



## CENTUM RAKON INDIA PRIVATE LIMITED ANNUAL REPORT 2016-17



#### QUALITY POLICY

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

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

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

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## **Centum Rakon India Private Limited**

#### **BOARD OF DIRECTORS**

Apparao V Mallavarapu, Chairman S. Krishnan, Director Brent John Robinson, Director Bryan Mogridge, Director

#### MANAGER

P M Unnikrishnan, GM - Operations

#### STATUTORY AUDITORS

BSR & Co. LLP

#### **INTERNAL AUDITORS**

Ernst & Young LLP

#### BANKERS

State Bank of India – SMC Branch No.97,Railway Parallel Road, Bangalore.

> Citi Bank N.A. M.G. Road, Bangalore.

#### **REGISTERED OFFICE**

No. 44, KHB Industrial area, Yelahanka New Township, Bangalore- 560 106. CIN: U32109KA2007PTC044692

## DIRECTORS' REPORT

Your Directors have pleasure in presenting their Tenth Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the period ended 31st March 2017.

#### FINANCIAL HIGHLIGHTS

		₹ in Millions
Year ended 31 March	2017	2016
Turnover	743.51	821.90
Profit before Depreciation and Interest	100.83	96.76
Depreciation	97.04	104.13
Interest	4.48	8.42
Profit before tax	-0.69	-15.79

#### PERFORMANCE

During the Tenth year of the operations, the Company posted a turnover of ₹ 743.51 million and incurred a loss of ₹ 0.69 million.

#### DIVIDEND

Your directors recommend no dividend for the year due to loss incurred by the company.

## PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

There were no Loans, Guarantees and Investments within the meaning of Section 186 of the Companies Act, 2013 during the year under review.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. Internal audit will be done in one area of its operations every year.

Significant audit observations and corrective actions thereon are being presented to the Audit Committee of the Board. Based on the report of Internal auditors, process owners undertake corrective action in their respective areas and thereby strengthen the controls.

#### EMPLOYEES

The human capital has been recognized as a vital factor in achieving the goals and objectives of the organization. Emphasis is placed to build a network of dedicated and experienced professionals who would strive for organizational growth by maximizing the effectiveness while the policies and practices would foster employees' satisfaction, retention and productivity.

There are no employees whose details are required to be mentioned under the provisions of Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

#### DIRECTORS

Mr. Brent Robinson, Director of the company retires by rotation and being eligible, offers himself for the re-appointment.

The re-appointment of the aforesaid director has been included in the notice convening the ensuing Annual General Meeting.

#### **BOARD MEETINGS**

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

## DIRECTORS' REPORT

During the year four Board Meetings and four Audit Committee Meetings were convened and held viz., 24th May 2016, 2nd August 2016, 2nd November 2016, 2nd February 2017.

The Intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

#### DIRECTORS RESPONSIBILITY STATEMENT

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

- that in the preparation of annual accounts for the year ended March 31, 2017, 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, 2017 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, adequate and operating effectively.

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#### DECLARATION OF INDEPENDENT DIRECTORS

The company has received declarations from the below two directors and that they meet the criteria of independence as prescribed under Section 149 of the Companies Act, 2013:

1. Mr. S. Krishnan

2. Mr. Bryan Mogridge

#### **RELATED PARTY TRANSACTIONS**

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 the Directors, KMP and their relatives, which may have a potential conflict with the interest of the company at large.

However, all the related party transactions were placed before the Audit Committee as also the Board and the shareholders for approval. Prior approval of the Shareholders is being obtained for the transactions which are of a foreseen and repetitive nature.

The related party transactions of the company during the year were mentioned at Note No. 31 of the financial statements.

#### EXTRACT OF ANNUAL RETURN

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

#### CORPORATE SOCIAL RESPONSIBILITY

As part of its initiatives under "Corporate Social Responsibility (CSR), the Company has selected projects that aid and improve education, Cultural activities, healthcare for Children and Rural development. It has funded to the projects that support the Education, Cultural activities, Health care and Rural development. These projects are largely in accordance with Schedule VII of the Companies Act, 2013.

## DIRECTORS' REPORT

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

#### **AUDITORS**

M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No.101248W/W-100022), Statutory Auditors of the Company would retire on the conclusion of this Annual General Meeting.

The Board of Directors on recommendation of the Audit Committee, recommended the appointment of M/s. S R BATLIBOI & ASSOCIATES LLP, Chartered Accountants (Firm Registration No. 101049W/ E300004) as Statutory Auditors of the Company for a term of 5 years, in the place of M/s. B S R & Co. LLP to hold office from the conclusion of this 10th Annual General Meeting until the conclusion of the 15th Annual General Meeting, subject to ratification of their appointment at every Annual General Meeting. Consent and certificate from the said firm has been received to the effect that their appointment as Statutory Auditors of the Company, if appointed at ensuing Annual General Meeting, would be according to the terms and conditions prescribed under Section 139 of the Act and Rules framed thereunder.

A resolution seeking their appointment forms part of the Notice convening the 10th Annual General Meeting and the same is recommended for your consideration and approval.

#### CONSERVATION OF ENERGY, TECHNOLOGY DEVELOPMENT, RESEARCH & DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

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

#### ACKNOWLEDGEMENTS

Your Directors thank the customers for their continued patronage and the investors, bankers and vendors for their continued support.

Your Directors acknowledge and thank the invaluable contributions of all the employees, who have demonstrated their skill, teamwork and commitment through their competence, hard work, cooperation and support.

Your Directors would also like to place on record the support received from, the Electronic Hardware Technology Park, the Customs and Excise Departments, the Reserve Bank of India, and all the other Central and State Governmental agencies.

#### By the order of the Board For **Centum Rakon India Private Limited**

Apparao V Mallavarapu Chairman DIN : 00286308 S. Krishnan Director DIN : 01807344

Place: Bangalore Date: May 2, 2017

## ANNEXURE TO THE DIRECTORS' REPORT

#### 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 our company had undertaken during the period under report in the high priority area of Energy Conservation are:

- Energy Efficient Ambiator is provided to maintain working environment in ageing area instead of Air conditioning & regular servicing is carried out.
- Provision made to supply the Liquid CO2 from the tank instead of gas to vatran machine which reduces the running hours of Vatran m/c resulting in power saving.
- Continuously monitored air condition system & chillers, optimized their operation based on production requirement.
- Continuously monitored Nitrogen, CO2 & Helium gas consumption, resulting in better control on usage of gas.
- Regular periodical maintenance is carried out for chillers and air conditioners to have energy efficient system.

## 2. TECHNOLOGY DEVELOPMENT, RESEARCH AND DEVELOPMENT

#### a. Technology Development

#### Design:

- Developed 50MHz, HC37 5th over-tone crystal used on P5021 OCXO.
- Developed 100MHz OCXO (P5021) in 50.7 X 50.7 X 21.2mm package and achieved phase

noise of -140dBc/Hz against the spec of -135dBc/Hz at 100Hz offset which was critical.

- Successfully completed Qualification and Acceptance test of 60MHz OCXO (P3978) for airborne application with CEMILAC and DGAQA approval.
- Development of 50MHz Square wave TCXO with BATH-TUB package for Space Application
- Performance improvement of Space Grade TCXO's
- Developed 5-types of TCXO for MIL-grade application in PCB version for Launch Vehicle application.
- Developed in-house microcontroller SPI programming for the PLL based oscillator designs.
- ADS EM simulation for characterizing the critical parameters of VCO in the layout level.

