

SOLECTRON EMS INDIA LIMITED

Annual Report
2007-08

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 Mallavarapu

Mr. Manny Marimuthu

Mr. Manoj Nagrath

Mr. Rajiv Mody

Company Secretary

N Sri Sai Kumar

Statutory Auditors

BSR & Co.

Bankers

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

Registered office

No: 44, KHB Industrial Area
Yelahanka New Town,
Bangalore - 560 064
Tel: 080-28462064, 41685387, 41685390
Fax: 080-28566274

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

Directors' Report

Your Directors have pleasure in presenting their Second Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the year ended 31st March 2008.

Brief History

Solectron EMS India Limited was incorporated as a Public Limited Company on September, 27th, 2006 as Yelahanka Electronics Limited, and the name was changed to Solectron EMS India Limited, with effect from November 21, 2006 and received the Certificate of Commencement of Business in December 01, 2006. The company got listed on 18th March 2008.

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

De-merger

A Scheme of Arrangement for de-merger pursuant to Sections 391 to 394 of the Companies Act, 1956 and Rules 67 to 87 of the Companies (Court) Rules 1959 and other applicable provisions of Act and Rules was approved by the Honourable High Court at Karnataka for the de-merger of the Electronics Manufacturing Services business of Solectron Centum Electronics Limited into Solectron EMS India Limited

The Honorable High Court of Karnataka had passed the order by approving the demerger on 13th July 2007. The demerger takes effect from October 1, 2006 (being the Demerger appointed dated). The company shares were allotted on 18th August 2007 & the company got listed in Bombay stock Exchange (BSE) & National Stock Exchange(NSE) on 18th March 2008.

Financial Highlights

	(Rs in Million)	
	01/04/2007 to 31/03/2008	27/09/2006 to 31/03/2007
Sales	3123.30	1062.36
Other Income	59.73	33.06
Profit before tax	142.24	45.92
Provision for Current Tax	31.13	9.15
Provision for Fringe Benefit Tax	8.85	0.57
Provision for deferred tax	(22.56)	7.16
Profit after tax	132.78	29.05
Earnings per share (Rs.)	17.94	7.85

Operations

During the year company achieved a turnover of Rs 3123.30 Million during the year 2007-08. The domestic sales is Rs 888.76 Million and the export sales is Rs 2234.54 Million. The profit before tax is Rs.142.24 Million.

Directors

The Changes that had occurred in the composition of the Board of Directors are given below:

The company was incorporated on 27th September 2006, as Yelahanka Electronics Limited the promoter Directors were Mr. Desikan Srinivasan, Mr. Palisetty Venkata Prasad and Mr. Srinath Dasari.

After name change to Solectron EMS India Limited new Directors Mr. Soundarajan Subramaniam, Todd Duchene (20.07.2007) and Mr. Keki Elavia were inducted into the board (03.07.2007).

After the approval of the de merger by the court on 13th July 2008 & the allotment of the shares on 18th August 2008 the promoter directors Mr. Desikan Srinivasan (17.09.2007) Mr. Palisetty Venkata Prasad and Mr. Srinath Dasari (07.09.2007) stepped down from the Board.

Mr. Manny Marimuthu (28.11.2007) and Mr. Manoj Nagrath (18.01.2008) were inducted into the board & Mr. Keki Elavia (23.01.2008), Todd Duchene (28.11.2007) stepped down from the board.

After the change in the management by inter se promoter transfer on 3rd June 2008 Mr. Apparao Mallavarapu (12.06.2008) and Mr. Rajiv Mody (28.06.2008) were inducted into the board and Mr. Soundarajan Subramaniam (14.06.2008) stepped down from the board.

During the period Mr. Todd DuChene (wef 20-07-2007), Mr. Soundarajan Subramaniam (wef 20-07-2007), Mr. Keki Elavia (wef 03-07-2007), Mr. Manoj Nagrath (wef 18-03-2008), Mr. Apparao Mallavarapu (wef 12-06-2008), Mr. Rajiv Mody (wef 26-06-2008) were appointed as an Additional Directors of the company.

