

Teamwork • Technology • Trust



SOLECTRON EMS INDIA LIMITED

Annual Report 2008 - 09

QUALITY POLICY

The Company is committed to be a Perfect Quality Company.

To reach this goal, it is our policy to promote a culture of continuous improvement, self-assessment, and analytical quality approach; to deliver products and services that conform to regulatory, customer, and internal requirements; to assess, maintain, and continually improve the effectiveness of our quality management system; and to achieve customer loyalty by providing defect-free, competitive products and services on a timely basis.

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Solectron EMS India Ltd

Board of Directors

Mr. Apparao V Mallavarapu, *Managing Director*

Mr. Manny Marimuthu, *Director*

Mr. Manoj Nagrath, *Director*

Mr. Rajiv C Mody, *Director*

Company Secretary

N Sri Sai Kumar

Statutory Auditors

BSR & Co.

Internal Auditors

Ernst & Young Pvt. Ltd.

Bankers

Citi Bank, MG Road, Bangalore
State Bank of India, Yelahanka Bangalore

Registered office

No: 44, KHB Industrial Area
Yelahanka New Town,
Bangalore - 560 106
Tel: 4143 6000
Fax: 4143 6005

Share Transfer Agents

M/s Karvy Computershare Private Limited,
No. 17-24, Vittal Rao Nagar,
Madhapur
Hyderabad - 500 081.
Phone : 040 - 23420818
Fax : 040 - 23420814

Notice of the 3rd Annual General Meeting

Notice is hereby given that the Third Annual General Meeting of the Members of Solectron EMS India Limited will be held at No. 4, 12th KM, Bellary Road, Opp. Government Flying School, Jakkur, Bangalore 560 064 on Friday, July 31, 2009 at 11.00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2009 and Profit and Loss Account for the year ended 31st March 2009 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year 2008-09
3. To appoint a Director in place of Mr. Manoj Nagrath who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. BSR & Co., Chartered Accountants, as Auditors of the Company for holding office up to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

5. "RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions if any, of the Companies Act, 1956, and subject to the approval of the Central Government, consent of the members be and is hereby accorded to the appointment of Mr. Apparao V Mallavarapu as Managing Director of the Company for a period of 5 years with effect from 29th October 2008 without any remuneration."

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

6. "RESOLVED THAT in accordance with the provisions contained in the Articles of Association and Sections 79A, 81(1A) and all other applicable provisions of the Companies Act, 1956 ("the Act") and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the board of directors of the company (hereinafter referred to as "the board" which term shall be deemed to include any committees thereof), consent be and is hereby accorded for the insertion of the following clause for surrender of options by the eligible employees who have been granted shares under the Solectron EMS ESOP 2009 Plan of the company

14A Surrender of Options

An employee may surrender his vested / unvested options at any time during his employment with the company. Any employee willing to surrender his options shall communicate the same to the Company. Thereafter the surrendered options shall expire and stand terminated with effect from the date of surrender of options. Such options will be treated in the manner as provided under Clause 4 (c) of the Plan."

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of himself and a proxy need not be a member of the company. Proxies in order to be effective must be deposited with the company not less than 48 hours before the meeting.
2. Register of members and Share Transfer books will remain closed from July 18, 2009 to July 31, 2009 (both days inclusive) for the purpose of AGM and ascertaining the members eligible to receive the recommended dividend
3. Members are requested to inform any change in their address to the Company or to the Company's Registrar and Share Transfer Agent's (RTA) M/s Karvy Computershare Private Limited giving the relevant details.
4. Nomination facility: Consequent to the introduction of Section 109A of the Companies Act, 1956 and as has

been brought to the notice of all the Members, individual Members are entitled to make a nomination in respect of the shares held by them. The Members, who desire to send their nominations, are requested to send the Nomination in Form-2B (in duplicate) to the Registrars and Share Transfer Agents of the company for registering the nominations, if any.

5. Members attending the Annual General Meeting are requested to bring the following with them (as applicable):
- a) Members holding shares in dematerialized form, their DP & Client ID Number(s).
 - b) Members holding shares in physical form, their folio number,
 - c) Copy of the Annual Report & Notice (2008-09).
 - d) The Attendance Slip duly completed & signed in terms of specimen signature lodged with the company.
 - e) Member companies/Institutions are requested to send a copy of the resolution of their Board/Governing Body, authorizing their representative to attend and vote at the Annual General Meeting.

Explanatory Statement under Section 173 (2) of the Companies Act, 1956

Item No. 5:

The Board of Directors at their meeting held on 29th October 2008 approved the appointment of Mr. Apparao V Mallavarapu as Managing Director for a period of five years with effect from 29th October 2008 without the payment of any remuneration.

Schedule XIII of the Companies Act, 1956 requires that the appointment as Managing Director shall be approved by the shareholders as an ordinary resolution.

Your directors recommend the resolution as set out at item No. 5 of the notice for your approval. None of the Directors of the Company is in any way deemed to be concerned or interested in the aforesaid resolution except Mr. Apparao V Mallavarapu himself.

Item No. 6:

The Soletron ESOP 2009 Plan does not contain a clause to provide for the surrender of options.

SEBI ESOP Guidelines provide that any variation of the ESOP Plan should not be detrimental to the interests of the option holders and shall be approved by the shareholders by Special resolution.

The surrender of options, if included in the ESOP Plan is not detrimental to the interest of the option holders.

Your directors recommend the resolution as set out at item No. 6 of the notice for your approval. None of the Directors of the Company are in any way deemed to be concerned or interested in the aforesaid resolution.

By the Order of the Board
For **Soletron EMS India Limited**

Apparao V Mallavarapu
Managing Director

Place: Bangalore
Date: 5 June 2009

Brief details of director proposed to be appointed / re-appointed at the Annual General Meeting

Mr. Manoj Nagrath is willing to act as a Director of the company, if so re-appointed as a director of the company.

Mr. Manoj Nagrath is the Senior Partner of the firm S.P.Nagrath & Co., Chartered Accountants having its offices in New Delhi and Bangalore, and was enrolled as a member of the Institute of Chartered Accountants of India in 1983.

He has an experience of 25 years in almost every facet of the profession. He has to his credit experience in various fields such as Direct and Indirect taxation, audit, accounting, Company law matters and financial services. He carries wide experience in representing matters at the tax office and other Government authorities.

Mr. Manoj Nagrath does not hold any shares of the company.

Directors' Report

Your Directors have pleasure in presenting their Third Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the year ended 31st March 2009.

Financial Highlights

	(Rs in Million)	
	2008-09	2007-08
Revenue	2213.54	3183.03
Profit before tax	25.09	142.24
Provision for Current Tax	2.50	31.13
Provision for Fringe Benefit Tax	0.67	8.85
Provision for deferred tax	4.50	(22.56)
Profit after tax	17.42	132.78
Earnings per share (Rs.)	2.35	17.94

Operations

During the year company achieved a revenue of Rs 2213.54 Million and the profit before tax was Rs. 25.09 Million.

Dividend

A dividend of 10% on the paid up share capital of the company is recommended. The dividend payout is Rs. 74,00,000 and the tax on dividend for the year is Rs. 12,57,630.

Qualification in Auditor's Report of transactions with Centum Industries Pvt. Ltd.

The Company had transactions with Centum Industries, a private company in which Mr. Apparao V Mallavarapu, Managing Director is a member and director, during the year. The transactions were also conducted at arm's length.

Pursuant to Section 297 of the Companies Act, the Company is required to obtain prior approval from the Central Government for the transactions with Centum Industries Pvt. Ltd. On January 21, 2009, the company also made an application for prior approval to the Regional Director, Ministry of Corporate Affairs, for transacting with Centum Industries. The approval was granted for a period of three years from February 1, 2009. The company has applied to the Company Law Board for approval and condonation for the period from 12th Jun 08 (date of appointment of Mr. Apparao as Director) to 31st Jan 09 also.

Human Resources

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

Particulars of Employees

Information pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders of the Company excluding the statement of particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office address.

Employee Stock Option Plan

As a measure of rewarding the employees, your company has introduced a Employee Stock Option Plan (ESOP) as approved by the shareholders.

Directors

There has been no change in the composition of the Board of Directors.

In terms of the provisions of Section 256 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Manoj Nagrath, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The particulars relating to Mr. Manoj Nagrath are mentioned in the Report of Corporate Governance. Your Directors recommend the re-appointment of Mr. Manoj Nagrath.

None of the Directors of the company are disqualified for being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

The required resolutions for re-appointment of the aforesaid director have been included in the notice convening ensuing Annual General Meeting.

Directors Responsibility Statement

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

- i. in the preparation of annual accounts for the year ended 31st March 2009 all the applicable Accounting Standards had been followed along with the proper explanations relating to material departures, if any;
- ii. accounting policies were adopted and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2009 and of the profit or loss of the Company for year ended on that date;
- iii. proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv. the Directors had prepared the annual accounts on a going concern basis.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the company has complied with the requirements. The Certificate on compliance of Corporate Governance requirements, issued by the Statutory Auditors is annexed to the Report of Corporate Governance.

Auditors

M/s BSR & Co., Chartered Accountants, Statutory Auditors of the company will retire at the forthcoming annual general meeting and they are eligible for re-appointment. Your Directors recommend the re-appointment of the above Statutory Auditors and resolution in this regard forms part of the agenda for the forthcoming Annual General Meeting, requiring approval of the shareholders. The retiring auditors have furnished a certificate of their eligibility for reappointment under Sec 224 (1B) of the Companies Act, 1956 and have indicated their willingness to continue.

Management Discussion and Analysis

In compliance with the requirements of the listing agreement, a detailed Management Discussion and Analysis Report giving details of the company's business and operating results is annexed to this report.

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

The particulars prescribed under subsection (1) (e) of Section 217 of the Companies Act, 1956 read with the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are given in the annexure included in this report.

Acknowledgements

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

Directors' Report (contd...)

