

Board of Directors

(As on date of AGM)



Shri Y. S. Mayya

Chairman & Managing Director (from 01-05-2009)



Shri U. Vishnumurthy
Director (Finance)

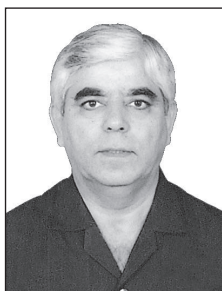


Shri Umesh Chandra

Sr.Executive Director (Safety and KM), NPCIL



Dr. B.N. Suresh
Director, IIST



Dr. M.J. Zarabi



Lt. Gen. Partha Mohapatra, AVSM
Signal Officer-in-Chief &
Colonel Commandant, Indian Army



Dr. R. Sreehari Rao
Chief Controller, R&D, DRDO



Shri V. R. Sadasivam
Jt. Secretary (Finance)
Department of Atomic Energy



Smt. Revathy Iyer
Jt. Secretary (I&M)
Department of Atomic Energy

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KEY EXECUTIVES (as on date of AGM)

SHRI Y S MAYYA

Chairman & Managing Director

SHRI U VISHNUMURTHY

Director (Finance)

SHRI N S S PRASADA RAO

Executive Director(Defence Projects & Marketing)

SHRI C MURALIDHAR RAO, IFS

Chief Vigilance Officer

SHRI S DASGUPTA

General Manager (Information Technology Divn. & Factory Manager)

SHRI SHIV KUMAR NORI

General Manager(Finance)

SHRI D A RAO

General Manager (Electronics Manufacturing & Services Divn.)

SHRI G SAI REDDY

General Manager (Instruments & Systems Group)

SHRI Ch. V R S GOPALAKRISHNA

General Manager (Antenna Products & Satcom Divn.)

SHRI R J RAM

General Manager(CPPM & Nuclear Projects)

SHRI V SATYANARAYANA

Head (Telecom Divn. & Knowledge Mgt.Divn.)

SHRI SUDESH CHANDER

Head (Special Products Divn.)

SHRI G PHANEENDRANATH

Head (Communications Divn.)

SHRI P SUDHAKAR

Head (Strategic Electronics Divn.)

SHRI K P R NAIDU

Head (Radiation Detectors & Instrumentation Divn.)

SHRI A KAMESWARA RAO

Head (Servo Systems Divn.)

SHRI P VISWANATH

Head (Control & Automation Divn.)

SHRI T R RAJA MANNAR

Head (Software Systems & Solutions Divn.)

SHRI Ch. VISWA PRAKASA RAO

Head (Manufacturing & Engineering Divn.)

SHRI B BHASKARA RAO

Head (Systems & Quality Assurance Group)

SHRI G UMAPATHI

Head (Components Divn.)

SHRI TVS KISHORE KUMAR

Head (SCADA & CnID)

SHRI G R KOTESWARA RAO

Head (Instruments & Systems Divn.)

SHRI S RAMAKRISHNA

Head (Security Systems & Projects Divn.)

SHRI R OM PRAKASH

Head (Computer Education Divn.)

SHRI J SUNDER RAO

Addl. General Manager and OSD to C&MD

SHRI B NARASIAH

Offg. Head (Engineering Services Division)

SHRI A A HUSSAIN

Offg. Head (Personnel Group)

SHRI V S MURTY

Sr. Deputy General Manager
(Law & Company Secretariat)

CHAIRMAN'S STATEMENT

Ladies and gentlemen,

It gives me great pride to present the contributions made by ECIL in the frontier areas of technology in strategic electronics in support of national programs during the year 2008-09. These achievements have opened new windows of opportunities and I will also like to highlight the measures being taken to strengthen capabilities to take up these emerging opportunities. The Company largely remained insulated from the global economic slowdown though some infrastructure projects were delayed; in turn delaying receipt of orders for our systems.



The year that was

In financial terms, the turnover reached another high of Rs. 1060 crore amounting to around 6% growth over the previous year. Sector - wise, Defence continued to provide highest share of business with 37% share of Net Sales; supplies to Atomic Energy were at 16% down from 27% in the previous year – largely due to longer gestation time needed for upcoming nuclear power plants; supplies to other sectors in government domain constituted 28% - a major part being EVMs for the General Elections 2009 and contribution to the fast growing Security sector was at 11% of net sales.

This performance could generate adequate surplus to support the payments due to wage revision for employees which was implemented recently. The profits also could shoulder the burden of one-time wage revision related provisions during the year. Due to this impact the profit before tax stands at Rs. 19 crore as against Rs. 201 crore in 2007-08. Year 2009-10 will surely see the Company bouncing back on to the high profit track. The order book position is a respectable Rs. 1040 crore at the close of the year. Nevertheless, to sustain the increased wage cost, it is important that the value addition component is significantly enhanced. The results have drawn a clear agenda for the future that we should focus on products and services of our own which alone will give increased value addition in the severely competitive environment.

Achievements

During the year, the highlight of technological accomplishment was the successful commissioning and deployment of 32M Deep Space Network Antenna which ably supported the maiden Indian moon mission *Chandrayaan-I*. This is an important landmark event in company's long and fruitful association with nation's space program and we plan to deepen and widen this collaboration. This year also saw the beginning of delivery of state-of-the-art EW Systems for *DIVYADRISHTI* and their progressive integration at sites – with this your company has gained recognition as a leading EW system integration house in the country. Another significant event was the successful completion of field trials for the Missile Support Systems delivered by ECIL for *BrahMoS* program.

The year also marked completion of major milestones in the development and supply of C&I equipment for the atomic energy program such as Prototype Fast Breeder reactor, Light water reactor, PHWRs for NPCIL, reprocessing plants and fuel fabrication facilities.

Your company provided commendable support to the General Elections 2009 by deploying technical manpower throughout the country and over 7.5 lakh EVMs in 282 out of 543 Parliamentary Constituencies.

Nevertheless, these triumphs while opening up new opportunities pose more technology and business linked challenges. The Company realizes the need to move up the value chain by harnessing its diverse strengths in wide ranging areas. Though the competition is increasingly rigorous, the Company is confident of emerging successfully given the springboard of technological support from R&D institutions belonging to DAE, DRDO and ISRO.

Our accomplishments have brought us accolades in the form of “Standing Conference of Public Enterprises (SCOPE) Award for Excellence and Outstanding contribution to the PSU Management – Medium category 2007-08” which was announced recently.

New endeavors

The resurgence in nuclear power reactors in the world in general and in the country in particular has thrown open new and exciting possibilities. The emerging requirements are large and new engagement models and operation contexts are being examined. Steps are being taken towards adequate scaling up of internal capabilities both in qualitative and quantitative terms and establishing of systems to address the quality, efficiency and competency issues.

The security sector needs are rapidly growing and your company has been awarded contracts for many prestigious security projects. To ensure increased attention and timely execution, a dedicated Security Systems and Projects Division has been formed. Keeping in view the critical projects underway in New Delhi, a Project Directorate also has been created at New Delhi headed by a General Manager. Your company also is consolidating its presence in the strategic information security domain.

Outlook for 2009-10 and beyond

The company started the year with an opening order book of Rs. 1040 crore and further booked orders worth Rs. 400 crore during the last five months mainly for our present products and systems. Major projects under execution include 21M MACE Telescope for DAE for Gamma Ray Astronomy ; C&I systems for atomic energy sector, supply of artillery fuzes & transceiver/radio equipment to MoD; Security systems for Delhi police and Delhi Metro; and production and supply of Antenna Platform Units for combat aircraft.

Major projects on the anvil include Integrated Security systems for Commonwealth Games, Integrated Communication Network systems for Indian Navy and C&I related equipment for DAE. ECIL hopes to be a major partner in delivering the Indian in-kind contributions to the upcoming mega science projects like Facility for Anti Proton and Ion Research (FAIR) and International Thermonuclear Experimental Reactor (ITER) and towards this end collaborative work is underway with leading Indian R&D institutions and European labs.

Human capital

Technically competent and committed human resource pool is the only mantra for success in present day business. We have initiated various steps to generate a talent pool by fresh induction as well as by re-skilling the experienced engineers. In order to mentor and support our design teams, technical experts in core technology areas are being drawn. Training programmes are being aligned with current day technology requirements.

Dynamic parameters

Dynamic parameters like technology forecasting, HRD plan for next five years, infrastructure and business process procedures are being addressed through task force committees.

I thankfully acknowledge the dedication and commitment of every member of ECIL team for what we are today. I would like to thank the Department of Atomic Energy and its units for hand holding and wholeheartedly supporting us in acquiring new skills. I would like to express my gratitude to the Board of Directors for their support and guidance and would also thank all our Stakeholders – the Customers, Suppliers and Bankers who have enabled us to scale new peaks of performance. My sincere thanks go to the Corporate Management Committee members for their active participation in steering the Company in critical times.

Fit for the future

Your company is committed to fulfill the role outlined in the vision and mission statements which are as relevant today as ever. We will operate with a judicious mix of indigenous development, Joint Ventures and Technology Transfers. I seek your continued support in building this Company into a vibrant, strong, world class institution.

Y S Mayya
CHAIRMAN & MANAGING DIRECTOR

DIRECTORS' REPORT

To

The Shareholders of
Electronics Corporation of India Limited

Gentlemen,

Directors of ECIL have pleasure in presenting herewith the 42nd Annual Report of your Company, together with the audited statement of accounts for the year ended 31st March, 2009.

OPERATING RESULTS AT A GLANCE

Particulars	(Rs. Cr.)	
	2008-09	2007-08
Turnover	1060	1002
Production at realizable value	994	936
Profit before tax	19	201
Profit after tax	13	134
Net worth	568	560
Capital employed	776	706
Value added	389	504

SHARE CAPITAL & UNSECURED LOANS

During the year, the authorised share capital of the Company remained unchanged at Rs.200.00 crore. The called up and paid up share capital as on 31.03.2009 stood at Rs.163.37 crore. No loans were taken from Government during the year.

DIVIDEND

The dip in the profits during 2008-09 is due to provisioning of increased remuneration to its employees from 01.01.2007 and due to other factors. This is a temporary phenomenon and the Company is confident of increased profits in future years.

The Directors are pleased to recommend a dividend @ 35% of profit after tax i.e. Rs.471.93 lakhs for the year 2008-09.

NEW PRODUCTS INTRODUCED IN 2008-09

- Air borne Sat Com Terminal
- Heavy Duty Tracking Mount
- Combined dual band KU DBS Feed
- Gamma Ion Chamber
- XME 550 Mango Inspection System
- Rugged C⁴I Systems

- Onboard Mission computer for control, guidance and navigation of Autonomous Unmanned Vehicles
- VME bus based Field Output Controller. Voice / Fax / Data encryptors (SEMIC / MELIC), v.35 encryptors, IP encryptors, G703 bulk encryptors

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure-I to this report.

HUMAN RESOURCES:

Staff Strength

During the year, a total of 204 persons were recruited (General – 73, OBC – 69, SC – 46, ST – 16 which included 5 persons with disabilities. 266 employees have separated. The manpower as on 31.03.2009 stood at 4827 and group wise break up and the number of SC and ST employees and their percentages to the total number of SC and ST employees and their percentages to the total number of employees in different groups are as under:

	Total	SC employees	ST employees
Group A	1919	202 (10.53%)	34 (1.77%)
Group B	1169	236 (20.19%)	57 (4.88%)
Group C	1292	148 (11.46%)	40 (3.10%)
Group D	332	99 (29.82%)	12 (3.61%)
Group DI (Sweepers)	115	38 (33.04%)	02 (1.74%)

EMPLOYEE RELATIONS:

The industrial relations situation was normal during the year 2008-09. Elections for ECIL Employees' Union were held on 30.08.2008 and the new executive body is in place.

WELFARE ACTIVITIES:

Health, Safety and Welfare measures as laid down under the AERB Rules, as also a number of non-statutory measures for the well-being of all employees of the Company have been provided by the Management.

TRAINING & DEVELOPMENT

In-house training:

During the year, several in-house training programmes were conducted and a total 758 executives/workmen participated. The topics were on strategic business areas including defence offset procedure. In addition to the above, 151 employees were sponsored for outside programmes.

Implementation of Persons With Disabilities Act, 1995

During the year 5 employees with disabilities were recruited to fill up the vacancies reserved for them.

Progressive Use Of Hindi:

During the year effective steps were taken to popularise Hindi as Official Language by employees. The Company bagged “Rajbhasha Trophy” from TOLIC(U), Hyderabad and Secunderabad for progressive use of Hindi for the year 2007–08.

RIGHT TO INFORMATION ACT 2005

During the year 21 requests were received and all were replied.

QUALITY MANAGEMENT

- ECIL received Occupational Health and Safety Certification from M/s British Standards Institute, Hyderabad certifying ECIL for meeting the Management System Requirements according to BS OHSAS 18001:2007.
- The Corporation continues to maintain Environmental Management system Certification from M/s STQC as per ISO 14001.
- All the divisions of the Corporation continue to maintain Quality Management System Certification as per ISO 9001.
- Calibration and Measurements Laboratory of SQAG continues to maintain NABL accreditation as per ISO/IEC 17025:2005 at corporate level.

JOINT VENTURE COMPANY

The JVC has achieved a turnover of Rs 50.89cr (unaudited) against Rs 33.52cr for the previous year with a profit before Tax of Rs.9.20 cr.

The JVC is targeting a 25% growth during the year 2009-10, considering the spurt in demand for XBIS equipment from numerous individual institutions / companies and also from new / upgraded airports in the country.

CORPORATE GOVERNANCE

A report is given at Annexure-II.

AUDIT

M/s Laxminiwas & Jain, Chartered Accountants were appointed as Statutory Auditors of the Company for the year 2008-09. The Company's replies to the Statutory Auditors' Report on the Accounts of the Company for the year ended 31.03.2009 are furnished in Annexure-III to this report. Review by the C&AG along with company's replies is given in Annexure-IV.

VIGILANCE

The Corporate Vigilance had carried out system studies on medical bills; advisors and consultants; scrutiny of annual property returns at random, implementation of e-governance directives issued by CVC / DAE and house keeping in ECIL. 'Integrity Survey' was conducted with 500+ vendors. Corrective actions were taken. Some officials working in material management who underwent 2-day training programme related to procurement during January 2008, were sent for a 3-day programme on 'e-procurement' in April 2008. Vigilance Awareness Week was observed. Whistle Blowers' Protection Resolution circulars were widely publicised. MSRS and COIS projects were taken up for study.