During the period Mr. Desikan Srinivasan, Mr. Palisetty Venkata Prasad and Mr Srinath Dasari, Mr. Todd Duchene (wef 28-11-2007), Mr. Keki Elavia (wef 23-01-2008), Mr. Soundarajan Subramaniam (wef 14-06-2008) have resigned from the Board. The Board of Directors wish to place on record their appreciation of the valuable services rendered by these directors during his tenure.

Mr. Manny Marimuthu was appointed as the Additional Director of the Company with effect from 28-11-2007.

Mr. Manny Marimuthu Fellow Member of CIMA and is having experience around 15 years in the field of Finance and in the areas of audit & reviews, corporate finance, mergers & acquisitions, financial restructuring. Presently he is Senior Vice President of Finance for Flextronics Asia.

Mr. Manny Marimuthu is not holding any shares of the company.

Mr. Manoj Nagrath was appointed as an Additional Director with effect from 18-01-2008.

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 accounting profession, both in India and Overseas.

He has to his credit experience in various fields such as taxation laws, audit, accounting, company law matters and financial services, service tax, sales tax and FEMA, to name a few. He has performed a wide range of assignments, in the above areas including financial audits, joint venture consulting, direct and indirect tax consulting, structuring/ re-structuring businesses in India, identifying potential joint venture partners and carrying out business negotiations on their behalf, strategic and business consulting, due diligence and acquisition transactions.

He carries wide experience in representing matters at the tax office and other Government authorities.

Mr. Manoj Nagrath is not holding any shares of the company.

Mr. Apparao Mallavarapu was appointed as an Additional Director with effect from 12-06-2008.

Mr. Apparao Mallavarapu 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.

Centum caters both to domestic and international markets. Centum is a vertically integrated company with capabilities in design, engineering and manufacturing. The company designs and manufactures products for telecommunications, automotive, industrial and defense and aerospace markets.

Directors' Report (contd...)

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 Mallavarapu is holding 51% shares in the company.

Notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his appointment as a Director. Necessary resolution relating to his appointment as Director is also being placed before the shareholders for approval.

Mr. Rajiv Mody was appointed as an Additional Director with effect from 28-06-2008.

Mr. Rajiv C Mody, 50 years, Chairman and Managing Director and one of the founders of Sasken Communication Technologies Ltd. (Sasken). Founded Sasken in 1989 at San Jose along with two other co-founders. 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 been with Sasken since inception. He has over 22 years of experience in the technology business.

Mr. Rajiv Mody is not holding any shares of the company.

Notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his appointment as a Director. Necessary resolution relating to his appointment as Director is also being placed before the shareholders for approval.

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

Human Resource and Financial Performance and Analysis

The performance of the financial and Human resource functions is detailed in the Management Discussion & Analysis report.

Comments on the Auditors Report

The following comments were made by the Auditors in their Report

- 1. The internal control system of the Company needs to be strengthened in order to be commensurate with the size of the Company and the nature of its business.*
- 2. The internal audit system of the Company is not commensurate with the size and nature of its business.*
- 3. There have been delays in depositing the statutory dues*

As mentioned earlier, the EMS Business of Solectron Centum Electronics Ltd. was transferred to the Company. Being a new entity, the operations were completely transferred but the Company had to put in place the required controls and systems afresh. The Company has been making efforts to get the resources and the right skill sets to address the same. During this process, there were a few deficiencies and delays. However, all of them have been addressed and required solutions are put in place. Hence we do not expect similar observations in the future.

Dividend

Your Directors proposed a dividend of 10%, subject to the approval of the shareholders in the Annual General Meeting.

Corporate Governance

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

Management Discussion & Analysis Statement

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.

Directors Responsibility Statement

Pursuant to Section 217 (2AA) of Companies (Amendment) Act, 2000, the Directors confirm that:

- i. in the preparation of annual accounts for the year ended 31st March 2008 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2008 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

Disclosure of Statutory particulars

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.

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.