#### Process: OCXO

- Developed Jig scanning method @ VBF stage (Final electrical test).This is to avoid wrong jig selection and device insertion count for validation.
- Developed new Reflow sensitivity measurement software. This is to improve easy accessibility, user friendly for the operator and easy to collect required data for analysis.
- Developed routing pallet for bottom PCB attached devices. This is to avoid manual singulation and standardizing the process.

#### Process: Crystal

- Implementation of automated washing system for cleaning base, case & plated blanks – which replaced all the manual cleanings in the clean room which in turn given consistency in the yield s and performance of crystals.
- · High temperature stabilization bake after

## ANNEXURE TO THE DIRECTORS' REPORT

sealing to improve the ageing performance of the OCXO's and consistency in ageing yields.

- Optimization of paste curing profile to address paste related defects seen in the manufacturing.
- Deployment of Utility Monitoring systems (UMS) for data logging & monitoring the critical processes like vacuum baking & Thermal cycle processes.
- Installation of heaters & Hot plates for all the cold welders & resistance welders used for sealing the crystals for improving the ageing & reliability of the products.
- Testing process flow modified for better detecting of DLD failure.
- Association with IISC for analyzing the line failure using advanced technics like EDX, SEM tools.
- Analysis & identification of root cause for leak failure in crystals OCXO line using Zyglo method and thereby modifying the tinning process to address such failures.

## b. Research and Development (R&D) and benefits derived thereon

#### Specific areas in which R&D carried out by the Company.

The main areas of focus of developmental activities were :

- Design and qualification of High frequency HC37 SC CUT 3RD overtone crystals for space application.
- Qualification of LOW frequency HC37 SC CUT 3RD overtone crystals for space application.
- Design and development of 60MHz SC 5th overtone HC35 LOW profile crystal for Vibration hardened OCXO to improve phase noise.
- Design & development of Low phase noise OCXO for Space grade applications.
- Design & development of Miniature OCXO for Space grade applications.

- Design & development of new technology OCXO (EMXO).
- Design and Development of high stability (<±0.5 ppm for -40°C to 85°C),High frequency(1000MHz),Compact SMD package TCXO for Military Radio applications
- Design and Development of wideband(950MHz-1450MHz) Voltage controlled oscillators(VCO) in low profile butterfly package for Space grade applications
- Design & development of high stability (<±1ppb for -40°C to 85°C) OCXO's in small DIL package.
- (2) Benefits derived as result of the above Technology absorption

#### Process: OCXO

- Jig scanning @ VBF is helped us to easy tracking for validation and avoid wrong selection of jig for testing and error proof.
- Using Reflow sensitivity measurement software, it is ensured that good parts not moving to recycle, scrap and Avoided missing of data, wrong declaration for OCXO's.
- Bottom PCB singlulation process using router machine helped avoided manual dependency and standardizing the process.
- The above developmental activities helped to increase productivity and meet the customer requirements.

#### (3) Future Plan of Action

Future plan on design and developmental activities

#### Design:

- Design and development of New high frequency HC37 SC CUT 3RD Overtone crystal for space grade OCXO requirement.
- Design and development of 10MHz and 10.23MHz HC37 SC CUT 3RD Overtone crystal

## ANNEXURE TO THE DIRECTORS' REPORT

for space grade OCXO used on Atomic clock application.

- Design and development of 5 types of FM OCXO for Space application which are new.
- Design and development of miniaturized OCXO in 36 x 36 x 28 mm for Space application.
- Design and development of vibration hardened OCXO, hard mount for Defense.
- Development of High frequency clock oscillator for Space Application.
- Miniaturized TCXO development for space applications is under progress.

- Standardization of TCXOs for Frequency range of 5.5MHz to 155MHz.
- Development of 10MHz Space grade TCXO with Reduced Height using Flat Pack Crystal.

#### Process:

- Development /Improve product performance without tinning the crystal @ crystal assembly.
- Development /improve assembly soldering process by introducing automation.
- Development /improve assembly cleaning process by introducing automation.

₹ in Millions

For the year ended 31st March	2017	2016
A. Capital	-	-
B. Recurring	20.50	21.03
C. Total	20.50	21.03
Total R&D expenditure as a % of total turnover	2.8%	2.6%

#### (4) Expenditure on R & D

#### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 36, 37 & 38 and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2017.

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For and on behalf of the Board

Place: Bangalore Date: May 2, 2017 Apparao V Mallavarapu Chairman DIN : 00286308 S Krishnan Director DIN : 01807344

ANNEXURE – I

## EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31.03.2017 [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	U32109KA2007PTC044692
Registration Date	17th December 2007
Name of the company	Centum Rakon India Private 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	No
Name, address and contact details of Registrar and Transfer Agent, if any.	NA

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:						
SI. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company			
1	Frequency Control Products	26109	100			

<ul><li>III. Particulars of holding, subsidiary and associate companies:</li><li>All the Business activities contributing 10% or more of the total turnover of the company shall be stated:</li></ul>						
SI. No.	Name and Address of the company	CIN/GLN	Holding/ Subsidiary/Associate	% of shares held	Applicable section	
1	Centum Electronics Limited No.44, KHB Industrial Area, Yelahanka Newtown, Bangalore - 560106.	L85110KA1993 PLC013869	Holding	51	2(87)	

#### IV. Shareholding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

	1) Cal	egory-wise shareholding			
	SI. No.	Name of the shareholder	No.of shares held at the beginning of the year	No.of shares held at the end of the year	% Change
	1	Centum Electronics Limited	2,855,999	2,855,999	-
	2	Rakon (Mauritius) Limited	2,744,000	2,744,000	-
	3	Apparao V Mallavarapu	1	1	-
1		Total	5,600,000	5,600,000	-

#### i) Category-wise Shareholding

#### ii) Shareholding of Directors and Key Managerial Personnel

For each of the Directors and KMP	Shareholding at the beginning of the year			g at the end e 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	-	-	-	-
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	-	-	-	-

iii) INDEBTEDNESS				
Indebtedness of the Company including in	terest outstanding/	accrued but not du	ue for payment (A	mt in ₹ Cr)
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	11.45	-	-	11.45
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.01	-	-	0.01
Total (i+ii+iii)	11.46	-	-	11.46
Change in Indebtedness during the financial year				
Addition	114.15	-	-	114.15
Reduction	112.66	-	-	112.66
Net Change	1.49	-	-	1.49
Indebtedness at the end of the financial year				
i) Principal Amount	12.94	-	-	12.94
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.01	-	-	0.01
Total (i+ii+iii)	12.95	-	-	12.95

#### iv. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A Remuneration to Managing Director, Whole-time Directors and/or Manager (Amount in ₹): Not applicable

B. Remuneration to other Directors:							
1) Independent Directors	1) Independent Directors						
Particulars of remuneration Mr. S. Krishnan Mr. Bryan Mogridge Total							
Fee for attending Board/Committee	12,000	-		12,000			
Commission	-	-		-			
Others	-	-		-			
Total (B)(1)	12,000	-		12,000			

#### 2) Other Non-Executive Directors

Particulars of remuneration	Mr.Apparao V Mallavarapu	Mr. Brent Robinson			Total	
Fee for attending Board/Committee	-	-			-	
Commission	-	-			-	
Others	-	-			-	
Total (B)(2)	-	-			-	
Total (B)=(B)(1)+(B)(2)	12,000	-	-	-	12,000	

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v) PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: Not applicable

## 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:

CSR Policy is stated herein below http://www.centumindia.com

2. Composition of the CSR Committee:

The Composition of the CSR Committee is as follows

Mr. Brent Robinson	Non - Independent Director	Member
Mr. Bryan Mogridge	Independent Director	Member
Mr. Apparao V Mallavarapu	Non - Independent Director	Member
Mr. S. Krishnan	Independent Director	Member

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

Average net profit - ₹ 260,653,088

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

The company is required to spend ₹ 5,213,062 towards CSR.

