

Board of Directors

As on date of AGM)



Shri Y. S. Mayya
Chairman & Managing Director



Shri U. Vishnumurthy
Director (Finance)
(upto 30-06-2010)



Maj Gen (Retd) Sanjeev Loomba
Director(Personnel)
(from 21-05-2010)



Shri N.S.S. Prasada Rao
Director(Technical)
(from 08-06-2010)



Shri Shiv Kumar Nori
Director (Finance)
(from 21-07-2010)



Shri Umesh Chandra
Sr.Executive Director (Safety and KM), NPCIL



Lt. Gen. Partha Mohapatra, AVSM
Signal Officer-in-Chief &
Sr. 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
(Upto 22-07-2010)



Dr. C.B.S. Venkataramana
Jt. Secretary (I&M)
Department of Atomic Energy
(from 23-07-2010)

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KEY EXECUTIVES (as on date of AGM)

SHRI Y S MAYYA

Chairman & Managing Director

Maj Gen (Retd) SANJEEV LOOMBA

Director(Personnel)

SHRI N S S PRASADA RAO

Director(Technical)

SHRI SHIV KUMAR NORI

Director (Finance)

SMT ARTI C SRIVASTAVA

Chief Vigilance Officer

SHRI Ch V R S GOPALAKRISHNA

General Manager (Aero Space Systems Group)

SHRI V SATYANARAYANA

General Manager
(Information Technology & Telecom Group)

SHRI P SUDHAKAR

General Manager (Defence Systems Group)

SHRI P VISWANATH

General Manager (Control Systems Group)

SHRI G R KOTESWARA RAO

General Manager (Instruments & Systems Group)

SHRI G PHANEENDRANATH

Head (Communication Systems Group)

SHRI T R RAJA MANNAR

Head (Software Systems & Solutions Divn and
Head, Corporate R & D)

SHRI B BHASKAR RAO

Head (Corporate Planning & Projects Monitoring)

SHRI G UMAPATHI

Head (Components Divn)

SHRI T V S KISHORE KUMAR

Head (Control Instrumentation Divn)

SHRI J SUNDARA RAO

Project Director (National Population Registry Project)

SHRI S RAMAKRISHNA

Head (Security Systems & Projects Divn)

SHRI A A HUSSAIN

Head (Personnel Group)

SHRI B P R MURTHY

Head (Special Products Divn)

SHRI T SURESH

Head (Engineering Services Divn)

SHRI P THANGARAJU

Head (Computer Services Divn)

SHRI A ASHOK KUMAR

Head (Electronics Manufacturing & Services Divn)

SHRI SANKAR DEY

Dy Project Director, NPR and
Head, (Corporate Business Development Group)

SHRI A RAMA PRASAD

Head (Manufacturing & Engineering Divn)

SHRI T V SARMA

Head (Radiation Detectors & Instrumentation Divn)

SHRI Md ABDUL BAQUI

Head (Systems & Quality Assurance Group)

SHRI K S SHESHADRI

Offg Head (Business Systems Divn)

SHRI R MAHENDRAN

Offg Head (Servo Systems Divn)

SHRI M BADRINARAYANA

Offg Head (Information Technology Services Divn)

SHRI Y VISWESWARA RAO

Offg Head (Computer Education Divn)

SHRI V S MURTY

Sr Deputy General Manager
(Law & Company Secretariat)

BRANCHES

SHRI H C KALRA

Zonal Manager (North), New Delhi

SHRI D S KULKARNI

Zonal Manager (West), Mumbai

SHRI B K MAJUMDAR

Dy. Zonal Manager (East), Kolkata

SHRI R ANBALAGAN

Dy. Zonal Manager (South), Chennai

SHRI D R VENKATASUBBU

Dy. Zonal Manager (South), Bangalore

AUDITORS

M/s Anjaneyulu & Co., Chartered Accountants

BANKERS

STATE BANK OF INDIA

STATE BANK OF HYDERABAD

BANK OF MAHARASHTRA

ANDHRA BANK

BANK OF BAHRAIN & KUWAIT BSC

ICICI BANK

PUNJAB NATIONAL BANK

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

I have great pleasure in presenting to you the modest but trend setting performance of your Company during the year 2009-10. Even though the turnover of Rs.1187 crore is a new record, I prefer to call it modest because it falls short of what we set out to achieve. Had the anticipated projects fructified in time, certainly, our plans would have been realized. As you are aware, many of our projects have R&D / prototyping phase which need to be completed before production phase can be taken up. The silver lining is the reasonably good order book carried forward to the year 2010-11. The Company won prestigious awards for 'excellence' in MoU Performance for the years 2006-07 and 2007-08 and the coveted "SCOPE Award for Excellence and Outstanding Contribution to the PSU Management - Medium Category 2007-08". Now I present to you a bird's eye-view of the performance and the outlook for future.

Performance in 2009-10

During the year, the Company's turnover reached another high of Rs.1187 crore amounting to around 12% growth over the previous year. Sector-wise, Defence continued to provide highest share of business with 51% share of Net Sales; supplies to Atomic Energy were at 8% down from 16% in the previous year – largely due to lack of orders for new equipment for upcoming Nuclear Power Plants; supplies to Security were at 9% and supplies to other sectors in Government domain constituted 32%.

The performance could generate a Profit Before Tax (PBT) of Rs.54 crore against a PBT of Rs.19 crore during previous year.

Achievements

The hallmark of the year was a record performance in the supply of Fuzes to Defence. The new product M7 Radios introduced during the year has resulted in an order worth Rs.169.80 crore, out of which, sale worth Rs.35.7 crore (during 2009-10 - Rs.21.56 and 2010-11 – Rs.14.15 crore) was recorded during the year. Another major order received from the Ministry of Defence is for Modular Surveillance Receiving System (MSRS) II valued at Rs.98 crore. The eagerly awaited order from BrahMos has been received by the company for a sale value of Rs.140 crore. This is a repeat order and testimony to customer's confidence in our quality. Another project of great national significance and importance is the National Population Registry (NPR) being executed as a consortium partner along with other PSUs. These prestigious projects helped us revamp the infrastructure in the supply chain to facilitate accelerated delivery process.

The Company received prestigious orders for supply of Integrated Security System for the Commonwealth Games 2010 which is in advanced stage of completion. The delivery model adopted for execution of this project in Delhi brought

in new initiatives in the areas of Project Planning & Monitoring, Project execution with enhanced synergy among participating divisions and HR policies to promote mobility of personnel. The mechanisms to ensure safety, security, environmental compliance and quality are put in place upfront.

The prestigious orders from Delhi Police and Delhi Metro Rail Corporation are being executed with similar approach.

In the nuclear sector, your company has completed scheduled deliveries of equipment to PFBR and reprocessing plants. The initiatives taken by the company to develop radiation detectors and nuclear instruments has started yielding results.

Outlook for 2010-11

The Company continues to strengthen its base as a centre of excellence in chosen areas of strategic electronics by focusing on indigenous technology development, selective absorption of advanced technologies from the best-in-class organizations across the world and maintaining its capability to handle multiple technologies under a single roof and position the Company as a Total Solution Provider. The outlook for 2010-11 reflects a respectable positive growth. Company hopes to further consolidate its market share in Defence and Security Sectors and improve value addition through localization / indigenization. Similar opportunities in the missile systems are being vigorously pursued.

The Challenges and the Roadmap

The Company is positioning itself to leverage the projected business growth in Nuclear sector. We are aiming to be a preferred partner for localization of C&I equipment of imported reactors and defence equipment. All round upgradation and modernization of infrastructure is underway- encompassing physical infrastructure, IT, R&D, test facilities, manufacturing and training. Your Company operates in the area of high technology products & services and requires highly skilled human resources. Efforts have been made to fill the gap through induction and purpose-built training programs.

ECIL a National Asset

With a motivated workforce, modernized infrastructure, prestigious projects on the anvil, satisfied customers, technology backing and support from the Department of Atomic Energy, I am confident your Company is poised for handsome growth in coming years aligning with its Vision & Mission.

Thank you

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 43rd Annual Report of your Company, together with the audited statement of accounts for the year ended 31st March, 2010.

OPERATING RESULTS AT A GLANCE

	(Rs Cr)	
Particulars	2009-10	2008-09
Turnover	1187	1060
Production at realizable value	1114	994
Profit before tax	54	19
Profit after tax	42	13
Net worth	593	568
Capital employed	755	776
Value added	401	389

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 31.03.2010 stood at Rs.163.37 crore. No loans were taken from Government during the year.

DIVIDEND

The Directors are pleased to recommend a dividend of Rs 90 per share of Rs 1000 each for the year 2009-10.

NEW PRODUCTS INTRODUCED IN 2009-10

- Criticality Alarm System
- Passive Neutron Assay based Waste Drum Monitor
- Radiation monitoring system for submarines
- Portal SNM detection systems
- BF3 Detectors
- 0.35 M Ka Band Suitcase Antenna
- 2.4 M dia Ka Band Antenna Systems including Az-EL pedestal
- HF Antennas for 'Divya Drishti' Project
- ECSCADA upgraded with IEC -104 protocol and DNP 3.0 over TCP/IP
- Civil Radar Display System
- Integrated Sat Com Terminal

- Subsystems for Wind profiling
- Critical subsystems for advanced jamming techniques

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 219 persons were recruited (General = 75, OBC = 56, SC = 50 and ST = 38, which included 13 persons with disabilities (PWD). 325 employees separated during the year. The manpower as on 31.03.2010 stood at 4694 and Group-wise breakup is: Group A = 1846, Group B = 1152, Group C = 1267 and Group D = 322 and Group DI (Sweepers) = 107.