Appreciation

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

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

Directors' Report (contd...)

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.

By the Order of the Board
For Solectron EMS India Limited

12.07.2008
Bangalore

Apparao Mallavarapu
Director

Manny Marimuthu
Director

Annexure A 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 continues to accord priority to energy conservation. Company's 'energy saving' team is committed to minimize the energy consumption and has planned to implement several energy saving projects. Consistent efforts are being made for identifying potential areas for energy saving.

Some of the measures your company had undertaken during the period under report in the high priority area of Energy Conservation are:

- Installed smaller capacity air compressor to be used when the compressed air requirement is low, resulting in lower energy cost.
- Installed synchronization panel for synchronization of generators and better load sharing, so, generators can run in accordance with load and better fuel efficiency can be achieved.
- Sun control film provided for all the windows of the building so, there will be a better air conditioning and chiller operation, which will result in reduction in power consumption.

2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

The Company has not undertaken any research and development activity during the year.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 19 (k) and (i) and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2008.

By the Order of the Board
For Solectron EMS India Limited

12.07.2008
Bangalore

Apparao Mallavarapu
Director

Manny Marimuthu
Director

Management Discussion & Analysis

COMPANY BACKGROUND

Solectron EMS India Ltd. (SEIL) was incorporated as a public limited company on 27th September 2006. The Company entered into a scheme of arrangement with Solectron Centum Electronics Ltd., for the demerger of the Electronics Manufacturing Services business of 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 got listed in Bombay Stock Exchange and National Stock Exchange on 18th March 2008

The Company is primarily involved in the 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, Medical 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

Indian automotive industry is growing at an aggressive pace and the supply chain for this industry has grown very strong in India. This supply chain not only caters to the Indian automotive industry but also to the global requirements of the primary Automotive manufacturers. Therefore India is becoming one of the primary sources for the global automotive industry.

MEDICAL

The manufacturing requirements of this industry are currently being addressed by the OEMs themselves barring a few exceptions. The primary reason for this is the high quality requirements for the manufacturing of life saving equipment and devices. However this industry is exploring the options of outsourcing their requirements and as a company, we plan to address this market. Building upon our high quality, lean manufacturing capabilities we have a lead in this market, nevertheless this may be a long journey but once successful it will be profitable.

Management Discussion & Analysis (contd...)

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 mobile IT market segments.

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 Un Secured Loans have decreased by Rs. 97.86 million from Rs. 543.76 million as on 31st March 2007 to Rs. 445.89 million as on 31st March 2008

FIXED ASSETS

The Capital expenditure for 2007-08 is Rs. 35.14 million.

WORKING CAPITAL

Inventories is up by Rs. 134.69 million from Rs 366.36 million as on 31st March 2007 to Rs 501.06 million as on 31st March 2008.

Receivables have come down by Rs. 88.50 million from Rs. 548.87 million as on 31st March 2007 to Rs. 460.36 million as on 31st March 2008

Current liabilities gone up by Rs.33.04 million from Rs. 475.26 million as on 31st March 2007 to Rs. 508.31 million as on 31st March 2008.

CASH FLOWS

	Rs.million
	Total
Cash flows from Operating activities	179.53
Cash outflows in Financing activities	(142.70)
Cash outflows in Investing activities	(15.65)

RESULTS OF OPERATIONS

The business operation for 2007-08 resulted in the Company, achieving sales of Rs.3183.03 million as against Rs. 1095.41 million for 2006-07.

The Profit before tax for the year 2007-08 is Rs. 142.23 million as against Rs. 45.92 million for the year 2006-07.

By the Order of the Board
For Solectron EMS India Limited

12.07.2008
Bangalore

Apparao Mallavarapu
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.

