

CONTENTS

	Page
Chairman's Statement	03
Directors' Report	04
Accounts for 2010-2011	15
Auditors' Report	44
Comments of the C&AG	56

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

Executive Director (Aerospace 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)

Cmde LALIT MOHAN KHANNA

General Manager (Communication Systems Group)

SHRI T R RAJA MANNAR

General Manager (Software Solutions & Systems Division and Corporate R & D)

SHRI J SUNDARA RAO

General Manager & Project Director
(National Population Registry Project)

SHRI P THANGARAJU

General Manager (Customer Support Division)

SHRI B BHASKARA RAO

Head (Corporate Planning & Projects Monitoring)

SHRI G UMAPATHI

Head (Components Division)

SHRI T V S KISHORE KUMAR

Head (Control Instrumentation Division)

SHRI B P R MURTHY

Head (Special Products Division)

SHRI T SURESH

Head (Engineering Services Division)

SHRI A ASHOK KUMAR

Head (Electronics Manufacturing & Services Division)

SHRI SANKAR DEY

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

SHRI T V SARMA

Head (Radiation Detectors & Instrumentation Division)

SHRI B MAHAVEERA

Head (Security Systems & Projects Division)

SHRI Md. ARIFUDDIN

Head (Control Automation Division)

SHRI A K ASTHANA

Head (Reactor Projects Division)

SHRI O V L N MURTHY

Head (Antenna Products & Satcom Division)

SHRI M C VENKATASUBBAIAH

Head (Systems & Quality Assurance Group)

SHRI K S SHESHADRI

Head (Business Systems Division)

SHRI Y VISWESWARA RAO

Head (Computer Education Division)

SHRI R MAHENDRAN

Head (Servo Systems Division)

SHRI P HARENDER

Head (Electronic Warfare Systems Division)

SHRI A V APPA RAO

Head (Military Communication Systems Division)

SHRI Y V SUBBA RAO

Head (Telecommunication Division)

SHRI M BADRINARAYANA

Offg. Head (Information Technology Services Division)

SHRI RAMESH AMINHA

Offg. Head (Personnel Group)

SHRI G. NAGABHUSHANAM

Offg. Head (Manufacturing & Engineering Division)

BRANCHES

SHRI H C KALRA

General Manager (North), New Delhi

SHRI D S KULKARNI

Zonal Manager (West), Mumbai

SHRI B K MAJUMDAR

Zonal Manager (East), Kolkata

SHRI G SUBRAMANIAN

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

Dear Shareholders,

I have great pleasure in presenting to you the performance of your company during the year 2010-11. The Company created a new record in terms of turnover registering Rs.1382 crores. The huge liabilities arising out of pay revision arrears and implementation of enhanced gratuity significantly eroded the profits of the Company. The role played by the Company in ensuring timely implementation of Integrated Security System for Common Wealth Games 2010 drew much appreciation. The successful delivery of this system highlighted the ability of the Company to synergize its multi-disciplinary capabilities spread across business units and offer a total solution. The Company has logged a record order book position of Rs. 1148 crores at the beginning of 2011-12 and is confident of exceeding the targeted performance. Now I present to you a bird's eye view of the performance during the year and the Outlook for future.

Performance in 2010-11

During the year, the Company posted a turnover of Rs.1382 crore which is 16% higher than the turnover of the previous year. The major contribution of 40% came from the Security sector, 27% from Defence sector, 10% from Nuclear sector and balance 23% from supplies to other sectors in the government domain. The Company has earned a Profit Before Tax of Rs.22 crores as compared to Rs.54 crores during the previous year. The order book stood at Rs.1148 crores at the beginning of 2011-12 as compared to Rs.1490 Crores at the beginning of 2010-11.

Achievements

In the nuclear sector, the Company has delivered most of the C&I equipment including simulator for the first 500 MWe Prototype Fast Breeder Reactor which is in advanced stage of completion at Kalpakkam. ECIL is rendering field support to NPCIL for the Kudankulam Nuclear Power Project. The C&I systems and Radiation Monitoring equipment for the fuel reprocessing plant at Tarapur has been commissioned.

The most significant achievement during the year was the delivery of Integrated Security System for Common Wealth Games 2010 which showcased company's innate resilience to succeed under very trying circumstances. Progressive implementation of Video Surveillance systems at Delhi city markets and Delhi Metro continued.

The newly created production line for M7 Radios contributed Rs.111 crores towards sales while adding Rs.93 crores to the order book. After years of development work, Company has started rolling-out C4I systems for Akash and Brahmos missile programs. Delivery of Antenna Platform Unit for ADA was completed during the year. Progressive delivery and installation of equipment for ICNS project continued.

The Company has launched data digitization and bio-

metric capture campaign as part of the National Population Registry (NPR) project, which is expected to contribute significantly to the turnover in 2011-12. The Company has created manufacturing facility at Tirupati to roll out Resident Identity Card for this project.



Outlook for 2011-12

The Company set a target of Rs.1500 crores in turnover in its MoU with Department of Atomic Energy for the year 2011-12. The present order book position, orders in pipeline and the leads available, point towards a promising performance exceeding the targets.

The existing and executable orders comprise of C&I systems for DAE projects, C4I system for Akash and Brahmos, M7 radios, COMINT projects, NPR project, MACE, ICNS and APL deliveries, Security projects and EVMs for Maharashtra SEC.

Company has received a Letter of Intent for carrying out the Socio Economic Caste Census project during 2011-12 valued at around Rs.300 crores.

During the year Company is expecting to receive orders for Radiological Detector Equipment for major ports, Radios, Surveillance systems for Delhi markets (Phase 2), Artillery Fuzes, C&I equipment for Nuclear Power Plants and C4I systems for missile programs.

Continuing its strong tradition of contributing to major Science programs, the Company is poised to supply power converters to Facility for Antiproton and Ion Research (FAIR) at Germany and International Thermonuclear Experimental Reactor (ITER) in France.

Challenges and Roadmap

The Company continues to focus on product development, capability building, modernization and human resource development as thrust areas.

A VISION 2020 document was prepared as an outcome of systematic effort to outline a roadmap for the Company for the decade. Along with forecast on business in each sector, need for technology upgradation, R&D and HR development are identified.

The initiatives taken and being pursued by the Company have started showing results which are expected to facilitate increasingly improved performance of the Company. I am confident that your Company is poised for impressive and sustainable growth in the years to come and realize the strategic objectives underlying its VISION.

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 44th Annual Report of your Company, together with the audited statement of accounts for the year ended 31st March, 2011.

OPERATING RESULTS AT A GLANCE

(Rs Crores)

Particulars	2010-11	2009-10
Turnover	1382	1187
Production at realizable value	1226	1114
Profit before tax	22	54
Profit after tax	23	42
Net worth	606	593
Capital employed	872	755
Value added	498	401

SHARE CAPITAL & UNSECURED LOANS

During the year, the authorised share capital of the Company remained unchanged at Rs.200.00 Crores. The called up and paid up share capital as on 31.03.2011 stood at Rs 163.37 crores. No loans were taken from Government during the year.

DIVIDEND

The Directors are pleased to recommend a dividend of Rs 48.97 per share of Rs. 1000/- amounting to Rs. 8 crores for the year 2010-11.

NEW PRODUCTS INTRODUCED IN 2010-11

- Multi element Mono-pulse Tracking Feed System for IRNSS Project
- S band Feed System for Tracking Radar
- Transmit / Receive Modules for 206.5 MHz band applications
- Generic Command and Control Software for IEW operations
- Digital Notch Indicator DNI-200 for Indian Railways

- Vehicle Monitoring System for Gamma & Neutron
- Doorway Monitor
- Neutron Drum Monitor

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 the report.

HUMAN RESOURCES:

Staff Strength:

During the year a total of 80 persons were recruited (General = 57, OBC = 10, SC = 11, ST = 2, which included 2 persons with disabilities (PWD). 442 employees were separated during the year. The Manpower as on 31.03.2011 stood at 4332 and Group wise breakup is, Group A = 1892, Group B = 820, Group C = 1221 and Group D = 297, Group D1 (Sweepers) 102.

The number of SC employees and their percentages to the total number of employees in different groups are Group "A" – 272(14.40%), Group "B" – 149 (18.17%), Group "C" 162 (13.26%), Group "D" – 63 (21.21%), Group "D1" (Sweepers) – 40 (39.21%).

The number of ST employees and their percentages to the total number of employees in different groups are Group A = 62 (3.28%), Group B = 46(5.60%), Group C = 58(4.75%), Group D = 9 (3.03%), Group D1 (Sweepers) = 01(0.98%).

Workers' Participation in Management:

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

- The Corporate Management Committee: This 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 ECS&WU and President and Secretary of ECOA are the special invitees.