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

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

for and on behalf of the Board
For Solectron EMS India Limited

Bangalore
5 June 2009

Apparao V Mallavarapu
Managing Director

Manny Marimuthu
Director

Annexure to the Directors Report

Information under Section 217(1)(e) of the Companies (Disclosure of the Particulars in the Report of the Board of Directors) Rules 1998 and forming part of the Directors Report.

1. CONSERVATION OF ENERGY

The Company has started a Small Group activity (Focus Team) to conserve energy. The team identified several energy saving projects & implemented them which resulted in energy cost savings of more than 30%

Some of the energy conservation measures, your company had undertaken during the period under report are:

- Improved Power Factor (from 0.9 to 0.97) by connecting APFC panel
- Transformer Compensation capacitor was connected
- All employees were made aware of the power saving they can do & encouraged them to switch off lights / AC when not required
- Chiller & AC temperature were kept at Optimum level
- Auto Timer control for the Office lightings
- Localised Controls for Air Handling Units given in all departments
- Enabled Auto save for all computers
- Everyday, energy costs are monitored & suitable corrective actions are taken.

2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

The company developed a conformal coating process during the year.

Conformal coating material, applied to electronic circuitry, acts as protection against moisture, dust, chemicals, and temperature extremes that if uncoated (non-protected) could result in a complete failure of the electronic system. Conformal coating process is required in Automotive, Industrial, Networking and RF segments.

This in turn provides additional capabilities compared to our competitors.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 19 (l) and (m) and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2009.

for and on behalf of the Board
For Solectron EMS India Limited

Bangalore
5 June 2009

Apparao V Mallavarapu
Managing Director

Manny Marimuthu
Director

Management Discussion & Analysis

COMPANY BACKGROUND

Soletron EMS India Limited is primarily involved in Electronic Manufacturing Services (EMS) business which includes manufacture of printed circuit board assembly (PCBA), System Assembly and Repair & Return business catering to the Automobile, Communications and Industrial electronics markets

Our customers include world and Indian leaders in Telecommunications, Automotive and Industrial Electronics.

The strategy is based on intimate customer relationships with competent people, state of the art technology and high quality products and services provided in complex customer business models.

INDUSTRY STRUCTURE AND DEVELOPMENT

Broadly, the electronics industry that we presently cater to is categorized under Telecom, Industrial, Defense and Automotive segments.

TELECOM

The Indian Telecom market is growing very briskly and this growth is largely driven by mobile telephony. This market comprises of Terminal equipments such as the mobile phones, PDA etc. and the infrastructure equipments such as Base Station, Transmission equipments etc. Since this market is big, the multinational companies like Nokia, Samsung, LG have started manufacturing in India and other large companies have serious plans of starting in India. In addition to the multinational companies, local Indian companies are also developing innovative products for the Indian and world markets. To address this market, many EMS companies have also started Indian operations. The eco system for hardware manufacturing is developing fast with OEMs and EMS companies which are now being followed by the components companies.

INDUSTRIAL

Industrial sector is one of the late entrants to the concept of outsourcing their electronic hardware compared to Telecom and IT sectors. This was due to the stringent quality requirements and long product lifecycles. But this is changing rapidly. The large multinationals in this industry segment are focusing on India for their outsourcing requirements due to the design, engineering and testing skills required to manufacture these products.

AUTOMOTIVE

Electronic content in the automotive business is increasing and hence this presents an opportunity for EMS companies in India to be a part of the automotive supply chain. This supply chain not only caters to the Indian automotive industry but also to the global requirements. India is fast becoming one of the primary sources for the global automotive industry.

DEFENSE

The Indian Defense Budget is increasing year on year both in terms of the total value and also as a percentage of the budget allocation itself. Of the total defense budget, the percentage of expenditure towards Capital head is increasing every year creating a even bigger opportunity for the defense market. Also studies show that an Indian defense market is one of the most attractive defense markets in the world.

Till recently, the indigenous defence manufacturing was restricted to Defense Public Sector Units and Ordnance Factories only. However, in the recent past, the Government is encouraging the private industry participation. Due to increasing requirements, the Defense PSUs and the Ordnance Factories are also actively working with the private industry to create new capacities and capabilities.

More recently, the Government of India has created a huge opportunity by introducing the defence offset policy. Due to this policy the international suppliers of defense products to India are actively looking for high quality companies in the defense segment.

STRATEGIES & BUSINESS OUTLOOK

Our strategy for EMS has been to address opportunities in the High Mix, Low to Medium Volume business for both the export market and to address all the needs of the large OEMs in India. As a strategy, we will avoid addressing the high volume markets of entertainment, consumer and IT market segments.

Management Discussion & Analysis (contd...)

In addition to the above, we see a huge opportunity in the Defense business due to both the increased demand and also the offset policy introduced by the Government of India. Being an Indian company, we are very well positioned to address this opportunity. We have all the infrastructure and plant & machinery and other hard assets required to cater to this segment but have gaps in the understanding of the defense market, stringent quality and specification requirements and the people competencies. Your company is evaluating various strategies to overcome these gaps.

We have also made investments in setting up a sales office in the US with experienced and qualified sales team and also developed a 'Sales representation network' both in US and Europe. Although the economic conditions are difficult, we expect to receive new business due to the initiative put in place.

The nature of the EMS business is that it is top-line driven with high material content and working capital intensive. The success of this business lies in the velocity of doing business to reduce the cash-to-cash cycle. To achieve this, the focus will be on operational excellence starting with supply chain to collection cycles.

HUMAN RESOURCES

Our company has some of the best talent in the country coming from various domains of experience. Great emphasis is given in ensuring that the employees have a rewarding experience working for the company. Special attention is given for training and upgrading of peoples' skills, providing excellent working conditions, benchmarking with other large companies while rewarding the employees.

The Kaizen and Lean Six Sigma initiatives have been in place and have been institutionalized with all the employees of the company taking active part in the same. This has helped in improving the operational excellence continuously and the company has seen the benefits of this in better customer satisfaction.

RISK FACTORS

Eighty percent of our revenues come from few customers. Customers may change production quantities or delay production for a number of reasons outside of our control. If customers experience decrease in demand for their products & services, our sales will also get affected.

Multinational OEMs, like Nokia, currently outsourcing from India for their global and Indian markets, may decide to set up their own in-house manufacturing considering the overall volumes.

As mentioned earlier, large multinational EMS companies have been setting up operations in India. Some of these new manufacturers may, for entry strategy reasons, quote very aggressively. Also if volumes do not happen as expected, then there may be fierce competition for market share and thereby pressure on margin.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Our company has placed strong emphasis and effort on the internal control systems. The internal checks and balances are augmented by a formal system of Internal Audit

FINANCIAL CONDITION

SHARE CAPITAL

The share capital of the company stands at Rs.74 million.

LOANS

The Unsecured Loans have decreased by Rs. 438.90 million from Rs. 445.89 million as on 31st March 2008 to Rs. 6.99 million as on 31st March 2009 while secured loans were at Rs. 188.30 million as on 31st March 2009

FIXED ASSETS

The Capital expenditure for 2008-09 is Rs. 25.50 million.

WORKING CAPITAL

Inventories have come down by Rs. 187.68 million from Rs 501.06 million as on 31st March 2008 to Rs 313.38 million as on 31st March 2009.

Receivables have come down by Rs. 259.05 million from Rs. 460.36 million as on 31st March 2008 to Rs. 201.31 million as on 31st March 2009

Current liabilities have come down by Rs.307.00 million from Rs. 508.31 million as on 31st March 2008 to Rs. 201.31 million as on 31st March 2009

CASH FLOWS

	Rs.million
Cash flows from Operating activities	275.77
Cash outflows in Financing activities	(283.09)
Cash outflows in Investing activities	(23.84)

RESULTS OF OPERATIONS

The business operation for 2008-09 resulted in the Company, achieving sales of Rs.2213.54 million as against Rs. 3183.03 million for 2007-08.

Two of our customers, a large telecom multinational and a large automotive multinational set up their own manufacturing facilities in India and consolidated both their in-house manufacturing and outsourced operations into their own facilities. The telecom customer in sourced during the second half of 08-09 and the automotive customer in the later part of the year. Due to these in sourcing activities, the revenues dropped from Rs. 3183.03 million to Rs. 2213.54 million during 08-09 and the impact will be felt during the year 09-10 also.

The Profit before tax for the year 2008-09 is Rs. 25.09 million as against Rs. 142.23 million for the year 2007-08.

For and on behalf of the Board
For **Solectron EMS India Limited**

Bangalore
5 June 2009

Apparao V Mallavarapu
Managing Director

Manny Marimuthu
Director

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Solectron EMS India Limited are the responsibility of management and are approved by the Board of Directors of your company.

These financial statements have been prepared by management in conformity with Indian generally accepted accounting principles and includes amounts that are based on best estimates and judgments.

Management of the company in furtherance of the integrity and objectivity of data in the financial statements has developed and maintains systems of internal accounting controls. Management believes that the systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee. The Audit Committee reviews the Company's annual financial statements and formulates the appropriate recommendations to the Board of Directors. The Audit Committee has full access to the auditors appointed by the shareholders, with or without the management being present.

The auditors appointed by the shareholders, BSR & Co., Chartered Accountants have examined these financial statements, and their report is presented hereafter.

Bangalore
5 June 2009

Desikan K S
Authorised Signatory

Apparao V Mallavarapu
Managing Director

Report on Corporate Governance

1) COMPANY’S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

Solectron EMS India Limited firmly believes that implementation of good corporate governance will help the Company to achieve Corporate goals and enhance stakeholders value. Your company’s philosophy on corporate governance envisages attainment of the highest level of transparency, accountability and integrity in all facets of its operation. The fundamental objective is enhancement of long-term shareholder value, while at the same time protecting the interests of other stakeholders.