12.07.2008
Bangalore

Rajiv Bhandari
Finance Manager

Apparao Mallavarapu
Director

Report on Corporate Governance

Your Company was listed on 18th March 2008 at Bombay Stock Exchange & National Stock Exchange

COMPANIES PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

Corporate Governance is a system by which a company is directed and controlled. It includes the manner in which the company operates under the law governing companies, by the law established by the company itself. The Corporate Governance structure specifies the relationship, and the Distribution of the rights & responsibilities, among the Board of Directors, Managers and other stake holders. This system spells out the rules & procedures for making the decisions on the corporate affairs; it also provides the structure through which the company objectives are set, as well as the means of attaining and monitoring the performance of those objectives.

Solectron EMS India Limited (SEIL) is committed to the principals and features of good Corporate Governance which is followed in every sphere of activities. The Board of Directors, comprising of eminent individuals from various disciplines, ensures fairness in all dealings keeping in mind the interest of all the stakeholders of the company.

BOARD OF DIRECTORS

Solectron EMS India Limited was incorporated as a Public Limited Company on September 27, 2006.

COMPOSITION

The Board consisted of 3 Directors and 1 of them was an Independent Director as on 31st March 2008.

As on the date of this report the composition of the Board is 4 Directors and 2 of them are Independent Directors as detailed below.

a) Non Executive Directors

Mr. Apparao Mallavarapu
Mr. Manny Marimuthu

b) Independent Directors

Mr. Manoj Nagrath
Mr Rajiv Mody

Details of Directors as on 31st March 2008

Name	Category	Number of other Directorships *	Number of Board Committees Membership/ Chairmanship*
Mr Manny Marimuthu	Promoter Non Executive	4	2
Mr Soundarajan Subramaniam	Executive Director	2	2
Mr Manoj Nagrath	Independent Director	1	2 (Including one as the Chairman)

* Only the Directorship of Indian Companies have been taken into consideration & the details also include Solectron EMS India limited.

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.

ATTENDANCE OF THE BOARD MEETINGS HELD DURING THE YEAR 2007-08

The board met 8 times during the financial year 2007-08 i.e, on 28th June 2007, 20th July 2007, 3rd August, 2007, 18th September, 2007, 7th December, 2007, 14th February, 2008, 11th March 2008, and 23rd March 2008.

Name of Director	No of Board Meetings held during the year	No of Boards meetings Attended	Attended last AGM
Mr Soundarajan Subramaniam (20.07.2007-14.06.2008)	8	6	YES
Mr Manny Marimuthu (form 28.11.2007)	8	2	YES
Mr Manoj Nagrath (from 18.01.2008)	8	3	YES
Mr keki Elavia (03.07.2007-23.01.2008)	8	1	NA
Mr Todd Duchene (20.07.2007-28.11.2007)	8	Nil	NA
Mr Desikan Srinivasan (27.09.2006-17.09.2007)	8	3	NA
Mr PV Prasad (27.09.2006-07.09.2007)	8	2	NA
Mr Srinath Dasari (27.09.2006-07.09.2007)	8	2	NA

The time gap between any two meetings did not exceed four months.

The last Annual General Meeting was held on 24th March 2008

REMUNERATION TO DIRECTORS

Sitting Fee is paid as per the Companies Act, 1956, and the Articles of Association of the Company, for attending any meeting of the Board or Committees of the Board. There are no pecuniary relationship or transactions between any of the Non-executive Directors and the Company. No other fee is paid to Non-executive Directors other than the above.

Details of the shareholding of the Directors as on 31st March 2008

Name of Director	No of Shares
Soundarajan Subramaniam	Nil
Mr Manny Marimuthu	Nil
Mr Manoj Nagrath	Nil

Report on Corporate Governance (Contd...)

Note on the Directors seeking Appointment / re-appointment at the ensuing Annual General Meeting

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

MR MANNY MARIMUTHU

Mr. Manny Marimuthu Fellow Member of CIMA and is having experience around 15 years in the field of Finance and in the areas of audit & reviews, corporate finance, mergers & acquisitions, financial restructuring. Presently he is Senior Vice President of Finance for Flextronics Asia.

MR APPARAO MALLAVARAPU

Mr. Apparao Mallavarapu who was appointed by the Board of Directors as an Additional Director of the Company with effect from 12th June 2008 and who holds office up to the date of the forth coming Annual General Meeting in terms of Section 260 of the Companies Act, 1956.