- b) **APEX Committee:** The Committee is constituted under Scheme of Workers' Participation in Management. The Committee is headed by Chairman & Managing Director and other Members include Functional Directors on the Board & ED, Head, Personnel Group and President & General Secretary of ECS&WU and President and Secretary of Officers' Association. The Committee meets periodically and deliberates and makes suitable recommendations on the issues concerning improvement of production, performance and other major policy issues for smooth functioning and maintaining harmonious industrial relations in the Corporation.
- c) **Divisional Production Committees:** These committees are constituted under the Scheme of Workers' Participation in Management. The Head of Division concerned is the Chairman for the committee and the members are drawn from Production shops, Quality Control, Materials Management, Personnel and Finance. The meetings are convened periodically for discussion on the issues pertaining to working plans to realize the production targets, sales targets and sundry debts, order booking status etc.

EMPLOYEE RELATIONS SITUATION:

- 2.1 The employee relations situation was normal during the year 2010-11. The elections for determining the majority Union in ECIL were held on 22-01-2011 by DCL, RR Zone and the EC Staff & Workers Union was elected as representative Union for all workmen of ECIL.
- 2.2 The perks and allowances applicable to Workmen and Executives were revised in terms of the approval accorded by the Board and also as per Memorandum of Understanding reached with ECOA on 19-02-2011 and Memorandum of Settlement under Sec. 12(3) of I.D. Act, 1947 entered into with the EC Staff and Workers Union before Asst. Labour Commissioner (central), Hyderabad on 25-03-2011.
- 2.3 A total number of 3806 man days were lost due to non-operation of Company hired APSRTC buses on account of bundhs / disturbances in twin cities.

WELFARE ACTIVITIES:

All Health, Safety and welfare measures as laid down under the AERB Rules and also a number

of non-statutory measures for the well being of all employees of the Company have been provided by the Management.

There are two full time Welfare Officers as per the requirement, three Medical Officers and one Senior Safety Officer to look after the requirements.

Some of the Welfare activities are given under:

1. All statutory measures viz., ESI, Provident Fund, Minimum Wages for contract labour are provided in addition to subsidized Canteen and Transport.
2. All the workmen are covered under AP Labour Welfare Funds 1987 and are extended with the benefits laid down under the Act. For the year 2010, 31 children of our workmen have been provided with merit scholarships.
3. a) The employees deputed at project sites have been insured for Contingent Liabilities under the Workmen Compensation Act.
- b) The employees proceeding on official tours to various sites, socially disturbed areas and hazardous areas have been provided coverage under Group Personal Accident Policy.
- c) All employees of the Company are covered under a Janata Personal Accident Policy for an assured sum of Rs 25000/-
- d) Under Group Savings Linked Insurance Cum Retirement Benefit Scheme during the Year 2010-11, the families of nineteen employees who expired while in service have been provided with insurance amount of Rs. 1.00 lakh each in addition to Rs. 10,000/- from Management. Employees who have separated on superannuation / resignation have also been provided with amounts varying on the number of year of service upto a maximum of Rs. 40,000/- each.

TRAINING & DEVELOPMENT

In-House Training:

During the year 2010-11 Corporate Learning Centre has organized 17 In-house / Seminars and Programmes (05 Technical & 12 Non-Technical) on themes of current interest by eminent faculty from reputed institutions.

During the year a comprehensive four months intensive technology training programme called

GET-2010 Training Programme for newly recruited Graduate Engineer Trainees was organized (inaugurated on 16.02.2010). This programme will be repeated every year for the batch of Graduate Engineers recruited during the year.

In all, 780 employees (734 Executives and 46 Workmen) excluding GETs have participated in the training programmes including Technical Seminars resulting in 1973 man days of training.

External Training:

During the year 2010-11, 139 employees were sent for Technical Management training programmes organized by various reputed training organizations on Technology Development & Technical skill upgradation as well as Management Development themes.

IMPLEMENTATION OF PERSONS WITH DISABILITIES ACT, 1995:

During the year 2 employees with disabilities were recruited to fill up the vacancies reserved for them.

RTI ACT 2005:

During the year, 60 queries were received and answered.

PROGRESSIVE USE OF HINDI:

One Hindi workshop was organized on 1st July 2010 for the employees of zonal offices and another workshop was organized on 16th September 2010 for new members of reconstituted OLIC. "Hindi Week" was observed, from 14 to 20th September, 2010. "World Hindi Day" was observed on 10th January 2011. "Safety, Health and Environment Policy" was printed in Telugu, Hindi and English. The Parliamentary Committee on Official Language inspected Zonal Office, New Delhi on 5th January 2011 and Zonal office, Mumbai on 10th February 2011. Bilingual documentation Monitoring Committee was constituted to ensure bilingual details on products, bills, vouchers, receipts etc.

QUALITY MANAGEMENT

- All the divisions of ECIL continue to maintain Quality Management System Certification as per ISO 9001:2008.
- The Company was certified for Integrated Safety Health and Environmental Management System as per PAS 99 of M/s BSI India Ltd.

- Calibration and Measurements Laboratory of SQAG continues to maintain NABL accreditation as per ISO/IEC 17025:2005 at corporate level.
- SQAG is under the process of establishing Impact Test Facility.
- EMI / EMC building construction completed. Chamber is under installation. MIL/IEC Test Equipment is about to arrive.
- Two new Environmental Chambers are about to be added to ETL of SQAG.

JOINT VENTURE COMPANY

ECIL – Rapiscan Ltd, the JV Company has achieved a turnover of Rs. 67.88 Crores (Unaudited) against a target of Rs. 65 Crores for the previous year. The turnover consists mainly of Rs. 42.07 Crore from sale of X-ray Baggage Inspection System and Spares Rs. 25.81 crore towards servicing and other income.

The Profit after depreciation for the operation of the Company for the year is Rs. 11.59 crore (provisional), compared to Rs. 12.28 crores for the previous year.

The JVC is targeting for current financial year a growth of 15% over the previous year target of Rs. 65 Crore even though there is a good demand for XBIS equipment from numerous establishment in the country, and at the same time the competition in the market has increased with the entry of new vendors.

CORPORATE GOVERNANCE

A report is given at Annexure – II.

COMMON WEALTH GAMES

The Company was awarded Contracts, with Ministry of Home Affairs (MHA) as the nodal agency, from the venue owners of CWG 2010, on nomination basis, for supply, installation, testing and commissioning of Integrated Security Systems at all the venues of CWG 2010 for 375.17 crores inclusive of all taxes. The total Project is on a 'Turnkey' basis and the prices firm and fixed.

Comptroller & Auditor General (CAG) in its report to MHA observed that the Company has made exorbitant profit. In arriving at this conclusion CAG has considered only a select items ignoring the cost of total procured items, input materials, manpower cost etc. Without taking cognizance of the fact that the contract is a 'turnkey fixed and firm contract' and that the Company has proactively

provided comprehensive solutions to all emerging requirements connected with CWG though not included in the scope of the Contract, MHA has in turn, based on CAG report, issued instructions to the Venue owners vide letter No. VI.23014/134/2011-VS/CWG dated 21.07.2011 to finalise and recover as per recommendations of SS & FA (Home) Committee. The Company is yet to receive a formal communication from the customers' viz., venue owners who placed orders on the Company, in this regard. The matter will be appropriately dealt with as and when communication is received.

AUDIT

M/s Anjaneyulu & Co., Chartered Accountants were appointed as Statutory Auditors of the Company for the year 2010-11. The Company's replies to the Statutory Auditors' Report on the accounts of the Company for the year ended 31.03.2011 are furnished in Annexure-III to this report. Comments of C&AG under Section 619(4) of the Companies Act, 1956, are given in Annexure IV.

VIGILANCE

During the year 2010-11, the focus of Corporate Vigilance Department (CVD) has been on preventive Vigilance in a proactive and participative manner. Emphasis was therefore laid on leveraging technology to bring about greater transparency. The Significant initiatives taken by CVD include ensuring hosting of vendors list, CDA rules, draft Personnel (establishment) manual, and a booklet on Dos and Don'ts on the ECIL website for benefit of ECIL personnel. Introduction of on-line complaint lodging system and on-line filing of IPRs is another step taken in this direction. In order to buildup public trust, CVD has also emphasized the need for implementation of e-procurement, e-payment, e-auction, bill tracking and file tracking system. In line with the spirit of CVC guidelines due attention was given to systems improvement and suggestions have been made by CVD in the areas of recruitment and public procurement to bring about greater objectivity, transparency and accountability.

At the behest of CVD, to sensitize ECIL personnel about corruption and to generate awareness among them, series of training programmes/seminars/workshops on various topics such as material management, disciplinary proceedings ethics in corporate management, vigilance administration etc. were organized by Personnel Group during the year.

Also, Vigilance Awareness period was observed from 25.10.2010 to 01.11.2010 in a befitting manner in ECIL. Talks by eminent persons like Shri Santosh Mehra, IPS, IG of Police, Government of Andhra Pradesh and Shri M GopalaKrishna, IAS (retd.) on anti corruption were arranged during the said period. In order to integrate Vigilance with Management and to bring greater coordination between Business Divisions and CVD interactive sessions were organized with divisional management. Structured vigilance review meetings with CMD have yielded positive results, during the year CVD examined 14 complaints and 6 complaints were disposed of after investigation.

CTE-type examinations were also undertaken by CVD during the year 2010.11. Transfer of employees working in sensitive areas were also effected during the said period by the Management.