The number of SC employees and their percentages to the total number of employees in different groups are: Group A = 234 (12.67%) , Group B = 250 (21.70%) , Group C = 174 (13.73%) , Group D = 76 (23.60%) and Group – DI (Sweepers) 42 (39.25%) .

The number of ST employees and their percentages to the total number of employees in different groups is: Group A = 52 (2.8%), Group B = 66 (5.72%) , Group C = 61(4.81%) , Group D = 14 (4.3%) and Group DI (Sweepers) = 01 (0.93%) .

Workers' Participation in Management :

The participation of workmen and officers' representatives in the joint forums is as given below.

- Participation in Sectional / Divisional Production Committee meetings in which the performance of the Division, working plans, targets set for production, sales & order booking and the present status would be reviewed every month.
- Participation of President and General Secretary of ECIL Employees' Union, and President and Secretary of ECIL Officers' Association in Corporate Management Committee (CMC) as special invitees.
- Participation in Apex Committee. The Committee is headed by Chairman & Managing Director. Other Members include Functional

Directors, Executive Director, Head, Personnel Group and President and General Secretary of Employees' Union and President and Secretary of Officers' Association. The Committee meets periodically, deliberates and makes suitable recommendations on the issues concerning improvement of production, performance and other major policy issues.

The consensus on the issues deliberated is generally accepted by the Management for implementation. This has helped to sort out major issues for smooth functioning and maintaining harmonious employee relations in the Company.

EMPLOYEE RELATIONS SITUATION :

The employee relations situation was normal during the year 2009 -10. The pay scales of executives were revised from 01.01.2007 and implemented in the month of May 2009 in terms of notification received from DPE. Similarly, the wage revision of workmen was effected in terms of the Memorandum of Settlement entered into with the Employees' Union on 24.09.2009.

On 19.06.2009, a fire accident occurred in Thermal Batteries Division of the Company. Three permanent employees, one contract employee and one NSIC trainee lost their lives. Necessary actions were taken in this regard as per statute and rules & regulations.

A total number of 5425 man-days were lost due to non-operation of Company-hired APSRTC buses for six days i.e. 7th and 30th Nov and 24th and 30th Dec, 2009 and on 20th and 21st Jan, 2010 on account of bundh observed by some political parties.

WELFARE ACTIVITIES:

- i) All Health, Safety and Welfare measures under the AERB Rules and a number of non-statutory measures for the well-being of all employees have been provided by the Management. Two full-time Welfare Officers, three Medical Officers and one Senior Safety Officer are in position.
- ii) Besides the statutory welfare measures, the following also were undertaken successfully:
 - a) Employees deputed to project sites have been insured for Contingent Liabilities under the Workmen's Compensation Act.
 - b) Employees on tour to socially disturbed / hazardous areas have been covered under Group Personal Accident Policy.

- iii) Fund raising campaigns were organised in Communal Harmony Week and on Armed Forces Flag Day.
- iv) Children of employees are encouraged to display their talent through cultural programmes as the Company celebrates Republic Day and Independence Day.
- v) Attending to general grievances and counselling workmen through liaison with ECIL Employees' Union.
- vi) The Payment of Gratuity Act 1972 has been amended vide Notification SO 1217(E) dt 24.05.2010. Accordingly the gratuity payable to employees on separation has been enhanced to Rs 10 lakhs with effect from 24.05.2010. The effect of amendment will be suitably dealt with during the financial year 2010-11.

TRAINING & DEVELOPMENT

- a) In-House Training : During the year 2009-10 Corporate Learning Centre had organised 20 In-house/Seminars and Programmes (13 Technical + 7 Management Development) on themes of current interest by eminent faculty from reputed institutions. 963 employees (902 executives and 61 workmen) have benefitted from these programmes resulting in 1409 man-days of training. Expenditure incurred was Rs 14,38,468.
- b) Training programmes were specifically designed with emphasis on enhancing Managerial Competency, improving Technical Knowledge and skills, Safety, Fire Fighting and First-Aid subjects.
- c) External Training : 101 employees were sent for training in various reputed training organisations at an expenditure of Rs. 4,83,186 towards fees.

Implementation of Persons With Disabilities Act, 1995

13 persons with disabilities were recruited during the year against vacancies reserved for them.

Right To Information Act 2005

During the year, 43 queries were received and answered.

Progressive use of Hindi :

During the year, apart from the regular measures, the special measures to popularise hindi usage were taken.

A corporate film was produced in Hindi and English. 'Panchakshari' brochure on House keeping was printed in Telugu, Hindi and English. Four workshops were conducted. Hindi Week (14-19.09.2009) was celebrated. World Hindi Day was observed on 11.01.2010.

Shri BS Parsheera, Secretary to Govt of India, Dept of Official Languages visited Hyderabad on 12.03.2010. Contact programme was arranged by ECIL TOLIC(U) with participation of all Hindi implementation executives of PSUs in twin cities.

ECIL was awarded 'Rajbhasha Trophy' for the year 2008-2009 by TOLIC(U), Hyderabad.

QUALITY MANAGEMENT

- a) All the divisions of ECIL continue to maintain Quality Management System Certification as per ISO 9001:2008 .
- b) The Company continues to maintain Occupational Health and Safety Certification from the British Standards Institute, Hyderabad for meeting the Management System Requirements according to BS OHSAS 18001:2007.
- c) The Company was also re-certified for Environmental Management System (EMS) from the British Standards Institute, for meeting the EMS Requirements according to ISO 4001:2004. The initiative was to integrate all Management Systems related to Quality, Environmental and Safety and achieve single certification in due course.
- d) Calibration and Measurements Laboratory of SQAG continues to maintain NABL accreditation as per ISO/IEC 17025:2005 at corporate level.

JOINT VENTURE COMPANY

ECIL-Rapiscan Ltd, the JVC has achieved a turnover of Rs. 95.25cr (*unaudited*) against a target of Rs 65 crore. (Rs 50.16 crore was the turnover during 08-09) with a Profit Before Tax of Rs12.18 crore (Rs. 9.07 crore during 08-09).

The JVC is targeting a 20% increase during the year 2010-11, over the target of 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 Anjaneyulu & Co., Chartered Accountants were appointed as Statutory Auditors of the Company for the year 2009-10. The Company's replies to the Statutory Auditors' Report on the accounts of the Company for the year ended 31.03.2010 are furnished in Annexure-III to this report. Review by the C&AG along with company's replies is given in Annexure-IV.

VIGILANCE

As part of its endeavor to enhance transparency and awareness amongst the employees, and to enable easy reference to all guidelines, Corporate Vigilance Dept made accessible the CVC web-site. During the Vigilance Awareness Week (03-07.11.2009) in ECIL, lectures on leveraging technology, e-procurement and other vigilance related subjects were organised. Structured monthly review meetings with C&MD were held to discuss vigilance matters.

CVD undertook inspections in the areas of materials management, personnel, finance & accounts and has suggested steps towards systems improvement. To enhance vigilance effectiveness one officer each has been designated to function as Group Vigilance Officer in every division. CVD examined 12 complaints and disposed of 7 of them. Remaining 5 are under investigation. Steps were taken to comply with the first / second stage advices received from CVC.

DIRECTORS

Shri KS Rajasekhara Rao, Chairman & Managing Director attained superannuation on 30.04.2009. Shri YS Mayya, who was working as Director (Tech) till 30.04.2009, was appointed as Chairman & Managing Director from 01.05.2009.

Dr BN Suresh, Dr MJ Zarabi and Shri U Vishnumurthy, Director (Fin) ceased to be Directors from 10.07. 2009, 18.10. 2009, and 30.06.2010 respectively.

Maj Gen (Retd) Sanjeev Loomba was appointed as Director (Per) from 21.05.2010.

Shri NSS Prasada Rao was appointed as Director (Tech) from 08.06.2010.

Shri Shiv Kumar Nori was appointed as Director (Fin) from 21.07.2010.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. that in preparation of accounts for the financial year ended 31.03.2010, 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;
- ii. 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 31.03.2010 and of the profit of the Company for the year ended on that date;
- iii. 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
- iv. that the Directors have prepared the Accounts for the financial year ended 31.03.2010 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, Bhabha Atomic Research Centre and 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
20.07.2010

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 :

- i) Preventive maintenance of sub-station equipments like Air circuit breakers, protection relays, LT panels, oil filtration of the transformers were carried out periodically to minimize the power losses in the HT & LT distribution system.
- ii) Solar water heating system maintenance is carried out periodically for better performance.

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

- i) Installed 50 Nos of multi function energy meters on the LT panels for better monitoring, recording and controlling of power by the divisions at an expenditure of Rs.4.0 lakhs.
- ii) Installed 50 Nos of maintenance-free earth pits at sub-station-1, sub-station-2 and sub-station-3 at an expenditure of Rs.12.0 lakhs.