- 5. Details of CSR spend for the financial year:
  - a. Total amount spent for the financial year ₹ 2,769,250.
  - b. Manner in which the amount spent during the financial year is detailed below:

(Amount in ₹)

SI. No.	Projects/Activities	Sector	Locations		Cumulative expenditure upto reporting period Amount spent	agency*
1	Akshaya Patra	Education	Bangalore	2,769,250	4,955,500	N.A.

\*Details of implementing agencies: N.A.

c. Amount unspent:

₹ 2,443,812.

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

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Centum Rakon India Private Limited

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Centum Rakon India Private Limited, ('the Company'), which comprise the Balance sheet as at 31 March 2017, 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 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 controls 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

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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 2017 and its profit and its cash flows for the year ended on that date.

## INDEPENDENT AUDITOR'S REPORT

#### **Report on Other Legal and Regulatory Requirements**

- 1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central 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.
- 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 2017 taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March 2017 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:
  - The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 23 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;
  - iii. There were no amounts during the year which were required to be transferred to the Investor Education and Protection Fund by the Company; and
  - iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December, 2016. However, as stated in note 42 to the financial statements, amounts aggregating to Rs. 5,000, as represented to us by the Management, have been received from transactions which are not permitted.

#### for BSR & Co. LLP

*Chartered Accountants* Firm registration number: 101248W/W-100022

#### Amit Somani

Bangalore Date: 2 May, 2017

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Partner Membership Number: 060154

## "ANNEXURE - A" TO THE INDEPENDENT AUDITOR'S REPORT

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The Annexure referred to in the Auditor's Report to the Members of Centum Rakon India Private Limited ('the Company') for the year ended 31 March 2017. 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, there are no immovable properties held in the name of the Company.
- 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 Limited Liability Partnership 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 and section 185 and 186 of the Act is not applicable to the Company.

- (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, Service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Incometax, Sales tax, Service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues that were in arrears as at 31 March 2017 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 sales tax, service tax, duty of customs and value added tax which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following dues of Income-tax and duty of excise have not been deposited by the Company on account of disputes:

## "ANNEXURE - A" TO THE INDEPENDENT AUDITOR'S REPORT

Name of the statute	Nature of dues	Amount net of paid under protest (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income-tax and interest	45,745,180 (6,971,759)*	Previous Year 2010-11	Income Tax Appellate Tribunal, Bangalore
Income Tax Act, 1961	Income-tax and interest	26,404,736 (3,960,710)*	Previous year 2012-13	Commissioner of Income Tax (Appeals)
Central Excise Act, 1944	Disallowance of Cenvat credit availed and penalty	39,567,018	Financial year 2010 to 2013	CESTAT, 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 have 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) The Company is a private limited company under the definition of the Companies Act, 2013, hence the provisions of Section 197 read with Schedule V to the Act is not applicable to the Company. Accordingly, paragraph 3 (xi) of the Order is not applicable.
- (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 188 of the Act and the details have been disclosed in

the financial Statements as required by the applicable accounting standards. According to the information and explanations given to us, Section 177 of the Act is not applicable to the Company.

- (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) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3 (xvi) of the Order is not applicable.

#### for BSR & Co. LLP

Chartered Accountants Firm registration number: 101248W/W-100022

#### Amit Somani

Bangalore Date: 2 May, 2017 Partner Membership Number: 060154

## "ANNEXURE -B" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF CENTUM RAKON INDIA PRIVATE 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 Rakon India Private Limited ('the Company') as of 31 March 2017 in conjunction with our audit of the 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 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 ('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 controls 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 controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for

## "ANNEXURE -B" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF CENTUM RAKON INDIA PRIVATE LIMITED.

external purposes in accordance with generally accepted accounting principles. A Company's internal financial controls 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 controls 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 2017, 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.

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

#### Amit Somani

Bangalore Date: 2 May, 2017

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Partner Membership Number: 060154

## BALANCE SHEET

(Amount in ₹)

	NOTE	As at 31 March 2017	As at 31 March 2016
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2	56,000,000	56,000,000
Reserves and surplus	3	582,958,593	578,927,657
Non-ourset link littlen		638,958,593	634,927,657
Non-current liabilities Long-term provisions	4	6,392,677	6,702,301
Long-term provisions	4		
Current liabilities		6,392,677	6,702,301
Short-term borrowings	5	129,390,767	114,516,766
Trade payables	6	120,000,101	111,010,100
-total outstanding dues of micro enterprises and small enterprises		57,565	-
-total outstanding dues of creditors other than micro enterprises			
and small enterprises		61,971,279	113,313,897
Other current liabilities	7	65,375,187	35,411,023
Short-term provisions	8	8,728,866	2,753,346
		265,523,664	265,995,032
		910,874,934	907,624,990
ASSETS			
Non-current assets	0		
Fixed assets	9	007010414	200 6 47 070
Tangible assets Intangible assets		227,810,414 274,901	320,647,872 33,949
intaligible assets			· · · · · · · · · · · · · · · · · · ·
	1.0	228,085,315	320,681,821
Deferred tax assets	10 11	28,071,329	13,358,518
Long-term loans and advances		38,285,307	23,980,159
Current assets		294,441,951	358,020,498
Inventories	12	253,122,362	244,489,727
Trade receivables	13	199,730,865	151,057,599
Cash and bank balances	14	142,469,287	124,477,279
Short-term loans and advances	15	21,110,469	29,579,887
		616,432,983	549,604,492
		910,874,934	907,624,990
Significant accounting policies	1		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

for **BSR & Co. LLP** *Chartered Accountants* Firm Registration No. 101248W/W100022

#### Amit Somani

*Partner* Membership No. 060154

Place: Bangalore Date: 2 May, 2017 for Centum Rakon India Private Limited

Apparao V Mallavarapu Director DIN: 00286308

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**S Krishnan** Director DIN : 01807344

**PMUnnikrishnan** General Manager - Operations

## STATEMENT OF PROFIT AND LOSS

(Amount in ₹)

	NOTE	For the year ended 31 March 2017	For the year ended 31 March 2016
Revenue from operations			
Sale of products / goods (Gross)	16	717,997,013	796,405,075
Less : Excise duty		2,463,999	2,296,372
Sale of products / goods (Net)		715,533,014	794,108,703
Other income	17	27,974,267	27,789,062
		743,507,281	821,897,765
Expenses:			
Cost of materials consumed	18	406,351,360	365,581,910
Changes in inventories of work-in-progress	19	(15,465,651)	101,944,041
Employee benefits expense	20	97,068,925	100,700,219
Finance costs	21	5,520,222	11,170,021
Depreciation and amortisation	9	97,040,665	104,126,469
Other expenses	22	153,683,871	154,161,159
		744,199,392	837,683,819
Loss before tax		(692,111)	(15,786,054)
Tax expense			
- Current tax		10,800,000	7,700,000
- Tax relating to earlier years		(810,236)	726,968
- Deferred tax credit		(14,712,811)	(15,515,792)
Profit (loss) after tax		4,030,936	(8,697,230)
Earnings per equity share (par value ₹ 10 each)			
Basic and diluted		0.72	(1.55)
Weighted average number of equity shares - Basic and Diluted		5,600,000	5,600,000
Significant accounting policies	1		