DIRECTORS

Dr.Sreehari Rao Chief Controller (R&D) DRDO ceased to be Director from 12th April, 2010.

Smt. Revathy Iyer Jt.Secretary (I&M) ceased to be Director from 23rd July, 2010 and Dr.C B S Venkataramana was appointed as Director in the place of Smt.Revathy Iyer.

Prof.M.Chandrasekhar Director – Centre for Innovation and Technology being appointed as Director from 26th October, 2010.

Shri V V R. Sastry Executive Director – Centre for Development of Telematics being appointed as Director from 10th March, 2011.

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 31.03.2011, the applicable Accounting Standards have been followed excepting deviations due to practical constraints, which have been disclosed in the notes forming part of Accounts as per Section 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 31.03.2011 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 31.03.2011 on a 'going concern' basis.

ACKNOWLEDGEMENTS

The Board wishes to place on record its appreciation of efforts of the Chairman and 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

Place: Hyderabad
Date: 26.08.2011

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 LT Panels, air Circuit breakers, protection relays, 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) Instalation of 30 number of maintenance free earth pits at sub-station-5 (IT&TG) and 33KV sub station at an expenditure of Rs 8.0 lakhs.
- ii) Energy saving lights fixtures are being installed in the ongoing projects at different Division in ECIL.

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

- i) With the installation of New multi function energy meters in place of electromechanical meters at Divisional level the recording, monitoring and controlling has become easier. The divisions are well informed for effective implementation of energy conservation measures in their respective areas by showing their current month consumption and last year month consumption.
- ii) Annual energy consumption is decreased by 90,580 KWH units due to implementation of energy conservation measures like minimum usage of Air

washing plants, air conditioning plants and switching off the lights and fans during lunch breaks.

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

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

- a) 4.5M dia. Antenna System operating in X Band for Tracking Low Earth Orbit Satellites.
- b) Multi element Mono-pulse Tracking Feed System for 11M Earth Station Antenna of IRNSS Project
- c) S Band Feed System for Tracking Radar Antenna
- d) Pulse Power Supplies for copper vapor lasers
- e) Power PROGICON, Modular PLC systems
- f) ECM systems for Fast Hopping signals
- g) Solid State Digital Video Recorder System
- h) T-90 Gyroscope
- i) Next Generation Bulk Encryption Units
- j) Surveillance and Interception systems
- k) BMP-II Integrated Missile Simulator
- l) V.35 Encryptors for Akash and PJ10
- m) STM Bulk Encryptor Units
- n) Vehicle Monitoring System
- o) Linux based ECSCADA Server
- p) Setting up of reference System for P3A Project
- q) Fast Data Acquisition System for monitoring of fast process parameters

- r) Automatic Power Factor Control System for distribution transformers
- s) Neutron based Calorific Value Meter for the measurement of Coal calorific Value.

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

- a) The development of Multi Element Mono-pulse Tracking Feed System for 11M Earth Station Antenna enabled to execute order worth Rs. 292 lakhs
- b) The development of 4.5M Antenna helped in getting order worth about Rs. 77 lakhs
- c) S band Feed Development enabled us to execute order worth about Rs. 30 lakhs
- d) Consolidation of infrastructure servers helped in better management with Green IT
- e) Thin clients were deployed for transaction oriented applications
- f) Virtual Desktop Infrastructure with Zero Clients resulted in Secure management of Data Center in R&D Lab.
- g) Pulse Power Supplies Systems were supplied to BARC, Mumbai
- h) Business expected for 100 nos. of SSDVRS with GSS
- i) Orders worth Rs 20 crores have been booked for Supply, Installation & Commissioning of Ethernet and E1 NGBEUs from Indian Air Force.
- j) ISS Software has been successfully commissioned in the CWG
- k) BMP-II Integrated Missile Simulator development has helped ECIL in fielding a system for user trials on NCNC basis against an RFP by Indian Army.
- l) STM BEUs resulted in business worth Rs 7 Crs
- m) V.35 Encryptors for Akash and PJ10 resulted in business worth Rs 3 Crs
- n) Potential market exists for Gyro motors
- o) Linux Based ECSCADA server development project is taken up as a model for CMMI appraisal. These procedures will be followed for future software development projects of nuclear and other areas.

- p) The Fast Data Acquisition expertise can be used in design, engineering and application development of similar systems used for data analysis.
- q) Rs. 2 Cr business expected from Automatic power factor control systems.

3. Future plan of action

- a) Phased Array Antenna
- b) Carbon Fiber Technology
- c) IPv6 Lab setup for IPv4 to ipv6 migration and providing services to DAE units
- d) Reference Lab setup for Cloud computing with state-of-the-art Virtualization Technologies and Security features.
- e) Establishment of 49 element based Mini Wind Profiler Reference System
- f) Indigenous systems with advanced features for EW applications
- g) Setting up a Data decoding facility of standard and non standards codes
- h) FDM signal analysis and de-multiplexing
- i) Gunnery simulators for armored vehicles
- j) Advanced Spectroscopy Portal Monitors using HPGe detectors and Li6 Neutron Detectors
- k) Enhancing the features of ECIL PLC by adding communication protocols to use it as RTU also.
- l) OPC Unified Architecture development for addressing future integrated SCADA requirements.
- m) Automatic power factor control system with AMR facility

4. Expenditure on R & D

(Rs. in Crores)

Particulars	2010-11	2009-10
Capital	5.30	2.32
Recurring	37.98	28.77
Total	43.28	31.09
Total R & D Expenditure as percentage of Gross Turnover	3.13%	2.62%

B. Technology absorption, adaptation and innovation

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

- a) Critical sub-systems like Tracking Feeds and Low Earth Orbit Satellite Earth Station Antenna were indigenized.
- b) 'Business processes' like submission of bids were introduced using PKI technologies.
- c) Development of Network centric applications software helped in 'Integrated operations'
- d) Integration of TRMs and RF/CAN distribution network with DSP systems for wind profiler trials using an array of 49 antenna.
- e) Expertise developed in new video technology, Compact Flash interfacing (CF), implementing MIL-1553 BUS and DSP on embedded system
- f) Expertise developed in operating Dynamic balancing machine
- g) Skill set improved in CGI techniques, data acquisition and processing methodologies by deploying different sensors, micro controllers and engineering of mechanical turrets
- h) Exposure to PLC programming, Wonderware and Vijeo Citect packages helped ECIL in building system engineering of projects

- i) Exposure to MATLAB software helped in interfacing NI hardware with Fast Data Acquisition System
- j) Ion Mobility Spectrometer based Explosive Detection System
- k) Stabilization Systems for Seeker

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

- a) Import substitution of Multi Mode Monopulse Tracking Feed System with a cost effective solution.
- b) Import substitution of tracking radar antenna feed system
- c) Design of Next Gen Secure EVMs (Mark – II) using PKI Technologies
- d) Indigenously developed products for EW applications as alternative sources
- e) In-house developed software for integrated EW operations
- f) SSDVRS can replace the imported video recorders in IAF fighter jets. The Technology cans also be adapted for use in commercial applications of DAE
- g) T-90 GYRO is the replacement for Russian Gyro
- h) With the technology absorbed on Fast Data Acquisition System, value addition can be enhanced while executing thermal hydraulic test facilities.

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

S. No	Name and Address of the collaborator	For which product	Year of Import	Technology imported	Has Tech. been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons thereof
1.	Park Air Systems Ltd, UK	Digital Transceiver radios (M7)	2010-11	M7X Transceiver	No	SKD / CKD level technology absorption is in progress

4. New Products introduced in 2010-11

- a) Multi element Mono-pulse tracking Feed system for IRNSS Project
- b) S band Feed System for Tracking Radar
- c) Transmit / Receive Modules for 206.5 MHZ band applications
- d) Generic Command and Control Software for IEW operations
- e) Digital Notch Indicator DNI- 200 for Indian Railways
- f) Vehicle Monitoring System for Gamma & Neutron
- g) Doorway Monitor
- h) Neutron Drum Monitor

C Foreign exchange earnings and outgo:

- i) During the year, the Company exported (including third party exports) 139.68 crores worth of its products, which include Speech Secrecy equipment to U.S.A., SOER MMI Software to Saudi Arabia, Hybrid Micro Circuits to U.S.A. and GSHB Systems to Russian Federation

- ii) Total foreign exchange used and earned

(Rs. in Crores)

	2010-11	2009-10
Foreign Exchange used	299.78	371.12
Foreign Exchange earned	0.82	0.38

For and on behalf of the Board of Directors

Y S Mayya
CHAIRMAN & MANAGING DIRECTOR

Place: Hyderabad

Date: 26.08.2011

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 31.03.2011 comprised of 10 (TEN) Directors, Chairman & Managing Director,

3 (Three) whole-time Directors and 6 (Six) 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, 8 (eight) Board Meetings were held on 24th May, 2010, 29th June, 2010, 13th August, 2010, 27th September, 2010, 8th November, 2010, 28th January, 2011, 1st March, 2011 and 14th March, 2011. The composition of 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 13.08.2010	No. of other Directorships
	Held during the tenure	Attended		
Whole Time Directors				
Shri. Y S Mayya Chairman & Managing Director	8	7	Yes	1
Shri U. Vishnumurthy Director (Finance) (up to 30.06.2010)	2	2	-	-
Maj. General (Redt) SM Sanjeev Loomba Director (Personnel)	8	6	Yes	Nil
Shri N S S Prasad Rao Director (Technical)	7	7	Yes	Nil
Shri Shiv Kumar Nori Director (Finance)	6	6	Yes	1
Non – Executive Directors				
Shri. V R Sadasivam	8	5	Yes	4
Shri Umesh Chandra	8	8	-	Nil
Dr C B S Venkataramana	6	5	Yes	2
Lt Gen P Mohapatra	8	3	-	2
Prof M Chandrasekhar	4	2	-	2
Shri V V R Sastry	1	1	-	4

The remuneration of whole-time Directors is fixed by the Government of India. Shri V V R Sastry and Prof. M. Chandrasekhar are an Independent Directors and they are paid Rs. 3000/- (Rs. Three

thousand) only as sitting fee per meeting. All other Part-time Directors on Board are officials from Government / other PSUs and therefore, are not paid any sitting fees for attending the meetings.