CVO has attended zonal review meeting of CVOs by CVC at New Delhi on 23.03.2009.

DIRECTORS

Lt. Gen. S P Sree Kumar, PVSM, AVSM, ADC on superannuation ceased to be Director from 31.07.2008. Shri S Hanumantha Rao, ceased to be Director (Personnel) from 13.03.2009 AN.

Lt. Gen. Partha Mohapatra, AVSM, Signal Officer-in-Charge & Colonel Commandant was appointed as Director from 15.10.2008.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Sec 217(2AA) of the Companies Act, 1956, the Directors confirm:

- that in preparation of accounts for the financial year ended 31.03.2009, the applicable Accounting Standards have been followed excepting a few minor deviations due to practical constraints, which have been disclosed in the notes forming part of the Accounts as per Sec. 211(3)(B) of the Companies Act, 1956;

- that the Directors have selected the accounting policies, applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31.03.2009 and of the profit of the Company for the year ended on that date;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- that the Directors have prepared the Accounts for the financial year ended 31.03.2009 on a 'going concern' basis.

ACKNOWLEDGEMENTS

The Board wishes to place on record its appreciation of efforts of the Chairman & Managing Director and his colleagues on the Board and all the employees resulting in good performance achieved during the year and hopes that in the years to come the Company would scale greater heights.

The Directors acknowledge with thanks the support and encouragement received from the Department of Atomic Energy and its constituent units such as Nuclear Power Corporation of India Limited and Bhabha Atomic Research Centre, Indira Gandhi Centre for Atomic Research, Ministry of Defence and its constituent units, Election Commission of India, Department of Information Technology, Ministry of Home Affairs, Department of Public Enterprises and other ministries and departments of Government of India, the Government of Andhra Pradesh, Statutory Auditors, the Chairman and members of the Audit Committee and the office of the Principal Director of Commercial Audit, bankers, foreign collaborators, all the customers and agencies, who are directly or indirectly associated with your Company.

For and on behalf of the Board of Directors

Y S Mayya
CHAIRMAN & MANAGING DIRECTOR

Hyderabad
18.09.2009

ANNEXURE-I TO DIRECTORS' REPORT TO SHAREHOLDERS

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy:

a) Energy conservation measures taken:

Energy conservation is a continuous and on-going activity and some of the steps taken in this direction are as follows:

- i) Preventive maintenance of the following sub-station equipments were carried out to minimize the power losses in the HT & LT distribution system:
 - a) Overhauling of 5 Nos. of 11 KV/ 415 V, 500 KVA distribution transformers, by changing the oil and filtration with new oil.
 - b) Transformer oil filtration of 33KV/ 11KV 15-20 MVA power transformer at 33 KV Sub-station.
 - c) Preventive maintenance of 2 Nos. of 33KV VCBs and 3 Nos. of 11KV VCBs at 33 KV Sub-station.
 - d) Preventive maintenance of LT Air Circuit breakers and protection relays in all Sub-stations and Control rooms in ECIL.
 - e) Maintenance of LT panels.
- ii) Solar water heating system maintenance is carried out periodically for better performance of the system.

b) Additional investments and proposals, if any, being implemented for reduction in consumption of energy:

Installation of 4 Nos. of 11KV VCBs in place of old OLU/HFU switches of southern switchgear at Rs.19 lakhs to improve the performance of Sub-station 5 (IT&TG) and Sub-station 3(SMD building).

c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the production cost of goods:

Annual energy consumption was reduced by 18,760 KWH units due to the increase in

the production targets compared to previous year.

- d) **Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the Schedule thereto:**
Not applicable.

B. Technology absorption

Efforts made in technology absorption as per Form B.

Form B

Research & Development (R&D)

1. Specific areas in which R&D is carried out

- i) Airborne Antenna with Stabilization system
- ii) Dual band KU-DBS Feed System
- iii) Heavy Duty mount for tracking celestial sources
- iv) 1 KW, 1.5-30 MHz Filter switching unit
- v) Rugged C4I System
- vi) Onboard Mission Computer
- vii) Upgradation of SCADA system features
- viii) Speaker Identification, Speech Enhancement and Language Identification
- ix) Prototype Gamma Ion Chamber Type G20
- x) Hand held Digital Radio BAND-I (30-88 MHz), Band-II (136-174 MHz) and Band III (403-470) with IP Encryption

2. Benefits Derived as a result of the above R&D

- i) Development of Airborne Antenna with Stabilization system has helped in establishing Sat Com link for the UAV.
- ii) Dual band KU DBS Feed System realization has helped in bagging an order from MCF for establishing IIM Tracking Telemetry and Command Earth Station
- iii) Heavy-duty mount for tracking celestial sources has been developed for tracking Low Earth Orbit Satellites
- iv) 1 KW, 1.5-30 MHz Filter Switching unit is successfully interfaced with power amplifier and supplied to Samyukta

- v) C⁴I Systems are used in BrahMos and Akash projects
- vi) Onboard Mission Computer is used in Autonomous Under Water Vehicle
- vii) Continuous Upgradation of SCADA features through R&D enabled the company to acquire orders for Bina-Kota, Cochin-Karur and Amode-Hazira Pipelines
- viii) The study of Speech Technology at various labs has resulted in targeting the requirement of MOD for identification of Speaker / language in conversations. Orders based on this technology are in the advanced stage.
- ix) Orders received for supply of 45 nos. of Gamma Ion Chambers G20 from BARC
- x) Incorporated IP encryption in PJ-10 project. IP encryption enabled the company receive SSB networking order. The necessity of secure communication opens huge business opportunity.

3. Future plan of action

- i) Ka Band suit case terminals for disaster management
- ii) Development of 4-Axis stabilization platforms
- iii) Development of Mini ST Radar for Wind profile estimation required for DST
- iv) Development of Multi-coupler to reduce the number of Antenna on-board Naval ships.
- v) Development of Indigenous DAMA modem under collaboration with SAC for beyond Line of Sight Communication applications of Indian Navy.
- vi) Fast Hopping Jammers with advanced features for MOD
- vii) PGSM Interception Monitoring System
- viii) Next Generation Bulk Encryption Unit
- ix) Next generation Beacon System
- x) Development of Radar Signal and data processing algorithms for different Radars including RF
- xi) Development of indigenous Seeker technology for various Indian missile programs such as BrahMos, SRSAM etc.,

4. Expenditure on R&D

	(Rs. cr.)	
	2008-09	2007-08
Capital	0.70	0.56
Recurring	32.18	23.84
Total	32.88	24.40
Total R&D expenditure as percentage of total turnover	3.10 %	2.44%

Technology absorption, adaptation and innovation

1. Efforts in brief made towards technology absorption, adaptation and innovation:

- i) Development of airborne antenna with stabilization system provides a continuous SatCom link for the UAVs resulted in import substitution and cost reduction
- ii) Development of Heavy duty mount for tracking celestial sources have helped in bagging an order for ground station for IRNSS Project and resulted in import substitution & cost reduction
- iii) 1 KW Power Amplifier with indigenous technology can be adapted to various applications.
- iv) The RF hardware is reduced by 50% due to the design of wide band power amplifier 30-500 MHz.
- v) New R&D facilities were set up for C⁴I Systems Lab, AUV Lab and Embedded Systems Lab with necessary development tools such as Vx Works, LYNX OS, GIS planning system, Communication Server, MATLAB, VISUAL DSP, FPGA.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, import substitution etc.

- i) Various control systems are being configured and manufactured based on the know-how received from IGCAR for PFBR 500MW project.
- ii) Most of the research in speech analysis is centered on European language and speakers. Customization techniques are to be adapted to identify South Asian Languages / dialects like Hindi, Bengali, Nepali, Chinese, Urdu etc. This will be an import substitution product.

- iii) Digital signature certification is one of the key applications of the PKI technology. Using digital signature certification, initiatives are taken to move towards paperless office.
- iv) Using available GSM technology SMS feature is incorporated in FARMER KIOSK module by which registered farmers can get price details on their mobiles in the form of SMS.
- v) Grid Lab with cluster setup (8 Nodes) with OSCAR cluster S/W was setup. The middleware team understood the current trends and can address the future tendering requirements

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)

SI No.	Name and Address of the collaborator	For which product	Year of import	Technology imported	Has Technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons thereof
I.	Grintek Communication Systems, South Africa	HF software based Transceiver	2004-05	100W HF Tx/Rx Model TR2400 Transceiver	No	SKD level technology absorption is in progress

C. Foreign exchange earnings and outgo:

- i) During the year, the company exported (including third party exports) Rs.5.80 cr. worth of its products, which include Hybrid Micro Circuits to USA, Electronic Registration kits, AFIS to Denmark, Measuring instruments to Bangladesh and EVMs to Nepal.
- ii) Total foreign exchange used and earned.

	(Rs.cr.)	
	2008-09	2007-08
Foreign exchange used	259.73	206.18
Foreign exchange earned	5.28	0.15

For and on behalf of the Board of Directors

Y S Mayya
CHAIRMAN & MANAGING DIRECTOR

Hyderabad
18.09.2009

ANNEXURE-II TO DIRECTORS' REPORT TO SHAREHOLDERS

Corporate Governance

The Company continued to take several measures to enhance the openness and transparency of all its operations, in line with Govt. guidelines.

Board of Directors

In terms of Sec 617 of the Companies Act, 1956, ECIL is a Government Company. Presently, the entire paid up capital of the Company is held by the President of India, including 3 shares held by his nominees.

The Board, as at 31.03.2009 comprises of ten Directors - Chairman & Managing Director, two Whole-time Directors and seven Non-Executive Directors. The Board meets at regular intervals and is responsible for the proper direction and management of the Company.

During the financial year ended 31.03.2009, four Board Meetings were held on 30.06.2008, 19.8.2008, 29.09.2008, and 12.01.2009. The composition of the Directors, their attendance at the Board Meetings during the financial year and at the last Annual General Meeting is as follows:

Name & Position	Board Meetings		Attendance at last AGM held on 29.09.2008	No. of other Directorships
	Held during the tenure	Attended		
Whole-Time Directors				
Shri K S Rajasekhara Rao, Chairman & Managing Director	4	4	Yes	Nil
Shri S Hanumantha Rao, Director (Personnel) (Up to 13.03.09)	4	4	Yes	Nil
Shri U Vishnumurthy Director (Finance)	4	4	Yes	Nil
Shri Shri Y S Mayya, Director (Technical)	4	4	Yes	Nil
Non-Executive Directors				
Shri Umesh Chandra	4	4	Yes	Nil
Dr. B N Suresh	4	1	-	Nil
Dr. M J Zarabi	4	3	-	4
Lt.Gen. S P Sree Kumar, PVSM, AVSM, ADC (Up to 31.07.08)	1	1	-	1
Dr R Sreehari Rao	4	3	-	Nil
Shri V R Sadasivam	4	4	Yes	4
Ms. Revathy Iyer	4	4	Yes	2
Lt. Gen. P Mohapatra SO-in-C & Colonel Commandant (appointed from 15.10.08)	1	0		2

The remuneration of whole-time Directors is fixed by the Government of India. Dr M J Zarabi is an independent Director and is paid Rs 3,000 as sitting fee per attendance. All other part-time Directors on Board are officials from Government / other PSUs and therefore are not paid any sitting fees for the meetings attended.

Audit Committee

The Audit Committee comprises of Shri Umesh Chandra, Shri V R Sadasivam and Shri Y S Mayya. Shri J K Ghai, Director(Finance), NPCIL is a special invitee for all the meetings. Shri Umesh Chandra is the Chairman of the Committee. During the year, four meetings of the Committee were held on 30.06.08, 26.07.08, 29.09.08 and 04.03.09. The Audit Committee reviewed the implementation of Accounting Standards and Audit Programmes and Internal Audit Reports. The Committee perused the Annual Financial Statements and interacted with the Statutory Auditors for improvement in the system for maintaining financial records as well as the data under Cost Accounts Record Rules.

Corporate Management Committee

The Corporate Management Committee is a high level policy making body at the Corporate level which is headed by the Chairman & Managing Director. The Committee consists of all Functional Directors, Executive Directors, General Managers and Heads of

Divisions. The Committee meets regularly and deliberates on the major policy issues including performance of the Company. The President and General Secretary of ECEU and President and Secretary of ECOA are the special invitees.

General Body Meetings

The details of the last three Annual General Meetings of the Company are given below:

Year	Date	Time	Venue
2005-06	27.07.2006	14.00 hours	Registered Office:
2006-07	26.09.2007	14.00 hours	ECIL Post Office,
2007-08	29.09.2008	12.00 hours	Hyderabad-500062

The Company obtained a compliance certificate from M/s K K Rao & Associates Company Secretaries, which forms part of the annual accounts.

For and on behalf of the Board of Directors

Y S Mayya
CHAIRMAN & MANAGING DIRECTOR

Hyderabad
18.09.2009

SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING :

The financial statements are prepared and presented under the historical cost convention, in accordance with generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

A. RECOGNITION OF REVENUE:

Sales (including Taxes and Duties) are set up and revenue is recognized on accrual basis inter-alia in any of the following cases:

- i) a) In case of FOR Destination contracts, if there is a reasonable expectation of the goods reaching the destination within the accounting period.
- b) In all other cases, when the goods are handed over to the carrier for transmission to the buyer, even if the transport and insurance are undertaken by the company.
- c) In respect of composite contracts, involving supply and services, where separate fee for such services is not specified and supplies are completed, to recognize the revenue as per the contract value, after providing for services on an estimated basis.
- d) For services/software against completion of milestones/acceptance/ acknowledgement, where break up values for each system/package are available in the contract or based on the technical estimates where such break up values are not available.
- e) If the sale price is pending finalization, revenue is recognized on the basis of price expected to be realized. Where break up prices of sub-units sold are not provided for, the same are estimated.
- ii) On transfer of items (for Defence) to the bonded stores awaiting field-testings.
- iii) On completion of customer's prior inspection and acceptance in case the contract so provides, even if the goods are retained in the custody of the Company at the request of the customer.
- iv) In case of turnkey/composite contracts of complex equipment/systems, where the normal cycle time for completion is more than 12 months, subject to provision of anticipated losses, revenue is recognised (excluding taxes and duties) based on percentage completion, as certified by a Technical Committee, including
 - a) materials specially made/procured; and
 - b) services rendered as are directly related to the construction of an asset.