The notes referred to above form an integral part of the financial statements. As per our report of even date attached

for BSR & Co. LLP Chartered Accountants Firm Registration No. 101248W/W100022

#### Amit Somani

Partner Membership No. 060154

Place: Bangalore Date : 2 May, 2017

#### for Centum Rakon India Private Limited

Apparao V Mallavarapu Director DIN: 00286308

S Krishnan Director DIN:01807344

#### P M Unnikrishnan General Manager - Operations

## CASH FLOW STATEMENT

(Amount in ₹)

	For the year ended 31 March 2017	For the year ended 31 March 2016
Cash flow from operating activities		
Loss before tax	(692,111)	(15,786,054)
Adjustments		
Depreciation and amortisation	97,040,665	104,126,469
Interest expenses	5,520,222	11,170,021
Unrealised foreign exchange, net	630,111	(4,462,723)
Interest income	(6,487,805)	(4,177,445)
Operating cash flows before working capital changes	96,011,082	90,870,268
Change in trade receivables	(53,375,581)	52,828,276
Change in inventories	(8,632,635)	148,925,899
Change in loans and advances	9,031,764	(5,330,733)
Change in liabilities and provisions	(19,192,315)	8,572,936
Change in other bank balances	(830,130)	(737,736)
Cash generated from operations	23,012,185	295,128,910
Income tax paid, net	(19,671,592)	(32,949,476)
Net cash generated from operating activities	3,340,593	262,179,434
Cash flow from investing activities		
Interest received	6,487,805	4,620,121
Purchase of fixed assets	(4,770,183)	(15,934,411)
Net cash (used in) / generated from investing activities	1,717,622	(11,314,290)
Cash flow from financing activities		
Short term borrowings from bank, net	17,623,885	(183,798,426)
Interest paid	(5,520,222)	(11,393,855)
Dividend and dividend tax paid	-	(134,393,414)
Net cash (used in) / generated from financing activities	12,103,663	(329,585,695)
Net increase in cash and cash equivalents	17,161,878	(78,720,551)
Cash and cash equivalents at the beginning of the year	120,492,762	199,213,314
Cash and cash equivalents at the end of the year (refer note 14)	137,654,640	120,492,762

As per our report of even date attached

for BSR & Co. LLP Chartered Accountants Firm Registration No. 101248W/W-100022

#### Amit Somani

*Partner* Membership No. 060154

Place: Bangalore Date: 2 May, 2017

#### for Centum Rakon India Private Limited

Apparao V Mallavarapu Director DIN: 00286308

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**S Krishnan** Director DIN : 01807344

**P M Unnikrishnan** General Manager - Operations

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2017

#### Note 1 : Significant accounting policies

#### 1. Background

Centum Rakon India Private Limited ("the Company") was incorporated as a private limited company on 7 December 2007 under the Companies Act, 1956. The Company has its registered office in Bangalore.

The Company has been formed principally for the manufacture and supply of electronic products including frequency control products and resistor networks catering to the communications, military, aerospace and industrial electronics markets.

#### 2. 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 notified and applicable).

#### 3. 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.

#### 4. 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.

#### 5. 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 workin-progress.

#### 6. 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 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.

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

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

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

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

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2017

For assets acquired/disposed during the year, depreciation is provided from/ upto the date the assets are acquired/disposed. Assets individually costing ₹ 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.

#### 7. 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 enterprise 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

Raw materials in transit At actual cost

#### 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.

#### 8. Revenue recognition

Revenue from the sale of finished goods 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.

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

#### 9. 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 period are recognized in the statement of profit and loss for the period.

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.

#### 10. 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 benefits

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

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2017

#### Defined contribution plan

Contributions to the recognized provident fund and employee's state insurance which are defined contribution schemes, are charged to the statement of profit and loss.

#### 11. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the year. The Company did not have any potentially dilutive equity shares outstanding during the year.

#### 12. 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.

#### 13. Taxation

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

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

Minimum Alternate Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company 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 company 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 Company will pay normal income-tax during the specified period.

#### 14. Research and development

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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.

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2017

#### 15. 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.

#### 16. 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.

#### 17. 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.

#### 18. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

#### 19. Leases

Assets acquired under leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Statement of profit and loss on a straight line basis over the lease term.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST	MARCH, 2017	(Amount in ₹)
Particulars	As at 31 March 2017	As at 31 March 2016
2. SHARE CAPITAL		
Authorised 7,000,000 (previous year: 7,000,000) equity shares of ₹ 10 each	70,000,000	70,000,000
Issued, subscribed and paid-up 5,600,000 (previous year: 5,600,000) equity shares of ₹ 10 each, fully paid up	56,000,000	56,000,000
	56,000,000	56,000,000

Out of the above 2,855,999 (previous year: 2,855,999) equity shares of ₹ 10 each are held by Centum Electronics Limited, the holding company, 2,744,000 (previous year: 2,744,000) equity shares of ₹ 10 each are held by Rakon (Mauritius) Limited and the balance 1 (previous year: 1) equity share is held by Mr. Apparao V Mallavarapu as a beneficial owner on behalf of Centum Electronics Limited.

#### Reconciliation of the shares outstanding at the beginning and at the end of the reporting year.

	As at 31 March 2017		As at 31 Marc	ch 2016
	Number	Amount	Number	Amount
Number and value of shares at the beginning of the year Number of shares issued during the year Number and value of shares outstanding	5,600,000	56,000,000 -	5,600,000	56,000,000 -
at the end of the year	5,600,000	56,000,000	5,600,000	56,000,000

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

Name of the shareholder	As at 31 March 2017		As at 31 Marc	ch 2016
	Number	% of holding	Number	% of holding
Centum Electronics Limited	2,855,999	51.00%	2,855,999	51.00%
Rakon (Mauritius) Limited	2,744,000	49.00%	2,744,000	49.00%

#### 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, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholders' meeting.

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.

## Buy back of shares, issue of bonus share and share allotted as fully paid up pursuant to contracts without payments being received in cash

There have been no buyback of shares, issue of bonus shares and issue of shares pursuant to contract without payment being received in cash for the period of five years immediately preceding the balance sheet date.

## Shares reserved for issue under options and contracts / commitments for the sale of shares / divestment, including the terms and amounts

There are no shares of the Company reserved for issue under options and contracts / commitments for the sale of shares / divestment. However shares of Centum Electronics Limited are included in the Employee stock option plans of the Company (Refer note 27).

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST	MARCH, 2017	(Amount in ₹)
Particulars	As at 31 March 2017	As at 31 March 2016
3. RESERVES AND SURPLUS		
Securities premium account		
Balance at the beginning of the year	235,482,400	235,482,400
Add: Additions during the year		
Closing balance	235,482,400	235,482,400
General reserve		
Balance at the beginning of the year	34,838,493	34,838,493
Add: Addition during the year		
Closing balance	34,838,493	34,838,493
Surplus in statement of profit and loss		
Opening balance	308,606,764	317,303,994
Add: Profit / (loss) for the year	4,030,936	(8,697,230)
Closing balance	312,637,700	308,606,764
	582,958,593	578,927,657
4. LONG-TERM PROVISIONS		
Provision for gratuity (refer note 26)	6,392,677	6,702,301
	6,392,677	6,702,301
5. SHORT-TERM BORROWINGS		
Secured		
Loans repayable on demand		
- From banks		
- Cash credit	8,764,834	-
- Packing credit	120,625,933	114,516,766
	129,390,767	114,516,766

Cash credit and packing credit from banks are secured by way of hypothecation of inventories and book debts of the Company. Additionally, it is secured by way of collateral charge on plant and machinery.