Audit Committee

The Audit Committee comprises of Prof. M Chandrasekhar, Shri Umesh Chandra and Shri V R Sadasivam. Shri. Umesh Chandra was the Chairman of the committee upto 1st November, 2010 and from 8th November, 2010 Prof. M Chandrasekhar is the Chairman of the Audit Committee. Shri J K Ghai, Director (Finance) NPCIL is special invitee for all the meetings, Shri N S S Prasada Rao, Director Technical was a member of the Audit Committee till 08.11.2010 and is a special invitee to Audit Committee since 08.11.2010. During the year 4 (four) meetings were held on 29th June, 2010, 13th August, 2010, 08th November, 2010 and 28th January, 2011. Audit Committee Meeting to be held on 28th January, 2011 has been adjourned for the lack of quorum and the adjourned Audit Committee meeting was held on 15th April, 2011. 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 systems 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 ECS&WU 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
2007-08	29.09.2008	12.00 hrs	Registered office, ECIL Post Office, Hyderabad - 500062
2008-09	18.09.2009	14.00 hrs	
2009-10	13.08.2010	14.00 hrs	

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

Place: Hyderabad

Date: 26.08.2011

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, 2011

(Rupees in Lakhs)

	Schedule	As at 31.03.2011	As at 31.03.2010
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	A	16337.12	16337.12
b) Reserves and Surplus	B	44298.77	60635.89
2. Loan Funds			
a) Secured Loans	C	13943.85	10018.50
b) Unsecured Loans	D	20071.76	15028.77
Total (I)		94651.50	84329.60
II. APPLICATION OF FUNDS			
1. Fixed Assets	E		
a) Gross Block		24153.55	23676.88
b) Less: Depreciation		14294.62	14224.27
c) Net Block		9858.93	9452.61
d) Capital Work-in-Progress	F	3146.54	13005.47
2. Investments	G	164.64	164.64
3. Deferred Tax (Net Asset)		4103.24	4021.55
4. Current Assets, Loans and Advances			
a) Inventories	H	15660.79	19467.87
b) Sundry Debtors	I	143887.28	141744.87
c) Cash and Bank balances	J	27799.68	31147.46
d) Other Current Assets		914.71	604.74
e) Loans and Advances	K	16136.54	13975.48
		204399.00	206940.42
5. Less: Current Liabilities and Provisions	L		
a) Current Liabilities		116322.59	129885.57
b) Provisions		10698.26	11014.20
6. Net Current Assets (4) - (5)		77378.15	66040.65
Total (II)	Q	94651.50	84329.60
III. NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS			

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

As per our report of even date attached

for and on behalf of the Board

SHIV KUMAR NORI
Director (Finance)

Y S MAYYA
Chairman & Managing Director

for **ANJANEYULU & Co**
Chartered Accountants

V.S.VENKATESWARLU
Partner
M No. 025805

Place: Tirupati
Date : 29-06-2011

ELECTRONICS CORPORATION OF INDIA LIMITED
PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH, 2011

(Rupees in Lakhs)


	Schedule	2010-11	2009-10
I. INCOME			
Sales		110858.49	94305.25
Services		27079.51	24223.44
Lease Rentals		232.25	211.55
Turnover (Gross)		138170.25	118740.24
Less: Excise Duty		3171.32	4630.04
Service Tax		2549.25	2267.64
Sales Tax		5843.65	6039.38
Turnover (Net)		126606.03	105803.18
Other Income	M	5450.21	5799.98
		132056.24	111603.16
Accretion(+)/Decreton(-) in stocks of WIP & FG	N-'1'	-3961.00	5607.75
Price Variation Adjustment (Net)		1.95	-118.65
	Total I	128097.19	117092.26
II. EXPENDITURE			
Materials Consumed	N-'2'	72828.14	71274.90
Employee Remuneration and Benefits	N-'3'	38176.28	29582.57
Other Expenses of Manufacturing, Admn. Selling & Distribution	N-'4'	12059.90	9230.03
Research and Development		2696.85	2091.66
	Total II	125761.17	112179.16
Less: Transfer to Projects and Other Accounts	O	3683.63	3457.62
	Total III	122077.54	108721.54
III. NET EXPENDITURE	(I-III)	6019.65	8370.72
IV. PROFIT BEFORE INTEREST & DEPRECIATION	N-'5'	2848.57	2029.78
Interest		881.84	839.91
Depreciation		2289.24	5501.03
V. PROFIT FOR THE YEAR			
(Before prior period / extraordinary adjustment)			
Add/(Less) Prior Period Items(Net)	P	-52.56	-59.23
VI. PROFIT BEFORE TAX		2236.68	5441.80
Less:Provision for Taxation - For the Year		446.00	1555.00
- For earlier Years		-413.62	-231.07
Deferred tax asset(+)/Deferred tax liability(-)		81.69	83.11
Less:Provision for Fringe Benefit Tax		-0.44	0.00
VII. PROFIT AFTER TAX		2286.43	4200.98
Add: Balance Brought forward from previous year		40295.21	37808.78
VIII. PROFIT FOR APPROPRIATIONS		42581.64	42009.76
Less: Proposed Dividend	800.00	1470.34	
Less: Dividend Tax on Proposed Dividend	132.87	932.87	244.21
IX. BALANCE CARRIED TO BALANCE SHEET		41648.77	40295.21
EARNINGS PER SHARE(Rs) - BASIC		139.95	257.14
- DILUTED		139.95	257.14

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

As per our report of even date attached

for and on behalf of the Board

for **ANJANEYULU & Co**
Chartered Accountants


SHIV KUMAR NORI
Director (Finance)


Y S MAYYA
Chairman & Managing Director

V.S.VENKATESWARLU
Partner
M No. 025805

Place: Tirupati
Date : 29-06-2011

SCHEDULE 'A' SHARE CAPITAL

(Rupees in Lakhs)

	31.03.2011	31.03.2010
AUTHORISED CAPITAL		
20,00,000 (Previous year 20,00,000) Equity Shares of Rs.1000 each	20000.00	20000.00
ISSUED, SUBSCRIBED & PAID-UP CAPITAL		
16,33,712 (Previous Year 16,33,712) Equity Shares of Rs.1000 each fully paid up	16337.12	16337.12
Total	16337.12	16337.12

SCHEDULE 'B' RESERVES AND SURPLUS

(Rupees in Lakhs)

	31.03.2011	31.03.2010
1. GENERAL RESERVE :		
As per Last Balance Sheet	2650.00	2650.00
Additions during the Year	0.00	0.00
	2650.00	2650.00
2. Balance in Profit and Loss Account	41648.77	40295.21
Total	44298.77	42945.21

SCHEDULE 'C' SECURED LOANS

(Rupees in Lakhs)

	31.03.2011		31.03.2010	
From Banks:				
a) Cash Credit #	0.06		10000.00	
Interest accrued and due	0.00	0.06	18.50	10018.50
b) Against Fixed Deposits	13916.45		0.00	
Interest accrued and due	27.34	13943.79	0.00	0.00
Total		13943.85		10018.50

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)

	31.03.2011		31.03.2010	
SHORT TERM LOANS & ADVANCES				
a) From Banks	19999.91		15000.00	
Interest Accrued and due	71.85	20071.76	28.77	15028.77
b) From Others		0.00		0.00
Total		20071.76		15028.77

SCHEDULE 'E'

FIXED ASSETS

(Rupees in Lakhs)

