016 (Rs.)	For the year ended 31 March 2015 (Rs.)
<b>Cash flow from operating activities</b>		
Profit before tax	359,105,247	865,890,438
<b>Adjustments</b>		
Unrealised foreign exchange (gain)/loss	7,148,492	(3,279,482)
Bad debts written off	1,422,850	-
Profit on sale of fixed assets	(1,432,751)	-
Depreciation and amortisation	166,489,277	166,938,528
Finance cost	40,348,623	31,551,473
Interest income	(30,423,458)	(14,569,269)
<b>Operating cash flows before working capital changes</b>	<b>542,658,280</b>	<b>1,046,531,688</b>
Change in liabilities and provisions	271,412,529	436,065,552
Change in inventories	(44,337,043)	(746,546,942)
Change in trade receivables	66,842,216	(90,579,992)
Change in loans and advances	32,434,897	(81,077,609)
Change in other bank balances	(66,024,855)	(14,750,360)
<b>Cash generated from operations</b>	<b>802,986,024</b>	<b>549,642,337</b>
Income tax expenses	(125,895,263)	(272,605,058)
<b>Net cash generated from operating activities</b>	<b>677,090,761</b>	<b>277,037,279</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of fixed assets	1,432,752	-
Investment made	(13,259,700)	-
Purchase of assets on slump sale (refer note25)	(57,000,000)	-
Interest received	27,581,191	15,835,431
Purchase of fixed assets	(329,713,838)	(192,461,336)
<b>Net cash used in investing activities</b>	<b>(370,959,595)</b>	<b>(176,625,905)</b>
<b>Cash flow from financing activities</b>		
Proceeds from short term borrowings	-	356,864,253
Repayment of short term borrowings	(101,987,919)	-
Repayment of long term borrowings	-	(1,686,242)
Proceeds from issue of share capital	5,923,219	8,500,950
Finance cost	(40,572,456)	(31,530,678)
Dividend and dividend tax paid	(114,910,705)	(108,098,182)
<b>Net cash provided / (used in) provided by financing activities</b>	<b>(251,547,861)</b>	<b>224,050,101</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalents	382,000	(1,105,633)
Net increase in cash and cash equivalents	54,583,304	324,461,475
Cash and cash equivalents at the beginning of the year	451,101,505	127,745,663
Cash and cash equivalents acquired under slump sale	6,445,857	-
<b>Cash and cash equivalents at the end of the year (refer note 15)</b>	<b>512,512,666</b>	<b>451,101,505</b>

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/W-100022

Supreet Sachdev

Partner

Membership No. 205385

Place : Bangalore

Date : 27 May, 2016

for Centum Electronics Limited

Apparao V. Mallavarapu

Chairman & Managing Director

K.S. Desikan

Chief Financial Officer

S. Krishnan

Director

Ramu Akkili

Company Secretary

## Notes on Consolidated financial statements

---

### 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 Consolidated 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 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, and as per section 129 (3) of Companies Act 2013. 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 on tangible assets is provided on the straight-line method over the useful lives of assets as prescribed under Part C of Schedule II of the Companies Act 2013 except for Plant and equipment which is estimated by the Company. Depreciation for assets purchased/ sold during a period is proportionately charged. Intangible assets are amortised over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

## Notes on Consolidated financial statements (contd...)

The Company believes that the useful lives as given below best represent the useful lives of these assets based on internal assessment and supported by technical advice where necessary which is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

The Company estimates the useful lives for fixed assets as follows:

Asset categories	Years
Plant and equipment (including the related intellectual property)	8 years (Lives as estimated by Company)
Electrical installations	10 years
Furniture and fixtures	10 years
Office equipment	5 year
Computers	3 years

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) 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 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.

### 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.

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

### j) 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.

#### **k) 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.

Forward exchange contracts and other similar instruments that are not in respect of forecasted transactions are accounted for using the guidance in Accounting Standard ('AS') 11, 'The effects of changes in foreign exchange rates'. For such forward exchange contracts and other similar instruments covered by AS 11, based on the nature and purpose of the contract, either the contracts are recorded based on the forward rate/ fair value at the reporting date, or based on the spot exchange rate on the reporting date. For contracts recorded at the spot exchange rates, the premium or discount at the inception is amortized as income or expense over the life of the contract.

#### **l) 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.

#### **m) 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.

#### **n) 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

---

## Notes on Consolidated financial statements (contd...)

---

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.