B. INTERNAL CAPITALISATION AND INTER-GROUP TRANSFERS:

- i) INTERNAL CAPITALISATION:
Equipment manufactured for internal use is capitalised at cost.

ii) INTER-GROUP TRANSFERS:

Inter and Intra group transfers are made at agreed transfer price. However, unutilised stock of such items at the year end lying as inventory is valued at cost.

C. INVENTORY:

- i) Raw materials, Stores & Spares and Components are valued at cost or net realizable value whichever is lower. Cost is assigned by using the weighted average cost formula.
Adequate provision is made for above which are more than 3 years old which may not be required for further use. In respect of others (less than 3 years), provision is made on a case-to-case basis for those items which are not considered for future use on account of obsolescence, redundancy, etc.
- ii) Work-in-progress of products/projects is valued at "factory cost" or "net realizable value" whichever is lower. Valuation of Work-in-progress is based on technical estimates.
- iii) Finished goods are valued at "factory cost" or "net realisable value" whichever is lower.

D. FIXED ASSETS & DEPRECIATION OF ASSETS:

Fixed Assets are stated at historical cost, net of CENVAT/VAT, if any.

- i) Depreciation is charged on straight-line method.
- ii) Depreciation is charged on monthly pro-rata basis for the additions/deletions during the year.
- iii) Cost of assets is depreciated in full in the year of acquisition/use, if the cost of an item is less than or equal to Rs.10,000/- with effect from 01.04.2003 and Re.1/- is retained in the Net Block for that item.
- iv) The rates of depreciation adopted by the company are as per Schedule XIV of the Companies Act, 1956, excepting in the case of
 - a) Computer Systems acquired by Computer Education Division which are depreciated at a rate of 50% with effect from 01.04.2001.
 - b) Systems sent on hire or for demonstration or for use outside the factory which are depreciated at a rate of 50% with effect from 01.04.2001
 - c) Assets acquired by Electronic Manufacturing Services Division under the heads of (i) Plant and Machinery and (ii) Electronic Testing and Measuring Equipment which are depreciated at a rate of 50% with effect from 01.04.2003 and
 - d) Structures, Erections, Warehouses, Electrical installations and other similar enabling works at Projects/ Sites are

depreciated considering the tenure of the contract with effect from 01.04.2003.

- v) Impairment of Assets: As at the end of each Balance Sheet date, the carrying amount of assets is assessed as to whether there is any indication of impairment. If the estimated recoverable amount is found less than its carrying amount, the impairment loss is recognised and assets are written down to their recoverable amount.

E. PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments are those adjustments, which are Rs.1,00,000/- and above in each case, arising out of errors and omissions made in the earlier years.

F. PREPAID AND OUTSTANDING INCOME/EXPENSES:

Items of income/expenses amounting to Rs.1,00,000/- and above in each case are accounted as Prepaid/ Outstanding liability as the case may be.

G. TECHNICAL KNOW HOW:

Expenditure on Technical Know how fees, Software, Training of Personnel etc., are charged off to revenue on incurrence.

H. DEMURRAGES AND WHARFAGES:

Expenditure on demurrages and/or wharfages on all imports, whether capital or otherwise, is charged to revenue.

I. EXCHANGE VARIATION:

All foreign currency transactions/balances including foreign currency loans for financing fixed assets (other than those covered by forward contract) outstanding on the date of Balance Sheet are converted at the rate of exchange prevailing on that date. Such exchange differences are treated in the accounts in accordance with AS-11.

J. GOVERNMENT GRANTS:

Govt. Grants related to specific fixed assets are shown as a deduction from the gross value of the assets concerned and those related to Revenue are deducted from the relevant expense accounts in the year in which the amounts are spent.

K. RESEARCH & DEVELOPMENT EXPENDITURE:

Research & development expenditure is charged to expenditure when incurred. Expenditure incurred on fixed assets is however capitalised.

L. PROVISION FOR BAD AND DOUBTFUL DEBTS:

Provision for bad and doubtful debts is made for the debts outstanding for more than one year, excepting those which are contractually not due as per the terms of the contract or those which are considered realisable based on a case to case review by the management.

M. EMPLOYEE BENEFITS:

- i) Provisions for gratuity and leave encashment liability to employees are made on the basis of actuarial valuation as at the year end. Actuarial gains and losses are recognized in the statement of profit and loss as income or expense.
- ii) Compensation under Voluntary Retirement Scheme is charged off to revenue on incurrence.

N. BORROWING COSTS:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised till the month in which the asset is ready to use as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which these are incurred.

O. DEFERRED TAXES:

Deferred Income Tax is provided using the liability method on all temporary timing differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and the tax laws) that have been enacted upto the date of approval of the financial statements.

P. INVESTMENTS:

Long term investments are valued at cost less any diminution in value that is other than temporary.

Q. PROVISION FOR WARRANTIES:

Warranty provision for contractual obligations in respect of goods sold to customers is set up on the basis of trend based estimates and is provided in the year of sale.

R. LEASES:

- a) Assets given on operating lease are capitalized. The related lease income is recognized as income, over the lease period, on accrual basis. In respect of lease and sub-lease arrangement, the lease rental received and payable are recognized as income and expenditure respectively in the Profit & Loss Account on accrual basis.
- b) Assets given on finance lease are recognized as sale at normal sale price/fair value/Net Present Value. Finance income is recognized over the lease period. Initial direct costs are expensed in the year of incurrence. In respect of assets taken on finance lease and subsequently sub-leased, the Accounting Policy for finance lease, as stated is applicable.

S. LIQUIDATED DAMAGES:

Claims for liquidated damages against the Company are recognized on accrual, to the extent revenue recognized. To the extent revenue not recognized, the same is treated as Contingent Liability.

ELECTRONICS CORPORATION OF INDIA LIMITED

BALANCE SHEET AS AT 31st MARCH, 2009

(Rupees in Lakhs)

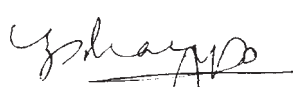
	Schedule	As at 31.03.2009	As at 31.03.2008
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	A	16337.12	16337.12
b) Reserves and Surplus	B	40458.78	39662.54
		56795.90	55999.66
2. Secured Loans	C	20250.32	11329.83
3. Unsecured Loans	D	5041.73	6364.14
Total (I)		82087.95	73693.63
II. APPLICATION OF FUNDS			
1. Fixed Assets	E		
a) Gross Block		23170.15	20361.05
b) Less: Depreciation		14076.72	13129.11
c) Net Block		9093.43	7231.94
d) Fixed Assets-in-transit & Capital Work-in-Progress	F	393.92	587.11
		9487.35	7819.05
2. Investments	G	164.64	164.64
3. Deferred Tax (Net Asset)		3938.44	2388.44
4. Current Assets, Loans and Advances			
A) Current Assets			
a) Inventories	H	12680.98	6884.13
b) Sundry Debtors	I	143600.86	127003.59
c) Cash and Bank balances	J	23318.45	26794.23
B) Loans and Advances	K	34668.41	24617.17
		214268.70	185299.12
5. Less: Current Liabilities and Provisions	L		
a) Current Liabilities		119441.66	96109.71
b) Provisions		26329.52	25867.91
6. Net Current Assets (4) - (5)		68497.52	63321.50
Total (II)		82087.95	73693.63
III. NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS			
	Q		

Accounting Policies, Schedules A to Q form part of the Accounts

For and on behalf of the Board



U VISHNUMURTHY
Director (Finance)



Y S MAYYA
Chairman & Managing Director

As per our report of even date attached
for **LAXMINIWAS & JAIN**
Chartered Accountants



LAXMINIWAS SHARMA
Partner
M.No.014244

Place : Hyderabad
Date : 04.07.2009

ELECTRONICS CORPORATION OF INDIA LIMITED
PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31st MARCH, 2009

(Rupees in Lakhs)

	Schedule	2008-09	2007-08
I. INCOME			
Sales		88788.71	80557.65
Services		17073.96	19336.57
Lease Rentals		215.41	270.68
Turnover (Gross)		106078.08	100164.90
Less: Excise Duty		3363.21	2348.94
Service Tax		1555.73	1358.63
Sales Tax		3696.03	2270.94
Turnover (Net)		97463.11	94186.39
Other Income	M	5926.43	4595.43
		103389.54	98781.82
Accretion(+)/Decretion(-) in stocks of WIP & FG	N-'I'	1898.57	-611.99
Total I		105288.11	98169.83
II. EXPENDITURE			
Materials Consumed	N-'2'	60417.13	42908.40
Employee Remuneration and Benefits	N-'3'	31815.38	24236.31
Manufacturing, Admn. and Other Expenses	N-'4'	6649.14	5562.72
Selling Expenses	N-'5'	2188.19	3247.42
Research and Development		2423.31	2139.69
Total II		103493.15	78094.54
Less: Transfer to Projects and Other Accounts	O	3241.76	3330.09
III. NET EXPENDITURE	Total III	100251.39	74764.45
IV. PROFIT BEFORE INTEREST & DEPRECIATION (I-III)		5036.72	23405.38
Interest	N-'6'	2156.51	1883.03
Depreciation		1015.49	1318.82
V. PROFIT FOR THE YEAR		1864.72	20203.53
(Before prior period / extraordinary adjustment)			
Add/(Less) Prior Period Items(Net)	P	24.99	-68.13
VI. PROFIT BEFORE TAX		1889.71	20135.40
Less: Provision for Taxation - For the Year		1800.00	7695.00
- For earlier Years		184.34	-29.93
Deferred tax asset(+)/Deferred tax liability(-)		1550.00	1050.33
Less: Provision for Fringe Benefit Tax		107.00	106.00
VII. PROFIT AFTER TAX		1348.37	13414.66
Add: Balance Brought forward from previous year		37012.54	28770.60
VIII. PROFIT FOR APPROPRIATIONS		38360.91	42185.26
Less: Proposed Dividend	471.93		3267.42
Less: Dividend Tax on Proposed Dividend	80.20		555.30
Less: Transfer to General Reserve	0.00	552.13	1350.00
IX. BALANCE CARRIED TO BALANCE SHEET		37808.78	37012.54
EARNINGS PER SHARE(Rs)	- BASIC	82.53	821.12
	- DILUTED	82.53	821.12

Accounting Policies, Schedules A to Q form part of the Accounts

For and on behalf of the Board

As per our report of even date attached
for **LAXMINIWAS & JAIN**
Chartered Accountants

U VISHNUMURTHY
Director (Finance)


Y S MAYYA
Chairman & Managing Director


LAXMINIWAS SHARMA
Partner
M No.014244

Place : Hyderabad
Date : 04.07.2009

SCHEDULE "A" SHARE CAPITAL

(Rupees in Lakhs)

	31.03.2009	31.03.2008
AUTHORISED CAPITAL		
20,00,000 (Previous year 20,00,000) Equity Shares of Rs.1000 each	<u>20000.00</u>	<u>20000.00</u>
ISSUED, SUBSCRIBED & PAID-UP CAPITAL		
16,33,712 (Previous Year 16,33,712) Equity Shares of Rs.1000 each fully paid up	<u>16337.12</u>	<u>16337.12</u>
Total	<u><u>16337.12</u></u>	<u><u>16337.12</u></u>

SCHEDULE "B" RESERVES AND SURPLUS

(Rupees in Lakhs)

	31.03.2009	31.03.2008
I. GENERAL RESERVE :		
As per Last Balance Sheet	2650.00	1300.00
Additions during the Year	<u>0.00</u>	<u>1350.00</u>
2. Balance in Profit and Loss Account	37808.78	37012.54
Total	<u><u>40458.78</u></u>	<u><u>39662.54</u></u>

SCHEDULE "C" SECURED LOANS

(Rupees in Lakhs)

	31.03.2009		31.03.2008	
From Scheduled Banks:				
(a) Cash Credit #	7500.00		3700.00	
Interest accrued and due	<u>24.04</u>	7524.04	<u>28.85</u>	3728.85
(b) Against Fixed Deposits	12652.75		7592.85	
Interest accrued and due	<u>73.53</u>	12726.28	<u>8.13</u>	7600.98
Total		<u>20250.32</u>		<u>11329.83</u>

Secured by first charge by way of hypothecation of present and future Raw Materials, Stores and Spares, Work-in-Progress, Finished Stock, Book Debts, Fixed Assets and Equitable Mortgage on Land & Buildings, ranking pari passu amongst the consortium member banks.