S No	Name of the Asset	Gross Block At Cost				Depreciation				Net Block	
		As at 01.04.2010	Additions & Adj. During The Year	Deductions & Adj. During The Year	Total As At 31.03.2011	upto 31.03.2010	For the year	Previous Years Deductions & Adj. During The Year	Total upto 31.03.2011	As At 31.03.2011	As At 31.03.2010
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	4.23	-	75.55	26.41	1.14	-	27.55	48.00	44.91
4.	Factory Buildings	1,666.49	210.93	102.92	1,774.50	1,238.33	36.88		1,275.21	499.29	428.15
5.	Administration & other Buildings	943.88	-	3.09	940.79	373.60	14.57	3.09	385.08	555.71	570.28
6.	Research & Development - Plant Machinery	124.42	440.31	447.96	116.77	56.18	8.02	12.74	51.46	65.31	68.25
7.	Plant & Machinery	3,752.61	1,053.49	1,031.09	3,775.01	2,381.95	120.82	144.05	2,358.72	1,416.29	1,370.66
8.	Electronic Testing & Measuring Equipment	9,663.80	686.73	552.65	9,797.88	5,525.60	409.67	461.63	5,473.64	4,324.24	4,138.19
9.	Computer Systems Hired out to Customers	1,709.60	-	0.61	1,708.99	1,630.63	43.76	0.61	1,673.78	35.21	78.96
10.	Air conditioners & Air coolers/ Refrigerators	311.87	59.58	18.79	352.66	158.17	14.36	8.19	164.34	188.32	153.72
11.	Water supply & Sewerage	52.52	-	-	52.52	41.02	0.47		41.49	11.03	11.50
12.	Electrical Installation & Equipment	697.26	44.51	12.83	728.94	313.66	26.77	12.80	327.63	401.31	383.59
13.	Vehicles	73.18	24.31	20.07	77.42	50.92	4.80	17.95	37.77	39.65	22.27
14.	Furniture, Fittings & Other Equipment	3,566.99	301.40	148.06	3,720.33	2,304.47	196.46	135.80	2,365.13	1,355.20	1,262.53
15.	Library	76.82	3.87	0.11	80.58	68.55	2.38	0.12	70.81	9.77	8.25
16.	Sheds, Fixtures and Structures/ Erections at Projects/Sites	83.77	-	1.29	82.48	41.56	1.74	1.29	42.01	40.47	42.22
	TOTAL	23,676.88	2,829.36	2,352.69	24,153.55	14,224.27	881.84	811.49	14,294.62	9,858.93	9,452.61
	PREVIOUS YEAR	23,170.15	1,876.90	1,370.17	23,676.88	14,076.72	848.90	701.35	14,224.27	9,452.61	9,093.43

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.3.49 lakhs for the year (Previous year increase in profit Rs. 4.08 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.524.55 lakhs and BARC funded assets for Rs. 1014.51 lakhs have been shown in additions & deductions thus totaling to Rs. 1539.06 Lakhs. The nominal value of such Assets included in Gross Block for the year is Rs. 408/-
4. Certain fixed Assets which are fully depreciated and not in use and obsolete having a net value of Re 1/- each amounting to Rs. 776 only are reduced from the Gross Block (Gross Value of all these assets is Rs.782.15 lakhs).

SCHEDULE 'F' CAPITAL WORK-IN-PROGRESS

	(Rupees in Lakhs)	
	31.03.2011	31.03.2010
1. Capital Equipment-in-Transit	1686.95	2507.90
2. Capital Work-in-progress	588.93	387.02
3. Advances against Capital Expenditure-Plant and Machinery	870.66	1755.23
Total	3146.54	4650.15

SCHEDULE 'G' INVESTMENTS (AT COST)

	(Rupees in Lakhs)	
	31.03.2011	31.03.2010

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 - Rapisca Ltd.	73.50	73.50
3. 4,60,960 equity shares inclusive of Bonus shares 1,92,960 of Rs.10/- each fully paid up in M/s. Andhra Pradesh Gas Power Corporation Limited	26.80	26.80
4. 2,68,000 equity shares of Rs.10/- each, in Andhra Pradesh Gas Power Corporation Limited, Hyderabad at Rs.24/- per share, fully paid up	64.32	91.12
Total	164.64	164.64

SCHEDULE 'H' INVENTORIES

(Rupees in Lakhs)

	31.03.2011	31.03.2010
As valued and certified by the management		
a) Finished Stock	1086.64	1207.44
b) Work-in-Progress	5710.28	9539.72
c) Scrap	24.49	35.25
d) Raw Materials, Assemblies and Components	6012.30	4628.42
e) Stores & Spares and Packing Materials	1039.14	989.55
f) Stock of Tools	4.81	6.50
g) Materials-in-Transit	1783.13	3060.99
Total	15660.79	19467.87

SCHEDULE 'I' SUNDRY DEBTORS

(Rupees in Lakhs)

	31.03.2011	31.03.2010
Debts outstanding for a period exceeding six months	34718.75	34569.81
Other Debts #	111948.33	109295.86
	146667.08	143865.67
Less: Provision for Doubtful Debts	2779.80	2120.80
Total	143887.28	141744.87

Particulars of Sundry Debtors :

Secured	0.00	0.00
Debts considered good for which the Company holds no security other than the debtors' personal security #	143887.28	141744.87
Debts considered doubtful and provided for	2779.80	2120.80
Total	146667.08	143865.67

Includes Rs. 62988.01 lakhs (Previous year Rs.57123.23 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)

	31.03.2011	31.03.2010
1. CASH BALANCE		
a) Cash on hand	2.48	5.34
b) Imprest Cash with Officers	0.25	0.26
c) Cheques on hand/in-transit	2.21	6.87
d) Stamps on hand	0.02	0.05
	4.96	12.52
2. BANK BALANCES WITH SCHEDULED BANKS		
a) Current Accounts #	794.10	4502.99
b) Remittances-in-transit	0.62	1.95
c) Fixed Deposits	27000.00	26630.00
[includes Rs.16450 lakhs (Previous year Rs.13500 lakhs) marked towards margin money for BGs, Lien for OD and Loan]	27794.72	31134.94
Total	27799.68	31147.46

Current Accounts include Collection Accounts balances of Rs. 205.34 Lakhs (Previous Year Rs. 1252.51 lakhs)

SCHEDULE 'K' LOANS & ADVANCES

(Rupees in Lakhs)

	31.03.2011	31.03.2010
1. ADVANCES CONSIDERED GOOD IN RESPECT OF WHICH THE COMPANY IS FULLY SECURED:		
Advances to staff against hypothecation of vehicles	33.61	35.65
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	164.58	549.83
b) Advances to suppliers for goods and services	2431.27	574.68
c) Other Advances	381.03	901.15
d) Claims with Customers and Others	666.66	802.34
e) Deposits	2268.63	2198.22
f) Prepaid expenses	24.81	41.22
g) Balances with customs, Port Trust, Central Excise, etc.	1458.67	875.70
h) Advance Tax/TDS (Net of provision for Income Tax Rs.4492.34 Lakhs)	8707.28	7996.69
	16102.93	13939.83
3. ADVANCES CONSIDERED DOUBTFUL	268.89	228.79
Less: Provision for advances considered doubtful	268.89	228.79
	0.00	0.00
Total	16136.54	13975.48
* Includes Due by Directors	NIL	NIL
Maximum amount due at any time during the year	8.73	2.92

SCHEDULE 'L' CURRENT LIABILITIES & PROVISIONS

(Rupees in Lakhs)

	31.03.2011	31.03.2010
1. CURRENT LIABILITIES		
a) Sundry Creditors for goods, machinery etc.	23620.26	20144.58
b) Sundry Creditors - MSME	235.22	98.00
c) Sundry Creditors for expenses	20992.56	18915.75
d) Advances from customers	57257.80	72262.68
e) Government Grants-in-Aid	2958.57	4510.54
f) Deposits	1064.42	941.45
g) Security Deposit for Lease of Premises	1069.20	1069.20
h) Other liabilities	9124.56	11943.37
Total-1	116322.59	129885.57
2. PROVISIONS		
For Proposed Dividend	800.00	1470.34
For Tax on proposed Dividend	132.87	244.21
For Earned Leave Encashment	6298.78	7171.72
For Warranty Charges	2485.15	2127.93
For Provision for Gratuity	981.46	
Total-2	10698.26	11014.20
Total (1+2)	127020.85	140899.77

SCHEDULE 'M' OTHER INCOME

		(Rupees in Lakhs)	
		2010-11	2009-10
1. INTEREST ON			
a) Staff advances	6.88		9.64
b) Electricity Deposits (APSEB)	2.96		2.86
c) Term Deposit Receipts [Tax deducted at source Rs.185.62 lakhs (Previous Year Rs.256.81 lakh)]	1734.83		1650.24
d) Others	457.83	2202.50	33.22
			1695.96
2. PROFIT ON SALE OF FIXED ASSETS		1.05	0.02
3. OTHERS			
a) Rent	6.73		6.73
b) Sale of scrap	110.24		32.02
c) Insurance Claims	5.78		0.27
d) Customs Duty claims	126.41		0.11
e) Provisions withdrawn	2174.04		2535.66
f) Unclaimed liabilities written back	44.51		13.84
g) Exchange Rate Variation	226.72		783.74
h) Miscellaneous	508.13	3202.56	687.53
			4059.90
4. DIVIDEND FROM JOINT VENTURE COMPANY (ECIL - Rapiscan Ltd.)		44.10	44.10
Total		5450.21	5799.98

SCHEDULE N-‘1’

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

(Rupees in Lakhs)