### **o) 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.

### **p) 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.

### **q) 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.

### **r) 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).

Particulars	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>2. SHARE CAPITAL</b>		
<b>Authorised</b>		
15,500,000 (previous year: 15,500,000) equity shares of Rs 10 each	155,000,000	155,000,000
<b>Issued, subscribed and paid-up</b>		
12,660,918 (previous year: 12,569,731) equity shares of Rs 10 each, fully paid	126,609,180	125,697,310
	<b>126,609,180</b>	<b>125,697,310</b>

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 2016		As at 31 March 2015	
	Number	Amount	Number	Amount
Number and value of shares at the beginning of the year	12,569,731	125,697,310	12,425,609	124,256,090
Number of shares issued during the year	91,187	911,870	144,122	1,441,220
Number and value of shares outstanding at the end of the year	12,660,918	126,609,180	12,569,731	125,697,310

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

Name of the shareholder	As at 31 March 2016		As at 31 March 2015	
	Number	% of holding	Number	% of holding
Apparao V Mallavarapu	6,604,715	52.17%	6,604,715	52.54%

#### 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.

The Company declares and pays dividends in Indian rupees. During the year ended 31 March 2016, the amount of per share interim dividend recognised as distributions to equity shareholders was Rs.3 (previous year: Re 1) and per share final dividend was Rs. Nil (Previous year: Rs 2). The total dividend appropriation for the year ended 31 March, 2016 amounted to Rs 37,982,754 (previous year: Rs 37,769,288) including corporate dividend tax of Rs.Nil (previous year: Rs 11,420,641).

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

## Notes on Consolidated financial statements (contd...)

Particulars	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>3 RESERVES AND SURPLUS</b>		
<b>Securities premium account</b>		
Balance at the beginning of the year	130,046,679	122,986,949
Add: Addition during the year	5,011,351	7,059,730
Closing balance	<u>135,058,030</u>	<u>130,046,679</u>
<b>General reserve</b>		
Balance at the beginning of the year	475,100,060	475,100,060
Add: Addition during the year	-	-
Closing balance	<u>475,100,060</u>	<u>475,100,060</u>
<b>Surplus in statement of profit and loss</b>		
Opening balance	950,679,967	585,902,277
Add: Profit for the year	262,605,639	433,466,127
Less: Appropriations during the year		
Interim dividend	37,982,754	12,570,378
Proposed final dividend	-	25,198,910
Corporate dividend tax	-	11,420,641
Additional depreciation as per Schedule II of Companies Act 2013 (refer note 9)	-	19,498,508
Closing balance	<u>1,175,302,852</u>	<u>950,679,967</u>
	<u>1,785,460,942</u>	<u>1,555,826,706</u>
<b>4 LONG-TERM PROVISIONS</b>		
Provision for gratuity (refer note 29)	26,999,572	21,767,482
	<u>26,999,572</u>	<u>21,767,482</u>
<b>5. SHORT-TERM BORROWINGS</b>		
<i>Secured</i>		
Loans repayable on demand		
- Cash credit	32,971,542	1,136,260
- Packing credit	781,219,437	892,521,017
	<u>814,190,979</u>	<u>893,657,277</u>

Cash credit and Packing 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.

There is no default in the repayment of the principal and interest amounts.

Particulars	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>6. TRADE PAYABLES</b>		
- Total outstanding dues of micro enterprises and small enterprises	5,091,529	2,674,800
- Total outstanding dues of creditors other than micro enterprises and small enterprises	676,267,945	522,990,823
	<b>681,359,474</b>	<b>525,665,623</b>
<b>7. OTHER CURRENT LIABILITIES</b>		
Interest accrued but not due	-	223,834
Advance from customers	548,428,641	423,667,710
Unpaid dividends	26,943,010	1,398,636
[Investor Protection Education Fund shall be credited when due]		
Other payables		
- withholding and other taxes and duties payable	22,340,632	35,564,522
- for expenses	195,758,967	205,914,451
- for capital goods	19,846,222	1,973,248
	<b>813,317,472</b>	<b>668,742,401</b>
<b>8. SHORT-TERM PROVISIONS</b>		
Provision for gratuity (refer note 29)	3,029,992	2,752,988
Provision for compensated absences	10,675,337	8,297,280
Provision for stamp duty charges (refer note 24)	19,585,888	19,585,888
Proposed final dividend	-	25,198,910
Corporate dividend tax	-	22,393,414
Provision for taxation, net of advance tax	23,261,990	36,439,174
	<b>56,553,207</b>	<b>114,667,654</b>

Notes on Consolidated financial statements (contd...)