SCHEDULE "D" UNSECURED LOANS

(Rupees in Lakhs)

	31.03.2009		31.03.2008	
OTHERS (SHORT TERM)				
From Scheduled Banks	5000.00		6300.00	
Interest Accrued and due	41.73	5041.73	64.14	6364.14
Total		<u>5041.73</u>		<u>6364.14</u>

SCHEDULE “E” FIXED ASSETS

(Rupees in Lakhs)

S No	Name of the Asset	Gross Block At Cost				Depreciation				Net Block	
		As at 01.04.2008	Additions & Adj. During the Year	Deductions & Adj. During the Year	Total As At 31.03.2009	upto 31.03.2008	For the year	Previous Years Deductions & Adj. During the Year	Total upto 31.03.2009	As At 31.03.2009	As At 31.03.2008
1.	Land (Freehold)	79.37	789.76	-	869.13	-	-	-	-	869.13	79.37
2.	Development of Land	13.22	-	-	13.22	13.22	-	-	13.22	-	-
3.	Roads, Bridges & Culverts	64.71	6.61	-	71.32	24.24	1.09	-	25.33	45.99	40.47
4.	Factory Buildings	1589.86	54.24	-	1644.10	1173.42	34.55	-	1207.97	436.13	416.44
5.	Administration & other Buildings	941.32	2.56	-	943.88	343.85	14.88	-	358.73	585.15	597.47
6.	Research & Development - Plant Machinery	204.97	61.20	56.52	209.65	152.29	8.05	-	160.34	49.31	52.68
7.	Plant & Machinery	3026.86	693.40	9.98	3710.28	2260.04	96.03	2.29	2353.78	1356.50	766.82
8.	Electronic Testing & Measuring Equipment	8709.27	805.85	50.58	9464.54	5177.43	361.08	26.87	5511.64	3952.90	3531.84
9.	Computer Systems Hired out to Customers	1598.88	54.93	-	1653.81	1322.13	254.18	-	1576.31	77.50	276.75
10.	Air conditioners & Air coolers/Refrigerators	258.77	43.02	9.14	292.65	153.81	9.57	8.17	155.21	137.44	104.96
11.	Water supply & Sewerage	52.52	-	-	52.52	40.08	0.47	-	40.55	11.97	12.44
12.	Electrical Installation & Equipment	521.48	85.95	3.72	603.71	279.03	18.15	3.61	293.57	310.14	242.45
13.	Vehicles	67.95	5.11	-	73.06	40.57	5.12	-	45.69	27.37	27.38
14.	Furniture, Fittings & Other Equipment	3101.22	392.06	56.75	3436.53	2044.89	215.64	32.23	2228.30	1208.23	1056.33
15.	Library	71.18	0.64	0.18	71.64	64.85	1.07	0.18	65.74	5.90	6.33
16.	Sheds, Fixtures & Structures/ Erections at Projects/Sites	59.47	0.64	-	60.11	39.26	1.08	-	40.34	19.77	20.21
	TOTAL	20361.05	2995.97	186.87	23170.15	13129.11	1020.96	73.35	14076.72	9093.43	7231.94
	PREVIOUS YEAR	19858.25	1167.32	664.52	20361.05	12376.50	1326.44	573.83	13129.11	7231.94	7481.75

NOTES TO SCHEDULE - "E"

1. Where the cost of the asset(s) acquired is not readily ascertainable, accounting is done on provisional valuation subject to adjustments in subsequent years in value where the variation exceeds Rs.0.15 lakhs or 15% of the actual valuation whichever is higher. The increase in profit on account of this method is Rs. 0.76 lakhs for the year (Previous year decrease in profit Rs. 0.21 lakhs).
2.
 - a) The Department of Atomic Energy (DAE) vide their letter no: 5/10(5)/2000-PSU/Vol. III/61 dated 10.01.2002 conveyed the approval of the President of India for transfer of ownership to the Company (free of cost) of the land on which the factory is located at Hyderabad (about 278 acres). Further, out of 278 Acres of Land, a "Deed of Grant" for the land admeasuring 229.01 Acres is executed by DAE in accordance with President of India's approval for transfer of ownership of land to ECIL at free of cost through letter dated 06.01.2006. Out of the remaining Land admeasuring about 49 Acres, a piece of land admeasuring 7.36 Acres (Tank Bed) is State Government's Land and allowed only for community use and cannot be acquired/mutated on ECIL. The remaining land admeasuring 41.08 Acres, the matter for transfer is under process.
 - b) Title Deed in favour of the Company is yet to be executed for the freehold land admeasuring 0.533 Acres at Moula-Ali acquired by the Company from Andhra Pradesh Industrial Infrastructure Corporation Limited, Hyderabad in 1982-83.
 - c) The Department of Atomic Energy (DAE) vide their letter no: 5/10(5)/2000-PSU/Vol. III/61 dated 10.01.2002 conveyed the approval of the President of India for transfer of ownership to the Company (free of cost) Zonal office located in Mumbai (about 2773.50 sq.yards). The actions required for giving effect to the above approval are under process.
 - d) ECIL had executed Deeds of Lease with M/s Indian Rare Earths Limited, a Govt. Of India Undertaking, for leasing out a part of Zonal office building at Mumbai, admeasuring 12,820 Sq. Ft in Ground Floor & First Floor for a period of 20 years under the following payment conditions (i) Security Deposit of leased premises for Rs.1069.20 Lakhs and (ii) Annual Rent of Rs.1070/- per annum.
 - e) An area of 1.7 acres of land along with building occupied by Kushaiguda Police Station in survey No.303, Moula - Ali, belonging to DAE was leased to the Govt. of AP in the year 1998-99 at lease rent of Re.1/- per annum.
3. Assets acquired out of Government Grants are shown in additions & adjustments amounting to Rs.111.86 Lakhs and under deductions and adjustments amounting to Rs.111.86 lakhs which includes Rs.46.30 Lakhs BARC funded Assets. The nominal value of such Assets included in Gross Block for the year is Rs.174/-.
4. Certain Fixed Assets which are not in-use and Obsolete are de-capitalized. The net present book value debited to Profit and Loss account of such assets are Rs. 1.59 lakhs as against gross value of Rs. 72.69 lakhs.

SCHEDULE "F" FIXED ASSETS-IN-TRANSIT AND CAPITAL WORK-IN-PROGRESS

	(Rupees in Lakhs)	
	31.03.2009	31.03.2008
1. Capital Equipment-in-Transit	143.08	415.27
2. Capital Work-in-progress	48.79	136.99
3. Advances against Capital Expenditure-Plant and Machinery	202.05	34.85
Total	393.92	587.11

SCHEDULE "G" INVESTMENTS (AT COST)

(Rupees in Lakhs)

	31.03.2009	31.03.2008
UNQUOTED (OTHER THAN TRADE) - LONG TERM IN SHARES		
1. 250 shares of Rs.10/- each fully paid up in ECIL Employees Consumer Co-operative Society Limited	0.02	0.02
2. 14,70,000 equity shares inclusive of Bonus shares 7,35,000 Rs. 10/- each fully paid up in M/s. ECIL - Rapiscan Ltd.	73.50	73.50
3. 4,60,960 equity shares inclusive of Bonus shares 1,92,960 of Rs.10/- each fully paid up in M/s. Andhra Pradesh Gas Power Corporation Limited	26.80	26.80
4. 2,68,000 equity shares of Rs.10/- each, in Andhra Pradesh Gas Power Corporation Limited, Hyderabad at Rs.24/- per share, fully paid up	64.32	91.12
Total	164.64	164.64

SCHEDULE "H" INVENTORIES

(Rupees in Lakhs)

	31.03.2009	31.03.2008
As valued and certified by the management		
a) Finished Stock	795.41	689.92
b) Work-in-Progress	4337.80	2572.46
c) Scrap	41.45	13.71
d) Raw Materials, Assemblies and Components	3517.80	1954.73
e) Stores & Spares and Packing Materials	630.26	280.73
f) Stock of Tools	23.76	21.93
g) Materials-in-Transit	3334.50	1350.65
Total	12680.98	6884.13

SCHEDULE "I" SUNDRY DEBTORS

(Rupees in Lakhs)

	31.03.2009	31.03.2008
A) DEBTS OUTSTANDING MORE THAN SIX MONTHS :		
Unsecured :		
i) Considered good	22289.35	15226.15
ii) Considered doubtful	2686.84	2529.88
Total (A)	24976.19	17756.03
B) OTHER DEBTS : #		
Unsecured :		
Considered good	121311.51	111777.44
Total (B)	121311.51	111777.44
Total (A) + (B)	146287.70	129533.47
Less: Provision for debts considered doubtful	2686.84	2529.88
Total	143600.86	127003.59

Includes Rs.79464.01 lakhs (Previous year Rs.77164.47 lakhs) towards Income recognised up to date in respect of Long Term Project under AS-7 'Construction Contracts' but not billed to customers.

SCHEDULE "J" CASH AND BANK BALANCES

(Rupees in Lakhs)

	31.03.2009	31.03.2008
I. CASH BALANCE		
a) Cash on hand	5.30	5.04
b) Imprest Cash with Officers	0.40	0.45
c) Cheques on hand/in-transit	1633.72	1967.62
d) Stamps on hand	0.04	0.08
	1639.46	1973.19
2. BANK BALANCES WITH SCHEDULED BANKS		
a) Current Accounts	338.43	302.12
b) Collection Accounts	1208.60	2062.59
c) Remittances-in-transit	9.96	6.33
d) Fixed Deposits	20122.00	22450.00
[includes Rs.19230 lakhs (Previous year Rs.20450 lakhs) marked towards margin money of BGs, LCs, OD and Loan]		
Total	23318.45	24821.04

SCHEDULE "K" LOANS & ADVANCES

(Rupees in Lakhs)

	31.03.2009	31.03.2008
1. ADVANCES CONSIDERED GOOD IN RESPECT OF WHICH THE COMPANY IS FULLY SECURED:		
Advances to staff against hypothecation of vehicles	71.05	135.42
2. ADVANCES UNSECURED - CONSIDERED GOOD IN RESPECT OF WHICH THE COMPANY HOLDS NO SECURITY OTHER THAN THE PARTY'S PERSONAL SECURITY:		
a) Advances to employees	1003.15	273.95
b) Advances to suppliers for goods and services	4594.04	2696.60
c) Accrued Interest and Others	1157.67	1244.71
d) Other Advances	805.62	466.96
e) Claims with Customers and Others	391.93	288.20
f) Deposits	2118.44	1438.06
g) Tax deducted at source	2333.82	1439.52
h) Prepaid expenses	38.83	53.66
i) Balances with customs, Port Trust, Central Excise, etc.	921.38	1024.40
j) Advance Tax (IT)	21232.48	15555.69
	34597.36	24481.75
3. ADVANCES CONSIDERED DOUBTFUL	282.90	276.59
Less: Provision for advances considered doubtful	282.90	276.59
	0.00	0.00
Total	34668.41	24617.17

SCHEDULE "L" CURRENT LIABILITIES & PROVISIONS

(Rupees in Lakhs)

	31.03.2009	31.03.2008
1. CURRENT LIABILITIES		
a) Sundry Creditors for goods, machinery etc.	22861.56	16204.35
b) Sundry Creditors - MSME	70.65	8.38
c) Sundry Creditors for expenses	<u>22588.25</u>	<u>18391.27</u>
d) Advances from customers	61536.87	50411.32
e) Government Grants-in-Aid	3501.61	2928.29
f) Deposits	695.38	560.15
g) Security Deposit for Lease of Premises	1069.20	1069.20
h) Other liabilities	7118.14	6536.75
Total-1	<u>119441.66</u>	<u>96109.71</u>
2. PROVISIONS		
For Income Tax	16465.82	16530.34
For Fringe Benefit Tax	308.23	293.46
For proposed Dividend	471.93	3267.42
For Tax on proposed Dividend	80.20	555.30
For Excise Duty on Closing stock of Finished Goods	537.53	110.81
For Gratuity	76.36	301.48
For Earned Leave Encashment	5932.37	2356.07
For Warranty Charges	2457.08	2453.03
Total - 2	<u>26329.52</u>	<u>25867.91</u>
Total (1+2)	<u>145771.18</u>	<u>121977.62</u>

SCHEDULE "M" OTHER INCOME

(Rupees in Lakhs)

	2008-09	2007-08
1. INTEREST ON		
a) Staff advances	6.27	9.79
b) Electricity Deposits (APSEB)	2.86	2.86
c) Term Deposit Receipts [Tax deducted at source Rs.621.34 lakhs (Previous Year Rs.421.68 lakh)]	2309.88	2502.07
d) Others	<u>106.03</u>	<u>0.31</u>
	2425.04	2515.03
2. PROFIT ON SALE OF FIXED ASSETS	0.26	6.27
3. OTHERS		
a) Rent	7.29	8.54
b) Sale of scrap	39.02	28.79
c) Insurance Claims	23.87	7.81
d) Customs Duty claims	1.65	0.87
e) Provisions withdrawn	2045.11	1297.60
f) Unclaimed liabilities written back	780.70	2.21
g) Exchange Rate Variation	0.00	91.39
h) Miscellaneous	<u>559.39</u>	<u>592.82</u>
	3457.03	2030.03
4. DIVIDEND FROM JOINT VENTURE COMPANY (ECIL - Rapiscan Ltd.)	44.10	44.10
Total	<u><u>5926.43</u></u>	<u><u>4595.43</u></u>

SCHEDULE "N-1"

ACCRETION(+)/DECRETION(-) IN STOCKS OF WORK-IN-PROGRESS AND FINISHED GOODS

(Rupees in Lakhs)

	2008-09	2007-08
CLOSING STOCKS		
i) Finished Stock	795.41	689.92
ii) Work-in-progress	4337.80	2572.46
iii) Scrap	41.45	13.71
	<u>5174.66</u>	<u>3276.09</u>
LESS: OPENING STOCKS		
i) Finished Stock	689.92	634.65
ii) Work-in-progress	2572.46	3233.87
iii) Scrap	13.71	19.56
	<u>3276.09</u>	<u>3888.08</u>
Accretion (+)/Decretion (-)	<u>1898.57</u>	<u>-611.99</u>

SCHEDULE "N-2" MATERIALS CONSUMED

(Rupees in Lakhs)

	2008-09	2007-08
I. CONSUMPTION OF RAW MATERIALS, ASSEMBLIES AND COMPONENTS		
Opening Stock	1954.73	1878.65
Add: Purchases(after sales and adjustments)	61791.34	41627.55
Add: Departmental transfers - Production	340.12	560.73
	<u>64086.19</u>	<u>44066.93</u>
Less: Provision for obsolescence	43.14	30.88
Write off	53.14	146.33
	<u>63989.91</u>	<u>43889.72</u>
Less: Closing Stock	3517.80	1954.73
	<u>60472.11</u>	<u>41934.99</u>
2. CONSUMPTION OF		
a) Stores and Spares	180.50	464.04
b) Packing materials	219.68	112.94
c) Tools	24.12	17.95
	<u>424.30</u>	<u>594.93</u>
3. COST OF ACCESSORIES & SPARES SOLD/CONSUMED	315.66	623.19
Sub - Total	<u>61212.07</u>	<u>43153.11</u>
Less: Expenditure against Grants-in-Aid	794.94	244.71
TOTAL	<u>60417.13</u>	<u>42908.40</u>

SCHEDULE "N-3" EMPLOYEES' REMUNERATION AND BENEFITS

(Rupees in Lakhs)

	2008-09	2007-08
SALARIES, WAGES AND OTHER BENEFITS TO EMPLOYEES *		
a) Salaries, Wages and Bonus	28709.37	21391.34
b) Contribution to Provident Fund including administrative charges	1811.52	1452.94
c) Contribution to Gratuity Fund	0.00	371.61
d) Welfare expenses	1294.49	1020.42
Total	31815.38	24236.31
* includes:		
A) CHAIRMAN & MANAGING DIRECTOR'S REMUNERATION		
Salary	8.34	6.08
Contribution to PF	0.92	0.72
Other Benefits	2.50	2.67
TOTAL (A)	11.76	9.47
B) DIRECTORS' REMUNERATION		
Salary	31.71	16.96
Contribution to PF	1.83	1.53
Pension and Other Benefits	4.80	10.45
TOTAL (B)	38.34	28.94
TOTAL (A+B)	50.10	38.41