2) BOARD OF DIRECTORS

A) COMPOSITION

The composition of the Board is 4 members. There are 2 independent directors on the Board of the company. The composition of the Board of Directors as at March 31, 2009 is as follows:

Name	Category	Designation	Number of other Directorships *	Number of Board Committees Membership/ Chairmanship**
Mr. Apparao V Mallavarapu	Executive and Non Independent	Managing Director	4	5
Mr. Manny Marimuthu	Non-Executive and Non-Independent	Director	4	2
Mr. Rajiv C Mody	Non-Executive and Independent	Director	6	3
Mr. Manoj Nagrath	Non-Executive and Independent	Director	1	2 (including 2 chairmanships)

* Only the Directorship of Indian Companies have been taken into consideration

** List includes Solectron EMS India limited.

None of the Directors of the company were members in more than ten committees or acted as chairman of more than five companies across all companies in which they are directors.

None of the Independent Non-Executive directors of the company have any pecuniary relationships or transactions with the company.

B) BOARD MEETINGS

The Board has met six times during the financial year 2008 - 09 i.e. on May 30, 2008, June 13, 2008, July 12, 2008, July 31, 2008, October 29, 2008, January 29, 2009. The details of the attendance of each director at the board meetings and the last Annual General Meeting (‘AGM’) are as given below:

Name of Director	Number of meetings attended	Attendance at the last AGM
Mr. Apparao V Mallavarapu*	5	Yes
Mr. Manny Marimuthu	1	No
Mr. Rajiv C Mody@	1	No
Mr. Manoj Nagrath	5	Yes

* Appointed as director w.e.f. June 12, 2008

@ Appointed as Director w.e.f. June 28, 2008

The Company does not pay any remuneration to the Directors of the Company except for sitting fees of Rs. 180,000/- for the year 2008-09.

C) CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

The company has adopted the Code of Conduct for Directors and Senior Management and the company receives the annual affirmations with regard to the adherence to the Code of Conduct for the financial year 2008-09. The Code of Conduct is available on the company's website (www.solelectronems.com)

D) TERM OF OFFICE OF DIRECTORS

Pursuant to the provisions of Section 255, 256 and all other applicable provisions of the Companies Act, 1956, two-thirds of the directors are in the category of directors required to retire by rotation and one-third of those directors would retire every year and if eligible, they might seek re-appointment at the annual general meetings.

E) APPOINTMENT OF DIRECTORS

The Board of Directors appointed Mr. Apparao V Mallavarapu as Director w.e.f. 12.06.2008. He was then appointed as Managing Director w.e.f. 29.10.2008.

Mr. Apparao Mallavarapu aged 52, is the founder and Managing Director of Centum Electronics Limited, which designs and manufactures Hi-tech electronic subsystems, modules and components such as Frequency Control Products, DC/DC Converters etc. He also started the EMS business in Solelectron Centum Electronics Ltd., (before demerger) and has vast experience in this business.

Mr. Apparao Mallavarapu received his bachelor's degree in Mechanical Engineering from Bangalore University and also Master's Degree in Mechanical Engineering from Dal-Tech University in Canada. He is also a Ford foundation scholar.

Mr. Apparao V Mallavarapu holds 34,04,100 shares of the company.

The Board of Directors appointed Mr. Rajiv C Mody as Director w.e.f. 28.06.2008.

Mr. Rajiv C Mody, 50 years, Chairman and Managing Director and founder of Sasken Communication Technologies Ltd. (Sasken). The company was set up in the classical tradition of Silicon Valley startups, in a garage in Fremont, California.

He qualified in electrical engineering degree from M.S. University, Baroda and Masters Degree in Computer Science from Polytechnic Institute of New York. He worked for Advanced Micro Devices, Seattle Tech Inc., and VLSI Technology Inc. in USA. At VLSI, Mr. Rajiv Mody was responsible for the design, development and integration of physical design tools for Gate-Array and Standard Cell Design Styles.

He has co-authored a patent in the area of physical design and published a paper at the ICCAD conference.

He has over 22 years of experience in the technology business.

Mr. Rajiv C Mody does not hold any shares of the company.

F) RE-APPOINTMENT OF DIRECTORS

In terms of applicable provisions of the Companies Act, 1956, Mr. Manoj Nagrath, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Manoj Nagrath is the Senior Partner of the firm S.P.Nagrath & Co., Chartered Accountants having its offices in New Delhi and Bangalore, and was enrolled as a member of the Institute of Chartered Accountants of India in 1983.

He has an experience of 26 years in almost every facet of the profession. He has to his credit experience in various fields such as Direct and Indirect taxation, audit, accounting, Company law matters and financial services. He carries wide experience in representing matters at the tax office and other Government authorities.

Mr. Manoj Nagrath does not hold any shares of the company.

The directors recommend the re-appointment of Mr. Manoj Nagrath as a Director of the company and the related resolution is included in the notice convening the ensuing Annual General Meeting.

Report on Corporate Governance (Contd...)

3) BOARD COMMITTEES

The Board of Directors has constituted committees, which are mandatory with appropriate delegation of powers. These committees are functioning as required.

A) AUDIT COMMITTEE

As a measure of good corporate governance and to provide assistance to the Board of Directors in overseeing the Boards responsibilities, an Audit Committee consisting of all independent Directors was formed on July 20, 2007 as a Sub-committee of the Board. The functions of the Audit Committee include:

- Overseeing of the company’s financial reporting process and disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of the external auditor, fixation of the audit fees and also approval for payment of any other services.
- Reviewing the adequacy of the Internal Control systems with the Management, statutory and internal auditors.
- Reviewing the company’s financial and risk management policies.

The composition of the audit committee is as follows:

Mr. Manoj Nagrath	Chairman	Non Executive
Mr. Apparao V Mallavarapu*	Member	Executive
Mr. Rajiv C Mody@	Member	Non Executive
Mr. Manny Marimuthu	Member	Non Executive

* Appointed as Member w.e.f. June 12, 2008

@ Appointed as Member w.e.f. January 29, 2009

The Chairman of the Audit Committee is an Independent Director.

The audit committee has met 4 times during the financial year i.e., July 12, 2008, July 31, 2008, October 29, 2008 and January 29, 2009, July. The details of the attendance at such meetings is as follows:

Name of the Member	Number of Meetings Held during the year	Number of meetings attended during the year
Mr. Manoj Nagrath	4	4
Mr. Apparao V Mallavarapu*	4	4
Mr. Rajiv C Mody@	1	1
Mr. Manny Marimuthu	4	-

* Appointed as Member w.e.f. June 12, 2008

@ Appointed as member w.e.f. January 29, 2009

The Company Secretary acts as the Secretary to the Committee.

B) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The shareholders' / Investors' Grievance Committee has been formed for the effective redressal of the investors' complaints, reviewing the activities of the share transfer committee and reporting of the same to the Board periodically.

The composition of the shareholders committee is as follows:

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

Compliance Officer - Mr. N Sri Sai Kumar, Company Secretary

The company has received complaints/requests during the year from the shareholders. All the complaints have been redressed to the satisfaction of the shareholders. An analysis of the complaints /requests is as follows:

Status of Redressal of investors' grievances from 1.4.2008 to 31.3.2009

Sl.No.	Nature of Complaints	OpeningBalance	Received	Redressed	Pending
1.	Non receipt of Dividend Warrants	0	1	1	0
2.	Non receipt of securities	0	14	14	0
3.	Others	0	42	42	0
	Total	0	57	57	0

C) COMPENSATION COMMITTEE

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

The composition of the Compensation committee is as follows:

Name	Particulars
Mr. Rajiv C Mody	Chairman
Mr. Manoj Nagrath	Member
Mr. Apparao Mallavarapu	Member

4) SUBSIDIARY COMPANIES

The Company has no subsidiary.

5) DISCLOSURES**A) RELATED PARTY TRANSACTIONS**

There are no materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the Directors, the Management, their subsidiaries or the relatives etc. that may have potential conflict with the interests of the company at large.

Report on Corporate Governance (Contd...)

Details of the significant related party transactions with the group companies are given in the appended financial statements under Note No. 19(p) of the notes to the accounts of the financial statements.

B) COMPLIANCE WITH STATUTORY/LEGAL REQUIREMENTS

There are no non-compliances by the company and no penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any other statutory authority, on any matter related to capital matters, during the last three years.

C) COMPLIANCE WITH ACCOUNTING STANDARDS

Your company confirms that it has complied with all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

D) COMPLIANCE OF MANDATORY REQUIREMENTS

The company is pleased to inform you that your company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement subject to the following:

- During the period 12 June 2008 till 14 June 2008, the total number of directors on the board was four and the number of independent directors on the board was one instead of a minimum requirement of two independent directors as specified in clause 49 of the listing agreement;
- During the period 1 April 2008 till 28 January 2009, the composition of the audit committee of the Company is not in compliance with the clause 49 of the listing agreement since there is only one independent director as against the minimum requirement of two independent directors as specified in clause 49 of the listing agreement.
- During the period 29 January 2009 till 31 March 2009, the composition of the audit committee of the Company is not in compliance with the clause 49 of the listing agreement since there are only two independent directors as against the minimum requirement of three independent directors as specified in clause 49 of the listing agreement.

6) GENERAL BODY MEETINGS

a. Date and venue of the last two AGMs are given below:

Year	Date	Venue	Time	Number of special resolutions
2006-07	March 24, 2008	No 44, KHB Industrial Area Yelahanka New Township Bangalore-560106.	11:00 A.M.	0
2007-08	September 27, 2008	No 44, KHB Industrial Area Yelahanka New Township Bangalore-560106.	11.30 A.M.	2

The following special resolutions were passed by Postal Ballot

- 1) Change of name of the Company to Centum EMS India Limited
- 2) Increase in Authorised Share Capital and amendment of Memorandum of Association
- 3) Solectron EMS ESOP Plan - 2009

b. Means of Communication

The company has its own website viz. www.solectronems.com. The quarterly, half- yearly and annual results are posted on the company's website for the information of the shareholders.