Interest rates are linked to respective banks' base rates. Cash credit ranges from 11.25% p.a to 11.30% p.a (previous year: 11.30% p.a to 11.90% p.a.) and Packing credit interest rate is 3.12% p.a (previous year : 2.36% p.a to 2.78% p.a) payable monthly.

There is no continuing default in the repayment of the principal and interest amounts as on balance sheet date.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2	017 (Amount in ₹)
Particulars 31 March	As at As at 2017 31 March 2016
6. TRADE PAYABLES	
- Dues to micro and small enterprises (refer note 32) 5	7,565 -
- Dues to other creditors 61,97	1,279 113,313,897
62,028	3,844 113,313,897
*[Includes an amount of ₹ 15,082,531 (previous year	
₹ 35,839,673) payable to companies where directors of the	
company are also directors / members. (Refer note 31)]	
7. OTHER CURRENT LIABILITIES	
Advance from customers 49,93	4,498 19,804,906
Other payables	
- withholding and other taxes and duties payable 3,36	9,841 2,906,000
- accrued salary and benefits 11,52	6,273 11,757,968
- for capital goods 54	4,575 942,149
65,375	5,187 35,411,023
8. SHORT-TERM PROVISIONS	
Provision for gratuity 1,54	5,757 503,036
Provision for compensated absences 1,925	
Provision for taxation, net of advance tax	
	7,220 -
8,728	2,753,346

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NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2017	
FINANCIAL	
NO	
NOTES	

# **9 FIXED ASSETS**

(Amount in ₹)

									•
		GROSS BLOCK	BLOCK		4	ACCUMULATED DEPRECIATION	DEPRECIATIO	Z	NET BLOCK
Particulars	As at 1 April 2016	Additions during the year	Deletions during the year	As at 31 March 2017	As at 1 April 2016	Charge for the year	Deletions during the year	As at 31 March 2017	As at 31 March 2017
Tangible assets, owned									
Leasehold improvements	38,265,820	I	I	38,265,820	26,879,386	3,825,413	I	30,704,799	7,561,021
Plant and equipment	850,155,246	3,897,416	I	854,052,662	577,193,826	85,236,446	I	662,430,272	191,622,390
Electrical installations	65,118,736	I	I	65,118,736	34,793,351	5,816,460	I	40,609,811	24,508,925
Computers	9,967,216	I	I	9,967,216	9,131,108	546,804	I	9,677,912	289,304
Office equipment	4,731,482	103,533	I	4,835,015	3,461,232	618,502	I	4,079,734	755,281
Furniture and fixtures	9,247,241	44,000	I	9,291,241	5,378,966	838,783	I	6,217,749	3,073,492
Total (A)	977,485,741	4,044,949	I	981,530,690	656,837,868	96,882,408	I	753,720,276	227,810,414
Intangible assets, owned									
Computer software	2,139,666	399,209	1	2,538,875	2,105,717	158,257	I	2,263,974	274,901
Total (B)	2,139,666	399,209	I	2,538,875	2,105,717	158,257	•	2,263,974	274,901
Total (A) + (B)	979,625,407	4,444,158	I	984,069,565	658,943,585	97,040,665	I	755,984,250	228,085,315



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2017

# **9 FIXED ASSETS**

									(Amount in ₹)
		GROSS	GROSS BLOCK		1	ACCUMULATED DEPRECIATION	DEPRECIATION	7	NET BLOCK
Particulars	As at 1 April 2015	Additions during the year	Deletions during the period	As at 31 March 2016	As at 1 April 2015	Charge for the year	Deletions during the year	As at 31 March 2016	As at 31 March 2016
Tangible assets, owned									
Leasehold improvements	35,199,458	3,066,362	I	38,265,820	20,687,134	6,192,252	I	26,879,386	11,386,434
Plant and equipment	835,552,377	14,602,870	I	850,155,246	488,363,485	88,830,341	I	577,193,826	272,961,420
Electrical installations	65,003,383	115,353	I	65,118,736	28,972,220	5,821,131	I	34,793,351	30,325,385
Computers	9,789,835	177,381	I	9,967,216	7,821,664	1,309,444	I	9,131,108	836,108
Office equipment	4,679,318	52,164	I	4,731,482	2,374,834	1,086,398	I	3,461,232	1,270,250
Furniture and fixtures	9,233,239	14,002	I	9,247,241	4,542,626	836,340	I	5,378,966	3,868,275
Vehicles	I		I	I	I		I	I	I
Total (A)	959,457,610	18,028,131		977,485,741	552,761,963	104,075,905	·	656,837,868	320,647,873
Intangible assets, owned									
Computer software	2,139,666	I	I	2,139,666	2,055,153	50,564	I	2,105,717	33,949
Total (B)	2,139,666	1	1	2,139,666	2,055,153	50,564	I	2,105,717	33,949
Total (A) + (B)	961,597,276	18,028,131	•	979,625,407	554,817,116	104,126,469	•	658,943,585	320,681,822

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST	MARCH, 2017	(Amount in ₹)
Particulars	As at 31 March 2017	As at 31 March 2016
10. DEFERRED TAX ASSETS		
Fixed assets	23,949,852	8,804,858
Provision for doubtful debts and advances	349,197	359,584
Provision for retirement benefits	3,772,280	4,194,076
	28,071,329	13,358,518
11. LONG-TERM LOANS AND ADVANCES		
Unsecured, considered good		
Capital advances	-	71,554
Balance with government authorities	4,358,858	4,621,135
Advance tax, net of provision for tax	26,990,809	12,051,761
(₹ 10,800,000 ; previous year: ₹ 7,700,000) Prepaid expenses	350,123	675,192
Deposits	6,585,517	6,560,517
	38,285,307	23,980,159
12. INVENTORIES		
Raw materials *	115,755,319	121,960,542
[Includes raw material in transit ₹ 2,348,893		
(previous year: ₹ 8,756,987)]	105005040	101001001
Work-in-progress *	137,367,043	121,901,391
Stores and spares *	-	627,794
	253,122,362	244,489,727
[*Refer note 1 (7) of Significant accounting policies for method of valuation]		
13. TRADE RECEIVABLES		
Unsecured		
Debts due for a period exceeding six months		
- considered good	10,092,197	413,182
- considered doubtful	43,582	43,582
Other debte	10,135,779	456,764
Other debts - considered good*	189,638,668	150,644,417
	189,638,668	150,644,417
Less: Provision for doubtful debts	43,582	43,582
	199,730,865	151,057,599

\* [Includes an amount of ₹ 151,324,399 (previous year ₹ 122,382,007) receivable from companies where directors of the company are also directors / members. (Refer note 31)]

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST	MARCH, 2017	(Amount in ₹)
Particulars	As at 31 March 2017	As at 31 March 2016
14. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash on hand	52,928	71,997
Balance with banks		
- on current account	1,971,729	2,209,743
- on deposit account with original maturity of less than three months	108,069,131	75,098,693
- on exchange earners foreign currency account	27,560,852	43,112,329
	137,654,640	120,492,762
Other bank balances		
Balance with banks		
<ul> <li>on margin money accounts **</li> </ul>	4,814,647	3,984,517
	142,469,287	124,477,279
**Margin money is against bank guarantees issued in favour of customers.		
15. SHORT-TERM LOANS AND ADVANCES		
Unsecured, considered good		
Staff advances	508,800	677,756
Prepaid expenses	3,006,129	2,597,639
Balances with government authorities	15,784,283	17,054,269
Advances to suppliers	1,027,356	4,032,177
Other advances	783,901	2,026,585
Advance tax, net of provision for tax	-	3,191,461
	21,110,469	29,579,887