SCHEDULE "N-4" MANUFACTURING, ADMINISTRATION & OTHER EXPENSES

(Rupees in Lakhs)

	2008-09	2007-08
1. Power and Fuel	264.23	273.49
2. Water Charges	136.69	132.96
3. Repairs & Maintenance		
a) Buildings	295.04	227.56
b) Plant & Machinery	125.01	179.54
c) Others	208.57	111.09
4. Rent	160.32	144.65
5. Rates and Taxes	80.38	313.23
6. Insurance	70.23	94.52
7. Printing & Stationery	98.67	83.31
8. Postage, Telegram, Telephones & Telex	138.17	147.00
9. Advertisement	99.15	56.11
10. Travelling and Conveyance expenses	1074.54	1001.31
11. Vehicle expenses	179.53	164.00
12. Directors' fees and travelling expenses	2.41	4.53
13. Auditors' fees and expenses		
As Auditors:		
a) Statutory Audit fee		
- Current year	6.00	6.00
- Previous year	0.00	2.00
b) Expenses	3.88	3.02
14. Other Expenses		
i) Exchange Rate Variation	632.03	0.00
ii) Bank Charges	8.35	8.58
iii) Commission on Bank Guarantees	66.86	35.21
iv) Guest House expenses	11.62	10.73
v) Entertainment expenses	7.56	7.43
vi) Professional and Consultancy charges	390.96	385.31
vii) Lease Rentals	76.22	156.30
viii) Books and Periodicals	5.68	4.09
ix) Payment to Franchisees	1223.61	954.32
x) Stores Incidentals-Inwards	310.17	209.99
xi) Miscellaneous	792.63	568.91
15 i) Write off of RM, SS, Spares etc.	53.14	161.35
ii) Other write offs	29.23	28.24
16. Staff training expenses	22.54	23.45
17. Technical Know-how	8.05	0.00
18. Donations	1.00	0.00
19. Provisions:		
Doubtful Advances	23.53	33.26
Material Obsolescence	43.14	31.23
Total	6649.14	5562.72

SCHEDULE "N-5" SELLING EXPENSES

(Rupees in Lakhs)

	2008-09	2007-08
1. Advertisement - Commercial	22.09	19.66
2. Selling expenses	828.99	1352.82
3. Royalties	4.00	0.22
4. Commission to Selling Agents	79.82	70.13
5. Provision for amounts considered doubtful - Sundry debtors	93.52	263.57
6. Liquidated damages	770.39	862.47
7. Irrecoverable amounts:		
- Bad Debts written off	389.38	560.78
- Claims withdrawn	0.00	117.77
	389.38	678.55
Total	2188.19	3247.42

SCHEDULE "N-6" INTEREST

(Rupees in Lakhs)

	2008-09	2007-08
1. Cash Credit Account	548.98	160.29
2. Loans against Fixed Deposits / Others	1459.37	1025.57
3. Interest on Income Tax	82.65	553.05
4. Interest on Advances and Others	65.51	144.12
Total	2156.51	1883.03

SCHEDULE "O" TRANSFERS TO PROJECTS AND OTHER ACCOUNTS

(Rupees in Lakhs)

	2008-09	2007-08
1. Expenditure on Scientific Research and Development - In House	2423.31	2139.69
2. Internal Jobs for Capital use	91.09	3.93
3. Repairs and Maintenance - Internal	59.92	52.81
4. Guest House Expenses	4.86	9.66
5. Insurance - Purchases	2.79	8.10
6. Spare Parts	0.00	2.30
7. Departmental Transfers - Production	312.03	511.33
8. Service Tax Input Credit	347.76	602.27
Total	3241.76	3330.09

SCHEDULE "P" PRIOR PERIOD ADJUSTMENTS

(Rupees in Lakhs)

	2008-09	2007-08
INCOME		
1. Sales & Services	115.82	-650.80 #
2. Other Receipts	0.00	0.00
Total - I	115.82	-650.80
EXPENDITURE		
1. Materials Consumed	30.49	-472.57 #
2. Administrative & Selling Expenses	23.49	-58.65
3. Depreciation	5.47	7.62
4. Taxes & Duties	31.38	-59.07 #
Total - II	90.83	-582.67
Total - (I - II)	24.99	-68.13

includes reduction on account of change in acceptance dates in respect of two e-governance projects.

Schedule "Q"– Notes Annexed to and Forming Part of Accounts

I EXEMPTION FROM DISCLOSURE:

Exemption was granted by Ministry of Corporate Affairs vide Letter.No.46/74/2009-CL-III dated 20.05.2009 to the Company from disclosure compliance of the following provisions contained in part II of Schedule VI to the Companies Act, 1956 as amended:

PARA	PARTICULARS
3(i)(a)	Details regarding Sales in respect of each class of goods with quantities thereof.
3(ii)(a) (1)&(2), 3(ii)(d)	Value of opening and closing stocks of goods, purchases, sales and consumption of raw materials with value and quantitative break up and Gross Income from services rendered.
4C	Details regarding licensed capacity, installed capacity and actual production in respect of each class of goods manufactured.
4D(a)	Value of imports calculated on CIF basis by the Company during the financial year in respect of raw materials, components and spare parts and capital goods.
4D(c)	Value of imported and indigenous Raw materials, components and spares consumed and percentage of each to the total consumption.

2 IMPACT ON ACCOUNTS DUE TO CHANGES IN THE ACCOUNTING POLICIES :

- Changes made to Accounting Policies on Inventory "C " and Employee Benefits "M " are mainly clarificatory in nature and there is no impact on the profit for the year.
- The Accounting Policy "S" on Liquidated Damages has been modified and there is no impact on profit. However, an amount of Rs. 304.75 Lakhs is shown under contingent liability.

3 COMPLIANCE TO ACCOUNTING STANDARDS (AS) (Pursuant to Sec 211 of the Companies Act)

A) CONSTRUCTION CONTRACTS (AS -7) :

- In terms of Accounting Policy No. A(iv) Contract Revenue of Rs. 29327.34 Lakhs (previous year Rs.51154.94 lakhs) is recognized as per AS-7 (Construction Contracts), based on the percentage completion of works, as certified by a Technical Committee, by the following methods.
 - Rs.14033.01 lakhs on the ratio of actual costs incurred up to 31.03.2009, to the estimated total cost of the contract.
 - Rs.15294.33 lakhs on the percentage completion of the physical proportion of the contract work, including related services.
- A Contract for Rs. 2980 lakhs revised to Rs. 5048 lakhs towards rendering the services which are directly related to the setting up of Power Project has been treated as Construction Contracts within the meaning of AS-7 (as per clause 4 of AS-7) and also opined by the Expert Advisory Committee of ICAI in the contracts of similar nature. The revenue recognized on this contract is Rs.1385.17 lakhs during the year.
- Five contracts negotiated, secured and confirmed by the customer, under a 'Single Work Package' as all the activities are inter related for design, supply, installation, commissioning of various facilities for setting up of power plants have been treated as construction contracts within the meaning of AS-7 being turnkey project and revenue to the tune of Rs.320.20 lakhs has been accordingly recognized.

Schedule "Q"– Notes Annexed to and Forming Part of Accounts

(Contd...)

b)	Contract costs incurred and recognized profits (Less Recognized losses) up to 31.03.2009	145916.10
c)	Advances received (Net)	59402.09
d)	Gross amount due from customers	79464.01
e)	Gross amount due to customers	NIL
f)	Retentions, if any	1961.51
g)	The estimates of total costs and total revenue in respect of construction contracts are reviewed and updated periodically during the year and necessary adjustments are made in the current year 's account.	

B) EMPLOYEE BENEFITS- (AS-15):

- The obligation for leave encashment unfunded is recognized by the actuarial valuation at each Balance Sheet date. Due to change in the estimate of provision for Leave Encashment Liability, an amount of Rs.1633.92 lakhs has been accounted during the year 2008-09.
- The Company makes contribution on monthly basis towards Provident Fund to Employees Provident Fund Trust and Pension contribution to EPFO and the same is charged to the Profit and Loss Account. Having regard to the assets of the Fund and return on the Investments, the Company does not expect any deficiency in the foreseeable future as certified by an actuary.
- Gratuity is a funded Defined Benefit Plan payable to the qualifying employees on separation. It is managed by Employees Gratuity Fund through Employees Group Gratuity cum Life Assurance Scheme of the Life Insurance Corporation of India. Company makes annual contribution to the Fund based on the present value of the Defined obligation and the related current service costs which are measured on actuarial valuation carried out on Balance Sheet date. The liability has been assessed using Projected Unit Credit Method.

The net liability recognized in the Profit and Loss Account and Balance Sheet as furnished by the Actuary in respect of Gratuity is given below :

- Reconciliation of opening and closing balances of the present value of the defined benefit obligation as at the year ended 31.03.2009 are as follows :

	(Rs. in lakhs)	
	2008-09	2007-08
I. Change in Benefit obligation :		
Present value of obligation as at the beginning	9492.74	8843.17
a) Interest Cost	759.42	663.24
b) Current Service Cost	58.73	110.58
c) Benefits paid	682.69	416.59
d) Actuarial (gain) / loss	(21.83)	292.34
Present value of obligation at the end of the period	9606.37	9492.74

Schedule "Q"– Notes Annexed to and Forming Part of Accounts

(Contd...)

II. Change in Fair value of plan assets	2008-09	2007-08
Fair value of Plan Assets at the beginning of the year	9191.26	8396.07
a) Expected return on plan assets	863.82	796.18
b) Contributions	362.77	415.60
c) Benefits paid	682.69	416.59
d) Actuarial gain/loss on plan assets	NIL	NIL
Fair value of plan assets at the end of the period	9735.16	9191.26
Excess of Obligation over Plan Assets	(128.79)	301.48
III. Expenses recognized in the statement of Profit & Loss A/C	2008-09	2007-08
a) Current service Cost	58.73	110.58
b) Interest Cost	759.42	663.24
c) Expected return on Plan Assets	863.82	796.18
d) Net Actuarial (gain)/loss recognized in the period	(21.83)	292.34
Expenses recognized in the statement of Profit & Loss A/C	(67.50)	269.98
IV. Amounts recognized in the Balance Sheet	2008-09	2007-08
a) Present value of Obligation as at the end of the period	9606.37	9492.74
b) Fair value of Plan Assets at the end of the period	9735.16	9191.26
c) Funded Status	128.79	(301.48)
Liability recognized in Balance Sheet	(128.79)	301.48
V. Major Category of plan assets as at 31st March, 2009		NIL
VI. Principal Assumptions	2008-09	2007-08
a) Discounting Rate	8.00%	7.50%
b) Salary Escalation rate	6.00%	6.25%

- ii) Short term liability in respect of ex-employees as on 31.03.2009 not included above, amounting to Rs.76.39 lakhs (previous year Rs. 61.30 lakhs) has been included in Current Liabilities and Provisions.

C) SEGMENT REPORTING (AS-17) :

The company is engaged mainly in electronic products and services and considered as a single segment for the purpose of Accounting Standard AS-17. During the year under report, substantial part of the Company's business has been carried out in India. The conditions prevailing in India being uniform, no separate geographical disclosures are considered necessary.

D) RELATED PARTY DISCLOSURE (AS-18):

- i) Key Management Personnel :

Shri K S Rajasekhara Rao
Shri S Hanumantha Rao
Shri U Vishnumurthy
Shri Y S Mayya

Chairman & Managing Director
Director (P) (upto 13.03.2009)
Director (F)
Director (T)

Remuneration to Key Management Personnel – Rs. 50.10 lakhs (Refer Schedule N-3) (Previous year Rs.38.41 lakhs).

Schedule "Q"– Notes Annexed to and Forming Part of Accounts

(Contd...)

- ii) ECIL- Rapiscan Limited is a Joint Venture company (JV) in which the share holding interest of ECIL is 49 %. ECIL has limited influence over the JV in making operating decisions.

Details of transactions :

(Rs. in lakhs)

Particulars	2008-09	2007-08
Purchase of Goods	83.75	86.15
Sale of goods	987.33	1152.77
Services rendered to JVC	109.09	104.78
Services received from JVC	309.07	1256.74
Agency arrangements (manpower)	258.77	272.02
Amounts payable to JVC	695.14	1286.76
Amounts receivable from JVC	1066.47	889.96
Provision for Bad & Doubtful debts	0.00	4.88
Write-off of debts(Rs.2.98 lakhs less provision Rs.2.98 lakhs)	0.00	0.00

E) EARNINGS PER SHARE (AS-20) :

Earnings per share as per AS-20 are calculated as shown below for the year ended 31.03.2009.

Net Profit after tax as per Profit and Loss Account (Rs. in Lakhs)	1348.37
Weighted Number of equity shares as on 01.04.2008 (Nos.)	1633712
Weighted average number of equity shares for calculation of earnings per share (Nos)	1633712
Nominal value of equity share	Rs. 1000.00
Earnings per share (Basic & Diluted)	Rs. 82.53

F) ACCOUNTING FOR TAXES ON INCOME (AS-22):

- i) Pursuant to AS-22, the Company had recorded a net cumulative deferred tax asset of Rs. 3938.44 lakhs as on 31.03.2009 (previous year Rs.2388.44 lakhs), recognizing a net deferred tax asset of Rs.1550.00 lakhs (previous year Rs.1050.33 lakhs) in the Profit and Loss Account for the year 2008-09.
- ii) Major components of deferred tax assets and liabilities arising on account of timing differences are:

(Rs. in lakhs)

Components of Deferred Tax	AS ON 31.03.2009		AS ON 31.03.2008	
	Assets	Liabilities	Assets	Liabilities
Depreciation	-	3492.67	-	3514.48
Voluntary Retirement Scheme	844.44	-	1414.64	-
Provision for Doubtful Debts and Advances	781.03	-	1042.05	-
Wage Revision Arrears	3408.24	-	3690.41	-
43B Disallowances	9510.41	-	3993.68	-
Others	535.62	-	400.59	-
TOTAL	15079.74	3492.67	10541.37	3514.48
DEFERRED TAX ASSET @ 33.99%	3938.44		2388.44	

Schedule "Q"– Notes Annexed to and Forming Part of Accounts

(Contd...)

G) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS –(AS-29):

The details of provision made towards the expenditure on warranty are as under :

(Rs. in lakhs)

Particulars	On product sales	On contracts under AS-7
Opening Balance as on 01.04.2008	321.60	2131.42
Provisions made during the year	264.66	356.95
Amounts used (i.e, incurred and charged against provision)	9.25	0.00
Unused amounts reversed	130.25	478.05
Closing balance as on 31.03.2009	446.76	2010.32

H) Impairment of assets (AS-28)

Based on the assessment of internal and external factors, no provision for impairment of assets is considered necessary as the realizable value of assets is more than the carrying cost of the assets.

4. LEASE TRANSACTIONS(AS-19):

- i) The Company does not have any assets as on 31.03.2009, which are taken on lease for its own use. At the instance of the customers, computer systems have been acquired under lease agreements and are sub-leased to the respective customers under separate sub lease agreements. The lease rental income of Rs.215.41 lakhs received from the customers and lease rental payments of Rs.76.22 lakhs for the year 2008-09 to the lease financing companies are accounted for as Income and Expenditure respectively in the Profit & Loss Account and included under the heads "Income from Lease Rentals" and "Lease Rental Payments" respectively.

Future lease rental obligation in respect of computer systems taken on lease and sub-leased to customers is Rs.163.09 lakhs (Previous year Rs.238.51 lakhs), as against receivables of Rs.230.19 lakhs (previous year Rs.350.97 lakhs).

The quantum of future minimum lease payments as at 31.03.2009 is furnished below:

(Rs. in lakhs)

SI.No	Particulars	
i)	Not later than one year	75.42
ii)	Later than one year and not later than 5 years	87.67
iii)	Later than five years	NIL

The total contingent rents recognized as income for the period is NIL

- ii) Service income in respect of a contract executed under BOMT Model has been accounted in line with the previous year. The quarterly service income receivable from customer and corresponding expenditure payable to consortium partner are as follows :

(Rs. in lakhs)

SI.No	Particulars	Service income (Receivable)	Expenditure (Payable)
i)	Not later than 1 year	657.30	485.01
ii)	Later than 1 year and not later than 5 years	NIL	NIL
iii)	Later than five years	NIL	NIL

Schedule "Q"– Notes Annexed to and Forming Part of Accounts

(Contd...)

5. VAT :

Treatment of VAT with reference to income and expenditure in Profit & Loss Account as suggested by ICAI could not be followed in view of practical constraints. However, there is no financial impact on the results for the year.

6. GRANTS –IN –AID :

Unspent balance of Government Grants-in-Aid for undertaking various Research & Development Projects of Rs.3501.61 lakhs as on 31.03.2009 (Previous year Rs.2928.29 lakhs) under Current Liabilities and Provisions – Schedule – L is after consideration of the following adjustments:

(Rs. in Lakhs)

Sl. No	Particulars	Year ended 31.03.2009	Year ended 31.03.2008
i)	Total receipts during the year	2103.00	2053.74
	Less: Adjustments against previous years expenditure	0.00	53.74
	Net adjusted receipts	2103.00	2000.00
ii)	Refund/Withdrawals during the year	669.18	12.14
iii)	Actually utilized during the year towards:		
	a) Revenue Items	794.94	244.72
	b) Capital Items	65.56	51.84
iv)	Allocation of Interest (Credit) towards unspent balance of Grants during the year.	0.00	35.13

7. INVENTORIES:

- i) Inventory includes
 - a) Material with sub contractors amounting to Rs.5.38 lakhs (previous year Rs.6.37 lakhs) and
 - b) Finished goods amounting to Rs.37.09 lakhs (previous year Rs.5.90 lakhs) sent on Exhibition / Approval / Demonstration.
- ii) Reduction in value of Work-in-progress and Finished Goods:
Reduction in value of Work-in-progress and finished goods towards obsolescence has been Rs.8.87 lakhs during the year. (Previous year Rs.87.73 lakhs).

8. Sales for the year include

- i) goods which are in deliverable condition and are retained at the instance of the customers for an amount of Rs.1727.48 lakhs. Further, goods retained in earlier years at the request of the customers worth Rs.3494.75 lakhs (Previous year Rs.6372.86 lakhs) are also awaiting dispatch as on 31.03.2009.
- ii) goods valuing Rs. 6689.15 lakhs, which are transferred to bonded stores as per Accounting Policy A ii.

9. Revenue has been recognized on the supplies of EVMs to Election Commission of India at Rs. 8670 per unit (excluding taxes & duties), pending recommendation of the price by Price Review Committee of Election Commission of India.

10. Contract for AMC from DOL has been renewed in line with the terms and conditions of the previous contract except for price. Pending finalization of price, revenue has been recognized for an amount of Rs. 92.54 Lakhs during the year based on the previous contract.

Schedule "Q"– Notes Annexed to and Forming Part of Accounts

(Contd...)

- 11.** Sundry Debtors as on 31.03.2009 include Rs.2961.38 lakhs (previous year Rs. 2953.26 lakhs) towards amounts receivable from M/s. Indian Telephone Industries Limited, a sick unit. The Company is confident of recovering the amount and hence no provision is considered necessary.
- 12.** Salaries and wages include a provision made on estimated basis amounting to Rs. 1737.36 lakhs towards revision of wages of workmen which is due from 01.01.2007.
- 13.** During the year an amount of Rs. 669.18 lakhs has been withdrawn being the interest on the unspent balance of Government grants received towards Voluntary Retirement Scheme and Research and Development Projects.
- 14.** The Company has reclassified the expenditure of Rs. 2423.31 lakhs from primary heads to functional heads under Inhouse R&D expenditure which includes Rs.245.22 lakhs being the expenditure on software.
- 15.** Sundry Creditors include Rs.540.90 lakhs payable to ECIL Rapiscan Ltd., (JV Company) under deferred credit terms towards procurement of materials for MSTD Project. As per the agreement with JVC, ECIL has offered the same as security, by way of hypothecation, in favour of State Bank of Hyderabad, from whom JV secured term facility for financing the procurement and delivery to ECIL.

16. OTHERS:

- i. Rs. 128.64 lakhs received from Nuclear Fuel Complex by way of interest free deposit for investment in the shares of APGPCL and for transferring the energy and power entitlement including Bonus power is shown under Current Liabilities and Provisions (Schedule L). Consequent to Supreme Court Order, with effect from 01.04.2004 the surplus/excess power generated is surrendered to APGPCL as the same could not be utilized by the Company.

In pursuance of the demand for wheeling charges from APTRANSCO under Electricity Act, 2003, an amount of Rs.149.26 lakhs is provided in the books considering the number of units consumed for the period 10.06.2003 to 31.03.2008. No provision is considered necessary for the year as there is no demand from APTRANSCO

- ii Contingent liabilities:

(Rs in Lakhs)

Sl. No.	Particulars	As at 31.03.2009	As at 31.03.2008
a)	Letters of Credit	8656.20	2615.64
b)	Bank Guarantees	8843.33	8882.15
c)	Corporate Guarantees favouring Govt. Depts. / PSUs	26214.26	18078.92
d)	Indemnity Bonds	38625.26	21762.00
e)	Guarantee on behalf of employees	0.35	0.35
f)	Court/Arbitration cases	277.48	54.75
g)	Demands from Government authorities and appeals filed against the Company not provided for in respect of taxation matters.	8349.67	8183.07
h)	Cess payable under Section 44I A of the Companies Act, 1956 at 0.1% of the Annual Turnover from 2002-03 to 2008-09	647.44	541.37
i)	Others	1424.49	1059.77

Schedule "Q"– Notes Annexed to and Forming Part of Accounts

(Contd...)

iii. (Rs. in lakhs)

Particulars	As at 31.03.2009	As at 31.03.2008
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	7301.11	1365.47

iv. Expenditure in Foreign Currency (excluding provision)

(Rs. in lakhs)

Particulars	2008-09	2007-08
Foreign Travel	57.60	109.39
TOTAL	57.60	109.39

v. Export Earnings: (including Deemed Exports)

(Rs. in lakhs)

Particulars	2008-09	2007-08
Exports – Products	555.26	309.26
TOTAL	555.26	309.26

vi. Sundry Creditors include an amount of Rs.70.65 lakhs being the outstanding dues to Micro Enterprises and Small Enterprises to the extent of responses received from such undertakings as to their MSMED status. The disclosures relating to Micro and Small Enterprises as on 31.03.2009 is given below :

(Rs. in lakhs)

a) The principal amount remaining unpaid to any supplier as at the end of the accounting year	70.65
b) The interest due thereon remaining unpaid to any supplier as at the end of the accounting year	NIL
c) The amount of interest paid in terms of section 16 of MSMED Act, 2006 along with the amount of payment made beyond the appointed day during the accounting year	NIL
d) 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 Act.	NIL
e) The amount of interest accrued and remaining unpaid at the end of each accounting year	NIL
f) 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	NIL

vii Letters were sent for confirmations of balances to Sundry Debtors, Creditors, Advance received / paid and confirmations received have been dealt with accordingly.

viii Figures relating to previous year are either suitably regrouped or recast wherever considered necessary to conform to the current year's classification.

Schedule "Q"- Notes Annexed to and Forming Part of Accounts

(Contd...)

17. BALANCE SHEET ABSTRACT AND COMPANY 'S GENERAL BUSINESS PROFILE

(As per notification No.GSR 388(E), dated 15.05.1995)

I. Registration Details

Registration No.01149, Dt.11.04.1967-AP State Code: 01 Balance Sheet Date: 31st March, 2009

II. Capital raised during the year (Amount in Rs. in Lakhs)

Public Issue	—	Rights Issue	—
Bonus Issue	—	Private Placement (President of India)	—

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Lakhs)

Total Liabilities	227859.13	Total Assets	227859.13
Sources of Funds:			
Paid-up Capital	16337.12	Reserves & Surplus	40458.78
Share Money Pending Allotment	—	Unsecured Loans	5041.73
Secured Loans	20250.32	Deferred Tax Liability (Net)	
Application of Funds:			
Net Fixed Assets	9487.35	Investments	164.64
Net Current Assets	68497.52	Misc. Expenditure	—
Accumulated Losses	—	Deferred Tax Asset (Net)	3938.44

IV. Performance of Company (Amount in Rs. Lakhs)

Turnover and Other Income	112004.51	Total Expenditure	110114.80
+/- Profit/Loss Before Tax	1889.71	Profit/Loss After Tax	1348.37
Earning Per Share in Rupees-Basic & Diluted	82.53	Dividend rate %	2.89

V. Generic Names of Principal Products/Services of the Company (as per monetary terms):

Heading No.	H.S. Code	I.T.C(H.S) Code	Product Description
84.71 84.73 84.69 84.71	8471.20	847120.09	Computer based System for Real time, Specific and Business Applications, Software and Consultancy Services, Spares and Maintenance Services and Personal Computers.
85.25 85.28			Radio Communication Systems to cater to Strategic Sectors comprising HF/VHF/ UHF Receivers and Transceivers, Satellite TV receiver only and special MW components such as VCO, Isolators, Circulators, PLOs, Switches, Amplifiers, Filters, etc. Design, Development, Fabrication, Production, supply & erection of a variety of Antenna Systems.
84.01 84.70 85.32 85.33 85.41	9022.19		Industrial and Analytical Instruments, Security Systems comprising CCTV Fire Alarm and X-ray Baggage Inspection Systems, Electronic Energy Meters, Special Systems and Fiber Optic based systems.
90.30 90.31 90.32			Hybrid micro-circuits, Tantalum Capacitors, Semiconductor Components, Printed Circuit Boards, Technical Ceramic Components and Potentiometers.
85.43 84.72 90.22	9022.31	902221.00 854310.09 903289.04	EAST Packages for Thermal Power Plants, Data Acquisition systems, Tele supervisory systems, Control and Instrumentation equipment, Servo Systems, Electro mechanical systems and Industrial Controls.

Accounting Policies, Schedules A to Q form part of the Accounts

For and on behalf of the Board

U VISHNUMURTHY
Director (Finance)

Y S MAYA
Chairman & Managing Director

As per our report of even date attached
for **LAXMINIWAS & JAIN**
Chartered Accountants

LAXMINIWAS SHARMA
Partner
M.No.014244

Place : Hyderabad
Date : 04.07.2009

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH, 2009

(Rupees in Lakhs)

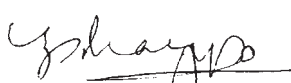
	2008-09	2007-08
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT/(LOSS) BEFORE TAX & EXTRAORDINARY ITEMS	1889.71	20135.40
Adjustments for :		
Depreciation	1020.96	1326.44
Other income	-774.43	0.00
Foreign exchange	632.03	-91.39
Interest expense	2156.51	1883.03
Dividends received	-44.10	-44.10
Profit/Loss on sale of fixed assets	-0.26	-6.27
W-off/decapitalisation of assets	1.59	20.13
Interest received on Short Term Deposit Receipts	-2309.88	-2502.07
Operating profit before Working Capital changes	2572.13	20721.17
Increase/Decrease Inventories	-5796.85	-28.29
Increase/Decrease Sundry debtors	-16597.27	-28132.69
Increase/Decrease Loans and advances	-3779.00	-2903.09
Increase/Decrease Current liabilities	22141.01	5720.07
Increase/Decrease Provisions	3781.95	524.08
Cash generated from operations	2321.97	-4098.75
Direct taxes paid	-7486.22	-8123.54
Grants received	2103.00	2053.74
Grant returned	0.00	-12.14
Grants utilisation	-794.94	-244.72
Cash flow before extraordinary items	-3856.19	-10425.41
Extraordinary items	—	—
Net cash from operating activities	-3856.19	-10425.41
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets(including from grant Rs.65.56 lakhs)	-2949.66	-1167.32
Sale of fixed assets	0.32	24.99
Acquisition of companies	—	—
Fixed assets in transit and capital work in progress	193.19	-381.46
Amt. received on maturity of Investments	—	—
Interest received	1390.96	1397.39
Dividend received	44.10	44.10
Net cash from investing activities	-1321.09	-82.30
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	0.00	0.00
Proceeds from term loan from Banks	7559.90	17592.85
Repayment of finance lease liabilities	—	—
Interest expense	-2035.68	-1177.99
Dividend paid	-3267.42	-3097.62
Dividend tax paid	-555.30	-526.44
Net cash used in financing activities	1701.50	12790.80
Net increase in cash and cash equivalents	-3475.78	2283.09
Cash and cash equivalents (Opening Balance)	26794.23	24511.14
Cash and cash equivalents (Closing Balance)	23318.45	26794.23

- Note : 1. The above statement has been prepared under indirect method except in case of interest, dividend, purchase and sale of investments/Fixed Assets and Taxes, which have been considered on the basis of actual movement of cash, with corresponding adjustments in Assets and Liabilities.
2. "Cash and Cash equivalents" consists of Cash on hand, Balances with Banks and Deposits as shown in Schedule 'J'.