The results are also published in Economic Times (Bangalore and Mumbai) and Udayavani (Bangalore).

All the material information is promptly sent to the stock exchanges where the shares of the company are listed. The Management Discussion and Analysis Report form part of the Annual Report. Annual reports are sent to each shareholder, brokers and stock exchanges.

The official news releases and the presentations made to institutional investors or to the analysts would be made available in future.

7) GENERAL SHAREHOLDING INFORMATION

A. Annual General Meeting

Date & Time	:	31 July 2009 at 11.00 AM
Venue	:	No. 4, 12 th KM, Bellary Road, Opp. Government Flying School, Jakkur, Bangalore 560 064

B. Book Closure Date	:	18 July 2009 to 31 July 2009 (both days inclusive)
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C. Listing on stock exchange	:	Bombay Stock Exchange Ltd. (BSE) National Stock Exchange of India Ltd. (NSE)
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D. Stock Code	:	BSE - 532956 NSE - SOLEMS
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E. Market price data

Month	Price - BSE		Sensex		Price - NSE		Nifty	
	High	Low	High	Low	High	Low	High	Low
April 2008	210.00	159.10	17,480.74	15,297.96	199.00	135.00	5,230.75	4,628.75
May 2008	173.80	111.00	17,735.70	16,196.02	174.85	105.50	5,298.85	4,801.90
June 2008	154.70	96.80	16,632.72	13,405.54	155.00	82.65	4,908.80	4,021.70
July 2008	143.00	90.10	15,130.09	12,514.02	142.65	88.65	4,539.45	3,790.20
August 2008	120.00	87.25	15,579.78	14,002.43	115.00	91.80	4,649.85	4,201.85
September 2008	105.00	60.45	15,107.01	12,153.55	103.00	60.65	4,558.00	3,715.05
October 2008	67.20	27.10	13,203.86	7,697.39	74.00	28.80	4,000.50	2,252.75
November 2008	47.00	27.00	10,945.41	8,316.39	47.00	24.10	3,240.55	2,502.90
December 2008	42.90	28.00	10,188.54	8,467.43	43.70	27.20	3,110.45	2,570.70
January 2009	41.00	25.50	10,469.72	8,631.60	40.45	26.30	3,147.20	2,661.65
February 2009	34.60	24.25	9,724.87	8,619.22	35.00	24.75	2,969.75	2,677.55
March 2009	29.40	18.95	10,127.09	8,047.17	25.95	16.35	3,123.35	2,539.45

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

F. Registrar & Share Transfer agent

Karvy Computershare Private Limited
Unit : Solectron EMS India Limited
 Plot No: 17-24, Vitalrao Nagar,
 Madhapur, Hyderabad - 500 081
 Ph: 040-23420815 - 824
 Fax No. 040-23420814
 Email: mailmanager@karvy.com

Report on Corporate Governance (Contd...)

G. Share transfer system

The composition of the share transfer committee is as follows:

Sl. No	Name	Designation
1.	Mr. Apparao V Mallavarapu	Managing Director
2.	Mr. K S Desikan	Authorised Signatory
3.	Mr. N Sri Sai Kumar	Company Secretary

The share transfer committee meets as and when required. The share transfer committee reports periodically to the Shareholder/Investors Grievance Committee on receipt of the Investors' complaints, if any.

The company has delegated the power of share transfers to Karvy Computershare Private Limited, the company's Registrar and Share Transfer Agent ('RTA'). They process the share transfers and the same are approved by the share transfer committee periodically. The share transfers are effected within 15 days from the date of receipt. The shareholders can send their share transfer/demat/remat requests either to the RTA directly or to the company.

H. Distribution of Shareholding

The distribution of the Shareholding as on 31st March 2009 is as follows:

Sl No	No. of equity shares held	No of share holders	% of Cases	No. of shares held
1	1 - 500	7863	95.66	6,164,480
2	501 - 1000	171	2.08	1,279,270
3	1001 - 2000	92	1.12	1,359,950
4	2001 - 3000	28	0.34	698,260
5	3001 - 4000	9	0.11	317,250
6	4001 - 5000	13	0.16	592,120
7	5001 - 10000	15	0.18	10,24,860
8	Above 10000	29	0.35	62,563,810
	Total	8220	100.00	7,400,000

Shareholding Pattern

The Shareholding pattern as on 31st March 2009 is as follows:

Particulars	No of shares held	% to total shares
Shareholding of promoter and promoter group		
-Indian Promoters	36,44,300	49.25
-Foreign Promoters	888,959	12.01
Public Shareholding		
-Institutions	1,079,967	14.59
-Non-institutions	1,786,774	24.15
Total	74,00,000	100.00

I. Dematerialisation of Shares and liquidity

The company's shares are covered under the compulsory dematerialisation list and are transferable through depository systems. M/s Karvy Computershare Private Limited act as our RTA agents. Shares received for dematerialisation are usually registered within 5 days from the date of the receipt if all the documents are complete in all respects. The ISIN number of the company is INE647I01013.

The break up of the shares held in physical and electronic form as on March 31, 2009 is as follows:

Particulars	No. of holders	Total Shares	%
Physical	1939	940057	12.70
NSDL	4868	5516605	74.55
CDSL	1413	943338	12.75
Total	8220	7400000	100.00

J. Financial Year: The financial Year of the Company is from 1st April to 31st March .

K. Financial Calendar

Tentative calendar of events for the financial year 2009-10 is given below:

Sl. No.	Particulars	Tentative dates
1.	Financial reporting for the quarter ending June 30, 2009.	Third week of July 2009.
2.	Financial reporting for the half year ending September 30, 2009	Third week of October 2009.
3.	Financial reporting for the quarter ending December 31, 2009	Third week of January 2010.
4.	Financial reporting for the year ending March 31, 2010.	First week of June 2010.
5.	Annual General Meeting for the year ended March 31, 2010.	August/September 2010.

Report on Corporate Governance (Contd...)

L. Outstanding GDRs/ADRs/Warrants

Outstanding GDRs/ADRs/warrants of any convertible instruments, conversion date and likely impact on equity.

NIL

M. Registered Office & Plant Address/ Phone and Fax Numbers

44 KHB Industrial Area
Yelahanka New Township
Bangalore 560 106
Tel: 080 41436000
Fax: 080 41436005

N. Investors Correspondence

Company Secretary & Compliance officer
Solectron EMS India Limited
44 KHB Industrial Area
Yelahanka New Township
Bangalore 560 106
el: 91 80 41436000
Fax: 91 80 41436005
E Mail: srisaikumarn@solectronems.com

Non-mandatory information

1. As detailed in the earlier paragraphs, the company has constituted a remuneration committee.
2. The quarterly results are published in leading English and Kannada newspapers and significant events are published as news items/advertisements in newspapers and on company's website and also communicated to the Stock Exchanges wherever required.
3. Other non-mandatory requirements have not been complied by the company.

By the Order of the Board
For Solectron EMS India Limited

Place: Bangalore
Date: June 5, 2009

Apparao V Mallavarapu
Managing Director

Manny Marimuthu
Director

To the Members of Solectron EMS India Limited

We have examined the compliance of conditions of Corporate Governance by Solectron EMS India Limited (“the Company”) for the year ended on 31 March 2009 as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, *subject to the following*:

- 1 *During the period 12 June 2008 till 14 June 2008, the total number of directors on the board was four and the number of independent directors on the board was one instead of a minimum requirement of two independent directors as specified in clause 49 of the listing agreement;*
- 2 *During the period 1 April 2008 till 28 January 2009, the composition of the audit committee of the Company is not in compliance with the clause 49 of the listing agreement since there is only one independent director as against the minimum requirement of two independent directors as specified in clause 49 of the listing agreement.*
- 3 *During the period 29 January 2009 till 31 March 2009, the composition of the audit committee of the Company is not in compliance with the clause 49 of the listing agreement since there are only two independent directors as against the minimum requirement of three independent directors as specified in clause 49 of the listing agreement.*

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

for **B S R & Co.**
Chartered Accountants

Zubin Shekary
Partner
Membership No.: 48814

Bangalore
1 July 2009

Auditors' Report

To the members of Solectron EMS India Limited

We have audited the attached balance sheet of Solectron EMS India Limited ("the Company") as at 31 March 2009 and also the profit and 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) the balance sheet, profit and 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, profit and loss account and 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;
- (e) on the basis of written representations received from the directors, as at 31 March 2009, and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
- (f) *As stated in note (b) of schedule 19 of the financial statements, the Company has entered into contracts with Centum Industries Private Limited (CIPL) for purchase of goods aggregating Rs. 9,349,881 during the period 10 June 2008 to 31 January 2009. Since the Company's paid-up share capital is more than Rs. 1 crore and one of the directors of the Company was also a director / member of CIPL at the time of entering into the contracts, prior approval of the Central Government of India under Section 297 of the Companies Act, 1956 was required. The Company has not obtained Central Government of India approval for the aforementioned transactions and hence we are unable to quantify the impact of this non-compliance on the profit for the year and the accumulated balance of profit and loss account of the Company as at 31 March 2009. The Company has obtained an approval from the Central Government of India for transactions to be entered into with CIPL for a period of three years effective 1 February 2009*
- (g) *subject to the matter stated in paragraph (f) above*, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information 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:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2009;
 - (ii) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For BSR & Co.
Chartered Accountants

Zubin Shekary
Partner
Membership No. 48814

Bangalore
5 June 2009

Annexure to the Auditors' Report

Annexure referred to in our report to the members of Solectron EMS India Limited ("the Company") for the year ended 31 March 2009. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods and services sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements referred to in (a) above and exceeding the value of Rs 5 lakhs with each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time. *As explained in more detail in paragraph (f) above of our audit report, no Central Government of India approval has been obtained by the Company in respect of some of these transactions.*
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured/services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth

Annexure to the Auditors' Report (Contd...)

tax, Service tax, Customs duty, Excise duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As informed to us, the Company did not have any dues on account of Investor Education and Protection Fund.