9 FIXED ASSETS

Particulars	(Amount in Rs.)											
	GROSS BLOCK					ACCUMULATED DEPRECIATION AND AMORTISATION					NET BLOCK	
	As at 1 April 2015	Additions during the year	Deletions during the year	As at 31 March 2016	As at 1 April 2015	Charge for the year	Adjusted in reserves	Deletions during the year	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015	
<b>Tangible assets, owned</b>												
Freehold land	4,409,383	-	-	4,409,383	-	-	-	-	-	4,409,383	4,409,383	
Leasehold improvements	50,278,862	4,196,068	-	54,474,930	28,805,596	10,394,271	-	-	39,199,867	15,275,063	21,473,266	
Building	60,050,721	23,052	-	60,073,773	23,589,106	2,017,353	-	-	25,606,459	34,467,314	36,461,615	
Plant and equipment	1,589,620,921	86,472,587	-	1,676,093,508	1,135,476,767	117,834,801	-	-	1,253,311,568	422,781,939	454,144,154	
Electrical installation	96,255,735	1,393,823	-	97,649,558	48,286,916	10,250,222	-	-	58,537,138	39,112,420	47,968,819	
Computers	43,160,610	1,385,059	-	44,545,669	40,235,586	1,618,608	-	-	41,854,194	2,691,475	2,925,024	
Office equipment	36,537,666	1,213,224	-	37,750,890	27,384,257	4,130,415	-	-	31,514,672	6,236,218	9,153,409	
Furniture and fixtures	30,563,243	1,733,499	-	32,296,742	18,982,893	3,443,213	-	-	22,426,106	9,870,636	11,580,350	
Vehicles	16,237,641	5,628,306	6,899,907	14,966,040	14,290,230	2,018,532	-	6,899,906	9,408,856	5,557,184	1,947,411	
<b>Tangible assets, leased</b>												
Computer	990,801	-	-	990,801	967,007	12,851	-	-	979,858	10,943	23,790	
Leasehold land (Refer note 2)	114,611,690	-	-	114,611,690	-	-	-	-	-	114,611,690	114,611,690	
<b>Total (A)</b>	<b>2,042,717,273</b>	<b>102,045,617</b>	<b>6,899,907</b>	<b>2,137,862,984</b>	<b>1,338,018,358</b>	<b>151,720,266</b>	<b>-</b>	<b>6,899,906</b>	<b>1,482,838,718</b>	<b>655,024,266</b>	<b>704,698,921</b>	
<b>Intangible assets, owned</b>												
Computer software	46,306,381	18,614,541	-	64,920,922	35,855,148	10,018,728	-	-	45,873,876	19,047,046	10,451,229	
Intellectual property	8,623,664	3,245,290	-	11,868,954	916,350	1,445,897	-	-	2,362,247	9,506,707	7,707,314	
Goodwill (Refer note 3)	-	39,652,622	-	39,652,622	-	3,304,386	-	-	3,304,386	36,348,236	-	
<b>Total (B)</b>	<b>54,930,045</b>	<b>61,512,453</b>	<b>-</b>	<b>116,442,498</b>	<b>36,771,498</b>	<b>14,769,011</b>	<b>-</b>	<b>-</b>	<b>51,540,509</b>	<b>64,901,989</b>	<b>18,158,542</b>	
<b>Total (A)+(B)</b>	<b>2,097,647,318</b>	<b>163,558,070</b>	<b>6,899,907</b>	<b>2,254,305,482</b>	<b>1,374,789,856</b>	<b>166,489,277</b>	<b>-</b>	<b>6,899,906</b>	<b>1,534,379,227</b>	<b>719,926,255</b>	<b>722,857,464</b>	
<i>Previous year</i>	<i>1,934,990,145</i>	<i>162,657,171</i>	<i>-</i>	<i>2,097,647,318</i>	<i>1,185,933,614</i>	<i>166,938,606</i>	<i>21,917,636</i>	<i>-</i>	<i>1,374,789,856</i>	<i>722,857,464</i>	<i>749,056,531</i>	

Note -1 During the year ended 31 March 2015, the Company has reassessed the estimated useful life of fixed assets considering the guidelines under Schedule II of the Companies Act, 2013. The realignment of the useful lives has resulted in adjustment of Rs.19,498,508 against the opening balance of retained earnings and Rs.2,419,128 to minority accounts.

Note -2 Karnataka Industrial Area Development (KIADB) has allotted following land to the Company on a lease cum sale basis:  
 i.e. 24,280.60 sq. mts at Plot No. 58 -P Bengaluru Aerospace Park, Industrial Area for a period of 10 years w.e.f 18 December 2013 . The aggregate capitalized cost of the land at the end of the year is Rs 114,611,690 . The agreement gives a right to the Company to acquire land at the end of the lease term at an additional consideration, if any fixed by KIADB, after reducing the amount already paid.

Note -3 Of the total additions for the year Rs.12,897,562 pertain to acquisition of fixed assets from Centum Industries Private Limited, pursuant to slump sale agreement dated 1 December 2015, also refer note 25.