For and on behalf of the Board



U VISHNUMURTHY
Director (Finance)



Y S MAYYA
Chairman & Managing Director

As per our report of even date attached
for **LAXMINIWAS & JAIN**
Chartered Accountants



LAXMINIWAS SHARMA
Partner
M.No.014244

Place : Hyderabad
Date : 04.07.2009

Auditors' Report

Annexure-III to the Directors' Report

To
The Members of
Electronics Corporation of India Limited
Hyderabad.

Company's Replies

We have audited the attached Balance Sheet of Electronics Corporation of India Limited (ECIL), Hyderabad, as at 31st March, 2009 and the related Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

- A)** We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- B)** As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
- C)** Further to our comments in the annexure referred to in paragraph (B) above, attention is invited to the following:
- i) Note No: 2 in Schedule 'Q' During the year the company has changed Accounting Policies on inventory valuation, employees benefits and liquidated damages, which does not have any impact on the Profit of the company. However the change relating to liquidated damages has resulted in increase of contingent liabilities by Rs. 304.75 Lakhs;

Auditors' Report

Company's Replies

- ii) Note No: 9 & 10 In Schedule 'Q' regarding Recognition of Revenue on provisional basis/ pending recommendation of the final price by the price Review Committee in respect of Electronic Voting Machines at Rs.8670 per unit for supplies; and Service rendered to Directorate of Logistics (DOL) for AMC amounting to Rs.92.54 Lakhs;
- iii) Note No: 12 in Schedule 'Q' regarding adhoc provision of Rs 1737.36 Lakhs towards Salaries and wages impending wage agreement between the Employees' Union and the Management w.e.f. 01.01.2007;
- iv) Note no. 13 in Schedule 'Q' regarding reversal of interest of Rs 669.18 Lakhs provided in earlier years on unspent balance of Government grants received towards voluntary retirement scheme and research and development projects.
- v) Note no. 14 in Schedule 'Q' regarding reclassification of expenditure of Rs. 2423.31 Lakhs from primary heads to functional heads under inhouse R&D expenditure. We have relied on the information given by the management and accepted the same for the disclosure purpose.
- vi) Note No 16 (i) in Schedule 'Q' regarding Deposit of Rs 128.64 Lakhs received from NFC for the purpose of Investment in APGPCL. Pending settlement of issues between NFC and the Company with reference to investment in shares and its ownership, the amount deposited has been exhibited under "Current Liabilities".
- vii) Note No 5 in Schedule 'Q' regarding deviations from the Guidance Note issued by Institute of Chartered Accountants of India for VAT accounting.

The revenue recognised in respect of Electronics Voting Machines has been received in full; formal contract finalizing the price is awaited from Directorate of Logistics.

Provision for wage revision for executives has been made on DPE guidelines and as approved by Board. The same basis has been adopted for workmen also and is under negotiation.

The provisions were no longer required and hence reversed.

R&D expenditure has been identified and reclassified and the practice is being followed consistently.

The note referred to by the Statutory Auditors is factual and self-explanatory.

The note referred is self-explanatory. It has no financial impact on the results for the year.

D) Our comments on the Financial Statements 2008-09 are as under:

- I. Accounting Policy A on "Revenue Recognition":
- a) Refer Note No. 3A(a)(ii)(a) of Schedule 'Q', the Company has recognized the revenue under Accounting Standard (AS)-7 for the contract including stand alone service

The Accounting Policy for recognition of income for long term contracts is in line with Accounting Standard-7.

Auditors' Report

contracts where the service becomes chargeable on line entry basis on completion and acceptance.

In our opinion, recognizing revenue on the basis of above policy which is in deviation to Accounting Standard (AS)-7 has resulted in overstatement of the revenue and debtors by Rs.1385.17 Lakhs, understatement of the inventory by Rs. 412.30 Lakhs and overstatement of Profit before Tax (PBT) by Rs. 972.87 Lakhs

- b) ***Refer Note No 3A(a)(ii)(b) of schedule 'Q', the company combined different orders and treated as one project though they are negotiated as separate packages with different delivery dates which individually are less than one year and recognized a revenue of Rs 320.20 Lakhs under Accounting Standard (AS)-7, which in our opinion, is contrary to the provisions of AS-7. This accounting has resulted in overstatement of revenue and sundry debtors by Rs 320.20 Lakhs, overstatement of expenditure and liabilities by 58.39 Lakhs and understatement of inventory by Rs 143.99 Lakhs and consequently resulted in overstatement of the PBT by Rs 117.82 Lakhs.***

- c) The company has recognized revenue in case of a customer order where the material has not been dispatched.

In our opinion, the risk and rewards to goods has not been transferred in accordance with Accounting Standard (AS)- 9. This has resulted in overstatement of Revenue and Sundry Debtors by Rs 1450.94 Lakhs; overstatement of expenditure and liabilities by Rs. 55.80 Lakhs, inventory is understated by Rs 1298.03 Lakhs and the PBT is overstated by Rs 97.11 Lakhs.

- d) In case of a construction contract the company has recognized revenue and booked consumption though the material for the same has not been procured/ received

Company's Replies

Para 4(a) of Accounting Standard-7 provides for recognition of services directly related to the construction of the asset.

Individual dates of completion for orders cannot be considered when the customer states that all the orders mentioned in the letter dated 27.02.07 are a "single work package".

As it is a single work package, total period required for completion of all the packages are to be considered for the purpose of reckoning long term construction contracts under AS-7, which is more than 12 months.

The customer has issued inspection note and the said material was duly delivered as per terms of the customer order being FOR, Hyderabad .

As per contractual terms, certain specific items are deliverable to the User directly from OEM. These equipments are designed, manufactured and tested at OEM premises and are to be collected by the customer. Accordingly the expenditure and income is accounted during the financial year.

Auditors' Report

Such recognition resulted in overstatement of Revenue and Sundry Debtors by Rs 294.09 Lakhs, overstatement of expenditure and liabilities by Rs. 152.66 Lakhs and the PBT is overstated by Rs 141.43 Lakhs.

- e) Revenue is recognized even for partial obligations fulfilled in case of composite contracts though complete obligations envisaged in the order are yet to be fulfilled. The Company has assumed, title and risk/rewards associated with ownership relating to the goods to the extent of partial supplies made have been transferred.

In our opinion, such recognition is not strictly in line with the provisions of Accounting Standard (AS)-9 on Revenue recognition. Such recognition resulted in overstatement of Revenue and Sundry Debtors by Rs 1772.21 Lakhs, expenditure and liabilities is overstated by Rs 154.53 Lakhs, inventory is understated by Rs 1196.38 Lakhs and PBT is overstated by Rs 421.30 Lakhs.

- f) ***Refer Note No 8(i), the Company has the practice of recognizing the sales on retention basis which is retained at the request of the customer in the custody of the company, the Risk & Rewards for which are not passed to the customer. The same in our opinion is not in accordance with the Accounting Standard (AS)-9 and by which the revenue and debtors are overstated by Rs 1727.48 Lakhs, expenditure and liabilities are overstated by Rs 117.65 Lakhs, inventory is understated by Rs 1412.23 Lakhs. Consequential increase of PBT by Rs 197.60 Lakhs.***

The company is having the stock in its custody which are sold on retention basis for financial year 2002-03 (Rs 1517.40 Lakhs); 2003-04 (Rs 1040.92 Lakhs); 2004-05 (Rs 344.88 Lakhs); 2006-07 (Rs.128.96 Lakhs); 2007-08 (Rs.462.60 Lakhs) 2008-09 (Rs.1727.48 Lakhs) - aggregating to Rs. 5222.24 Lakhs, awaiting dispatch as on 31.03.2009.

Company's Replies

The customer order is for supply (Rs. 1977 lakhs) and installation and commissioning (Rs. 32 lakhs) of Integrated Security Systems. Goods have been received by the customer and returned back to ECIL for installation and commissioning. As the goods have been retained in the capacity of bailee, title and risk/rewards associated with ownership relating to the goods to the extent of supplies made have been transferred.

All the items were customer specific and inspected wherever pre-inspection clause is applicable and ready for delivery. They were retained on customers' specific requests. Since the customer has specifically requested for retention, it amounts to transfer of significant risks and rewards to the buyer. Further, as these are produced against specific orders, there is no uncertainty in taking delivery by the customer. As on date, out of the total retention sales recognized, an amount of Rs.717.62 lakhs have already been dispatched.

Auditors' Report

- g) The company bifurcated the work orders received into construction contracts (AS 7) and supply of products/ services (AS 9), however the basis on which the exercise is done needs to be more detailed and elaborate.
- h) We have relied on the percentage completion of the projects under AS-7 as certified by the management, however the workings for the same needs to be more elaborate and scientific.
- i) **The company is recognizing revenue on realization from the customers in case of services related to EVM Products instead of accrual. The impact of the same is unascertained.**
2. The company has created liability towards Earned Leave/ Vocational Leave- encashable only at the time of superannuation, hitherto the same was not being provided- ***in our opinion the liability pertaining to earlier years is a prior period expenditure. The impact of same is unascertained.***
3. **Accounting Policy-R(b) on Leases:/ Regarding KMVD- FAST Project under BOMT Model:**

As against the laid down treatment of finance leases vide paragraphs 26, 27 and 32 of Accounting Standard (AS)-19, the company policy envisages treatment of all finance leases to be by manufacture/ dealer lessor (paragraph 32 of AS-19), which in our opinion, is contrary to AS-19. In our opinion, treating the assets taken on finance lease for the purposes of sub-leasing to customers also as Company's normal sale is not envisaged in Accounting Standard-19.

For implementing the "Build Own Maintain Transfer" (BOMT) Contract, the company and its Business Associate (BA) have invested Rs 604 Lakhs and Rs 1550 Lakhs respectively in the project. The company entered into a back to back agreement with BA on the lines of Contract with KMVD. The company

Company's Replies

On receipt of the order, the same is bifurcated into AS-7 Construction Contract and AS-9 Supply of products/services depending on the nature of the contract and the peculiarities of the Project.

The percentage of completion of the project is certified by a Technical Committee constituted for the purpose. The Technical Committee comprises of Chairman and two members one from Finance and another from Technical side. Technical Committee reviews all the projects and then only recommends the percentage completion to be adopted.

The value of the services rendered at sites can be assessed only after it is accepted by the respective State Election Commission. Income is recognized on the basis of such certification which also form the basis for claiming payment.

The additional provision created towards Earned Leave encashable at the time of superannuation is considered to be a change in estimate and hence charged to the current year.

The leasing activity is undertaken by the Company in the course of its normal business and hence, para 32 of Accounting Standard-19 is the basis for the Accounting Policy. The income is recognised accordingly.

Auditors' Report

considered 'BOMT' contract as a 'Financial Lease' within the meaning of AS-19 'Leases' and to enable lease accounting, entered into a lease agreement with BA on 10.03.2007 much after the implementation of the project according to which the company became lessee to the extent of investment by BA and in turn considered it as a sub-lease to KMVD.

The company accounted for the investment by BA as its consumption and created a liability for Rs 1550 Lakhs. Consequently the company not only treated its own investment in the project as a deemed lease but also included the investment of BA which it took under finance lease, as deemed finance lease and considering both as manufacture/dealer lessor, the entire amount of Rs 2168 Lakhs as sale income for the year 2006-07 with a corresponding expenditure of equal amount being the joint investment. Thus, treating the ownership and risks rewards transferred to KMVD in 2006-07 itself, though as per terms of contract, the title to goods is to be transferred to KMVD at the end of three years contract period.

During the year 2008-09 the company has recognized lease rental/service income amounting to Rs 876.40 Lakhs.

In view of the above complex accounting and interpretation of the Accounting Standard (AS)-19 adopted, we are unable to opine on the correctness or other-wise of the accounting treatment including recognition of sale and debtors and consumption and creditors and the disclosure made in the notes in this regard.

4. The company has the policy of making warranty provision on trend based estimates, ***however in absence of detailed workings we are unable to comment on the adequacy of the provision.***
5. Reference is invited to the Accounting Policy 'S' on Liquidated Damages where the company has the practice of treating the liability on account of unexecuted portion of the contract as contingent liability.

Company's Replies

Most of the products of the Company are backed by suppliers warranty and the expenditure on warranty is very negligible. The provision for warranty on construction contracts is based on the percentage certified by the Technical Committee after taking into account all the peculiarities of the Projects. Hence, the provision is considered to be adequate.

The Company has amplified its accounting policy during the year. LD on unexecuted portion of the contract, where revenue is not recognised, is shown under Contingent Liability as per the accounting policy of the Company.

Auditors' Report

In our opinion the same is contrary to accrual basis of accounting- as a result of this the expenditure and liability is understated by Rs.304.75 Lakhs.

6. The balances appearing under Sundry Debtors, Sundry Creditors, Advances to Suppliers, Advances from Customers, EMDs and Security Deposits, claims recoverable and other amounts paid/ received are long pending and subject to confirmation and reconciliation and consequential adjustments.

In view of same we are unable to comment on the recoverability/ liability on account of same and the impact of the same on the profit and Loss statement.

7. Refer Note No. 16(vi) of schedule 'Q' regarding disclosure as per section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 which has been made only for few enterprises and for balance we have been informed that the data is not available.

Also in absence of requisite information from the company, we are unable to comment on the compliance of the Act.

8. ***A sum of Rs.2961.38 Lakhs due from a sick PSU and Rs. 115.62 Lakhs from another PSU has been considered good and recoverable though the same are long outstanding without any significant recoveries. We are not in a position to comment on the recoverability or otherwise of the same.***

9. The company created liability at concessional rates towards sales pending receipt and submission of various certificates from customers. In respect of such sales the differential tax liability may devolve on the company in case such concessional forms are not received / submitted.