There are no dues on account of Cess under section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government of India.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2009 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Custom duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company is registered for a period of less than five years and accordingly clause 4 (x) of the Order is not applicable.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of its dues to any banks during the year. The Company did not have any outstanding dues to any financial institution or debentureholders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund /nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loan outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

*for BSR & Co.
Chartered Accountants*

Zubin Shekary
Partner
Membership No. 48814

Bangalore
5 June 2009

Balance Sheet

	SCHEDULE	As at 31 March 2009 (Rs.)	As at 31 March 2008 (Rs.)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3	74,000,000	74,000,000
Reserves and surplus	4	385,102,634	376,344,114
		<u>459,102,634</u>	<u>450,344,114</u>
LOAN FUNDS			
Secured loan	5	188,303,328	-
Unsecured loans	6	6,989,994	445,898,097
		<u>195,293,322</u>	<u>445,898,097</u>
		<u>654,395,956</u>	<u>896,242,211</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	7	432,806,355	407,893,642
Less: Accumulated depreciation		(154,073,910)	(100,051,648)
Net block		278,732,445	307,841,994
Capital work-in-progress		-	264,795
		<u>278,732,445</u>	<u>308,106,789</u>
DEFERRED TAX ASSET, NET	19(r)	<u>10,894,126</u>	<u>15,399,099</u>
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	313,376,080	501,066,014
Sundry debtors	9	201,307,681	460,367,619
Cash and bank balances	10	8,959,110	26,670,905
Loans and advances	11	58,131,099	109,164,594
		<u>581,773,970</u>	<u>1,097,269,132</u>
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	201,308,143	508,311,647
Provisions	13	15,696,442	16,221,162
		<u>217,004,585</u>	<u>524,532,809</u>
NET CURRENT ASSETS		<u>364,769,385</u>	<u>572,736,323</u>
		<u>654,395,956</u>	<u>896,242,211</u>
SIGNIFICANT ACCOUNTING POLICIES	2		
NOTES TO THE ACCOUNTS	19		

The schedules referred to above form an integral part of the Balance Sheet.

As per our report attached

for **BSR & Co.**
Chartered Accountants

Zubin Shekary
Partner
Membership No. 48814

Place : Bangalore
Date : 5 June 2009

for **Solectron EMS India Limited**

Apparao V Mallavarapu
Managing Director

Manny Marimuthu
Director

N Sri Sai Kumar
Company Secretary

Profit and Loss Account

	SCHEDULE	For the year ended 31 March 2009 (Rs.)	For the year ended 31 March 2008 (Rs.)
INCOME			
Sale of manufactured goods		2,286,849,523	3,098,328,745
Less: Excise duty		(113,307,547)	(134,356,356)
Sale of manufactured goods, net		2,173,541,976	2,963,972,389
Service income		32,276,044	159,330,956
Other income	14	7,719,964	59,728,546
		2,213,537,984	3,183,031,891
EXPENDITURE			
Materials costs	15	1,819,326,278	2,686,533,526
Personnel costs	16	72,836,849	90,227,012
Operating expenses	17	208,931,449	162,906,421
Finance expenses	18	33,143,444	46,327,902
Depreciation	7	54,206,492	54,797,833
		2,188,444,512	3,040,792,694
Profit before taxation		25,093,472	142,239,197
Income taxes			
- Current tax		2,500,000	31,130,000
- Deferred tax charge/(credit)		4,504,973	(22,556,061)
- Fringe benefit tax		672,349	884,921
Profit after taxation		17,416,150	132,780,337
Balance in profit and loss account brought forward		153,171,707	29,049,000
Balance available for appropriation		170,587,857	161,829,337
Appropriation during the year			
- Proposed final dividend		7,400,000	7,400,000
- Corporate dividend tax		1,257,630	1,257,630
Balance carried to the balance sheet		161,930,227	153,171,707
Earnings per share (par value Rs 10 each)			
Basic and diluted	19 (d)	2.35	17.94
Weighted average number of equity shares			
Basic and diluted	19 (d)	7,400,000	7,400,000
SIGNIFICANT ACCOUNTING POLICIES	2		
NOTES TO THE ACCOUNTS	19		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for BSR & Co.
Chartered Accountants

Zubin Shekary
Partner
Membership No. 48814

Place : Bangalore
Date : 5 June 2009

for Solectron EMS India Limited

Apparao V Mallavarapu
Managing Director

N Sri Sai Kumar
Company Secretary

Manny Marimuthu
Director

Schedules to the Financial Statements

1. BACKGROUND

Solectron EMS India Limited (the Company) was incorporated as a public limited company on 27 September 2006. The Company entered into a scheme of arrangement with Solectron Centum Electronics Limited, for the demerger of the Electronics Manufacturing Services business of Centum Electronics Limited (formerly Solectron Centum Electronics Limited) into Solectron EMS India Limited which was approved by the Honorable High Court of Karnataka on 13 July 2007.

The Company is primarily involved in the manufacture of printed circuit board assembly (PCBA) and Repair and Return business catering to the automobile, communications and industrial electronics markets.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the mandatory Accounting Standards (“AS”) prescribed in the Companies (Accounting Standards) Rules 2006 and the relevant provisions of the Companies Act, 1956 (‘the Act’), to the extent applicable.

b) Cash flow statement

Cash flow statement is reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows arising from operating, investing and financing activities of the Company are segregated

c) Use of estimates

The preparation of financial statements in conformity with, generally accepted accounting principles in India, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of income and expenditure during the year reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future years.

d) Fixed assets

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets. Intangible assets are recorded at their acquisition cost. Machinery spares which are specific to a particular item of fixed asset are capitalized at the time of their purchase.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

e) Depreciation

Depreciation is provided on the straight-line method from the date the asset is ready for use.

The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. However, where management’s estimate of the useful life of a fixed asset at the time of acquisition of the fixed asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management’s estimate of the useful life/ remaining useful life.

Schedules to the Financial Statements (Contd...)

Depreciation on assets has been provided at the rates based on the following estimated useful lives of fixed assets:

Asset categories	Years
Plant and Machinery	5 - 8 years
Computers and software	5 - 6 years
All other assets	On straight line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956.

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

For assets acquired/ disposed during the year, depreciation is provided from/ upto the date the assets are acquired/ disposed. Assets individually costing Rs 5,000 or less are depreciated at the rate of 100%.

Machinery spares are depreciated on a systematic basis over the period of the remaining useful life of the fixed asset for which they are utilized.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises purchase price and all incidental expenses (other than those subsequently recoverable by the Company from the tax authorities) incurred in bringing the inventory to its present location and condition:

Stores and spares	Weighted average cost method
Raw materials and components	Weighted average cost method
Work-in-progress and finished goods	Weighted average cost including costs of conversion.
Raw materials in transit	At landed cost

Fixed production overheads are allocated on the basis of normal capacity of production facilities.

g) Revenue recognition

Revenue from the sale of products and materials is recognized on transfer of all significant risks and rewards of ownership to the buyer. Sales are accounted inclusive of excise duty and exclude sales tax and trade and quantity discounts and are net of sales returns. Revenue from sale of manufactured goods has been presented both gross and net of excise duty.

Revenue from services are recognized as and when the services are rendered in accordance with the terms of the contract.

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

h) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognized in the profit and loss account.

i) Employee benefits

Contribution payable to the recognized provident fund, which is a defined contribution scheme, are charged to the profit and loss account.

Gratuity and compensated absence costs, which are defined benefit scheme, are accrued based on actuarial valuation at the balance sheet date, carried out by an independent actuary.

j) Earnings per share

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

k) Provisions and contingent liabilities

The Company recognizes a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation

l) Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the Income Tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, when there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at the balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised. The Company offsets, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The Company provides for and discloses the Fringe Benefit Tax ("FBT") in accordance with the provisions of Section 115 WC of the Income-tax Act, 1961 and the guidance note on FBT issued by Institute of Chartered Accountants of India.

m) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash in flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognized.

n) Borrowing costs

Financing costs relating to borrowed funds attributable to construction or acquisition of qualifying assets for the period upto the completion of construction or acquisition of such assets are included in the cost of the assets. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Schedules to the Financial Statements (Contd...)

	As at 31 March 2009 (Rs.)	As at 31 March 2008 (Rs.)
3. SHARE CAPITAL		
Authorised		
7,500,000 (previous year: 7,500,000) equity shares of Rs 10 each	<u>75,000,000</u>	<u>75,000,000</u>
Issued, subscribed and paid-up		
7,400,000 (previous year: 7,400,000) equity shares of Rs 10 each, fully paid	<u>74,000,000</u>	<u>74,000,000</u>
	<u>74,000,000</u>	<u>74,000,000</u>
4. RESERVES AND SURPLUS		
General reserve		
- opening balance	223,172,407	224,618,295
Less: Transitional adjustment in accordance with revised AS 15 “Employee benefits” [refer schedule 19 (s)]	-	(1,445,888)
- closing balance as at year end	<u>223,172,407</u>	<u>223,172,407</u>
Profit and loss account	<u>161,930,227</u>	<u>153,171,707</u>
	<u>385,102,634</u>	<u>376,344,114</u>
5. SECURED LOANS		
Short term loans		
- from banks (payable within a year)	<u>188,303,328</u>	-
	<u>188,303,328</u>	<u>-</u>
<p>Short term loan from Citi Bank is secured by first exclusive charge on the inventories, receivables and fixed assets (present and future) of the Company. Additionally, the loan is secured by the personal guarantee of the Managing Director - Apparao V Mallavarapu</p>		
6. UNSECURED LOANS		
Short term loans		
- from banks (payable within a year)*	-	445,898,097
- bank overdraft	<u>6,989,994</u>	-
	<u>6,989,994</u>	<u>445,898,097</u>