	2010-11	2009-10
CLOSING STOCKS		
i) Finished Stock	1086.64	1207.44
ii) Work-in-progress	5710.28	9539.72
iii) Scrap	24.49	35.25
	6821.41	10782.41
LESS: OPENING STOCKS		
i) Finished Stock	1207.44	795.41
ii) Work-in-progress	9539.72	4337.80
iii) Scrap	35.25	41.45
	10782.41	5174.66
Accretion(+)/Decretion(-)	-3961.00	5607.75

SCHEDULE N-‘2’ MATERIALS CONSUMED

(Rupees in Lakhs)

	2010-11	2009-10
1. CONSUMPTION OF RAW MATERIALS, ASSEMBLIES AND COMPONENTS		
Opening Stock	4628.42	3517.80
Add: Purchases (after sales and adjustments)	73698.23	70966.25
Add: Departmental transfers - Production	384.16	790.02
	<u>78710.81</u>	<u>75274.07</u>
Less: Provision for obsolescence	18.98	0.00
Write off	0.00	13.97
	<u>78691.83</u>	<u>75260.10</u>
Less: Closing Stock	6012.30	4628.42
	<u>72679.53</u>	<u>70631.68</u>
2. CONSUMPTION OF		
a) Stores and Spares	853.77	243.10
b) Packing materials	67.80	892.97
c) Tools	44.02	14.81
	<u>965.59</u>	<u>1150.88</u>
3. COST OF ACCESSORIES & SPARES SOLD/CONSUMED	284.97	277.39
Sub-Total	<u>73930.09</u>	<u>72059.95</u>
Less: Expenditure against Grants-in-Aid	1101.95	785.05
Total	<u>72828.14</u>	<u>71274.90</u>

SCHEDULE N-‘3’ EMPLOYEES’ REMUNERATION AND BENEFITS

(Rupees in Lakhs)

	2010-11	2009-10
SALARIES, WAGES AND OTHER BENEFITS TO EMPLOYEES		
a) Salaries,Wages and Bonus	31429.67	25869.01
b) Contribution to Provident Fund including administrative charges	2738.77	2288.15
c) Welfare expenses	4007.84	1425.41
Total	38176.28 #	29582.57

Includes Rs.2679.87 Lakhs being 1/5th of Gratuity Liability on enhancement of limit from Rs. 3.5 lakhs to Rs.10 lakhs

Directors (incl. Chairman & Managing Director)

Salary	57.05	28.71
Contribution to PF	4.05	2.50
Pension and other Benefits	8.03	15.60
Total	69.13	46.81

**SCHEDULE N-'4' OTHER EXPENSES OF MANUFACTURING,
ADMINISTRATION, SELLING & DISTRIBUTION**

(Rupees in Lakhs)

	2010-11	2009-10	
1. Power and Fuel	353.84	288.34	
2. Water Charges	161.91	155.25	
3. Repairs & Maintenance			
a) Buildings	246.38	164.24	
b) Plant & Machinery	72.96	35.10	
c) Others	212.59	211.80	411.14
4. Rent	250.08	166.59	
5. Rates and Taxes	69.76	83.02	
6. Insurance	52.98	76.17	
7. Printing & Stationery	122.56	107.16	
8. Postage, Telegram, Telephones & Telex	131.92	113.69	
9. Advertisement	69.47	52.13	
10. Travelling and Conveyance expenses	1208.80	1311.59	
11. Vehicle expenses	281.26	174.64	
12. Directors' fees and travelling expenses	2.15	4.76	
13. Auditors' fees and expenses			
As Auditors:			
a) Statutory Audit fee			
- Current year	8.00	7.20	
- Previous year	0.80	1.20	
b) Expenses	2.77	1.18	9.58
14. Other Expenses			
i) Bank Charges	15.88	12.90	
ii) Commission on Bank Guarantees	113.16	228.79	
iii) Guest House expenses	13.80	12.96	
iv) Entertainment expenses	10.77	7.90	
v) Professional and Consultancy charges	685.79	665.80	
vi) Lease Rentals	68.74	75.42	
vii) Books and Periodicals	5.69	6.04	
viii) Payment to Franchisees	2170.04	1583.42	
ix) Stores Incidentals-Inwards	495.01	367.04	
x) Other Selling Expenses	408.66	414.63	
xi) Miscellaneous	1202.00	893.57	4268.47
15. i) Write off of RM, SS, Spares etc.	0.00	13.97	
ii) Bad Debts written off	670.19	313.65	
iii) Other write offs	0.01	3.06	330.68
16. Commission to Selling Agents	125.62	156.07	
17. Liquidated Damages	1535.72	619.37	
18. Staff training expenses	20.75	21.53	
19. Technical Know-how	6.62	0.00	
20. Donations	1.15	4.10	
21. Provisions:			
Doubtful Advances	41.36	0.00	
Material Obsolescence	18.98	0.00	
Doubtful Debts-S.Debtors	289.79	288.84	288.84
22. Freight Outwards	155.52	196.59	
23. Expenditure on Warranty	756.42	390.32	
Total	12059.90	9230.03	

SCHEDULE N-'5' INTEREST

(Rupees in Lakhs)

	2010-11	2009-10
1. Cash Credit Account	773.50	453.04
2. Loans against Fixed Deposits / Others	1970.32	1453.82
3. Interest on Income Tax	0.00	0.11
4. Interest on Advances and Others	104.75	122.81
Total	2848.57	2029.78

SCHEDULE 'O' TRANSFERS TO PROJECTS AND OTHER ACCOUNTS

(Rupees in Lakhs)

	2010-11	2009-10
1. Expenditure on Scientific Research and Dev.- In House	2696.85	2091.66
2. Internal Jobs for Capital use	0.00	20.42
3. Repairs and Maintenance - Internal	82.31	27.40
4. Insurance - Purchases	2.53	4.34
5. Departmental Transfers - Production	349.22	747.92
6. Service Tax Input Credit	552.72	565.88
Total	3683.63	3457.62

SCHEDULE 'P' PRIOR PERIOD ADJUSTMENTS

(Rupees in Lakhs)

	2010-11	2009-10
INCOME		
1. Sales & Services	87.44	-138.76
2. Other Receipts	-114.00	297.11
Total - I	-26.56	158.35
EXPENDITURE		
1. Materials Consumed	28.47	130.03
2. Administrative & Selling Expenses	3.73	78.56
3. Depreciation	0.00	8.99
4. Taxes & Duties	-6.20	0.00
Total - II	26.00	217.58
Total - (I - II)	-52.56	-59.23

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

1. EXEMPTION FROM DISCLOSURE:

Exemption was granted by Ministry of Corporate Affairs vide Notification No. 46/50/2011-CL-III dated 08.06.2011 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. 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. 29082.93 Lakhs (previous year Rs.19605.73 lakhs) is recognized as per AS-7 (Construction Contracts), based on the percentage completion of works, as certified by a Technical Committee.
- Aggregate amount of costs incurred and recognized profits
(Less Recognized losses) up to 31.03.2011 161695.31
- Advances received (Net) 36560.73
- Gross amount due from customers 62988.01
- 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.
- 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.

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

(Contd....)

The net liability to be 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 31.03.2011 are as follows :

(Rs. in lakhs)

I. Change in Benefit obligation :	2010-11	2009-10
Present value of obligation as at the beginning	9295.81	9606.37
a) Interest Cost	743.66	768.51
b) Current Service Cost	40.94	52.43
c) Benefits paid	2607.42	1001.75
d) Actuarial (gain) / loss	13470.49	(129.75)
Present value of obligation at the end of the period	20943.48	9295.81
II. Change in Fair value of plan assets	2010-11	2009-10
Fair value of Plan Assets at the beginning of the year	9615.56	9735.15
a) Expected return on plan assets	855.72	882.16
b) Contributions	1379.56	
c) Benefits paid	2607.42	1001.75
d) Actuarial gain/loss on plan assets	NIL	NIL
Fair value of plan assets at the end of the period	9243.42	9615.56
Excess of Obligation over Plan Assets	11700.06	(319.75)
III. Expenses to be recognized in the statement of Profit & Loss a/c	2010-11	2009-10
a) Current service Cost	40.94	52.43
b) Interest Cost	743.66	768.51
c) Expected return on Plan Assets	855.72	882.16
d) Net Actuarial (gain)/loss recognized in the period	13470.49	(129.75)
Expenses to be recognized in the statement of Profit & Loss A/C	13399.37#	(190.97)
IV. Amounts to be recognized in the Balance Sheet	2010-11	2009-10
a) Present value of Obligation as at the end of the period	20943.48	9295.81
b) Fair value of Plan Assets at the end of the period	9243.42	9615.56
c) Funded Status	(11700.06)	319.75
Liability to be recognized in Balance Sheet	11700.06	(319.75)
V. Major Category of plan assets as at 31st March, 2011	NIL	
VI. Principal Assumptions	2010-11	2009-10
a) Discounting Rate	8%	8.0%
b) Salary Escalation rate	6%	8.0%

Consequent to the amendment to The Payment of Gratuity Act, 1972 enhancing the ceiling for payment of gratuity from Rs. 3.50 lakhs to Rs. 10 lakhs, the total expenditure chargeable to P&L Account is Rs.133.99 crores. However, as per Board's approval one fifth of the total expenditure amounting to Rs. 26.80 crores is charged for the year and the balance is to be charged in next four years.