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
. REVENUE FROM OPERATIONS		
Sale of products (Gross)	717,997,013	796,405,075
Less: Excise duty	2,463,999	2,296,372
Sale of products (Net)	715,533,014	794,108,703
(Refer note 35 for details related to sale of manufactured products)		
OTHER INCOME		
Interest on bank deposits	6,487,805	4,177,445
Miscellaneous income	21,486,462	23,611,617
	27,974,267	27,789,062
. COST OF MATERIALS CONSUMED		
Inventory of materials at the beginning of the year	121,960,542	168,934,018
Add: Purchases	400,146,136	318,608,433
Less: Inventory of materials at the end of the year	115,755,318	121,960,541
	406,351,360	365,581,910
(Refer note 33 and 34 for details of items of raw materials and components consumed)		
. CHANGES IN INVENTORIES OF WORK-IN-PROGRESS		
Opening Stock		
Work in progress	121,901,391	223,845,432
Closing Stock		
Work in progress	137,367,042	121,901,391
(Increase) / decrease in inventories of work-in-progress	(15,465,651)	101,944,041
EMPLOYEE BENEFIT EXPENSE		
Salaries,wages and allowances	85,644,306	88,080,498
Contribution to provident and other funds	6,354,668	6,766,765
Staff welfare expenses	5,069,951	5,852,956
	97,068,925	100,700,219

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST N	MARCH, 2017	(Amount in ₹)
	For the	For the
	year ended	year ended
Particulars 3	31 March 2017	31 March 2016
21. FINANCE COSTS		
Interest expense	4,475,901	8,422,889
Other borrowing cost	1,044,321	2,747,132
	5,520,222	11,170,021
22. OTHER EXPENSES		
Rent	14,048,715	12,987,072
Rates and taxes	271,497	440,902
Power and fuel	26,041,985	23,196,916
	20,041,965	23,190,910
Repairs and maintenance - Building	1,472,989	1,847,401
- Plant and equipment	8,833,342	7,084,449
	0,033,342 1,534,321	1,627,409
	64,424,641	61,570,888
Professional and consultancy (Refer note 24) Travelling and conveyance	4,797,948	5,330,198
Purchase of services	4,797,948	18,144,086
Printing and stationery	797,388	1,146,751
Corporate social responsibility expenses	2,748,350	6,686,250
Directors' sitting fees	12,100	16,000
Freight outwards	4,251,804	2,481,150
C C C C C C C C C C C C C C C C C C C	762,009	6,904,619
Foreign exchange loss, net Bank charges	3,144,293	2,840,556
Bank charges	3,144,293 3,337,104	
Miscellaneous expenses		1,856,511
	153,683,871	154,161,159

#### 23. Capital commitments and contingent liabilities

. Capital communents and contingent natinities		(Amount in ₹)
Particulars	As at	As at
	31 March 2017	31 March 2016
<b>Capital commitments:</b> Estimated amount of contracts remaining to be executed on capital account and provided for (net of advances) <b>Contingent liabilities:</b>	1,671,817	2,335,116
Income tax Cenvat	61,217,447 39,567,018	70,388,071 39,567,018

Income tax: The Company has received an order dated 5 April 2013 from the income tax authorities with respect to the assessment year 2009-2010. As per the assessment order, the carried forward loss for the assessment year 2009-2010 has been assessed as ₹ 40,704,558 by the assessing officer as against the carried forward loss of ₹ 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.

In the earlier years , the company had received demand of ₹ 45,745,180 against which the company had appealed at Dispute Resolution Panel (DRP). On 15 February 2016, the Company received direction from DRP and in line with the directions of DRP the tax was computed under normal provisions with total tax liability of ₹ 19,852,137 by assessing officer as against the tax liability declared by company amounting to ₹ 9,600,378 under the section 115JB. The incremental tax liability of ₹ 10,251,759 represents the non adjustment of carry forward loss on account of transfer pricing case of assessment year 2009-2010 and 2010-2011. The Company has deposited an amount of ₹ 6,971,759 under protest.

However, the assessing officer has gone for an appeal against the appellate order (DRP) with the higher appellate authority i.e. Income Tax Appellate Tribunal with its original demand of ₹ 45,745,180.

The 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 ₹ 132,954,290 by the assessing officer as against the taxable income declared by company amounting to ₹ 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. During the year, the Dispute Resolution Panel has passed an order dated 5 December 2016 in favour of the Company with no transfer pricing adjustment. The Company has received the revised order from the assessing officer giving effect to the DRP order with an increase in tax liability by ₹ 1,858,884. 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 deposited the amount under protest.

The Company has received an order dated 31 August 2016 from the income tax authorities with respect to the assessment year 2013-2014. As per the assessment order, the taxable income assessed by the assessing officer as against the taxable income declared by company is same. However, there is a demand of ₹ 26,404,736 which has arisen because of the non adjustment of carry forward loss on account of transfer pricing case of assessment year 2009-2010 and 2010-2011. The Company has paid ₹ 3,960,710 under protest and filed an appeal before CIT(A). **Cenvat:** During the previous year, the Company has received demand of ₹ 39,567,018 (previous year: ₹ 39,567,018) from Commissioner of Central Excise for the period from December 2010 to August 2012 on account of availment of input tax on ineligible services. The Company has filed an appeal with CESTAT.

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

Particulars	For the Year ended 31 March 2017	For the Year ended 31 March 2016
Statutory Audit Out of pocket expenses reimbursed	500,000 55,211	500,000 47,347
	555,211	547,347

#### 25. Earnings per share

The computation of earnings per share is set out below:

F Particulars	For the Year ended 31 March 2017 ₹	
Profit / (loss) for the year	4,030,936	(8,697,230)
Weighted average number of equity shares outstanding at the beginning of the year	5,600,000	5,600,000
Face value of equity shares	10	10
Earnings per share - basic and dilutive	0.72	(1.55)

The Company has no potentially dilutive equity shares.

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

#### (a) Post retirement benefit - Defined contribution plans

The Company has recognised an amount of ₹ 6,354,668 (31 March 2016: ₹ 6,766,765) as expenses under the defined contribution plans in the statement of profit and loss for the year.