Particulars	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>10. NON-CURRENT INVESTMENTS</b>		
<b>Trade investment unquoted</b>		
<b>Investments in equity instruments</b>		
Aggregate amount of unquoted investment		
- Other	13,259,700	-
	<u>13,259,700</u>	<u>-</u>
59,347 (previous year: Nil) equity shares of USD 0.01 each, fully paid up in Qulsar Inc.		
<b>11. DEFERRED TAX ASSETS/(LIABILITIES), NET</b>		
<b>Deferred tax liabilities</b>		
Fixed assets	8,804,858	(6,110,738)
	<u>8,804,858</u>	<u>(6,110,738)</u>
<b>Deferred tax asset</b>		
Fixed assets	13,555,732	18,545,261
Provision for doubtful debts	1,984,661	1,965,724
Provision for doubtful advances	471,020	462,609
Provision for gratuity	21,866,266	19,700,525
Current liabilities and provisions	6,778,284	6,657,244
	<u>44,655,963</u>	<u>47,331,363</u>
<b>Net deferred tax assets, net</b>	<u>53,460,821</u>	<u>41,220,625</u>
<b>12. LONG-TERM LOANS AND ADVANCES</b>		
<i>Unsecured, considered good</i>		
Capital advances	110,557,448	81,983,680
Balance with government authorities	43,382,018	42,437,352
Advance tax, net of provision for tax	34,066,666	34,350,030
Prepaid expenses	3,799,712	3,906,533
Deposits	22,241,638	17,831,647
	<u>214,047,482</u>	<u>180,509,242</u>
<i>Unsecured, considered doubtful</i>		
Balance with government authorities	1,361,015	1,361,015
	1,361,015	1,361,015
Less: Provision for doubtful deposits and advances	1,361,015	1,361,015
	<u>214,047,482</u>	<u>180,509,242</u>
<b>13. INVENTORIES</b>		
Raw materials* [Includes raw material in transit Rs.84,642,052 (previous year: 31,550,097)]	1,066,711,996	993,169,677
Work-in-progress*	498,521,726	510,022,333
Stores and spares*	7,756,654	10,052,068
	<u>1,572,990,376</u>	<u>1,513,244,078</u>
[*Refer significant accounting policy note 'h' for mode of valuation]		

## Notes on Consolidated financial statements (contd...)

Particulars	As at 31 March 2016 (Rs.)	As at 31 March 2015 (Rs.)
<b>14. TRADE RECEIVABLES</b>		
<i>Unsecured</i>		
Debts due for a period exceeding six months		
- considered good	36,324,275	57,811,956
- considered doubtful	572,407	4,739,235
	<u>36,896,682</u>	<u>62,551,191</u>
Other debts		
- Considered good	987,663,379	1,046,914,621
	<u>987,663,379</u>	<u>1,046,914,621</u>
Less: Provision for doubtful debts	572,407	4,739,235
	<u><u>1,023,987,654</u></u>	<u><u>1,104,726,577</u></u>
<b>15. CASH AND BANK BALANCES</b>		
<b>Cash and cash equivalents</b>		
Cash on hand	562,822	911,683
Balance with banks		
- on current account	18,111,504	44,975,494
- on fixed deposit account	440,064,827	345,641,633
- on exchange earners foreign currency account	53,773,513	59,572,695
	<u>512,512,666</u>	<u>451,101,505</u>
<b>Other bank balances</b>		
Balance with banks		
- on current account*	26,957,532	1,413,158
- on margin money accounts**	92,608,319	50,857,139
	<u>632,078,517</u>	<u>503,371,802</u>
* Includes balance in unclaimed dividend account Rs.26,943,010 (previous year: Rs.1,398,636).		
**Margin money is against bank guarantees issued in favour of customers and statutory authorities.		
<b>16. SHORT-TERM LOANS AND ADVANCES</b>		
<i>Unsecured considered good</i>		
Deposits	160,989	160,989
Staff advances	1,265,362	1,696,515
Prepaid expenses	21,812,845	18,409,271
Balances with government authorities	26,867,453	22,500,095
Advance to suppliers	90,233,812	130,245,955
Interest accrued but not due	3,459,308	617,041
Other advances and receivables	21,343,101	27,415,759
Advance tax, net of provision for tax	3,191,462	-
	<u>168,334,332</u>	<u>201,045,625</u>