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

(Contd....)

- ii) Short term liability in respect of ex-employees as on 31.03.2011 not included above, amounting to Rs.53.64 lakhs (previous year Rs. 71.98 lakhs) has been included in Current Liabilities and Provisions.

C) SEGMENT REPORTING (AS-17) :

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

D) RELATED PARTY DISCLOSURE (AS-18):

- i) Key Management Personnel :

Shri Y S Mayya	Chairman & Managing Director (also Director(T) upto 08.06.2010)
Shri U. Vishnumurthy	Director (F) (Upto 30.06.2010)
Shri Maj Gen (Retd) Sanjeev Loomba	Director (P) (from 21.05.2010)
Shri N.S.S Prasada Rao	Director (T) (from 08.06.2010)
Shri Shiv Kumar Nori	Director (F) (from 21.07.2010)

Remuneration to Key Management Personnel – Rs.69.14 lakhs (Refer Schedule N-3) (Previous year Rs.46.81 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	2010-11	2009-10
Purchase of Goods	158.75	572.00
Sale of goods	317.02	2552.82
Services rendered to JVC	455.72	140.08
Services received from JVC	374.04	355.68
Agency arrangements (manpower)	478.15	316.37
Amounts payable to JVC	562.62	611.30
Amounts receivable from JVC	683.07	1821.17

E) EARNINGS PER SHARE (AS-20):

Earnings per share as per AS-20 are calculated as shown below for the year ended 31.03.2011.

Net Profit after tax as per Profit and Loss Account (Rs. in Lakhs)	2286.43
Weighted Number of equity shares as on 01.04.2010 (Nos.)	1633712
Weighted average number of equity shares for calculation of earnings per share (Nos)	1633712
Nominal value of equity share –Rs.	1000
Earnings per share (Basic & Diluted) Rs.	139.95

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

(Contd....)

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.4103.24 lakhs as on 31.03.2011 (previous year Rs.4021.55 lakhs), recognizing a net deferred tax asset of Rs. 81.69 lakhs (previous year Rs.83.11 lakhs) in the Profit and Loss Account for the year 2010-11.
- 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 31.03.2011		AS ON 31.03.2010	
	Assets	Liabilities	Assets	Liabilities
Depreciation		4111.19		3836.28
Voluntary Retirement Scheme	0.00		274.24	
Provision for Doubtful Debts and Advances	481.13		655.47	
Wage Revision Arrears	73.36		620.16	
43B Disallowances	12025.92		13303.25	
Others	1528.46		814.72	
Carry forward loss	2354.97			
TOTAL	16463.84	4111.19	15667.84	3836.28
DEFERRED TAX ASSET	4103.24		4021.55	

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 01.04.2010	645.25	1482.68
Provisions made during the year	384.70	404.31
Amounts used (i.e, incurred and charged against provision)	-----	-----
Unused amounts reversed	219.67	212.12
Closing balance as on 31.03.2011	810.28	1674.87

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.

I) LEASE TRANSACTIONS(AS-19):

- i) The Company does not have any assets as on 31.03.2011, 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. 232.25 lakhs received from the customers and lease rental payments of Rs. 68.74 lakhs for the year 2010-11 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.

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

(Contd....)

Future lease rental obligation in respect of computer systems taken on lease and sub-leased to customers is Rs. 9.44 lakhs (Previous year Rs.87.67 lakhs), as against receivables of Rs.10.79 lakhs (previous year Rs.109.42 lakhs).

- ii) The quantum of future minimum lease payments as at 31.03.2011 is furnished below:

(Rs. in lakhs)

Sl.No.	Particulars	
i)	Not later than one year	9.44
ii)	Later than one year and not later than 5 years	NIL
iii)	Later than five years	NIL

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

3. 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.

4. GRANTS-IN-AID :

Unspent balance of Government Grants-in-Aid for undertaking various Research & Development Projects of Rs.2958.57 lakhs as on 31.03.2011 (Previous year Rs.4510.54 lakhs) under Current Liabilities and Provisions – Schedule – L is after consideration of the following adjustments:
(Rs. in Lakhs)

Sl. No	Particulars	Year ended 31.03.2011	Year ended 31.03.2010
i)	Total receipts & adjustments during the year	74.53	2000.00
ii)	Refund/Withdrawals during the year	0.00	0.00
iii)	Actually utilized during the year towards:		
	a) Revenue Items	1101.95	785.05
	b) Capital Items	524.55	206.02

5. INVENTORIES:

- i) Inventory includes

- a) Material with sub contractors amounting to Rs. 2114.75 lakhs (previous year Rs.7.74 lakhs) and
b) Finished goods amounting to Rs. 43 (previous year Rs.57.60 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. 1.49 lakhs during the year. (Previous year Rs.16.02 lakhs).

6. SALES FOR THE YEAR INCLUDE

- i) Goods which are in deliverable condition and are retained at the instance of the customers for an amount of Rs.641.38 Lakhs which are subsequently despatched. Further, goods retained in earlier

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

(Contd....)

years at the request of the customers worth Rs.3046.32 lakhs (Previous year Rs.3295 lakhs) are also awaiting dispatch as on 31.03.2011.

7. 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 248600 Units since 2006-07.
8. The Company has reclassified the expenditure of Rs.2696.85 lakhs from primary heads to functional heads under In house R&D expenditure.
9. Sundry Creditors include Rs.28.10 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.
10. 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 more than 10 years at the request of the customer. The order was short closed and the necessary process is in progress.
11. Service income from DSERT, Bangalore of Rs. 194.04 lakhs (approx) pertaining to 2006-07, has not been recognized as income pending final settlement.
12. No provision is considered necessary in respect of the liability that may devolve on the Company on the differential sales tax of Rs. 2483.59 lakhs on the unassessed turnover for the years 2008-09 to 2010-11 (upto December, 2010) as the Company is confident of collecting the tax forms.

13. 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 31.03.2011	As at 31.03.2010
a)	Letters of Credit	14171.33	15235.62
b)	Court/Arbitration cases	337.30	307.39
c)	Demands from Government authorities and appeals filed against the Company not provided for in respect of taxation matters.	9512.87	12287.36
d)	Cess payable under Section 441 A of the Companies Act, 1956 at 0.1% of the Annual Turnover from 2002-03 to 2010-11	904.35	766.18
e)	Others	2190.72	1702.62

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)	3466.47	2847.59
------	--	----------------	---------

iv. Expenditure in Foreign Currency (excluding provision) (Rs. in lakhs)

Particulars	2010-11	2009-10
Foreign Travel	88.46	62.51
TOTAL	88.46	62.51

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

Particulars	2010-11	2009-10
Exports – Products	81.70	38.41
TOTAL	81.70	38.41

- vi. Sundry Creditors include an amount of Rs.235.22 lakhs being the outstanding due 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 31.03.2011 is given below :

(Rs. in lakhs)

a)	The principal amount remaining unpaid to any supplier as at the end of the accounting year	235.22
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 confirmation 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

14. 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, 2011

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

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

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

Total Liabilities	221672.35	Total Assets	221672.35
Sources of Funds:			
Paid-up Capital	16337.12	Reserves & Surplus	44298.77
Share Money Pending Allotment	0.00	Unsecured Loans	20071.76
Secured Loans	13943.85	Deferred Tax Liability (Net)	0.00
Application of Funds:			
Net Fixed Assets	13005.47	Investments	164.64
Net Current Assets	77378.15	Misc. Expenditure	0.00
Accumulated Losses	0.00	Deferred Tax Asset (Net)	4103.24

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

Turnover and Other Income	143620.46	Total Expenditure	141383.78
+/- Profit/Loss Before Tax	2236.68	Profit/Loss After Tax	2286.43
Earning Per Share in Rupees – Basic & Diluted	139.95	Dividend rate %	4.90

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

Heading Code	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 90.30 90.31 90.32	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. Hybrid micro-circuits, Tantalum Capacitors, Semiconductor Components, Printed Circuit Boards, Technical Ceramic Components and Potentiometers.
85.43 84.72 90.22	9022.31	902221.00 854310.09 903289.04	EAST Packages for Thermal Power Plants, Data Acquisition systems, Tele supervisory systems, Control and instrumentation equipment, Servo Systems, Electro mechanical systems and Industrial Controls.