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 has increased by 1,05,960 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

A. RESEARCH & DEVELOPMENT (R&D)

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

- i. Classroom Electronic Warfare Simulator
- ii. Encryption products for use in communication networks.
- iii. Weather monitoring System for e-Krishi Mandi System
- iv. Passive Neutron Assaying
- v. Special Nuclear Material (SNM) detection technology
- vi. BF3 detector technology
- vii. Heavy Duty mount for tracking celestial sources
- viii. 2.4M dia Ka-band Antenna including Az-El pedestal
- ix. Application Software for Integrated Security System domain
- x. IEC61131-3 compliant Industrial Automation Controllers for Nuclear and Thermal Power Plants
- xi. Development of indigenous Linear Variable Differential Transformer (LVDT)
- xii. Migration of TECHCOMM simulator tools from ALPHA servers to ITANIUM servers
- xiii. IEC-104 Master protocol development on ECSCADA
- xiv. Development DNP 3.0 slave protocol over TCP/IP
- xv. Gamma Criticality detection
- xvi. 1 KW, 1.5-30 MHz Filter switching unit
- xvii. GCC for Integrated EW Operations
- xviii. Indigenous Integrated DAMA Terminal with LoS
- xix. Wind profiler systems of ST Radar
- xx. High speed advanced ECM systems

2 Benefits derived as a result of the above R&D

- i. Development of Integrated Security System Software has enabled ECIL to provide a comprehensive security solution for Common Wealth Games.

- ii. System for detection of gamma in criticality accidents is used in Radiochemical and reprocessing plants. Orders are received for supply of 10 systems from NRG / BARC.
- iii. SNM detection systems are useful in Homeland security and Radiochemical plants. ECIL supplied two systems to IGCAR.
- iv. Neutron detectors will be manufactured using BF3 detector technology
- v. The development of specific Army Air defence radars simulation and EW simulation modules helped to participate in CREWS trials.
- vi. e-Krishi Mandi software developed will be introduced as trading software for Punjab State Agriculture Mandi Board.
- vii. Heavy-duty mount for tracking celestial sources has been developed for tracking Low Earth Orbit Satellites. 7 mounts worth Rs 742 Lakhs were supplied.
- viii. Ka Band Suitcase Antenna used as terminals for disaster management. One order was executed for a quantity of 16 nos. worth Rs18.4 lakhs.
- ix. Rs 28 lakhs orders are received for supply of 70 nos. of LVDT from DRDL.
- x. Development of 3 Phase 4 Wire Energy Meter helped in entering a new business line of 3 Phase LT consumers for mass production.
- xi. Introduced the Aluminum gauges and obtained order from Aluminum industry to a tune of Rs150 Lakhs and continuous business is expected.
- xii. Under Vehicle Scanner developed by ECIL is being used in the Common Wealth Games.
- xiii. Dual band KU DBS Feed System realization has helped in bagging an order from MCF for establishing IIM Tracking Telemetry and Command Earth Station.
- xiv. Development of Indian Environmental Radiation Monitor was successful. 100 units were supplied.
- xv. Migration of TECHCOMM simulator tools has helped to sustain / support Nuclear Power Plant Simulator development, as the ALPHA servers are phased out from the market.
- xvi. IEC-104 protocol development enabled us to acquire and execute an order from M/s JAL international, Saudi Arabia for supply of SOE software.

- xvii. 1 KW, 1.5-30 MHz Filter Switching unit is successfully interfaced with power amplifier and supplied to Samyukta
- xviii. Development of Criticality Alarm system with state-of-the-art technology with Ion chambers as detectors has resulted in qualifying the system to meet international IEC and ANSI standards
- xix. Development of Radiation Monitoring System for submarines with GM tubes as detectors has led to qualification of the system to meet JSS 5555 specifications and Mil-Std -461 C EMI/ EMC tests.

3. Future plan of action

- i. Surveillance and Interception applications
- ii. Guidance and navigation systems for missiles
- iii. Seekers for missile programs
- iv. Algorithms for de-duplication application in NPR Project
- v. Biometric based EVM
- vi. Smart nuclear detectors
- vii. High-speed optical switches
- viii. Radars for Civil aviation and Weather
- ix. Gas flow based Portal Monitoring System for Radioactive contamination
- x. Vehicle monitoring system for detection of Special Nuclear material for Homeland security applications
- xi. SOTM (SatCom on the Move)
- xii. Mount System for Satellite Tracking using 2.4M Foldable Antenna
- xiii. Dual Redundant CPU IEC61131-3 compliant controller for Industrial Automation
- xiv. Linux Based Engineer's Console (EC LOGIC – LNX) for Power PLC
- xv. Development of indigenous Rotary Variable Differential Transformer
- xvi. Non-Linear Wire Wound Precision Sine-Cosine Potentiometer
- xvii. Advanced Surface Movement Ground Control System
- xviii. Setting up a reference system for carrying out R&D on NRG projects

- xix. Enhancement of 3 Phase 4 wire Energy Meter with AMR facility
- xx. Development of IERMON with satellite communication
- xxi. Gas flow based Portal Monitoring System for Radioactive contamination
- xxii. New Generation Bulk Encryption Units
- xxiii. Fast Hopping Jammers with advanced features for MOD
- xxiv. Demo setup for wind profile applications of ST Radar
- xxv. Software for Command and Control applications for Integrated EW Operations

4. Expenditure on R&D

	(Rs cr)	
	2009-10	2008-09
Capital	2.32	0.70
Recurring	28.77	32.18
Total	31.09	32.88
Total R&D expenditure as percentage of total turnover	2.62%	3.10%

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

I. Efforts in brief made towards technology absorption, adaptation and Innovation

- i. PKI Technology: Digital signature certification is deployed for public key information technology. With this initiative ECIL is moving towards paperless office.
- ii. VME bus based Power PC Board and I/O bus based Digital I/O and Analog Boards for prototype AAS, RTLs, ECCS, TPLC and SULS Systems (Dhruva Upgradation) required for RCnD BARC.
- iii. General-purpose application module from Prosoft with Rockwell PLC. Test setup has helped ECIL in developing any PLC/RTU application. This has resulted in cost reduction and import substitution.

- iv. Development of airborne antenna with stabilization system. Provides a continuous SatCom link for the UAVs. Resulted in import substitution and cost reduction.
- v. Development of Heavy duty mount for tracking celestial sources have helped in bagging an order for ground station for IRNSS Project and Low earth Orbit Earth Station Antenna upgrading.
- vi. The development of CREW software helped in knowing more about Air defence operations and enabled ECIL to understand various types of jamming techniques and war scenario generation
- vii. The expertise to design embedded systems consisting of Power PC, FPGA and DSP is established to design DI/O, ADC, DAC and serial boards.
- viii. 1KW Power Amplifier with indigenous technology can be adapted to various applications.
- ix. The RF hardware is reduced by 50% due to the design of wide band power amplifier 30-500 MHz.

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

- i. Availability of State-of-the-art Criticality alarm systems at low cost for reprocessing plants
- ii. Radiation Monitoring system for submarines resulted in import substitution and low cost with local service support & spares for Indian Navy
- iii. Development of BF3 detectors resulted in import substitution and availability of Neutron detectors locally at low cost
- iv. Various control systems are configured and manufactured based on the know-how received from IGCAR for PFBR 500MW project
- v. DNP 3.0 slave protocol development on general-purpose application development module provided necessary software skills to carry out similar development on ECIL's indigenous PLCs.

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. 1.04 cr. worth of its products, which include EVM Power Packs to Bhutan, Swing Panels to Bangladesh, Rate Gyros to Malaysia, XBT Systems & Spares, and GSHB Systems to Russia.

- ii) Total foreign exchange used and earned.

	(Rs cr)	
	2009-10	2008-09
Foreign exchange used	371.12	259.73
Foreign exchange earned	0.38	5.28

For and on behalf of the Board of Directors

Y S Mayya
CHAIRMAN & MANAGING DIRECTOR

Hyderabad
20.07.2010

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.

Board of Directors

In terms of Sec 617 of the Companies Act, 1956, ECIL is a Government Company. 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 31.03.2010 comprised of seven Directors - Chairman & Managing Director, one Whole-time Director and five 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, six Board Meetings were held on 21.04.2009, 28.05.2009, 04.07.2009, 18.09.2009, 14.12.2009, and 02.03.2010. 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 18.09.2009	No. of other Directorships
	Held during the tenure	Attended		
Whole-Time Directors				
Shri K S Rajasekhara Rao, Chairman & Managing Director (up to 30.04.09)	1	1	-	Nil
Shri Y S Mayya Director(Technical) (up to 30.04.09) Chairman & Managing Director (from 01.05.09)	6	6	Yes	Nil
Shri U Vishnumurthy Director (Finance)	6	6	Yes	Nil
Non-Executive Directors				
Shri Umesh Chandra	6	6	Yes	Nil
Dr B N Suresh (up to 10.07.09)	3	2	-	Nil
Dr M J Zarabi (up to 18.10.09)	4	4	-	4
Dr R Sreehari Rao	6	2	-	Nil
Shri V R Sadasivam	6	6	Yes	4
Ms Revathy Iyer	6	4	-	2
Lt Gen P Mohapatra	6	2	-	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, Director(T) (up to 30.4.2009). 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, five meetings were held on 21.04.09, 03.07.09, 18.09.09, 30.12.09 and 02.03.10. 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 Accounting 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 upon 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
2006-07	26.9.2007	14.00 hrs	Registered Office:
2007-08	29.9.2008	12.00 hrs	ECIL Post Office,
2008-09	18.9.2009	14.00 hrs	Hyderabad-500062

The Company has obtained a Compliance Certificate from M/s K K Rao & Associates Company Secretaries.