#### (b) Post retirement benefit - Defined benefit plans

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

		(Amount in ₹)
Particulars	As at 31 March 2017 3	As at 31 March 2016
Change in projected benefit obligations Obligations at year beginning Service cost Benefits paid Interest cost Actuarial loss/ (gain)	7,205,337 1,527,633 (560,483) 601,976 (836,029)	7,272,514 1,462,856 (1,208,991) 600,722 (921,764)
Obligations at year end	7,938,434	7,205,337
Change in plan assets Plan assets at year beginning, at fair value Expected return on plan assets Actuarial gain / (loss) Contributions Benefits paid	- - - -	- - - - -
Plan assets at year end, at fair value	-	-
Reconciliation of present value of the obligation and the fair value of the plan assets: Fair value of plan assets at the end of the year Present value of the defined benefit obligations at the end of the year	- 7,938,434	7,205,337
Asset/ (liability) recognised in the balance sheet	(7,938,434)	(7,205,337)
Gratuity cost for the year Service cost Interest cost Expected return on plan assets Actuarial loss/ (gain) Benefits paid	1,527,633 601,976 - (836,029) -	1,462,856 600,722 - (921,764) -
Net gratuity cost	1,293,580	1,141,814

Allocation for the carrent and provide rout periods are as renows.						
Five-year information	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	
Fair value of plan assets	-	-	-	-	- / / /	
Projected benefit obligation	7,938,434	7,205,337	7,272,514	5,602,656	5,105,334	
(Surplus) / Deficit in the plan	7,938,434	7,205,337	7,272,514	5,602,656	5,105,334	
Experience adjustments on plan assets	-	-	-	-	-	
(Gain) / loss due on post benefits obligation	(1,213,451)	(896,034)	(396,605)	481,563	502,742	

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

Particulars	As at	As at
	31 March 2017	31 March 2016
Assumptions:		
Discount rate	7.16%	7.80%
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.

#### 27. Employee stock options:

The company has two stock option plans.

#### Centum employee stock option plan 2007

Certain employees of the Company are entitled to the shares of Centum Electronics Limited (parent company) under the Centum ESOP plan 2007. Options will be issued to employees of the Company 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 2017 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 2017		For the year ended 31 March 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	13,195	58.01	24,398	63.31
Granted during the year	-	-	-	-
Exercised during the year	10,109	53.45	11,203	53.45
Forfeited / lapsed during the year	-	-	-	-
Options outstanding at the end of the year	3,086	72.94	13,195	58.01
Exercisable at the end of the year	3,086	72.94	13,195	58.01

The options outstanding as at 31 March 2017 had an exercise price of ₹ 72.94 and the weighted average remaining contractual life of 8.26 years.

#### Centum employee stock option plan 2013

Certain employees of the Company are entitled to the shares of Centum Electronics Limited (parent company) under the Centum ESOP plan 2013. Options will be issued to employees of the Company 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 2017 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 2017		For the year ended 31 March 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	28,921	71.25	42,394	71.25
Granted during the year	-	-	-	-
Exercised during the year	8,241	71.25	11,845	71.25
Forfeited / lapsed during the year	-	-	1,628	71.25
Options outstanding at the end of the year	20,680	71.25	28,921	71.25
Exercisable at the end of the year	8,427	71.25	8,838	71.25

The options outstanding as at 31 March 2017 had an exercise price of ₹ 71.25 and the weighted average remaining contractual life of 9.50 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:

	For the year ended 31 March 2017	For the year ended 31 March 2016
Profit for the year	4,030,936	(8,697,230)
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	294,532	291,024
Adjusted net profit	3,736,404	(8,988,253)
Basic earnings per share as reported	0.72	(1.55)
Pro forma basic earnings per share	0.67	(1.61)
Diluted earnings per share as reported	0.72	(1.55)
Pro forma diluted earnings per share	0.67	(1.61)

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

Particulars	Year ended	Year ended
	31 March 2017	31 March 2016
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7 - 8.60%	5.7 - 8.60%
Volatility	51.22%	62.89%

28. The Company's foreign currency exposure on account of foreign currency denominated payables are :

	As at 31 March 2017		As at 31 March 2016	
Particulars	Amount (foreign currency)	Amount (INR)	Anount (foreign currency)	Amount (INR)
USD	2,303,672	149,400,725	2,407,952	159,253,501
EUR	184,585	12,801,534	425,754	32,056,702
GBP	165	13,323	1,925	183,364
JPY	575,000	339,078	3,850,405	2,316,019
NZD	6,680	308,482	14,360	668,888
		162,863,142		194,478,474

The Company's foreign currency exposure on account of foreign currency denominated receivables not hedged are :

Particulars	As at 31 March 2017		As at 31 March 2016	
	Amount	Amount	Amount	Amount
	(foreign	(INR)	(foreign	(INR)
	currency)		currency)	
USD	2,566,884	166,182,876	2,470,690	163,053,173
EUR	166,713	11,533,313	67,818	5,095,340
JPY	2,939,457	1,665,496	944,275	545,697
GBP	109,719	8,844,798	14,973	1,423,448
		188,226,483		170,117,658

#### 29. Leases

The Company has taken factory premises and computer equipments under cancellable operating lease. The Company intends to renew such leases in the normal course of business. Total lease rentals recognized in the statement of profit and loss for the year ended 31 March 2017 with respect to the above is ₹14,048,715 (previous year: ₹ 12,987,071).

#### **30. Segment Information**

The Company operates in only one segment i.e. Components business (Frequency Control Products) and accordingly there are no primary segment disclosures.

		(Amount in ₹)
Geographic segment	For the year ended	For the year ended
	31 March 2017	31 March 2016
Revenues		
India	53,763,910	49,658,661
Europe	650,112,309	724,066,932
Rest of the world	11,656,795	20,383,110
	715,533,014	794,108,703
Segment assets		
India	695,185,121	754,287,976
Europe	158,849,392	120,724,162
Rest of the world	1,778,282	4,011,112
	855,812,795	879,023,250

#### 31. Related party disclosures

#### A. Parties where control exists:

Centum Electronics Limited - Holding Company ('CEL')

### B. Venturer in respect of which the Company is a joint venture:

Rakon (Mauritius) Limited

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

41

Party having significant influence Rakon Limited - [ultimate holding company of Rakon (Mauritius) Limited] Parties under common control Rakon France SAS

Rakon UK Limited Centum Industries Private Limited

#### D. Key management personnel

Apparao V Mallavarappu (Director) S. Krishnan (Director) Brent John Robinson (Director) Bryan William Mogridge (Director)

Particulars	For the year ended 31 March 2017	For the year ender 31 March 2016
Professional and consultancy		
Centum Electronics Limited	56,708,773	54,654,54
Rent		
Centum Electronics Limited	3,032,400	3,038,72
Sale of products		
Centum Electronics Limited	367,156	988,58
Rakon France SAS	623,273,419	715,493,41
Rakon Limited	11,685,234	20,411,68
Purchase of goods		
Centum Electronics Limited	2,401,143	2,450,36
Centum Industries Private Limited	-	1,257,46
Rakon France SAS	202,168	6,020,74
Rakon Limited	1,626,520	5,200,21
Purchase of services		
Centum Electronics Limited	11,384,410	7,905,24
Reimbursement of expenses incurred by		
Centum Electronics Limited		
Power and Fuel	7,261,937	11,700,07
Others	106,713	156,94
Rakon France SAS		
Travelling expenses	3,182,113	4,097,72
Professional consultancy	-	4,238,67
Rakon Limited		
Travelling expenses	164,315	
IT Services	780,892	727,82
Rakon UK Limited		
Travelling expenses	556	
Dividend paid to		
Centum Electronics Limited	-	57,120,00
Purchase of fixed assets		
Rakon France SAS	424,798	3,237,44

CENTUM RAKON INDIA PRIVATE LIMITED ANNUAL REPORT 2016-17 🔰

Rakon Limited

42

66,391

1,379,479

		(Amount in ₹)
Particulars	As at	As at
	31 March 2017	31 March 2016
Trade receivables		
Centum Electronics Limited	326,479	2,357,548
Rakon France SAS	149,651,461	117,897,176
Rakon Limited	1,345,940	2,127,283
Rakon UK Limited	519	-
Trade payables		
Centum Electronics Limited	10,154,224	14,069,654
Rakon France SAS	4,762,390	20,573,242
Rakon Limited	113,917	1,196,777