The amount estimated by the company works out to Rs. 439.48 Lakhs which however has not been disclosed.

Company's Replies

The Company has a practice of issuing letters for confirmation of balances of Sundry Debtors. There is a review mechanism in place for outstanding Sundry Debtors, Creditors and Liquidated Damages etc. and necessary actions have been taken. During the year, apart from the confirmation letters to Sundry Debtors, letters for confirmation of balances in respect of Sundry Creditors, Advances paid to suppliers and Advances received from customers were sent with a request to send the confirmations directly to the statutory auditors. Replies received have been properly dealt with.

The Company has sent letters to all the suppliers to confirm their MSMED status. The data has been compiled by us based on the information received from the suppliers

The Company is confident of recovering the amounts from ITI and also from Railtel and hence no provision is made in the books of account.

The transactions are accounted at concessional rate / exempted CST on the basis of contracts with the customers. In case the customer fails to provide the forms, the differential tax liability, if any, would be charged to the customers.

Auditors' Report

10. *Considering the substantial amounts involved in disputes at different levels particularly relating to Income Tax, Sales Tax, excise, service tax, etc, we are not in a position to comment on the ultimate liability that may devolve on the company and as such the treatment given by the company showing Contingent Liability has been relied upon by us, as the issues are sub-judice.*

The above includes a sum of Rs. 747.88 Lakhs relating to the Penalty and interest levied by Central Excise Authorities. The company has appealed to the Central Excise and Service Tax Appellate Tribunal but was denied permission to pursue the case by Committee on Disputes of Cabinet Secretariat (COD). The company has approached the Supreme Court for getting the permission from COD and the same is pending. The company has not provided for the liability and shown the same under contingent liabilities. As such in our opinion, the profit is overstated and liabilities are understated by Rs. 747.88 Lakhs,

E) Subject to our above comments, we report that:

- a) We have 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 appears from our examination of those books,
- c) The Balance Sheet, the Profit & Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section 3C of Section 211 of the Companies Act, 1956 **except to the extent of the deviations expressed in paragraphs**

Company's Replies

The dispute between Excise Dept. and ECIL is on the recoverability of Cenvat Credit availed on Inputs (Raw materials) whose values were reduced (derated) in the books of accounts. Denial of COD permission has been challenged in the Hon'ble Apex Court. The Apex Court held that the case would be decided by itself as pronounced during hearing on 31.08.2009

Auditors' Report

Company's Replies

C and D above in so far as they relate to AS-5 Net profit or loss for the period, prior period items and changes in accounting policies, AS-7 on construction contracts, AS-9 on Revenue Recognition, and AS-19 on Accounting for Leases, AS-29 on Provisions, Contingent Liabilities and Contingent Assets.

- e) As per circular No.8/2002, dated 22.03.2002 issued by the Ministry of Law, Justice & Company Affairs, the provisions of section 274 (l)(g) of the Companies Act, are not applicable to the Company, as it is a Government Company.
- f) According to our information, the Central Government has not issued any Notification for the purpose of levy and collection of cess under section 441A of the Companies Act, 1956.
- g) ***We report that without considering items I(g), I(h), I(i), 2, 3, 4, 6, 7, 8 and 9 of Para-D above, the impact of which could not be determined or where we are not in a position to express any opinion or where we have relied on the information given by the management, had the other observations made by us under I(a), I(b), I(c), I(d), I(e), I(f), 5 & 10 of Para-D above been considered;***
- ***The gross sales would have been Rs. 99127.99 Lakhs instead of Rs.106078.08 Lakhs;***
 - ***Total expenditure would have been Rs. 100764.99 Lakhs instead of Rs.100251.39 Lakhs;***
 - ***Profit before tax for the year would have been Rs.(1111.05) Lakhs instead of Rs.1889.71 Lakhs;***
 - ***Sundry Debtors would have been Rs.136650.77 Lakhs as against Rs.143600.86 Lakhs;***
 - ***Current liabilities would have been Rs.119955.26 Lakhs as against Rs.119441.66 Lakhs;***
 - ***Inventories on 31.03.2009 would have been Rs.17143.91 Lakhs instead of Rs 12680.98 Lakhs;***

Auditors' Report

- h) a) In our opinion and to the best of our opinion and according to the explanations given to us, the said accounts read together with the accounting policies and notes forming part of accounts, further, read with our comments in the Annexure referred to in paragraph B and **subject to our comments given in paragraph D and the cumulative consequent effect thereof on the accounts to the extent quantified, as stated in paragraph E(g) above**, give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- b) in the case of the Balance Sheet, of the state of affairs of the Company as at 31.03.2009.
- c) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
- d) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Laxminiwas & Jain
Chartered Accountants

(LAXMINIWAS SHARMA)
PARTNER
M.No. 014244

Place : Hyderabad
Date : 06.07.2009

Company's Replies

For and on behalf of the Board of Directors

(Y S MAYYA)
Chairman & Managing Director

Place : Hyderabad
Date : 18.09.2009

Annexure Referred to in Paragraph B of our report of even date	Company's Replies
<p>i (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.</p> <p>(b) The Company has a phased programme of physical verification of all fixed assets once in three years which has fallen due from 2008-09 for which purpose the company engaged external agency who have carried out physical verification and reported discrepancies and also reported unserviceable and obsolete items. Certain divisions have after reconciliation confirmed the values to be adjusted and accordingly adjustments have been carried out for gross value of Rs.72.69Lakhs resulting in a write off of Rs. 1.59 Lakhs being the net book value. As on date certain differences noticed on physical verification are still to be reconciled and confirmed. Pending such review and reconciliation, we are not in a position to comment and quantify the unadjusted differences and its consequential impact on the financial statements.</p> <p>(c) The company has not disposed off major part of fixed assets having affect on going concern.</p> <p>ii (a) According to the explanation and information given to us, finished goods and work in progress have been physically verified by the management at the year end and A and B class items of Raw materials, stores and spares excluding materials lying with third parties and branches have been physically verified by the management twice during the year. Few ‘C’ class items have been verified during the year. In our opinion, the frequency of the physical verification needs to be improved to be reasonable and adequate in relation to the size of the company and nature of its business.</p> <p>(b) In our opinion, the procedures of physical verification of stocks followed by the Company read with para (ii) (a) above are reasonable and adequate in relation to the size of the Company and nature of its business.</p>	<p>Reference is invited to Note No. 4 of Schedule “E”. The fixed assets at Zones have been verified as included in the scope of audit by the external firms of Chartered Accountants appointed for audit of zonal operations. Further, adjustments/ documentation are being carried out.</p> <p>A & B class items of raw materials have been physically verified thrice during the year 2008-09. A few C Class items have also been verified.</p>

Annexure Referred to in Paragraph B of our report of even date	Company's Replies
<p>(c) The company is maintaining proper records of inventory. <i>The discrepancies to the extent noticed on physical verification of stocks as compared to book records have to be reconciled and dealt accordingly in books. The system of valuation, verification and reconciliation of inventory needs to be strengthened.</i></p>	<p>Major discrepancies noticed have been adjusted in the accounts for the year 2008-09 and the balance is being adjusted during 2009-10</p>
<p>iii (a) The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Sec. 301 of the Companies Act, 1956.</p>	
<p>(b) As the company has not granted any loans to companies, firms or other parties listed in the register maintained under Sec. 301, the clause relating to rate of interest and other terms and conditions of loans given by the company, secured or unsecured which are prima facie prejudicial to the interest of the company is not applicable to the company.</p>	
<p>(c) As the company has not granted any loans to companies, firms or other parties listed in the register maintained under Sec. 301, the clause relating to receipt of the principal and interest is not applicable to the company.</p>	
<p>(d) As the company has not granted any loans to companies, firms or other parties listed in the register maintained under Sec. 301, the clause relating to steps taken for recovery of the principal and interest on overdue amount of more than one lakh is not applicable to the company.</p>	
<p>(e) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956.</p>	
<p>(f) As the company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, the clause relating to rate of interest and other terms and conditions of the loan taken which are prima facie prejudicial to the interest of the company is not applicable to the company.</p>	

Annexure Referred to in Paragraph B of our report of even date	Company's Replies
(g) As no loans are taken by the company from the companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956, clause relating to payment of principal amount and interest is not applicable to the company.	
iv In our opinion and according to the information and explanations given to us, the internal control systems for purchase of inventory and fixed assets and for sale of good and services are adequate as commensurate with the size of the company and nature of its business, except in the areas of	The observations of Audit are noted for further streamlining of the systems and procedures
(a) recording of receipts and issues of material at the year end which are substantial in number and volume;	This is due to long lead items received at the fag end of the year after conducting of FAT. Where materials are received, documents are controlled only after completion of quality control inspection and online testing.
(b) 'cut off' procedures for year end purchases and sales which are quite substantial in number and volume;	
(c) obtaining balance confirmation letters from customers and vendors to identify un reconciled differences;	Letters are sent to customers and vendors for confirmation of balances. Replies received have been properly dealt with
(d) Claiming/ availment/ reconciliation of CENVAT/VAT;	The reconciliation of CENVAT/VAT is being done regularly.
(e) acknowledgement from the customers for the deliveries;	Acknowledgements are being obtained where necessary.
(f) collection of various tax certificates/forms from the customers;	Procedure exists for periodic review and reminders are sent for collection of various tax certificates/forms from the customers.
We are of the opinion that the present internal control systems of fee collections by the franchisee and from school projects needs to be further improved.	A system exists for depositing the collections and settling the claims of franchisees in time.
The internal control procedures in respect of cash collections made by Business Associates as part of 'e' Governance Projects under taken by the company needs to be further improved	
v (a) As per the information and explanations provided by the management, there are no contracts or arrangements taken place during the year, which need to be entered into the register maintained under section 301 of the Companies Act, 1956.	

Annexure Referred to in Paragraph B of our report of even date

Company's Replies

- (b) In our opinion and according to the information and explanations given to us, the company has not entered into contracts or arrangements exceeding Rs.5 Lakhs in value with companies in which directors are interested as listed in the Register maintained under section 301 of the Companies Act, 1956 and the clause relating to reasonableness of the prices having regard to the prevailing market prices is not applicable to the company.

However the company is having a Joint Venture M/s ECIL Rapiscan Limited, the transaction with whom is exhibited in Note; 3(D)(ii) in Schedule "Q" under related party disclosures. The company also entered into MOU with ECIL Rapiscan Limited with regard to MSTD project as reported in Note No.15 in Schedule Q.

As the above transactions are approved / ratified by the Board, we have relied on the reasonableness of the prices and other terms and conditions.

- vi In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public as per the provisions of Sec. 58A and Sec.58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under

- vii ***The company has an internal audit system commensurate with the size of the company and nature of its business. However, in our opinion the scope for the same needs to be widened.***

The scope of Internal Audit by Inhouse team is being widened from year to year covering the important areas. During the year, apart from Audit by Internal Audit Department, external Auditors have done the Internal audit in the areas of revenue recognition, review of inventories, review of purchase procedure, review of AMC contracts, VAT/CENVAT accounting, service tax compliance etc.

- viii We have broadly reviewed the books of account maintained by the company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 we are of the opinion that prima facie, the prescribed accounts and records have been maintained. However, we have not made a detailed examination of the records.

Annexure Referred to in Paragraph B of our report of even date

Company's Replies

- ix (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. There were no outstanding dues as at 31.03.2009 for a period exceeding 6 months from the date they became payable.
- (b) According to the information and explanations given to us, the dues (net- after 'on account payments' shown as advances) in respect of Income tax , Customs duty , Excise duty , Service Tax and Sales tax which have not been deposited on account of disputes by the company pending before various authorities as per the details given below. (The list does not include Departmental appeals which are shown under contingent liabilities).

Tax/ Duty	Pending before	Amount (Rs. Lakhs)
Income Tax	ITAT	317.00
	AP High Court	1973.92
	CBDT	438.15
	TOTAL	2729.07
Customs	Supreme Court	154.42
	CESTAT Bangalore	24.14
	TOTAL	178.56
Excise	Supreme Court	838.36
	CESTAT, Bangalore	451.43
	Asst. Commissioner	41.71
	TOTAL	1331.50
Service Tax	Commissioner (Appeals)-Chennai	2.16
Sales Tax	Appellate DC	4.17
	STAT-New Delhi	42.18
	STAT-Hyderabad	44.03
	Special Tribunal- Chennai	22.65
	Assessing Officer, Bangalore	2.05
	DCCT, Bangalore	18.11
	TOTAL	133.19

Annexure Referred to in Paragraph B of our report of even date	Company's Replies
<p>x The company has no accumulated losses and it has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.</p> <p>xi The company has not defaulted in repayment of dues to Financial institutions or Banks.</p> <p>xii The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>xiii The company is not a chit fund or nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.</p> <p>xiv The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.</p> <p>xv In our opinion the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.</p> <p>xvi In our opinion and as per the information and explanations given to us the company has not taken any term loans during the year. Accordingly, the provisions of clause 4(xvi) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.</p> <p>xvii According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investments.</p> <p>xviii The company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.</p> <p>xix The company has not issued any debentures and creation of security or charge is not applicable to the company. Accordingly, the provisions of clause 4(xix) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.</p>	

**Annexure Referred to in Paragraph B
of our report of even date**

Company's Replies

- xx The company has not raised any funds by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- xxi According to the information and explanations given to us and based upon the audit procedures performed for the purposes of reporting 'true and fair view' of the financial statements, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For Laxminiwas & Jain
Chartered Accountants

For and on behalf of the Board of Directors

(LAXMINIWAS SHARMA)
PARTNER
M.No.014244

(Y S MAYYA)
Chairman & Managing Director

Place : Hyderabad
Date : 06.07.2009

Place : Hyderabad
Date : 18.09.2009

Annexure-IV to the Directors' Report

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ELECTRONICS CORPORATION OF INDIA LIMITED, HYDERABAD FOR THE YEAR ENDED 31 MARCH 2009.

The preparation of financial statements of Electronics Corporation of India Limited, Hyderabad for the year ended on 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on the independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 6 July 2009.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Electronics Corporation of India Limited, Hyderabad for the year ended on 31 March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

**For and on the behalf of the
Comptroller and Auditor General of India**

**Sd/-
(Dolly Chakrabarty)
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board,
Hyderabad**

Place : Hyderabad

Date : 10 September 2009