* guaranteed by Solectron Corporation, USA

SCHEDULE : 7 FIXED ASSETS

PARTICULARS	(Amount in Rs.)											
	GROSS BLOCK					ACCUMULATED DEPRECIATION					NET BLOCK	
	1 April 2008	Additions during the year	Deletions during the year	31 March 2009	1 April 2008	Charge for the year	Deletions during the year	31 March 2009	31 March 2009	31 March 2009	31 March 2008	
Tangible assets, owned												
Leasehold improvements	1,414,408	561,856	-	1,976,264	141,364	303,575	-	444,939	1,531,325	1,273,044		
Plant and machinery	356,871,992	14,423,104	589,746	370,705,350	86,628,474	46,461,599	184,230	132,905,843	237,799,507	270,243,518		
Electrical installations	5,869,266	119,127	-	5,988,393	193,114	282,478	-	475,592	5,512,801	5,676,152		
Computers	17,296,772	984,484	-	18,281,256	5,709,121	5,395,001	-	11,104,122	7,177,134	11,587,651		
Office equipment	4,018,061	1,991,452	-	6,009,513	281,394	328,445	-	609,839	5,399,674	3,736,667		
Furniture	6,665,173	1,261,574	-	7,926,747	1,429,946	1,089,698	-	2,519,644	5,407,103	5,235,227		
Vehicle	-	4,779,453	-	4,779,453	-	241,330	-	241,330	4,538,123	-		
Total (A)	392,135,672	24,121,050	589,746	415,666,976	94,383,413	54,102,126	184,230	148,301,309	267,365,667	297,752,259		
Intangible assets, owned												
Computer software	15,757,970	1,381,409	-	17,139,379	5,668,235	104,366	-	5,772,601	11,366,778	10,089,735		
Total (B)	15,757,970	1,381,409	-	17,139,379	5,668,235	104,366	-	5,772,601	11,366,778	10,089,735		
Total (A) + (B)	407,893,642	25,502,459	589,746	432,806,355	100,051,648	54,206,492	184,230	154,073,910	278,732,445	307,841,994		
Previous year	403,765,296	35,141,762	31,013,416	407,893,642	55,972,000	54,797,833	10,718,185	100,051,648	307,841,994			

Schedules to the Financial Statements (Contd...)

	As at 31 March 2009 (Rs.)	As at 31 March 2008 (Rs.)
8. INVENTORIES		
Stores and spares	10,030,290	10,656,288
Raw materials and components	221,856,906	329,195,937
Raw materials in transit	-	42,382,886
Work-in-progress	81,488,884	74,475,045
Finished goods	-	44,355,858
	<u>313,376,080</u>	<u>501,066,014</u>
9. SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
- considered good	6,138,151	5,487,957
- considered doubtful	1,899,054	5,972,749
	<u>8,037,205</u>	<u>11,460,706</u>
Other debts*		
- considered good	195,169,530	454,879,662
	<u>203,206,735</u>	<u>466,340,368</u>
Less: Provision for doubtful debts	<u>(1,899,054)</u>	<u>(5,972,749)</u>
	<u>201,307,681</u>	<u>460,367,619</u>
* Includes amounts due from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956		
- Solectron Technology Singapore Pte Limited (refer note 1)	-	3,751,008
- Solectron (Suzhou) Technology (refer note 1)	-	116,973
- Solectron Technology Sdn. Bhd (refer note 1)	-	33,902
* Maximum amount outstanding during the year from companies under the same management as defined under Section 370(1B) of the Companies Act, 1956		
- Solectron Technology Singapore Pte Limited (refer note 1)	3,751,008	3,751,008
- Solectron (Suzhou) Technology (refer note 1)	116,973	116,973
- Solectron Technology Sdn. Bhd (refer note 1)	33,902	33,902
1. Ceased to be companies under same management with effect from 10 June 2008		
10. CASH AND BANK BALANCES		
Cash in hand	18,877	84,949
Balances with scheduled banks		
- in current accounts	1,011,233	21,472,956
- in margin money accounts	7,929,000	5,113,000
	<u>8,959,110</u>	<u>26,670,905</u>

	As at 31 March 2009 (Rs.)	As at 31 March 2008 (Rs.)
11. LOANS AND ADVANCES		
<i>Unsecured, considered good</i>		
Advances recoverable in cash or in kind or for value to be received *	17,855,425	59,905,358
Deposits	9,098,860	17,401,345
Prepaid expenses	2,411,624	2,352,637
Interest accrued but not due	647,714	-
Balances with government authorities	8,809,092	23,116,476
Advance tax and tax deducted at source [net of provision Rs 34,514,921 (previous year Rs 32,014,921)]	19,308,384	6,388,778
	<u>58,131,099</u>	<u>109,164,594</u>
<i>Unsecured, considered doubtful</i>		
Advances recoverable in cash or in kind or for value to be received	1,021,395	-
Deposits	1,766,203	568,101
	<u>60,918,697</u>	<u>109,732,695</u>
Less: provision for doubtful advances	<u>(2,787,598)</u>	<u>(568,101)</u>
	<u><u>58,131,099</u></u>	<u><u>109,164,594</u></u>
* Includes amounts due from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956		
- Centum Industries Private Limited (refer note 1)	7,052,319	-
- Solectron India Private Limited (refer note 2)	-	953,837
- Solectron Technology Sdn Bhd (refer note 2)	-	2,188,394
- Solectron Corporation, USA (refer note 2)	-	1,223,767
	<u>7,052,319</u>	<u>4,366,008</u>
* Maximum amount outstanding during the year from companies under the same management as defined under Section 370(1B) of the Companies Act, 1956		
- Centum Industries Private Limited (refer note 1)	18,523,269	-
- Solectron India Private Limited (refer note 2)	953,837	953,837
- Solectron Technology Sdn Bhd (refer note 2)	2,188,394	2,188,394
- Solectron Corporation, USA (refer note 2)	1,223,767	1,223,767
	<u>22,889,267</u>	<u>4,366,008</u>
1. Company under same management with effect from 10 June 2008		
2. Ceased to be companies under same management with effect from 10 June 2008		
12. CURRENT LIABILITIES		
Sundry creditors		
- dues to micro and small enterprises [refer schedule 19 (n)]	17,988	-
- dues to others	184,199,824	483,345,013
Advances received from customers	906,791	2,200,590
Book overdraft	13,452,980	-
Interest accrued but not due	-	1,984,697
Unpaid dividend	869,420	-
Other liabilities	1,861,140	20,781,347
	<u>201,308,143</u>	<u>508,311,647</u>

Schedules to the Financial Statements (Contd...)

	As at 31 March 2009 (Rs.)	As at 31 March 2008 (Rs.)
13. PROVISIONS		
Taxation [net of advance tax Rs 6,473,820 (previous year Rs 5,928,820)]	3,916,443	3,789,094
Gratuity	1,608,796	1,042,001
Compensated absences	1,513,573	2,732,437
Proposed final dividend	7,400,000	7,400,000
Corporate dividend tax	1,257,630	1,257,630
	<u>15,696,442</u>	<u>16,221,162</u>
	For the year ended 31 March 2009 (Rs.)	For the year ended 31 March 2008 (Rs.)
14. OTHER INCOME		
Interest on bank deposits and others [tax deducted at source Rs 118,183 (previous year: Rs Nil)]	948,196	-
Scrap sales	474,167	917,517
Liabilities no longer required written back	2,223,906	-
Provisions for doubtful debts written back	4,073,695	-
Foreign exchange gain, net	-	58,811,029
	<u>7,719,964</u>	<u>59,728,546</u>
15. MATERIALS COSTS		
Raw materials, components and packing materials consumed	1,781,984,259	2,741,803,789
Movement in manufactured finished goods and work in progress Opening		
Finished goods	44,355,858	-
Work in progress	74,475,045	63,560,640
	<u>118,830,903</u>	<u>63,560,640</u>
Closing		
Finished goods	-	44,355,858
Work in progress	81,488,884	74,475,045
	<u>81,488,884</u>	<u>118,830,903</u>
(Increase) / decrease in inventories of manufactured finished goods and work-in-progress	37,342,019	(55,270,263)
	<u>1,819,326,278</u>	<u>2,686,533,526</u>
16. PERSONNEL COSTS		
Salaries, wages and allowances	62,627,100	80,555,320
Contribution to provident and other funds	3,959,211	5,067,492
Staff welfare expenses	6,250,538	4,604,200
	<u>72,836,849</u>	<u>90,227,012</u>

	For the year ended 31 March 2009 (Rs.)	For the year ended 31 March 2008 (Rs.)
17. OPERATING EXPENSES		
Sub-contracting services	10,480,644	16,322,768
Power and fuel	14,425,685	17,669,067
Travelling and conveyance	13,023,864	15,834,249
Professional and consultancy	35,999,036	56,198,058
Rent	12,233,066	12,657,697
Loss on sale of fixed asset	464,075	8,270,142
Postage, telephones and telegrams	1,966,795	6,876,641
Rates and taxes	6,327,677	5,010,136
Provision for doubtful advances	2,219,497	-
Provision for doubtful debts	-	4,690,289
Selling and marketing expenses	21,651,118	-
Insurance	3,572,902	3,406,427
Foreign exchange loss, net	72,353,021	-
Repairs and maintenance		
- Building	3,027,927	2,542,242
- Plant and machinery	798,015	1,078,153
Recruitment and training	1,907,519	1,091,682
Advertisement and promotion	1,467,046	93,605
Directors sitting fees	258,000	-
Miscellaneous expenses	6,755,562	11,165,265
	<u>208,931,449</u>	<u>162,906,421</u>
18. FINANCE EXPENSES		
Interest on short term loans	23,017,119	39,001,682
Other financial charges	10,126,325	7,326,220
	<u>33,143,444</u>	<u>46,327,902</u>

Schedules to the Financial Statements (Contd...)