For and on behalf of the Board of Directors

Y S Mayya
CHAIRMAN & MANAGING DIRECTOR

Hyderabad
20.07.2010

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 (IGAAP) and the provisions of the Companies Act, 1956.

Use of Estimates:

The preparation of financial statements requires estimates and assumptions (including revisions, if any) to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during reporting period. Differences between the actual results and estimates are recognized in the period in which the results are known / materialized.

A. RECOGNITION OF REVENUE:

- i) Sales (including Taxes and Duties) are set up and revenue is recognized on accrual basis inter-alia in any of the following cases:
 - a) In case of FOR destination cases, Revenue is recognized on dispatch if there is reasonable expectation of the goods reaching the destination within the accounting period.
 - b) In other cases, revenue is recognized when the goods are handed over to the carrier for transmission to buyer, even if the transport and insurance are undertaken by the Company.
 - c) In respect of composite contracts involving supply and services where price breakup is available, revenue in respect of supplies are recognized when goods are delivered to customers unconditionally and service income is recognized based on completion of services. And where price breakup is not available, revenue is recognized as per contract value duly providing for services on estimated basis for the supplies made unconditionally.
 - d) Revenue is recognized in respect of services / software against completion of milestones / acceptance / acknowledgement, where breakup values for each system/package are available in contract or based on 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.
- 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 recognized (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 capitalized at cost.
- ii) **INTER-GROUP TRANSFERS:**
Inter and Intra group transfers are made at agreed transfer price. However, unutilized stock of such items at the year end lying as inventory is valued at cost.

C. INVENTORY:

- i) Raw materials, stores and spares and components are valued at cost (net of CENVAT/VAT) by using weighted average cost formula or NRV whichever is lower. Inventories which are non-moving for more than 3 years and which may not be required for further use are suitably provided and in the case of inventories which are less than 3 years old, provision is made as assessed technically.
- ii) Work in Progress of products / projects is valued at Factory Cost or NRV whichever is lower and such valuation is based on technical estimate as to the stage of progress.
- iii) Finished goods are valued at "factory cost" or "net realizable value" whichever is lower.

D. FIXED ASSETS & DEPRECIATION OF ASSETS:

- i) a) Fixed Assets are stated at historical cost net of CENVAT/VAT, if any.
- b) Assets are depreciated on straight line method and depreciation is charged on monthly prorata basis for the additions / deletions during the year. The rates of depreciation adopted by the Company are as per Schedule XIV of the

Companies Act, 1956, except in the following cases:

- i) Where the cost of the asset is Rs.10,000/- or below (for assets acquired after 01.04.2003) depreciation is at 100% of the cost retaining Re.1/- in the net block.
 - ii) Computer Systems acquired by CED and systems sent on hire or for demonstration or for use outside factory is depreciated @50% w.e.f. 01.04.2001.
 - iii) 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
 - iv) Structures, erections, Warehouses, Electrical Installations and other similar enabling works at projects / sites are depreciated considering the tenure of the contracts w.e.f. 01.04.2003.
- ii) 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 recognized 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. FOREIGN CURRENCY TRANSACTIONS AND EXCHANGE VARIATION

Transactions in foreign currencies are accounted at the exchange rate prevailing on the date of transactions. Gains / losses arising out of the fluctuations in the exchange rate are recognized in the profit & loss account in the period in which they arise.

The foreign currency fluctuations relating to monetary items at the year ending are accounted as gains / losses in the profit & loss account.

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 expenditure is incurred.

K. RESEARCH & DEVELOPMENT EXPENDITURE:

Research and development expenditure is charged to revenue 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 VRS is charged off to revenue in the year of 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. 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.

R. LIQUIDATED DAMAGES:

Claims for liquidated damages against the Company are considered, to the extent revenue recognized except those which are considered by Management as negotiable and not payable. However, the same are treated as Contingent Liability.

S. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

ELECTRONICS CORPORATION OF INDIA LIMITED

BALANCE SHEET AS AT 31st MARCH, 2010

(Rupees in Lakhs)

	Schedule	As at 31.03.2010	As at 31.03.2009
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	A	16337.12	16337.12
b) Reserves and Surplus	B	42945.21	40458.78
		59282.33	56795.90
2. Secured Loans	C	10018.50	20250.32
3. Unsecured Loans	D	15028.77	5041.73
Total (I)		84329.60	82087.95
II. APPLICATION OF FUNDS			
1. Fixed Assets	E		
a) Gross Block		23676.88	23170.15
b) Less: Depreciation		14224.27	14076.72
c) Net Block		9452.61	9093.43
d) Fixed Assets-in-transit & Capital Work-in-Progress	F	4650.15	393.92
		14102.76	9487.35
2. Investments	G	164.64	164.64
3. Deferred Tax (Net Asset)		4021.55	3938.44
4. Current Assets, Loans and Advances			
A) Current Assets			
a) Inventories	H	19467.87	12680.98
b) Sundry Debtors	I	141744.87	143600.86
c) Cash and Bank balances	J	31147.46	23318.45
B) Loans and Advances	K	14580.22	17252.58
		206940.42	196852.87
5. Less: Current Liabilities and Provisions	L		
a) Current Liabilities		128722.33	118876.24
b) Provisions		12177.44	9479.11
6. Net Current Assets (4) - (5)		66040.65	68497.52
Total (II)		84329.60	82087.95
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 ANJANEYULU & CO.
 Chartered Accountants


D V ANJANEYULU
 Partner
 M.No.21036

Place : Mumbai
 Date : 29.06.2010

ELECTRONICS CORPORATION OF INDIA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31st MARCH, 2010

(Rupees in Lakhs)

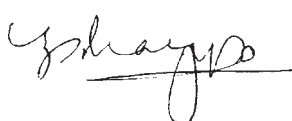
	Schedule	2009-10	2008-09
I. INCOME			
Sales		94305.25	88788.71
Services		24223.44	17073.96
Lease Rentals		211.55	215.41
Turnover (Gross)		118740.24	106078.08
Less: Excise Duty		4630.04	3363.21
Service Tax		2267.64	1555.73
Sales Tax		6039.38	3696.03
Turnover (Net)		105803.18	97463.11
Other Income	M	5799.98	5926.43
		111603.16	103389.54
Accretion(+)/Decretion(-) in stocks of WIP & FG	N-'I'	5607.75	1898.57
Price Variation Adjustment (Net)		-118.65	0.00
	Total I	117092.26	105288.11
II. EXPENDITURE			
Materials Consumed	N-'2'	71274.90	60417.13
Employee Remuneration and Benefits	N-'3'	29582.57	31815.38
Manufacturing, Admn. and Other Expenses	N-'4'	6840.42	6644.28
Selling Expenses	N-'5'	2389.61	2188.19
Research and Development		2091.66	2423.31
	Total II	112179.16	103488.29
Less: Transfer to Projects and Other Accounts	O	3457.62	3236.90
III. NET EXPENDITURE	Total III	108721.54	100251.39
IV. PROFIT BEFORE INTEREST & DEPRECIATION	(I-III)	8370.72	5036.72
Interest	N-'6'	2029.78	2156.51
Depreciation		839.91	1015.49
V. PROFIT FOR THE YEAR		5501.03	1864.72
(Before prior period / extraordinary adjustment)			
Add/(Less) Prior Period Items(Net)	P	-59.23	24.99
VI. PROFIT BEFORE TAX		5441.80	1889.71
Less: Provision for Taxation - For the Year		1555.00	1800.00
- For earlier Years		-231.07	184.34
Deferred tax asset(+)/Deferred tax liability(-)		83.11	1550.00
Less: Provision for Fringe Benefit Tax		0.00	107.00
VII. PROFIT AFTER TAX		4200.98	1348.37
Add: Balance Brought forward from previous year		37808.78	37012.54
VIII. PROFIT FOR APPROPRIATIONS		42009.76	38360.91
Less: Proposed Dividend	1470.34		471.93
Less: Dividend Tax on Proposed Dividend	244.21		80.20
Less: Transfer to General Reserve	0.00	1714.55	0.00
IX. BALANCE CARRIED TO BALANCE SHEET		40295.21	37808.78
EARNINGS PER SHARE(Rs)	- BASIC	257.14	82.53
	- DILUTED	257.14	82.53

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

For and on behalf of the Board

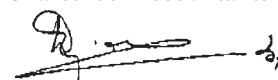


U VISHNUMURTHY
Director (Finance)