Particulars	For the year ended 31 March 2016 (Rs.)	For the year ended 31 March 2015 (Rs.)
<b>17. REVENUE FROM OPERATIONS</b>		
Sale of products, gross	4,103,575,071	4,893,614,470
Less: Excise duty	99,317,241	59,633,734
Sale of products, net	4,004,257,830	4,833,980,736
Sale of services	40,556,355	45,989,438
	<b>4,044,814,184</b>	<b>4,879,970,174</b>
<b>18. OTHER INCOME</b>		
Interest on bank deposits	30,423,458	14,569,269
Profit on sale of fixed assets	1,432,751	-
Other non-operating income	52,257,568	42,849,716
Provision no longer required written back	-	740,586
Foreign exchange gain, net	-	14,183,573
	<b>84,113,776</b>	<b>72,343,144</b>
<b>19. COST OF RAW MATERIAL CONSUMED</b>		
Inventory of materials at the beginning of the year	1,003,221,744	503,143,041
Add: Purchases	2,636,741,883	3,732,372,675
Less: Inventory of materials at the end of the year	1,073,840,856	1,003,221,744
	<b>2,566,122,771</b>	<b>3,232,293,972</b>
<b>20. CHANGE IN INVENTORIES OF WORK-IN-PROGRESS</b>		
<i>Opening Stock</i>		
Work in progress	510,022,333	263,554,094
<i>Closing Stock</i>		
Work in progress	498,521,726	510,022,333
Decrease/(increase) in inventories of work in progress	<b>11,500,607</b>	<b>(246,468,239)</b>
<b>21. EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages and allowances	479,103,795	476,280,843
Contribution to provident and other funds	27,529,955	25,213,118
Staff welfare expenses	32,195,259	28,363,317
	<b>538,829,009</b>	<b>529,857,278</b>
<b>22. FINANCE COSTS</b>		
Interest expense	33,104,445	25,154,945
Other Borrowing cost	7,244,178	6,396,528
	<b>40,348,623</b>	<b>31,551,473</b>

## Notes on Consolidated financial statements (contd...)

Particulars	For the year ended 31 March 2016 (Rs.)	For the year ended 31 March 2015 (Rs.)
<b>23. OTHER EXPENSES</b>		
Rent	34,569,707	27,107,332
Rates and taxes	4,825,555	2,633,588
Power and fuel	64,980,499	68,026,291
Repairs and maintenance		
- Building	13,312,879	12,639,447
- Plant and equipment	22,227,819	36,585,654
Insurance	9,296,674	12,138,370
Professional and consultancy	49,853,100	33,418,173
Selling and marketing expenses	5,691,851	2,710,048
Travelling and conveyance	50,032,674	49,441,178
Purchase of services	50,571,775	52,031,230
Postage, telephones and telegrams	5,104,498	5,386,883
Printing and stationery	5,843,081	5,759,703
Corporate social responsibility expenses	9,632,500	4,889,750
Advertisement and promotion	3,608,332	5,505,556
Security charges	5,744,833	4,710,839
Commission paid to non executive directors	1,000,000	800,000
Recruitment and training	8,941,319	10,025,575
Bad debts written-off	1,422,850	-
Directors sitting fees	556,000	576,000
Freight outwards	6,190,653	8,888,198
Foreign exchange loss, net	57,835,888	-
Bank charges	26,360,423	19,689,567
Miscellaneous expenses	8,929,515	9,286,417
	<b>446,532,426</b>	<b>372,249,799</b>

## 24. Capital commitments and contingent liabilities

(Amount in Rs.)

Particulars	As at 31 March 2016	As at 31 March 2015
<b>Capital commitment</b>		
Estimated amount of contracts remaining to be executed on capital account and provided (net of advances)	148,602,241	452,020,138
<b>Contingent liabilities</b>		
Claims against the Company not acknowledged as debts in respect of:		
Income tax	35,278,144	34,015,175
Sales tax	7,036,491	10,559,633
Excise duty	71,812,740	9,988,320
Stamp duty	5,107,137	5,107,137

The Subsidiary Company 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 Company. 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 Company 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. There are no movements in the case during the year.

Further, the Subsidiary Company received an order dated 30 December 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 77,550,542 after adjusting carried forward loss of Rs.40,704,558, by the assessing officer as against the taxable income declared by company 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 Company has filed an appeal against the transfer pricing adjustment before the Income Tax Appellate Tribunal 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. There are no movements in the case during the year.

During the current year the Subsidiary Company has received an order dated 15 February 2016 from the income tax authorities with respect to the assessment year 2011-2012. As per the assessment order, the tax is was computed under normal provision with total tax liability of Rs.19,852,137 by assessing officer as against the tax liability declared by company amounting to Rs.9,600,378 under the section 115JB on taxable income of Rs.45,755,432. The increase in tax liability represents the non adjustment of carry forward loss on account of transfer pricing case of assessment year 2009-2010 and 2010-2011. During the year the Company has discharged partially the liability under protest.

The Subsidiary Company received an order dated 15 February 2016 from the income tax authorities with respect to the assessment year 2012-2013. As per the assessment order, the taxable income has been assessed as Rs 132,954,290 by the assessing officer as against the taxable income declared by company amounting to Rs.38,296,843. 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 Company 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.