19. NOTES TO THE ACCOUNTS

a) Capital commitments and contingent liabilities

	As at 31 March 2009	Rs As at 31 March 2008
Estimated amount of contracts remaining to be executed on capital account (net of advances)	164,940	5,318,607

b) The Company has entered into contracts with Centum Industries Private Limited (CIPL) for purchase of goods aggregating Rs. 9,349,881 during the period 10 June 2008 to 31 January 2009. Since the Company's paid-up share capital is more than Rs. 1 crore and one of the directors of the Company was also a director / member of CIPL at the time of entering into the contracts, prior approval of the Central Government of India under Section 297 of the Companies Act, 1956 was required. The Company has inadvertently not obtained Central Government of India approval for the aforementioned transactions and has initiated steps to seek necessary approvals.

The Company has obtained an approval from the Central Government of India for sale and purchase transactions to be entered into with CIPL for a period of three years effective 1 February 2009.

c) Auditors' remuneration excluding service tax (included under professional and consultancy)

	Year ended 31 March 2009	Rs Year ended 31 March 2008
Audit fees	1,300,000	2,850,000
Other services	-	-
Out of pocket expenses	23,989	15,597
	1,323,989	2,865,597

d) Earnings per share

The computation of earnings per share is set out below:

	Year ended 31 March 2009	Rs Year ended 31 March 2008
Profit for the year	17,416,150	132,780,337
Weighted average number of equity shares outstanding during the year	7,400,000	7,400,000
Face value of equity shares	10	10
Earnings per share - basic and dilutive	2.35	17.94

e) Particulars of installed capacity

Products	As at 31 March 2009	As at 31 March 2008
Electronic Manufacturing Services - Printed Circuit Board Assembly (numbers)	-	-

Note: The figures for installed capacity is as certified by Management and not verified by the auditors, being a technical matter. Additionally, management certifies that installed capacity of Electronic Manufacturing Services cannot be quantified.

f) Particulars of production

Products	Productions (in units)	
	As at 31 31 March 2009	As at 31 March 2008
Electronic Manufacturing Services - Printed Circuit Board Assembly	541,773	619,048

g) Finished goods

Components	Year ended 31 March 2009		Year ended 31 March 2008	
	Quantity (Nos)	Value Rs	Quantity (Nos)	Value Rs
Printed Circuit Board Assembly (PCB)	-	-	8,231	44,355,858
Total	-	-	8,231	44,355,858

h) Particulars of raw materials and components consumed (including cost of sale of material)

Components	Year ended 31 March 2009		Year ended 31 March 2008	
	Quantity (Nos)	Value Rs	Quantity (Nos)	Value Rs
Integrated circuits	6,375,818	487,537,166	19,401,342	1,122,718,893
Others	-	592,872,533	-	459,271,004
Total	6,375,818	1,080,409,699	19,401,342	1,581,989,897
Raw materials	Year ended 31 March 2009		Year ended 31 March 2008	
	Quantity (Nos)	Value Rs	Quantity (Nos)	Value Rs
PCB	233,912	629,210,529	9,330,882	855,206,490
Others	-	72,364,031	-	304,607,402
Total	233,912	701,574,560	9,330,882	1,159,813,892

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

Schedules to the Financial Statements (Contd...)

The excise duty related to the difference between the closing stock and opening stock is not shown as deduction from turnover since it is not included in the turnover (gross). The excise duty related to the difference between the closing stock and opening stock is recognized separately in the statement of profit and loss.

i) Particulars of raw materials and components consumed

Components	Year ended 31 March 2009		Year ended 31 March 2008	
	%	Rs.	%	Rs.
Imported	71.73	774,979,449	82.45	1,304,415,789
Indigenous	28.27	305,430,250	17.55	277,574,108
Total	100.00	1,080,409,699	100.00	1,581,989,897
Raw materials	Year ended 31 March 2009		Year ended 31 March 2008	
	%	Rs.	%	Rs.
Imported	64.44	452,118,667	85.75	994,645,646
Indigenous	35.56	249,455,893	14.25	165,168,246
Total	100.00	701,574,560	100.00	1,159,813,892

j) Particulars in respect of sale of manufactured products (excluding excise duty) and service income

Products	Year ended 31 March 2009		Year ended 31 March 2008	
	Quantity (Units)	Value Rs	Quantity (Units)	Value Rs
Electronic Manufacturing services				
- Printed Circuit Boards Assembly	550,004	2,091,629,402	610,817	2,919,342,007
Others	-	81,912,574	-	44,630,382
Services	-	32,276,044	-	159,330,956
Total		2,205,818,020	-	3,123,303,345

k) CIF value of imports

Products	Rs	
	Year ended 31 March 2009	Year ended 31 March 2008
Capital goods	4,282,090	14,943,761
Raw materials and components	1,307,798,967	2,530,771,931
Stores and spares	-	5,054
Total	1,312,081,057	2,545,720,746

l) Expenditure in foreign currency (on payment basis)

	Year ended 31 March 2009	Rs Year ended 31 March 2008
Travelling and Conveyance	688,303	820,535
Sub-Contracting services	4,419,004	38,472,520
Sales Promotion	3,282,619	-
Consultancy charges	15,524,505	-
Salaries	2,988,336	-
Bank Charges	35,815	-
Total	26,938,582	39,293,055

m) Earnings in foreign currency

	Period ended 31 March 2009	Rs Period ended 31 March 2008
Sale of manufactured goods	1,562,914,008	2,047,535,748
Service income	1,116,450	1,743,278
Total	1,564,030,458	2,049,279,026

- n) The disclosure in respect of the amounts payable to Micro, Small and Medium Enterprises Development Act, 2006 as at 31 March 2009 has been made in the financials statements based on information received and available with the Company. The Company has not received any claim for interest from any supplier under the said Act.

	For the year ended 31 March 2009 Rs	For the year ended 31 March 2008 Rs
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	17,988	-
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	-	-
The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	2,037	-
The amount of interest accrued and remaining unpaid at the end of the year	5,622	-
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.	-	-

Schedules to the Financial Statements (Contd...)

o) **Segmental Reporting**

The Board of Directors ("the Board") of the Company review the performance of the Company at the enterprise level. The Board rely primarily on results at the enterprise level for assessing performance and making decisions about resource allocation and hence the Company operates in only one business segment i.e. Electronic Manufacturing Services (EMS) which primarily include assembly of Printed Circuit Boards and the Nokia repairs and returns business.

Geographic segments:

The Company's business is organized into five geographic segments. Revenues are attributable to individual geographic segments based on the location of the customer. The Company's fixed assets are situated in India.

Geographic segment	Year ended 31 March 2009	Rs Year ended 31 March 2008
Revenues (excluding excise duty)		
India	641,787,561	902,534,746
Europe	513,171,829	601,504,660
USA	558,076,387	597,296,935
Rest of world	132,196,136	317,202,406
Middle east	360,586,107	704,764,598
	2,205,818,020	3,123,303,345
Segment assets		
India	714,231,153	1,303,135,141
Europe	42,704,502	24,707,436
USA	83,258,353	56,960,512
Rest of world	19,172,408	20,572,832
Dubai	1,139,999	-
	860,506,415	1,405,375,921

p) **Related party transactions**

A. Parties where control exists

- Flextronics International (Ultimate Holding Company)*
- C-Mac Holdings Limited, British Virgin Islands (Holding Company)*
- C-Mac Industries Inc., Canada *

**The above control of the three parties ceased to exist on 10 June 2008 post the promoter share swap pursuant to which Mr. Apparao V Mallavarapu acquired significant influence over the Company.*

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

Parties exercising significant influence:

Apparao V Mallavarapu (with effect from 10 June 2008)

Parties under common control:

- Solectron (Suzhou) Technology Company Limited*
- Solectron Technology Sdn. Bhd*
- Solectron Manufactura de Mexico*

- Solectron B V Europe*
- Solectron Scotland Limited*
- Solectron Sweden AB*
- Solectron Technology (Johor) Sdn Bhd*
- Solectron Technology Singapore Pte Limited*
- Solectron California Corporation*
- Solectron BV Europe*
- Solectron - North Carolina*
- Solectron (Shenzen) Technology Company Limited*
- Solectron Technology Singapore*
- Solectron India Private Limited

*the above relationships cease to exist from 10 June 2008

- Centum Electronics Limited (with effect from 10 June 2008)
- Centum Rakon India Private Limited (with effect from 10 June 2008)
- Centum Industries Private Limited (with effect from since 10 June 2008)

C. Key executive management personnel represented on the Board

Mr. Apparao V Mallavarapu - Managing Director (since 12 June 2008)

Mr. Soundarajan Subramaniam - Director (Resigned with effect from 13 June 2008)

D. Non executive/independent directors on the Board

Mr. Rajiv Mody

Mr. Manoj Nagrath

Mr. Manny Marimuthu

The following is a summary of significant transactions with related parties by the Company:

	Year ended 31 March 2009	Rs. Year ended 31 March 2008
Purchase of goods		
<i>Parties under common control</i>	<i>16,759,166</i>	<i>12,833,043</i>
Centum Electronics Limited	667,612	7,048,308
Solectron (Suzhou) Technology Co. Ltd	2,758	4,361,822
Centum Industries Private Limited	11,329,128	-
Centum Rakon India Private Limited	1,215,237	-
Others	3,544,431	1,422,913
Sale of goods		
<i>Parties under common control</i>	<i>5,977</i>	<i>6,044,947</i>
Centum Electronics Limited	5,977	-
Solectron Technology Singapore	-	6,044,947
Purchase of fixed assets		
<i>Parties under common control</i>	<i>-</i>	<i>16,520</i>
Solectron Technology Sdn.Bhd	-	16,520

Schedules to the Financial Statements (Contd...)

Subcontracting services		
<i>Parties under common control</i>	-	40,582,509
Solectron (Suzhou) Technology	-	31,294,367
Solectron Technology Singapore Pte Ltd	-	9,022,166
Solectron Technology Sdn.Bhd	-	265,976
Professional and consultancy		
<i>Parties under common control</i>	18,000,000	-
Centum Electronics Limited	18,000,000	-
Reimbursement of expenses to / (from)		
<i>Parties under common control</i>	3,525,912	-
Centum Electronics Limited	3,525,912	-

Note:

No remuneration is payable to the Managing Director of the Company.