Y S MAYYA
Chairman & Managing Director

As per our report of even date attached
for **ANJANEYULU & CO**
Chartered Accountants



D V ANJANEYULU
Partner
M.No.21036

Place : Mumbai
Date : 29.06.2010

SCHEDULE "A" SHARE CAPITAL

(Rupees in Lakhs)

	31.03.2010	31.03.2009
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)

	31.03.2010	31.03.2009
I. GENERAL RESERVE :		
As per Last Balance Sheet	2650.00	2650.00
Additions during the Year	<u>0.00</u> <u>2650.00</u>	<u>0.00</u> <u>2650.00</u>
2. Balance in Profit and Loss Account	<u>40295.21</u>	<u>37808.78</u>
Total	<u><u>42945.21</u></u>	<u><u>40458.78</u></u>

SCHEDULE "C" SECURED LOANS

(Rupees in Lakhs)

	31.03.2010	31.03.2009
From Scheduled Banks:		
(a) Cash Credit #	<u>10000.00</u>	<u>7500.00</u>
Interest accrued and due	<u>18.50</u> <u>10018.50</u>	<u>24.04</u> <u>7524.04</u>
(b) Against Fixed Deposits	<u>0.00</u>	<u>12652.75</u>
Interest accrued and due	<u>0.00</u> <u>0.00</u>	<u>73.53</u> <u>12726.28</u>
Total	<u><u>10018.50</u></u>	<u><u>20250.32</u></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)

	31.03.2010	31.03.2009
OTHERS (SHORT TERM)		
From Scheduled Banks	15000.00	5000.00
Interest Accrued and due	28.77	41.73
Total	15028.77	5041.73

SCHEDULE "E" FIXED ASSETS

(Rupees in Lakhs)

S No	Name of the Asset	Gross Block At Cost				Depreciation				Net Block	
		As at 01.04.2009	Additions & Adj. During the Year	Deductions & Adj. During the Year	Total As At 31.03.2010	upto 31.03.2009	For the year	Previous Years Deductions & Adj. During the Year	Total upto 31.03.2010	As At 31.03.2010	As At 31.03.2009
1.	Land (Freehold)	869.13	-	-	869.13	-	-	-	-	869.13	869.13
2.	Development of Land	13.22	-	-	13.22	13.22	-	-	13.22	-	-
3.	Roads, Bridges & Culverts	71.32	-	-	71.32	25.33	1.08	-	26.41	44.91	45.99
4.	Factory Buildings	1644.10	25.45	3.06	1666.49	1207.97	33.43	3.06	1238.34	428.15	436.13
5.	Administration & other Buildings	943.88	-	-	943.88	358.73	14.87	-	373.60	570.28	585.15
6.	Research & Development - Plant Machinery	209.65	133.98	107.43	236.20	160.34	7.61	-	167.95	68.25	49.31
7.	Plant & Machinery	3710.28	180.00	137.67	3752.61	2353.78	120.85	92.68	2381.95	1370.66	1356.50
8.	Electronic Testing & Measuring Equipment	9464.54	1037.94	950.46	9552.02	5511.64	377.78	475.59	5413.83	4138.19	3952.90
9.	Computer Systems Hired out to Customers	1653.81	58.06	2.27	1709.60	1576.31	56.60	2.27	1630.64	78.96	77.50
10.	Air conditioners & Air coolers/Refrigerators	292.65	32.32	13.10	311.87	155.21	11.85	8.91	158.15	153.72	137.44
11.	Water supply & Sewerage	52.52	-	-	52.52	40.55	0.47	-	41.02	11.50	11.97
12.	Electrical Installation & Equipment	603.71	97.81	4.26	697.26	293.57	22.62	2.52	313.67	383.59	310.14
13.	Vehicles	73.06	0.12	-	73.18	45.69	5.22	-	50.91	22.27	27.37
14.	Furniture, Fittings & Other Equipment	3436.53	282.38	151.92	3566.99	2228.30	192.48	116.32	2304.46	1262.53	1208.23
15.	Library	71.64	5.18	-	76.82	65.74	2.83	-	68.57	8.25	5.90
16.	Sheds, Fixtures & Structures/ Erections at Projects/Sites	60.11	23.66	-	83.77	40.34	1.21	-	41.55	42.22	19.77
	TOTAL	23170.15	1876.90	1370.17	23676.88	14076.72	848.90	701.35	14224.27	9452.61	9093.43
	PREVIOUS YEAR	20361.05	2995.97	186.87	23170.15	13129.11	1020.96	73.35	14076.72	9093.43	7231.94

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. 4.08 lakhs for the year (Previous year increase in profit Rs. 0.76 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. The Land of acres 229.01 has been mutated in the name of ECIL on 19.05.2010 and necessary entries are made in the records of Rights Amendment Register. 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 Earth's 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 for Rs.206.02 lakhs and BARC funded assets for Rs. 460.72 lakhs have been shown in additions & deductions thus totaling to Rs. 666.74 Lakhs. The nominal value of such Assets included in Gross Block for the year is Rs.337/-
4. Certain fixed Assets which are not in use and obsolete are reduced from Net Block amounting to Rs. 918/- (Gross Block Rs 697.11 lakhs).

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

	(Rupees in Lakhs)	
	31.03.2010	31.03.2009
1. Capital Equipment-in-Transit	2507.90	143.08
2. Capital Work-in-progress	387.02	48.79
3. Advances against Capital Expenditure-Plant and Machinery	1755.23	202.05
Total	4650.15	393.92

SCHEDULE "G" INVESTMENTS (AT COST)

(Rupees in Lakhs)

	31.03.2010	31.03.2009
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	<u>64.32</u>	<u>91.12</u>
Total	<u>164.64</u>	<u>164.64</u>

SCHEDULE "H" INVENTORIES

(Rupees in Lakhs)

	31.03.2010	31.03.2009
As valued and certified by the management		
a) Finished Stock	1207.44	795.41
b) Work-in-Progress	9539.72	4337.80
c) Scrap	35.25	41.45
d) Raw Materials, Assemblies and Components	4628.42	3517.80
e) Stores & Spares and Packing Materials	989.55	630.26
f) Stock of Tools	6.50	23.76
g) Materials-in-Transit	3060.99	3334.50
Total	<u>19467.87</u>	<u>12680.98</u>

SCHEDULE "I" SUNDRY DEBTORS

(Rupees in Lakhs)

	31.03.2010	31.03.2009
A) DEBTS OUTSTANDING MORE THAN SIX MONTHS :		
Unsecured :		
i) Considered good	32449.01	22289.35
ii) Considered doubtful	2120.80	2686.84
Total (A)	34569.81	24976.19
B) OTHER DEBTS : #		
Unsecured :		
Considered good	109295.86	121311.51
Total (B)	109295.86	121311.51
Total (A) + (B)	143865.67	146287.70
Less: Provision for debts considered doubtful	2120.80	2686.84
Total	141744.87	143600.86

Includes Rs.57123.23 lakhs (Previous year Rs.79464.01 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)

	31.03.2010	31.03.2009
I. CASH BALANCE		
a) Cash on hand	5.34	5.30
b) Imprest Cash with Officers	0.26	0.40
c) Cheques on hand/in-transit	6.87	1633.72
d) Stamps on hand	0.05	0.04
	12.52	1639.46
2. BANK BALANCES WITH SCHEDULED BANKS		
a) Current Accounts	3250.48	338.43
b) Collection Accounts	1252.51	1208.60
c) Remittances-in-transit	1.95	9.96
d) Fixed Deposits	26630.00	20122.00
[includes Rs.13500 lakhs (Previous year Rs.19230 lakhs) marked towards margin money for BGs, lien for OD and Loan]		
Total	31134.94	21678.99
	31147.46	23318.45

SCHEDULE "K" LOANS & ADVANCES

(Rupees in Lakhs)

	31.03.2010	31.03.2009
1. ADVANCES CONSIDERED GOOD IN RESPECT OF WHICH THE COMPANY IS FULLY SECURED:		
Advances to staff against hypothecation of vehicles	35.65	71.05
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	549.83	1003.15
b) Advances to suppliers for goods and services	574.68	4594.04
c) Accrued Interest and Others	604.74	1157.67
d) Other Advances	901.15	805.62
e) Claims with Customers and Others	802.34	391.93
f) Deposits	2198.22	2118.44
g) Prepaid expenses	41.22	38.83
h) Balances with customs, Port Trust, Central Excise, etc.	875.70	921.38
i) Advance Tax / TDS (Net of provision for Income Tax Rs. 11808.42 crores)	7996.69	14544.57
		6150.47
		17181.53
3. ADVANCES CONSIDERED DOUBTFUL	228.79	282.90
Less: Provision for advances considered doubtful	228.79	0.00
		282.90
		0.00
Total	14580.22	17252.58

SCHEDULE "L" CURRENT LIABILITIES & PROVISIONS

(Rupees in Lakhs)