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

for and on behalf of the Board

SHIV KUMAR NORI
Director (Finance)

Y S MAYYA
Chairman & Managing Director

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

V.S.VENKATESWARLU
Partner
M No. 025805

Place: Tirupati
Date : 29-06-2011

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH, 2011

(Rupees in Lakhs)

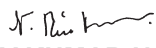
	2010-11	2009-10
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT/(LOSS) BEFORE TAX & EXTRAORDINARY ITEMS	2236.68	5441.80
Adjustments for :		
Depreciation	881.83	848.90
Foreign exchange	-226.72	-783.74
Other income	0.00	0.00
Interest expense	2848.57	2029.78
Dividends received	-44.10	-44.10
Profit/Loss on sale of fixed assets	-1.05	-0.02
W-off/decapitalisation of assets	0.00	1.12
Interest received on Short Term Deposit Receipts	-1734.83	-1650.24
Operating profit before Working Capital changes	3960.38	5843.50
Increase/Decrease Inventories	3807.08	-6786.89
Increase/Decrease Sundry debtors	-2142.41	1855.99
Increase/Decrease Loans and advances	-3113.01	2862.18
Increase/Decrease Current liabilities	-11784.29	9620.90
Increase/Decrease Provisions	465.74	1535.91
Cash generated from operations	-8806.51	14931.59
Direct taxes paid	759.98	-1792.70
Grants received	74.53	2000.00
Grant returned	0.00	0.00
Grants utilisation	-1101.95	-785.05
Cash flow before extraordinary items	-9073.95	14353.84
Extraordinary items	--	--
Net cash from operating activities	-9073.95	14353.84
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets(including from grant Rs.524.55 lakhs)	-1814.85	-1416.18
Sale of fixed assets	3.19	1.01
Acquisition of companies	--	--
Fixed assets in transit and capital work in progress	1503.61	-4256.23
Amt. received on maturity of Investments	--	--
Interest received	1584.90	1929.16
Dividend received	44.10	44.10
Net cash from investing activities	1320.95	-3698.14
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	0.00	0.00
Proceeds from term loan from Banks	8916.42	-152.75
Repayment of finance lease liabilities	--	--
Interest expense	-2796.65	-2121.81
Dividend paid	-1470.34	-471.93
Dividend tax paid	-244.21	-80.20
Net cash used in financing activities	4405.22	-2826.69
Net increase in cash and cash equivalents	-3347.78	7829.01
Cash and cash equivalents (Opening Balance)	31147.46	23318.45
Cash and cash equivalents (Closing Balance)	27799.68	31147.46

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'.

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

For and on behalf of the Board


SHIV KUMAR NORI
Director (Finance)


Y S MAYYA
Chairman & Managing Director


V.S. VENKATESWARLU
Partner
M No. 025805

Place: Tirupati
Date : 29-06-2011

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, 2011 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.
- C) Further to our comments in the annexure referred to in paragraph (B) above, attention is invited to the following:
- 1) Note No: 7 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.

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

AUDITORS' REPORT

Company's Replies

- | | |
|---|--|
| <p>2) Note no. 8 in Schedule 'Q' regarding reclassification of expenditure of Rs.2696.85 Lakhs from primary heads to functional heads under in-house R&D expenditure. We have relied on the information given by the management and accepted the same for the disclosure purpose.</p> | <p>R&D expenditure has been identified and reclassified and the practice is being followed consistently.</p> |
| <p>3) Note No 13 (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".</p> | <p>The note referred to by the Statutory Auditors is factual and self-explanatory.</p> |
| <p>4) Note No 3 in Schedule 'Q' regarding deviations from the Guidance Note issued by Institute of Chartered Accountants of India for VAT accounting.</p> | <p>The note referred is self-explanatory. It has no financial impact on the results for the year.</p> |
| <p>5) Note No. 6: 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); 2009-10 (Rs.143.12 Lakhs) 2010-11 (Rs.641.38 Lakhs)- aggregating to Rs.3687.70Lakhs, awaiting dispatch as on 31.03.2011 (Accounting Policy A on "Revenue Recognition")</p> | <p>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. As on date, out of the total retention sales recognized, an amount of Rs.641.38 lakhs have already been dispatched.</p> |
| <p>6) 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.</p> | |
| <p>7) 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. <i>We are unable to comment on the recoverability/ liability and the impact of the same on the profit and Loss statement.</i></p> | <p>The Company has developed a review mechanism for outstanding dues and periodical review is taken up with all the heads and marketing In-charges of the Divisions for review, confirmation and collection of outstanding dues.</p> |

AUDITORS' REPORT

Company's Replies

- 8) Refer Note No. 13(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.
- 9) 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.

D) Further to the above, our comments on the Financial Statements of 2010-11 are as under.

1. **Note No: 2(B)(i) in Schedule 'Q' The Company has charged an amount of Rs.26.80 Crores only against the total gratuity liability amount of Rs.133.99 Crores to be provided as per the Accounting Standard 15 (Employee Benefits) issued by ICAI. Had the entire amount been charged to the Profit and Loss Account, the profit before tax of Rs.22.36 Crores would have become a Loss of Rs.84.83 Crores.**

Consequent to the amendment to The Payment of Gratuity Act, 1972 increasing the ceiling limit from Rs. 3.5 lakhs to Rs. 10 lakhs with effect from 24th May, 2010, the total amount chargeable to Profit & Loss Account, as per actuarial valuation, as on 31st March, 2011 is Rs.133.99 crores. As the substantial increase in liability pertains to the services of the employees of earlier years and the said provision is too huge to be met in a single financial year, drawing analogy from RBI & IRDA guidelines to Banks and Insurance Companies respectively, to amortise the liability over five years beginning March, 2011 the Company has charged one fifth of the gratuity liability during the current financial year, since the scenario of Banks and Insurance Companies with respect of Gratuity is same with that of the Company and the accounting treatment should conceptually remain same irrespective of the nature of industry, i.e., Companies incorporated under Companies Act, 1956 or otherwise.

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;

AUDITORS' REPORT

Company's Replies

- 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 paragraph D above.**
- 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 (I)(g) of the Companies Act, are not applicable to the Company, as it is a Government Company.
- f. According to our information, the Central Government has not issued any Notification for the purpose of levy and collection of cess under section 441A of the Companies Act, 1956.
- g. **We report that without considering items 5 to 9 of Para-C 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 Para D above been considered;**
 - **Total Net expenditure would have been Rs.132797.04 Lakhs instead of Rs.122077.54 Lakhs;**
 - **Profit before tax for the year would have been Rs.(8482.82) Lakhs instead of Rs.2236.68 Lakhs;**
 - **Current liabilities & Provisions would have been Rs.137740.35 Lakhs as against Rs.127020.85 Lakhs;**

AUDITORS' REPORT

- 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 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 31.03.2011.
 - 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,
FRN: 000180S

(V.S.VENKATESWARLU)
Partner
M.No. 025805

Place: Tirupati (Camp)
Date: 29th June, 2011

Company's Replies

For and on behalf of the
Board of Directors

(Y S MAYYA)
CHAIRMAN & MANAGING DIRECTOR

Place: Hyderabad
Date: 26th Aug, 2011

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

Company's Replies

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

- 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.782.15 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 which are yet to be reconciled and confirmed.**

- c) The company has not disposed of major part of fixed assets having effect on going concern.

- 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 and **'C' class items have been verified during the current year by the respective divisional stores. It is advisable that the verification of certain 'C' class items also may be got done every year by persons not related to the stores.**

- 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.

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.

The observations of the Audit are noted.

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

Company's Replies

- c) The Company is maintaining proper records of inventory. The discrepancies to the extent noticed on physical verification of stocks as compared to book records have been reconciled and dealt accordingly in books.
- 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 goods and services are adequate as commensurate with the size of the company and nature of its business, **except in the area of – Collection of various tax certificates/forms from the customers;**
- 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 in to the register maintained under section 301 of the Companies Act, 1956.
- 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.

Procedure exists for periodic review and reminders are sent for collection of various tax certificates/forms from the customers

However the company is having a Joint Venture M/s ECIL Rapiscan Limited, the transaction with whom is exhibited in Note; 2(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.9 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.

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

Company's Replies

- 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.
- 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.
- 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 31.03.2011 for a period exceeding 6 months from the date they became payable.

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

Company's Replies

- 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)	148.23
	AP High Court	623.85
	CBDT	438.15
	TOTAL	1210.23
Customs	Supreme Court	134.42
	CESTAT, Bangalore	24.14
	TOTAL	158.56
Excise	CESTAT, Bangalore	1349.53
	TOTAL	1349.53
Service Tax	Commissioner (Appeals)-Chennai	2.38
	CESTAT, Chennai	143.89
	TOTAL	146.27
Sales Tax	STAT-New Delhi	42.18
	STAT- Hyderabad	168.47
	Special Tribunal- Chennai	3.95
	High court Kerala	213.88
	TOTAL	428.48

- 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.
- xi. The Company has not defaulted in repayment of dues to financial institutions or Banks.
- xii. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

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

Company's Replies

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

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

Company's Replies

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

For ANJANEYULU & CO
Chartered Accountants,
FRN: 000180S

For and on behalf of the
Board of Directors

(V.S.VENKATESWARLU)
Partner
M.No. 025805

(Y S MAYYA)
CHAIRMAN & MANAGING DIRECTOR

Place: Tirupati (Camp)
Date: 29th June, 2011

Place: Hyderabad
Date: 26th Aug, 2011

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 2011

The preparation of financial statements of Electronics Corporation of India Limited, Hyderabad for the year ended 31 March 2011 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 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 2011.

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 31 March 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to enquiries of the statutory auditor and Company personnel and 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

(Y.N. Thakare)
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board, Hyderabad

Place: Hyderabad
Date: 16 August, 2011