## Notes on Consolidated financial statements (contd...)

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. 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.

25. During the year the Company has entered into a business transfer agreement with Centum Industries Private Limited on 1 December 2015 for the purchase of business on slump sale. As per the terms of agreement, the Company has purchased the net assets pertaining to plastic and defence and space of Centum Industries Private Limited for an aggregate consideration Rs.57,000,000, which was arrived at based on the business valuation done by an independent professional firm. The valuation ascribed to assets by an independent professional valuer amounting Rs 17,347,378, resulting in a goodwill of Rs.39,652,622.

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

(Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Audit fees	3,000,000	3,000,000
Out of pocket expenses reimbursed	268,751	266,298
	<b>3,268,751</b>	<b>3,266,298</b>

## 27. Earnings per share

The computation of earnings per share is set out below:

(Amount in Rs.)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Profit for the year	262,605,638	433,466,138
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	12,569,731	12,425,609
Weighted average number of shares issued during the year	46,963	67,037
Weighted average number of equity shares outstanding during the year (in numbers)	12,616,694	12,492,646
Face value of equity shares	10	10
Earnings per share - basic	20.81	34.70
Weighted average number of equity shares outstanding during the year - basic	12,616,694	12,492,646
Add: Effect of dilutive issues of stock options	230,228	304,958
Weighted average number of equity shares and potential equity shares outstanding during the year (in numbers)	12,846,922	12,797,604
Earnings per share - dilutive	20.44	33.87

The Company has no potentially dilutive equity shares.

**28. Holding of Centum Electronics Limited in its subsidiary:**

Name of the subsidiary	As at 31 March 2016	As at 31 March 2015
Centum Rakon India Private Limited (incorporated in India)	51%	51%

**29. Gratuity plan**

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:

(Amount in Rs.)

Particulars	As at 31 March 2016	As at 31 March 2015
<b>Change in projected benefit obligations</b>		
Obligations at year beginning	24,520,470	19,926,283
Service cost	5,962,271	4,832,291
Past service cost	-	-
Benefits paid	(2,544,668)	(737,630)
Interest cost	2,032,533	1,999,598
Liabilities assumed on acquisition / (settled on divestiture)	-	-
Actuarial loss/ (gain)	58,956	(1,500,072)
<b>Obligations at year end</b>	<b>30,029,562</b>	<b>24,520,470</b>
<b>Change in plan assets</b>		
Plan assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	2,544,668	737,630
Benefits paid	(2,544,668)	(737,630)
<b>Plan assets at year end, at fair value</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	30,029,565	24,520,470
<b>Asset/ (liability) recognised in the balance sheet</b>	<b>(30,029,565)</b>	<b>(24,520,470)</b>
<b>Gratuity cost for the year</b>		
Service cost	5,962,271	4,832,291
Interest cost	2,032,533	1,999,598
Expected return on plan assets	-	-
Actuarial loss/ (gain)	58,956	(1,500,072)
Past service cost	-	-
<b>Net gratuity cost</b>	<b>8,053,760</b>	<b>5,331,817</b>

## Notes on Consolidated financial statements (contd...)

Amounts for the current and previous four periods are as follows:

Five-year information	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined benefit obligation	(30,029,565)	(24,520,470)	(19,926,283)	(17,668,425)	(5,809,593)
Fair value of plan assets	-	-	-	-	-
Asset/ (liability) recognised in the balance sheet	(30,029,565)	(24,520,470)	(19,926,283)	(17,668,425)	(5,809,593)
Experience adjustments arising on plan liabilities -loss/(gain)	58,956	(1,500,072)	(1,586,788)	841,044	216,730
Experience adjustments arising on plan assets-loss/(gain)	-	-	-	-	-
<b>Assumptions:</b>					
Discount rate				7.80%	7.78%
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 2016 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 2016		For the year ended 31 March 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	132,688	61.97	248,130	59.17
Granted during the year	-	-	-	-
Exercised during the year	44,795	58.44	115,442	55.94
Forfeited / lapsed during the year	2,710	53.45	-	-
Options outstanding at the end of the year	85,183	61.97	132,690	61.97
Exercisable at the end of the year	85,183	64.10	73,401	68.86

The options outstanding as at 31 March 2016 had an exercise price of Rs.64.10 and the weighted average remaining contractual life of 8.96 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 2016 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 2016		For the year ended 31 March 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	221,320	71.25	250,000	71.25
Granted during the year	-	-	-	-
Exercised during the year	46,392	71.25	28,680	71.25
Forfeited / lapsed during the year	3,987	71.25	-	-
Options outstanding at the end of the year	170,941	71.25	221,320	71.25
Exercisable at the end of the year	49,116	71.25	33,807	71.25