	31.03.2010	31.03.2009
I. CURRENT LIABILITIES		
a) Sundry Creditors for goods, machinery etc.	20144.58	22861.56
b) Sundry Creditors - MSME	98.00	70.65
c) Sundry Creditors for expenses	<u>18915.75</u>	<u>22588.25</u>
d) Advances from customers	72262.68	61536.87
e) Government Grants-in-Aid	4510.54	3501.61
f) Deposits	941.45	695.38
g) Security Deposit for Lease of Premises	1069.20	1069.20
h) Other liabilities	10780.13	6552.72
Total- I	<u><u>128722.33</u></u>	<u><u>118876.24</u></u>
2. PROVISIONS		
For proposed Dividend	1470.34	471.93
For Tax on proposed Dividend	244.21	80.20
For Excise Duty on Closing stock of Finished Goods	1163.24	537.53
For Earned Leave Encashment	7171.72	5932.37
For Warranty Charges	2127.93	2457.08
Total - 2	<u><u>12177.44</u></u>	<u><u>9479.11</u></u>
Total (I + 2)	<u><u>140899.77</u></u>	<u><u>128355.35</u></u>

SCHEDULE "M" OTHER INCOME

(Rupees in Lakhs)

	2009-10	2008-09
1. INTEREST ON		
a) Staff advances	9.64	6.27
b) Electricity Deposits (APSEB)	2.86	2.86
c) Term Deposit Receipts [Tax deducted at source Rs.256.81 lakhs (Previous Year Rs.621.34 lakh)]	1650.24	2309.88
d) Others	<u>33.22</u>	<u>106.03</u>
	1695.96	2425.04
2. PROFIT ON SALE OF FIXED ASSETS	0.02	0.26
3. OTHERS		
a) Rent	6.73	7.29
b) Sale of scrap	32.02	39.02
c) Insurance Claims	0.27	23.87
d) Customs Duty claims	0.11	1.65
e) Provisions withdrawn	2535.66	2045.11
f) Unclaimed liabilities written back	13.84	780.70
g) Exchange Rate Variation	783.74	0.00
h) Miscellaneous	<u>687.53</u>	<u>559.39</u>
	4059.90	3457.03
4. DIVIDEND FROM JOINT VENTURE COMPANY (ECIL - Rapiscan Ltd.)	44.10	44.10
Total	<u>5799.98</u>	<u>5926.43</u>

SCHEDULE "N-1"

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

(Rupees in Lakhs)

	2009-10	2008-09
CLOSING STOCKS		
i) Finished Stock	1207.44	795.41
ii) Work-in-progress	9539.72	4337.80
iii) Scrap	35.25	41.45
	<u>10782.41</u>	<u>5174.66</u>
LESS: OPENING 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>
Accretion (+)/Decretion (-)	<u>5607.75</u>	<u>1898.57</u>

SCHEDULE "N-2" MATERIALS CONSUMED

(Rupees in Lakhs)

	2009-10	2008-09
I. CONSUMPTION OF RAW MATERIALS, ASSEMBLIES AND COMPONENTS		
Opening Stock	3517.80	1954.73
Add: Purchases(after sales and adjustments)	70966.25	61791.34
Add: Departmental transfers - Production	790.02	340.12
	<u>75274.07</u>	<u>64086.19</u>
Less: Provision for obsolescence	0.00	43.14
Write off	13.97	53.14
	<u>75260.10</u>	<u>63989.91</u>
Less: Closing Stock	4628.42	3517.80
	<u>70631.68</u>	<u>60472.11</u>
2. CONSUMPTION OF		
a) Stores and Spares	243.10	180.50
b) Packing materials	892.97	219.68
c) Tools	14.81	24.12
	<u>1150.88</u>	<u>424.30</u>
3. COST OF ACCESSORIES & SPARES SOLD/CONSUMED	277.39	315.66
Sub - Total	<u>72059.95</u>	<u>61212.07</u>
Less: Expenditure against Grants-in-Aid	785.05	794.94
TOTAL	<u>71274.90</u>	<u>60417.13</u>

SCHEDULE "N-3" EMPLOYEES' REMUNERATION AND BENEFITS

(Rupees in Lakhs)

	2009-10	2008-09
SALARIES, WAGES AND OTHER BENEFITS TO EMPLOYEES *		
a) Salaries, Wages and Bonus	25869.01	28709.37
b) Contribution to Provident Fund including administrative charges	2288.15	1811.52
c) Welfare expenses	1425.41	1294.49
Total	29582.57	31815.38
* includes:		
A) CHAIRMAN & MANAGING DIRECTOR'S REMUNERATION		
Salary	13.38	8.34
Contribution to PF	1.08	0.92
Pension and Other Benefits	13.89	2.50
TOTAL (A)	28.35	11.76
B) DIRECTORS' REMUNERATION		
Salary	15.33	31.71
Contribution to PF	1.42	1.83
Pension and Other Benefits	1.71	4.80
TOTAL (B)	18.46	38.34
TOTAL (A+B)	46.81	50.10

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

(Rupees in Lakhs)

	2009-10	2008-09
1. Power and Fuel	288.34	264.23
2. Water Charges	155.25	136.69
3. Repairs & Maintenance		
a) Buildings	164.24	295.04
b) Plant & Machinery	35.10	125.01
c) Others	211.80	208.57
4. Rent	166.59	160.32
5. Rates and Taxes	83.02	80.38
6. Insurance	76.17	70.23
7. Printing & Stationery	107.16	98.67
8. Postage, Telegram, Telephones & Telex	113.69	138.17
9. Advertisement	41.99	99.15
10. Travelling and Conveyance expenses	1311.59	1074.54
11. Vehicle expenses	174.64	179.53
12. Directors' fees and travelling expenses	4.76	2.41
13. Auditors' fees and expenses		
As Auditors:		
a) Statutory Audit fee		
- Current year	7.20	6.00
- Previous year	1.20	0.00
b) Expenses	1.18	3.88
14. Other Expenses		
i) Exchange Rate Variation	0.00	632.03
ii) Bank Charges	12.90	8.35
iii) Commission on Bank Guarantees	228.79	66.86
iv) Guest House expenses	12.96	6.76
v) Entertainment expenses	7.90	7.56
vi) Professional and Consultancy charges	665.80	390.96
vii) Lease Rentals	75.42	76.22
viii) Books and Periodicals	6.04	5.68
ix) Payment to Franchisees	1583.42	1223.61
x) Stores Incidentals-Inwards	367.04	310.17
xi) Miscellaneous	893.57	792.63
15 i) Write off of RM, SS, Spares etc.	13.97	53.14
ii) Other write offs	3.06	29.23
16. Staff training expenses	21.53	22.54
17. Technical Know-how	0.00	8.05
18. Donations	4.10	1.00
19. Provisions:		
Doubtful Advances	0.00	23.53
Material Obsolescence	0.00	43.14
Total	6840.42	6644.28

SCHEDULE "N-5" SELLING EXPENSES

(Rupees in Lakhs)

	2009-10	2008-09
1. Advertisement - Commercial	10.14	22.09
2. Royalties	0.00	4.00
3. Commission to Selling Agents	156.07	79.82
4. Freight Outwards	196.59	112.73
5. Expenditure on Warranty	390.32	430.95
6. Provision for amounts considered doubtful - Sundry debtors	288.84	93.52
7. Liquidated damages	619.37	770.39
8. Bad Debts written off	313.65	389.38
9. Others	414.63	285.31
Total	2389.61	2188.19

SCHEDULE "N-6" INTEREST

(Rupees in Lakhs)

	2009-10	2008-09
1. Cash Credit Account	453.04	548.98
2. Loans against Fixed Deposits / Others	1453.82	1459.37
3. Interest on Income Tax	0.11	82.65
4. Interest on Advances and Others	122.81	65.51
Total	2029.78	2156.51

SCHEDULE "O" TRANSFERS TO PROJECTS AND OTHER ACCOUNTS

(Rupees in Lakhs)

	2009-10	2008-09
1. Expenditure on Scientific Research and Development - In House	2091.66	2423.31
2. Internal Jobs for Capital use	20.42	91.09
3. Repairs and Maintenance - Internal	27.40	59.92
4. Insurance - Purchases	4.34	2.79
5. Departmental Transfers - Production	747.92	312.03
6. Service Tax Input Credit	565.88	347.76
Total	3457.62	3236.90

SCHEDULE "P" PRIOR PERIOD ADJUSTMENTS

(Rupees in Lakhs)

	2009-10	2008-09
INCOME		
1. Sales & Services	-138.76	115.82
2. Other Receipts	297.11	0.00
Total - I	158.35	115.82
EXPENDITURE		
1. Materials Consumed	130.03	30.49
2. Administrative & Selling Expenses	78.56	23.49
3. Depreciation	8.99	5.47
4. Taxes & Duties	0.00	31.38
Total - II	217.58	90.83
Total - (I - II)	-59.23	24.99

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.46/126/2010-CL-III dated 10.05.2010 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 During the year the Company has reworded/modified a few accounting policies and there is no impact on Profit and Loss Account except in case of change of policy on Liquidated Damages which has resulted in disclosure of contingent liability of Rs. 1222.59 lakhs.