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

**32.** 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 2017 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 ₹)

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Particulars	For the Year ended 31 March 2017	For the Year ended 31 March 2016
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each		
accounting year	57,565	-
<ul><li>Principal</li><li>Interest</li></ul>	250	-
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 (the Act) along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the said Act	-	-
The amount of interest accrued and remaining unpaid at the end of each year	250	-
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.	272	-

#### 33. Particulars of raw materials and components consumed

Components         For the Year ended 31 March 2017         For the Year ended 31 March 2016           Integrated circuits         37,282,431         40,978,340           Others         86,610,475         86,918,113           123,892,906         127,896,453         127,896,453           Raw materials         For the Year ended 31 March 2017         127,896,453           Blanks         120,850,279         70,350,188           Base         61,067,753         63,595,497           PCB         26,499,684         27,265,958           Others         74,040,738         76,473,814			(Amount in ₹)
Others       86,610,475       86,918,113         123,892,906       127,896,453         127,896,453       (Amount in ₹)         Raw materials       For the Year ended 31 March 2017       For the Year ended 31 March 2016         Blanks       120,850,279       70,350,188         Base       61,067,753       63,595,497         PCB       26,499,684       27,265,958         Others       74,040,738       76,473,814	Components		
123,892,906       127,896,453         (Amount in ₹)         Raw materials       For the Year ended 31 March 2017         Blanks       120,850,279       70,350,188         Base       61,067,753       63,595,497         PCB       26,499,684       27,265,958         Others       74,040,738       76,473,814	Integrated circuits	37,282,431	40,978,340
Raw materials       For the Year ended 31 March 2017       For the Year ended 31 March 2016         Blanks       120,850,279       70,350,188         Base       61,067,753       63,595,497         PCB       26,499,684       27,265,958         Others       74,040,738       76,473,814	Others	86,610,475	86,918,113
Raw materials         For the Year ended 31 March 2017         For the Year ended 31 March 2017         For the Year ended 31 March 2016           Blanks         120,850,279         70,350,188           Base         61,067,753         63,595,497           PCB         26,499,684         27,265,958           Others         74,040,738         76,473,814		123,892,906	127,896,453
31 March 2017         31 March 2016           Blanks         120,850,279         70,350,188           Base         61,067,753         63,595,497           PCB         26,499,684         27,265,958           Others         74,040,738         76,473,814			(Amount in ₹)
Blanks         120,850,279         70,350,188           Base         61,067,753         63,595,497           PCB         26,499,684         27,265,958           Others         74,040,738         76,473,814	Raw materials	For the Year ended	For the Year ended
Base       61,067,753       63,595,497         PCB       26,499,684       27,265,958         Others       74,040,738       76,473,814		31 March 2017	31 March 2016
PCB     26,499,684     27,265,958       Others     74,040,738     76,473,814	Blanks	120,850,279	70,350,188
Others 74,040,738 76,473,814	Base	61,067,753	63,595,497
	PCB	26,499,684	27,265,958
282,458,454 237,685,457	Others	74,040,738	76,473,814
		282,458,454	237,685,457

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

(Amount in ₹)

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#### 34. Value of imported and indigenous raw materials and components consumed

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Particulars		the year ended		the year ended
		31 March 2017	3	1 March 2016
	%	Amount	%	Amount
Components				
Imported	65%	80,414,596	61%	77,914,201
Indigenous	35%	43,478,310	39%	49,982,252
		123,892,906		127,896,453
Raw materials				
Imported	99%	279,828,597	98%	232,038,542
Indigenous	1%	2,629,857	2%	5,646,915
		282,458,454		237,685,457

#### 35. Particulars in respect of sale of manufactured products (including excise duty)

		(Amount in ₹)
Particulars	For the Year ended	For the Year ended
	31 March 2017	31 March 2016
Frequency control products	717,997,013	796,405,075
	717,997,013	796,405,075

#### 36. CIF value of imports

		(Amount in ₹)
Particulars	For the Year ended	For the Year ended
	31 March 2017	31 March 2016
Capital goods Raw materials and components (including goods in transit)	2,980,487 364,758,462	9,767,621 270,886,435
	367,738,949	280,654,056

#### 37. Expenditure in foreign currency

Particulars	For the Year ended	For the Year ended
	31 March 2017	31 March 2016
Travel Professional and consultancy, IT Services	5,515,149 2,667,581	4,833,281 257,096
	8,182,730	5,090,377

#### **38.** Earnings in foreign currency

Earnings in toreign currency		(Amount in ₹)
Particulars	For the Year ended	For the Year ended
	31 March 2017	31 March 2016
Sale of manufactured goods	661,769,104	744,450,042
	661,769,104	744,450,042

#### 39. Expenditure on research and development

a. Expenditure on research and development		(Amount in ₹)
Particulars	For the Year ended	For the Year ended
	31 March 2017	31 March 2016
Recurring (including depreciation)	20,503,271	21,033,459
	20,503,271	21,033,459

40. The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company has completed the process of updating the documentation for the international transactions entered into with the associated enterprises relating to the previous year. Further, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by the date of filing its income tax return, as required by law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

#### 41. Dividend remitted in foreign currency

		(Amount in <b>र</b> )
Relating to the year ended	31 March 2017	31 March 2016
Number of non-resident shareholder	1	1
Number of equity shares held (₹ 10 per share)	2,744,000	2,744,000
Amount remitted	-	54,880,000

(Amount in ₹)

#### 42. Specified bank notes (SBN)

Details of Specified Bank Notes held and transacted during the period 8 November 2016 to 30 December 2016.

Particulars	Specified bank notes	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	85,000	724	85,724
Add: Withdrawal from bank accounts	-	190,000	190,000
Add: Receipts for permitted transactions	-	98,104	98,104
Add: Receipts for non-permitted transaction (if any)	5,000	-	5,000
Less: Paid for permitted transactions	-	170,466	170,466
Less: Amount paid for non - permitted transactions	-	-	
Less: Amount deposit in bank accounts	90,000	-	90,000
Closing cash in hand as on 30 December 2016	-	118,362	118,362

**43.** During the year ended 31 March 2017, no material foreseeable loss was incurred for any long-term contract including derivative contracts.

44. Since the Company does not meet the criteria specified in Section 135 of the Companies Act, 2013, the Company is not required to spend any amount on activities related to corporate social responsibility for the year ended 31 March 2017.

During the year, however, the company has spent ₹ 2,748,350 (previous year: ₹ 6,686,250) towards the corporate social responsibility activities.

**45.** Previous year's figures have been regrouped / reclassified as per the current year's presentation for the purpose of comparability. The following regrouping / reclassifications have been made in the current year.

Particulars	Previous year grouping	Current year grouping	Amount in ₹
Balance sheet	Other current liabilities- Other Payables-for expenses	Trade Payable- Dues to other creditors	21,613,715

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As per our report of even date attached.

*for* **BSR & Co. LLP** *Chartered Accountants* Firm Registration No. 101248W/W100022

Amit Somani Partner Membership No. 060154

Place: Bangalore Date : 2 May, 2017

#### for Centum Rakon India Private Limited

Apparao V Mallavarapu Director DIN: 00286308

**S Krishnan** Director DIN : 01807344

**P M Unnikrishnan** General Manager - Operations

# NOTES

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Regd. Office

Centum Rakon India Private Limited No. 44, KHB Industrial Area Yelahanka New Township Bangalore - 560 106. India