The options outstanding as at 31 March 2016 had an exercise price of Rs 71.25 and the weighted average remaining contractual life of 10.31 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 2016	For the Year ended 31 March 2015
Profit / (loss)for the year	262,605,637	433,466,138
Less: Stock based compensation expense determines under the fair value method	2,430,410	7,332,670
Adjusted net profit	260,175,227	426,133,468
Basic earnings per share as reported	20.81	34.70
Pro forma basic earnings per share	20.62	34.11
Diluted earnings per share as reported	20.44	33.87
Pro forma diluted earnings per share	20.25	33.30

## Notes on Consolidated financial statements (contd...)

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 2016	Year ended 31 March 2015
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-8.6%	5.7-8.60%
Volatility	62.89%	99.49%

31. The Group's foreign currency exposure on account of foreign currency denominated payables not hedged as on 31 March 2016.

Particulars	As at 31 March 2016		As at 31 March 2015	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	19,190,785	1,264,849,673	21,462,800	1,340,158,681
EUR	1,139,749	84,017,108	2,328,249	157,664,150
GBP	14,507	1,396,566	10,519	973,304
JPY	5,007,967	3,020,698	893,346	466,054
SEK	520,707	4,195,967	198,441	1,412,902
NZD	14,360	668,889	4,008	192,705
		<b>1,358,148,901</b>		<b>1,500,867,796</b>

32. The Group's foreign currency exposure on account of foreign currency denominated receivables not hedged as on 31 March 2016:

Particulars	As at 31 March 2016		As at 31 March 2015	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	11,218,754	743,285,543	12,762,915	795,225,338
EUR	564,558	35,306,552	449,958	30,400,186
GBP	20,858	2,324,969	42,690	3,943,159
JPY	984,275	567,345	-	-
SEK	12,636	103,836	-	-
		<b>781,484,408</b>		<b>829,568,683</b>

### 33. Leases

The Group has taken office facilities, car 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.34,569,707 (previous year: Rs.19,891,332).

The Company 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 recognised in the profit and loss account for the year ended 31 March 2016 with respect to the above is Rs.Nil (previous year: Rs 7,216,000).

The total future minimum lease payments under non-cancellable operating lease as at 31 March 2016 are :  
(Amount in Rs.)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Not later than one year	-	2,706,890
Later than one year and not later than five years	-	260,469
	<u>-</u>	<u>2,967,359</u>

### 34. Segment Information

The Company's primary segment is identified as a business segment based on risk, return and nature of products and secondary segment is defined based on the geographical location of the Customers as per Accounting Standard -17. The disclosure on primary business segment reporting has been changed to a single segment called "Electronic System Design and Manufacturing (ESDM)" instead of the two segments "Products" and "Electronics Manufacturing Services" previously. The change has been made to reflect the evolved business of the company appropriately.

Geographic segment	For the year ended 31 March 2016	For the year ended 31 March 2015
(Amount in Rs.)		
<b>Revenues</b>		
India	1,338,301,893	817,752,676
Europe	1,431,868,516	2,416,867,902
USA	407,769,592	760,204,718
Rest of the world	866,874,183	885,144,878
	<u>4,044,814,184</u>	<u>4,879,970,174</u>
<b>Segment assets</b>		
India	3,841,772,661	3,459,820,023
Europe	318,501,974	456,196,122
USA	230,293,379	122,792,138
Rest of the world	216,023,530	228,458,530
	<u>4,606,591,545</u>	<u>4,267,266,814</u>

### 35. Related party disclosures

#### A. Parties where control exists:

Apparao V Mallavarapu (directly and indirectly exercises 59.85% voting power in the Company)

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

##### *Parties under common control*

Centum Industries private limited  
Rakon (Mauritius) Limited  
Rakon France SAS  
Rakon UK Limited  
Rakon Limited

#### C. Key executive management personnel represented on the Board:

Apparao V Mallavarapu - Chairman and Managing Director

## Notes on Consolidated financial statements (contd...)

**D. Key management personnel:**

Apparao V Mallavarapu - Chairman and Managing Director  
 S Krishnan (Director)  
 Rajiv C Mody (Director)  
 Pranav Patel (Director)  
 Manoj Nagrath (Director)  
 Swarnalatha Mallavarapu ( Additional Director)  
 K S Desikan (Chief Financial Officer)  
 Ramu Akkili (Company Secretary)