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

A) CONSTRUCTION CONTRACTS (AS -7) : (Rs. in lakhs)

- In terms of Accounting Policy No. A(iv) Contract Revenue of Rs. 19605.73 Lakhs (previous year Rs.29327.34 lakhs) is recognized as per AS-7 (Construction Contracts), based on the percentage completion of works, as certified by a Technical Committee.
- Contract costs incurred and recognized profits 155068.61
(Less Recognized losses) up to 31.03.2010
- Advances received (Net) 39272.68
- Gross amount due from customers 57123.23
- Gross amount due to customers NIL
- Retentions, if any NIL
- 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 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.

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

(Contd...)

- b) 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 as 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 :

- (i) Reconciliation of opening and closing balances of the present value of the defined benefit obligation as at the year ended 31.03.2010 are as follows :

(Rs. in lakhs)

I. Change in Benefit obligation :	2009-10	2008-09
Present value of obligation as at the beginning	9606.37	9492.74
a) Interest Cost	768.51	759.42
b) Current Service Cost	52.43	58.73
c) Benefits paid	1001.75	682.69
d) Actuarial (gain) / loss	(129.75)	(21.83)
Present value of obligation at the end of the period	9295.81	9606.37
II. Change in Fair value of plan assets	2009-10	2008-09
Fair value of Plan Assets at the beginning of the year	9735.15	9191.26
a) Expected return on plan assets	882.16	863.82
b) Contributions	NIL	362.77
c) Benefits paid	1001.75	682.69
d) Actuarial gain/loss on plan assets	NIL	NIL
Fair value of plan assets at the end of the period	9615.56	9735.16
Excess of Obligation over Plan Assets	(319.75)	(128.79)
III. Expenses recognized in the statement of Profit & Loss a/c	2009-10	2008-09
a) Current service Cost	52.43	58.73
b) Interest Cost	768.51	759.42
c) Expected return on Plan Assets	882.16	863.82
d) Net Actuarial (gain)/loss recognized in the period	(129.75)	(21.83)
Expenses recognized in the statement of Profit & Loss A/C	(190.97)	(67.50)
IV. Amounts recognized in the Balance Sheet	2009-10	2008-09
a) Present value of Obligation as at the end of the period	9295.81	9606.37
b) Fair value of Plan Assets at the end of the period	9615.56	9735.16
c) Funded Status	319.75	128.79
Liability recognized in Balance Sheet	(319.75)	(128.79)
V. Major Category of plan assets as at 31st March, 2010	NIL	
VI. Principal Assumptions	2009-10	2008-09
a) Discounting Rate	8.0%	8.0%
b) Salary Escalation rate	8.0%	6.0%

- (ii) Short term liability in respect of ex-employees as on 31.03.2010 not included above, amounting to Rs.71.98 lakhs (previous year Rs. 76.39 lakhs) has been included in Current Liabilities and Provisions.

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

(Contd...)

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	Chairman & Managing Director (upto 30.04.2009)
Shri Y S Mayya	Chairman & Managing Director (from 01.05.2009) & Director (T)
Shri U Vishnumurthy	Director (F)

Remuneration to Key Management Personnel – Rs. 46.81 lakhs (Refer Schedule N-3) (Previous year Rs.50.10 lakhs).

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	2009-10	2008-09
Purchase of Goods	572.00	83.75
Sale of goods	2552.82	987.33
Services rendered to JVC	140.08	109.09
Services received from JVC	355.68	309.07
Agency arrangements (manpower)	316.37	258.77
Amounts payable to JVC	611.30	695.14
Amounts receivable from JVC	1821.17	1066.47

E) EARNINGS PER SHARE (AS-20):

Earnings per share as per AS-20 are calculated as shown below for the year ended 31.03.2010.

Net Profit after tax as per Profit and Loss Account (Rs. in Lakhs)	4200.98
Weighted Number of equity shares as on 01.04.2009 (Nos.)	1633712
Weighted average number of equity shares for calculation of earnings per share (Nos)	1633712
Nominal value of equity share	1000
Earnings per share (Basic & Diluted)	257.14

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. 4021.55 lakhs as on 31.03.2010 (previous year Rs.3938.44 lakhs), recognizing a net deferred tax asset of Rs.83.11 lakhs (previous year Rs.1550 lakhs) in the Profit and Loss Account for the year 2009-10.

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

(Contd...)

- 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 31.03.2010		AS ON 31.03.2009	
	Assets	Liabilities	Assets	Liabilities
Depreciation		3836.28		3492.67
Voluntary Retirement Scheme	274.24		844.44	
Provision for Doubtful Debts and Advances	655.47		781.03	
Wage Revision Arrears	620.16		3408.24	
43B Disallowances	13303.25		9510.41	
Others	814.72		535.62	
TOTAL	15667.84	3836.28	15079.74	3492.67
DEFERRED TAX ASSET @ 33.99%	4021.55		3938.44	

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

Provision is made for warranty expenditure at 0.5% on product sales and at 2% on revenue recognized on construction contracts as in the previous year. 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 01.04.2009	446.76	2010.32
Provisions made during the year	382.76	211.60
Amounts used (i.e, incurred and charged against provision)	15.38	NIL
Unused amounts reversed	168.89	739.26
Closing balance as on 31.03.2010	645.25	1482.68

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 31.03.2010, 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. 211.55 lakhs received from the customers and lease rental payments of Rs.75.42 lakhs for the year 2009-10 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.87.67 lakhs (Previous year Rs.163.09 lakhs), as against receivables of Rs.109.42 lakhs (previous year Rs.230.19 lakhs).

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

(Contd...)

- ii) The quantum of future minimum lease payments as at 31.03.2010 is furnished below:

(Rs. in lakhs)

Sl.No	Particulars	
i)	Not later than one year	68.74
ii)	Later than one year and not later than 5 years	18.93
iii)	Later than five years	0.00

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

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. 4510.54 lakhs as on 31.03.2010 (Previous year Rs.3501.61 lakhs) under Current Liabilities and Provisions – Schedule – L is after consideration of the following adjustments:

(Rs. in Lakhs)

Sl. No	Particulars	Year ended 31.03.2010	Year ended 31.03.2009
i)	Total receipts during the year	2000.00	2103.00
ii)	Refund/Withdrawals during the year	0.00	669.18
iii)	Actually utilized during the year towards:		
	a) Revenue Items	785.05	794.94
	b) Capital Items	206.02	65.56

7. INVENTORIES :

- i) Inventory includes
- Material with sub contractors amounting to Rs. 7.74 lakhs (previous year Rs.5.38 lakhs) and
 - Finished goods amounting to Rs.57.60 lakhs (previous year Rs.37.09 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.16.02 lakhs during the year. (Previous year Rs.8.87 lakhs).

8. SALES FOR THE YEAR INCLUDE

- goods which are in deliverable condition and are retained at the instance of the customers for an amount of Rs.919 lakhs. Further, goods retained in earlier years at the request of the customers worth Rs.3295 lakhs (Previous year Rs.3494.75 lakhs) are also awaiting dispatch as on 31.03.2010.
- goods valuing Rs.12730 lakhs, (previous year 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. Revenue has been recognized at this price in respect of 236600 Units since 2006-07.

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

(Contd...)

- 10.** The Company has reclassified the expenditure of Rs.2091.66 lakhs from primary heads to functional heads under Inhouse R&D expenditure.
- 11.** Sundry Creditors include Rs.276.15 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.
- 12.** Two MCV and one MCP against the order of M/s. Bharat Dynamics Limited on which sale was recognized has been retained in the premises of the Company for the last 10 years at the request of the customer. The order was short closed and the necessary process is in progress.
- 13.** Service income from DSERT, Bangalore of Rs. 194.04 lakhs (approx) pertaining to 2006-07, has not been recognized as income pending final settlement.
- 14.** No provision is considered necessary in respect of the liability that may devolve on the Company on the differential sales tax of Rs. 1345.46 lakhs on the unassessed turnover for the year 2008-09 and 2009-10 (upto December, 2009) as the Company is confident of collecting the tax forms.

15. 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 31.03.2010	As at 31.03.2009
a)	Letters of Credit	15235.62	8656.20
b)	Bank Guarantees	11418.15	8843.33
c)	Corporate Guarantees favouring Govt. Depts. / PSUs	47290.62	26214.26
d)	Indemnity Bonds	25816.01	38625.26
e)	Guarantee on behalf of employees	NIL	0.35
f)	Court/Arbitration cases	307.39	277.48
g)	Demands from Government authorities and appeals filed against the Company not provided for in respect of taxation matters.	11788.26	8349.67
h)	Cess payable under Section 44I A of the Companies Act, 1956 at 0.1% of the Annual Turnover from 2002-03 to 2009-10	766.18	647.44
i)	Others	2201.72	1424.49

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

(Contd...)