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

	As at 31 March 2009	Rs. As at 31 March 2008
Sundry debtors		
<i>Parties under common control</i>	-	3,901,883
Solectron Technology Singapore PL	-	3,751,008
Others	-	150,875
Sundry creditors		
<i>Ultimate Holding Company</i>	-	3,695,955
<i>Parties under common control</i>	7,393,122	10,410,109
Centum Electronics Limited	6,788,528	-
Centum Rakon India Private Limited	135,083	-
Others	469,511	10,410,109
<i>Others</i>	-	2,491,221
Advance paid to suppliers		
<i>Parties under common control</i>	7,332,811	-
Centum Industries Private Limited	7,332,811	-
Land and advances		
<i>Parties under common control</i>	-	4,365,548
Solectron India Private Limited	-	953,387
Solectron Technology Sdn Bhd	-	2,188,394
Solectron Corporation	-	1,223,767

q) **Leases**

The Company has taken office facilities under cancelable operating lease agreement. The Company intends to renew the agreement in the normal course of its business. Total lease rentals recognized in the profit and loss for the year in respect of the aforementioned lease is Rs 12,233,066 (previous year Rs 12,657,697).

r) **Deferred taxes**

The composition of net deferred tax assets and liabilities of the Company are as under:

	Rs	
	31 March 2009	31 March 2008
Deferred tax asset		
Deferred tax liability		
Fixed assets	(1,901,178)	(4,681,117)
Total deferred tax liability	(1,901,178)	(4,681,117)
Deferred tax assets		
Provision for doubtful debts	645,488	1,594,230
Provision for inventory obsolescence	10,678,455	15,599,500
Preliminary expenses	-	386,844
Current liabilities and provisions	1,471,361	2,499,642
Total deferred tax assets	12,795,304	20,080,216
Net deferred tax asset	10,894,126	15,399,099

s) **Gratuity Plan**

Effective 1 April, 2007 the Company adopted the revised accounting standard on employee benefits. Pursuant to the adoption, the transitional obligations of the Company amounted to Rs. 588,562 for gratuity and Rs 857,326 for leave encashment. As required by the standard, the obligation has been recorded with the transfer of Rs. 1,445,888 to the general reserves. The following table set out the status of the gratuity plan as required under AS 15 - Revised.

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

	Rs	
Particulars	As at 31 March 2009	As at 31 March 2008
Obligations at year beginning 1 April 2008	1,042,001	996,014
Service cost	817,870	732,405
Interest cost	147,401	142,062
Actuarial gain/ (loss)	(398,476)	(469,044)
Benefits paid	-	(359,436)
Obligations at year end	1,608,796	1,042,001
Change in plan assets		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	-	359,436
Benefits paid	-	(359,436)
Plans assets at year end, at fair value	-	-
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	1,608,796	1,042,001
Net liability recognized in the balance sheet	1,608,796	1,042,001

Schedules to the Financial Statements (Contd...)

Gratuity cost for the year ended 31 March 2009

Service cost	817,870	732,405
Interest cost	147,401	142,062
Expected return on plan assets	-	-
Actuarial gain / (loss)	(398,476)	(469,044)
Net gratuity cost	566,795	405,423

Assumptions:

Discount rate	7.15%	7.95 %
Expected rate of return on plan assets	Not applicable	Not applicable

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

The Company does not have any planned assets.

t) Unhedged foreign currency disclosures:

The Company's foreign currency exposure on account of foreign currency denominated payables not hedged are as follows:

Particulars	Year ended 31 March 2009		Year ended 31 March 2008	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	5,911,436	305,266,536	16,380,649	658,502,083
EUR	90,856	6,222,719	165,343	9,870,967
JPY	297,798	15,783,294	255,842	99,650
GBP	-	-	4,633	366,734
Total		327,272,549		668,839,434

The Company's foreign currency exposure on account of foreign currency denominated receivables not hedged as on 31 March 2009:

Particulars	Year ended 31 March 2009		Year ended 31 March 2008	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	2,896,749	145,677,511	9,956,310	395,265,507
Total		145,677,511		395,265,507

u) Prior year comparatives have been regrouped / reclassified to conform with current year's presentation, wherever necessary.

for Solectron EMS India Limited

Apparao V Mallavarapu
Managing Director

Manny Marimuthu
Director

N Sri Sai Kumar
Company Secretary

Bangalore
5 June 2009

Cash Flow Statement

	For the year ended 31 March 2009 (Rs.)	For the year ended 31 March 2008 (Rs.)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	25,093,472	142,239,197
Adjustments:		
Provision for doubtful debts	-	4,690,289
Provision for doubtful advances	2,219,497	-
Liabilities no longer required written back	(2,223,906)	-
Reversal of provision for doubtful debts	(4,073,695)	-
Loss on sale of fixed assets	126,575	8,270,142
Depreciation	54,206,492	54,797,833
Interest income	(948,196)	-
Interest and other financial charges	23,017,119	46,327,902
Operating cash flows before working capital changes	97,417,358	256,325,363
(Increase) / decrease in sundry debtors	263,133,633	83,817,255
(Increase) / decrease in inventories	187,689,934	(134,699,170)
(Increase) / decrease in loans and advances	62,381,318	(23,345,718)
Increase / (decrease) in current liabilities and provisions	(318,884,297)	37,463,673
Cash generated from operations	291,737,946	219,561,402
Income taxes paid	(15,964,604)	(40,028,820)
NET CASH GENERATED/(USED IN) OPERATING ACTIVITIES	275,773,342	179,532,582
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(24,122,738)	(27,678,952)
Proceeds from sale of assets	278,941	12,025,089
NET CASH USED IN INVESTING ACTIVITIES	(23,843,797)	(15,653,863)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term loans from bank, net	(257,594,769)	(97,865,820)
Receipts from bank overdraft	6,989,994	-
Interest and other financial charges	(25,001,816)	(44,343,205)
Dividends and Dividend tax paid	(7,788,210)	-
Interest received	300,481	-
Issue/(repayment) of share capital	-	(500,000)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(283,094,320)	(142,709,025)
Net increase/(decrease) in cash and cash equivalents	(31,164,775)	21,169,694
Cash and cash equivalents at the beginning of the year	26,670,905	5,501,211
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(4,493,870)	26,670,905
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR COMPRISE:		
Cash and bank balance (refer schedule 10)	8,959,110	26,670,905
Book overdraft (refer schedule 12)	(13,452,980)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(4,493,870)	26,670,905

This is the cash flow statement referred to in our report attached

As per our report attached

for BSR & Co.
Chartered Accountants

Zubin Shekary
Partner
Membership No. 48814

Place : Bangalore
Date : 5 June 2009

for Solelectron EMS India Limited

Apparao V Mallavarapu
Managing Director

N Sri Sai Kumar
Company Secretary

Manny Marimuthu
Director

Balance Sheet Abstract and Company's General Profile

Registration details

Registration No	40641
State Code	08
Balance Sheet Date	31 March 2009

Capital raised during the year

Public issue	Nil
Rights issue	Nil
Private placement	Nil

Position of mobilization and deployment of funds

(in Rs.)

Total liabilities	654,395,956
Total assets	654,395,956

Sources of funds

Paid-up capital	74,000,000
Reserves and surplus	385,102,634
Secured loans	188,303,328
Unsecured loans	6,989,994

Application of funds

Net Fixed Assets	278,732,445
Deferred Tax Asset	10,894,126
Net Current Assets	364,769,385

Performance of Company

(In Rs.)

Turnover	2,213,537,984
Total expenditure	2,188,444,512
Profit/Loss before tax	25,093,472
Extraordinary income	-
Profit/Loss after tax	17,416,150
Earnings per share	2.35
Dividend rate(%)	10%

Generic name of the principal products / services of the Company

Item code no (ITC code)	85170000
Product description	Printed Circuit Board Assembly

For Solectron EMS India Limited

Apparao V Mallavarapu
Managing Director

Manny Marimuthu
Director

Place : Bangalore
 Date : 5 June 2009

N Sri Sai Kumar
Company Secretary

Solectron EMS India Limited

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

PROXY FORM

I/We of
being a Member/(s) of Solectron EMS India Limited hereby appoint ofor
failing him/her of or
failing him/her of
as my/our proxy to vote for me/us on my/our behalf at the THIRD ANNUAL GENERAL MEETING of the Company, to be
held on Friday, July 31, 2009 at 11.00 A M at No. 4, 12th KM, Bellary Road, Opp. Government Flying School, Jakkur,
Bangalore 560064 and at any adjournment thereof.

Reg. Folio No. No. of shares

For Office Use Only:

Proxy No.

Affix Re.1
Revenue
Stamp

Notes :

- 1. This Proxy Form should be signed across the stamp as per specimen signature registered with the Company.
- 2. The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.
- 3. A Proxy need not be a member.

Solectron EMS India Limited

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

ATTENDANCE SLIP

Third Annual General Meeting - Friday, July 31, 2009 at 11.00 a.m.

Name of Member (IN BLOCK LETTERS)

Name of Proxy (IN BLOCK LETTERS)
(Name of the Proxy to be filled in if the proxy attends instead of the Member)

No. of shares held

I /We hereby record my/our presence at the Third Annual General Meeting of the Company held at No. 4, 12th KM,
Bellary Road, Opp. Government Flying School, Jakkur, Bangalore 560064

Member's/Proxy's Signature

Note:

- 1. Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and handover at the entrance duly signed.
- 2. Transportation facilities will be provided to the shareholders for attending the AGM as per details given below
Pick up at 10.00 am Near Shantala silks in Majestic, Barton Centre in MG Road, Druvadesh Honda in Mehkri Circle



Regd. & Corporate Office
Solectron EMS India Limited
No. 44, KHB Industrial Area
Yelahanka New Township
Bangalore - 560 106. India