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

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Sale of goods and services</b>		
<i>Associate companies</i>		
Centum Industries Private Limited	-	69,000
Rakon France SAS	715,493,412	1,730,478,138
Rakon UK Limited	-	3,856,421
Rakon Limited	20,411,683	11,838,828
<b>Purchase of goods and services</b>		
<i>Associate companies</i>		
Rakon France SAS	6,020,742	90,519,808
Rakon UK Limited	-	4,867,864
Rakon Limited	5,200,216	296,248
Centum Industries Private Limited	14,662,451	27,458,093
<b>Reimbursement of expenses</b>		
<i>Parties under common control</i>		
Rakon France SAS	8,336,394	5,249,477
<i>Parties having significant influence</i>		
Rakon Limited	727,826	1,066,780
<b>Purchase of fixed assets</b>		
<i>Associate companies</i>		
Rakon France SAS	3,237,444	5,069,607
Rakon Limited	1,379,479	13,803,141
<b>Managerial remuneration</b>		
<i>Key management personnel</i>		
Managerial remuneration	22,731,930	22,478,235

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

(Amount in Rs.)

Particulars	As at 31 March 2016	As at 31 March 2015
<b>Trade receivables</b>		
<i>Associate companies</i>		
Rakon France SAS	117,897,176	181,686,901
Rakon Limited	2,127,283	3,863,578
Centum Industries Private Limited	-	622,149
<b>Trade payables</b>		
<i>Associate companies</i>		
Rakon France SAS	10,805,707	13,216,498
Rakon UK Limited	-	133,312
Rakon Limited	1,196,777	236,658
Centum Industries Private Limited	16,324	2,313,400
<b>Other current liabilities</b>		
<i>Parties under common control</i>		
Rakon France SAS	9,767,535	26,018,897
<b>Managerial Remuneration payable</b>		
Key management personnel	13,299,930	13,046,235

36. The comparative figures have been re-grouped/reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date attached  
for **BSR & Co. LLP**  
Chartered Accountants  
Firm Registration No. 101248W/W-100022

**Supreet Sachdev**  
Partner  
Membership No. 205385

Place : Bangalore  
Date : 27 May, 2016

for **Centum Electronics Limited**

**Apparao V. Mallavarapu**  
Chairman & Managing Director

**K.S. Desikan**  
Chief Financial Officer

**S. Krishnan**  
Director

**Ramu Akkili**  
Company Secretary



## 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) of .....Shares 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 23<sup>rd</sup> Annual General Meeting of the Company, to be held on Friday, the 5<sup>th</sup> August, 2016 at 11.30 A.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
<b>ORDINARY BUSINESS</b>			
1	Adoption of Financial Statements for the year ended 31st March, 2016.		
2	Confirmation of the payment of first and second Interim Dividend for the financial year 2015-16.		
3	Re-appointment of Auditors and fixing their remuneration.		
<b>SPECIAL BUSINESS</b>			
4	Appointment of Mr. Thiruvengadam P as an Independent Director		

Signed this .....Day of ..... 2016.

Signature of shareholder : \_\_\_\_\_

Signature of Proxy holder (s) : \_\_\_\_\_

*Affix a  
15 paise  
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 Third Annual General Meeting Friday, 5th August 2016 at 11.30 a.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 Third 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 10.15 a.m. Near Shantala Silks in Majestic, Koshy's Hotel at St.Marks Road, Druvadesh Honda in Mekhri Circle.





## Centum Electronics Ltd

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

### BALLOT FORM (MGT-12)

[pursuant to section 109(5) of the Companies Act, 2013 and rule 21(1)(C) 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) of .....Shares of Centum Electronics Limited, hereby exercise my/our vote in respect of Ordinary/Special Resolution enumerated below by recording any assent/dissent to the said resolution given below:

Sl. No.	Resolutions	Optional	
		For	Against
<b>ORDINARY BUSINESS</b>			
1	Adoption of Financial Statements for the year ended 31st March, 2016.		
2	Confirmation of the payment of first and second Interim Dividend for the financial year 2015-16.		
3	Re-appointment of Auditors and fixing their remuneration.		
<b>SPECIAL BUSINESS</b>			
4	Appointment of Mr. Thiruvengadam P as an Independent Director		

Signed this .....Day of ..... 2016.

Signature of shareholder : \_\_\_\_\_









TEAM WORK | TECHNOLOGY | TRUST

**HO** : Centum Electronics Limited  
No.44, KHB Industrial Area  
Yelahanka New Town  
Bangalore – 560 106  
Tel: +91 80 41436000  
Fax: +91 80 41436005

**UK**  
Centum Electronics Ltd  
Ground Floor  
North Warehouse  
Gloucester Docks  
Gloucester  
GL1 2FB United Kingdom  
Tel +44 (0) 1242506496

**US**

Centum Electronics Ltd  
15200 Hesperian Blvd  
San Leandro  
CA. 94578  
Tel +1 (510) 2780915