(Rs. in lakhs)

iii	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	2847.59	7301.11
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iv Expenditure in Foreign Currency (excluding provision) (Rs. in lakhs)

Particulars	2009-10	2008-09
Foreign Travel	62.51	57.60
TOTAL	62.51	57.60

v Export Earnings: (including Deemed Exports) (Rs. in lakhs)

Particulars	2009-10	2008-09
Exports – Products	38.41	555.26
TOTAL	38.41	555.26

- vi Sundry Creditors include an amount of Rs.98.00 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 31.03.2010 is given below :

(Rs. in lakhs)

a)	The principal amount remaining unpaid to any supplier as at the end of the accounting year	98.00
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

16. 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, 2010

II. Capital raised during the year (Amount in Rs. 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	225229.37	Total Assets	225229.37
Sources of Funds :			
Paid-up Capital	16337.12	Reserves & Surplus	42945.21
Share Money Pending Allotment	0.00	Unsecured Loans	15028.77
Secured Loans	10018.50	Deferred Tax Liability (Net)	0.00
Application of Funds :			
Net Fixed Assets	14102.76	Investments	164.64
Net Current Assets	66040.65	Misc. Expenditure	0.00
Accumulated Losses	0.00	Deferred Tax Asset (Net)	4021.55

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

Turnover and Other Income	124540.22	Total Expenditure	119098.42
+/- Profit/Loss Before Tax	5441.80	Profit/Loss After Tax	4200.98
Earning Per Share in Rupees – Basic & Diluted	257.14	Dividend rate %	9

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

Heading No.	H.S. Code	I.T.C(H.S) No.	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.
	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.
85.43 84.72 90.22			

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 **ANJANEYULU & CO.**
Chartered Accountants

D V ANJANEYULU
Partner
M.No.21036

Place : Mumbai
Date : 29.06.2010

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH, 2010

(Rupees in Lakhs)

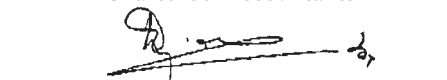
	2009-10	2008-09
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT/(LOSS) BEFORE TAX & EXTRAORDINARY ITEMS	5441.80	1889.71
Adjustments for :		
Depreciation	848.90	1020.96
Foreign exchange	-783.74	632.03
Other income	0.00	-774.43
Interest expense	2029.78	2156.51
Dividends received	-44.10	-44.10
Profit/Loss on sale of fixed assets	-0.02	-0.26
W-off/decapitalisation of assets	1.12	1.59
Interest received on Short Term Deposit Receipts	-1650.24	-2309.88
Operating profit before Working Capital changes	5843.50	2572.13
Increase/Decrease Inventories	-6786.89	-5796.85
Increase/Decrease Sundry debtors	1855.99	-16597.27
Increase/Decrease Loans and advances	2862.18	-3779.00
Increase/Decrease Current liabilities	9620.90	22141.01
Increase/Decrease Provisions	1535.91	3781.95
Cash generated from operations	14931.59	2321.97
Direct taxes paid	-1792.70	-7486.22
Grants received	2000.00	2103.00
Grant returned	0.00	0.00
Grants utilisation	-785.05	-794.94
Cash flow before extraordinary items	14353.84	-3856.19
Extraordinary items	—	—
Net cash from operating activities	14353.84	-3856.19
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets(including from grant Rs.206.02 lakhs)	-1416.18	-2949.66
Sale of fixed assets	1.01	0.32
Acquisition of companies	—	—
Fixed assets in transit and capital work in progress	-4256.23	193.19
Amt. received on maturity of Investments	—	—
Interest received	1929.16	1390.96
Dividend received	44.10	44.10
Net cash from investing activities	-3698.14	-1321.09
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	0.00	0.00
Proceeds from term loan from Banks	-152.75	7559.90
Repayment of finance lease liabilities	—	—
Interest expense	-2121.81	-2035.68
Dividend paid	-471.93	-3267.42
Dividend tax paid	-80.20	-555.30
Net cash used in financing activities	-2826.69	1701.50
Net increase in cash and cash equivalents	7829.01	-3475.78
Cash and cash equivalents (Opening Balance)	23318.45	26794.23
Cash and cash equivalents (Closing Balance)	31147.46	23318.45

- 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 **ANJANEYULU & CO**
 Chartered Accountants

D V ANJANEYULU
 Partner
 M.No.21036

Place : Mumbai
Date : 29.06.2010

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, 2010 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. These 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.

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 Policy on liquidated damages

Auditors' Report

Company's Replies

which has resulted in increase of contingent liabilities by Rs.1222.59 Lakhs and thereby increase in Profit by the same amount.

- ii) Note No: 9 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.
- iii) Note no. 10 in Schedule 'Q' regarding reclassification of expenditure of Rs.2091.66 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.
- iv) Note No 15 (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".
- v) Note No 5 in Schedule 'Q' regarding deviations from the Guidance Note issued by Institute of Chartered Accountants of India for VAT accounting.

The Company has been receiving in full the amount of revenue recognized.

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 2009-10 are as under :

I. Accounting Policy A on "Revenue Recognition":

- a) ***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***

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

Auditors' Report

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 918.96 Lakhs, expenditure and liabilities are overstated by Rs 98.42 Lakhs, inventory is understated by Rs 676.71 Lakhs. Consequential increase of PBT by Rs 143.83 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); 2007-08 (Rs.200.80 Lakhs) 2008-09 (Rs.191.90 Lakhs)- aggregating to Rs. 3295.90 Lakhs, awaiting dispatch as on 31.03.2010.

- b) The company bifurcated the work orders received into construction contracts (AS 7) and supply of products/ services (AS 9), We have relied on the percentage completion of the projects under AS-7 as certified by the management.
2. 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.***
3. Refer Note No. 15(vi) of schedule 'Q' regarding disclosure as per section 22 of the Micro, Small and Medium Enterprises Development Act, 2006, we have relied on the information given by the management and accepted the same for the disclosure purpose.

Company's Replies

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.953 lakhs have already been dispatched.

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.

Auditors' Report

4. 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.

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 C and D above in so far as they relate to changes in accounting policies, AS-9 on Revenue Recognition.**
- 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 (1)(g) of the Companies Act, 1956 are not applicable to the Company, as it is a Government Company.

Company's Replies

Auditors' Report

Company's Replies

- f. According to our information, the Central Government has not issued any Notification for the purpose of levy and collection of cess under section 44IA of the Companies Act, 1956.
- g. **We report that without considering items 2, 3 and 4 of Para-D above, the impact of which could not be determined or where we have relied on the information given by the management, had the other observations made by us under 1 of Para-D above been considered;**
- **The gross sales would have been Rs.117821.28 Lakhs instead of Rs.118740.24 Lakhs;**
 - **Total expenditure would have been Rs.108623.12 Lakhs instead of Rs.108721.54 Lakhs;**
 - **Profit before tax for the year would have been Rs.5297.97 Lakhs instead of Rs.5441.80 Lakhs;**
 - **Sundry Debtors would have been Rs.140825.91 Lakhs as against Rs.141744.87 Lakhs;**
 - **Current liabilities would have been Rs.128623.91 Lakhs as against Rs.128722.33 Lakhs;**
 - **Inventories on 31.03.2010 would have been Rs.20144.58 Lakhs instead of Rs.19467.87 Lakhs.**
- h) 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**

Auditors' Report

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:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31.03.2010.
- b) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For ANJANEYULU & CO
Chartered Accountants,

(D.V.ANJANEYULU)
Partner
M.No. 021036
FRN: 000180S

Place: Mumbai
Date: 29th June 2010

Company's Replies

For and on behalf of the
Board of Directors

(Y S MAYYA)
Chairman & Managing Director

Place: Hyderabad
Date: 20th July 2010

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.697.11 Lakhs resulting in a write off of Rs.0.01 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 of major part of fixed assets having effect 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 thrice 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>(c) The company is maintaining proper records of inventory.</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 2009-10. A few C Class items have also been verified.</p>

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

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.

Company's Replies

Major discrepancies noticed have been adjusted in the accounts for the year 2009-10

- 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.
- (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.
- (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.
- (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.
- (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.
- (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.

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;	a) 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 unreconciled differences	c) Letters are sent to customers and vendors for confirmation of balances. Replies received have been properly dealt with
(d) acknowledgement from the customers for the deliveries;	d) Acknowledgements are being obtained wherever necessary.
(e) collection of various tax certificates/forms from the customers;	e) 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 undertaken 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.11 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 31.03.2010 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. In Lakhs)
Income Tax	CIT(A)	2270.21
	AP High Court	623.85
	CBDT	438.15
	TOTAL	3332.21
Customs	Supreme Court	154.42
	CESTAT Bangalore	24.14
	TOTAL	178.56
Excise	Supreme Court	858.31
	CESTAT, Bangalore	1577.90
	TOTAL	2436.21
Service Tax	Commissioner (Appeals)-Chennai	2.27
Sales Tax	STAT-New Delhi	42.18
	STAT-Hyderabad	168.47
	Special Tribunal- Chennai	3.95
	Assessing Officer, Bangalore	2.05
	DCCT, Bangalore	18.11
	TOTAL	234.76

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>	

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

Company's Replies

- 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.
- 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 ANJANEYULU & CO
Chartered Accountants

For and on behalf of the
Board of Directors

(D.V.ANJANEYULU)
Partner
M.No. 021036
FRN: 000180S

(Y S MAYYA)
Chairman & Managing Director

Place: Mumbai
Date: 29th June 2010

Place: Hyderabad
Date: 20th July 2010

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 2010.

The preparation of financial statements of Electronics Corporation of India Limited, Hyderabad for the year ended on 31 March 2010 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 29 June 2010.

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 2010. 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**

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

**Place : Hyderabad
Date : 29 July 2010.**