Mr. Apparao Mallavarapu 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.

Centum caters both to domestic and international markets. Centum is a vertically integrated company with capabilities in design, engineering and manufacturing. The company designs and manufactures products for telecommunications, automotive, industrial and defense and aerospace markets.

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 RAJIV MODY

Mr. Rajiv Mody who was appointed by the Board of Directors as an Additional Director of the Company with effect from 28th June 2008 and who holds office up to the date of the forth coming Annual General Meeting in terms of Section 260 of the Companies Act, 1956.

Mr. Rajiv C Mody, 50 years, Chairman and Managing Director and one of the founders of Sasken Communication Technologies Ltd. (Sasken). Founded Sasken in 1989 at San Jose along with two other co-founders. 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 been with Sasken since inception. He has over 22 years of experience in the technology business.

BOARD COMMITTEES

The Board of Directors have constituted the following Committees

Audit Committee

Shareholders & Investors Grievance Committee

AUDIT COMMITTEE

The Audit Committee of the Company was constituted on 20th July 2007 in line with the provisions of the Clause 49 of the Listing Agreement.

THE TERMS OF REFERENCE OF THE AUDIT COMMITTEE ARE BROADLY CLASSIFIED AS BELOW:

- 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 provisions of the corporate Governance are applicable immediately upon listing of the shares at the Stock exchanges.

The composition of the Audit Committee as on 31st March 2008 is given hereunder:

Name	Member/Chairman
Mr. Manoj Nagrath	Chairman
Mr. Soundarajan Subramaniam	Member
Mr. Manny Marimuthu	Member

The Chairman of the Audit Committee is an Independent Director.

The Audit Committee met on 3rd August, 2007 and 14th February 2008 during the year (the company got listed on 18th March 2008)

N Sri Sai Kumar, Company Secretary of the Company will act as the Secretary of the Committee.

SHAREHOLDERS & INVESTORS GRIEVANCE COMMITTEE

The Shareholders & Investors Grievance Committee was constituted on 17th September, 2007.

The Shareholders & Investors Grievance Committee of the Board is empowered to oversee the redressal of Investors complaints pertaining to share transfers, non-receipt of the annual reports, dividend payments if any, issue of duplicate shares, transmission of shares and other miscellaneous complaints.

The composition of the Shareholders & Investors Grievance is given hereunder:

Name	Category
Mr Manny Marimuthu	Chairman
Mr. Manoj Nagrath	Member
Mr. Soundarajan Subramaniam	Member

N Sri Sai Kumar, Company Secretary of the Company will act as the Secretary of the Committee & is the compliance officer of the company.

Report on Corporate Governance (Contd...)

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:

THE INVESTOR COMPLAINTS FOR THE YEAR 2007-08

Investor Complaints at the beginning of the year	Nil
Investor Complaints received during the year	3
Investor Complaints disposed during the year	3
Investor Complaints lying unresolved at the end of the year	Nil

GENERAL BODY MEETING

Year	Location	Date & Time
1 st AGM 2006-07	#44, KHB, Industrial Area, Yelahanka New Town, Bnagalore-560064	24 th March, 2008 11:00AM

SUBSIDIARY COMPANIES

Since the company has no subsidiaries and as such the requirement to certain compliances as prescribed is not applicable to your company.

DISCLOSURES

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.

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

COMPLIANCE WITH STATUTORY/LEGAL REQUIREMENTS

The shares of the company are listed in Bombay Stock Exchange & National Stock Exchange on 18th March 2008.

There have been no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

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.

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 except the composition of the Audit Committee.

MEANS OF COMMUNICATION

The company has its own website viz. www.solelectronemsindia.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), Business standard 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.

GENERAL SHAREHOLDERS INFORMATION

1. Annual General Meeting

Date & Time	: 27 th September 2008
Venue	: Solelectron EMS India Limited 44 KHB Industrial Area Yelahanka New Township Bangalore 560 064

2. Financial Calendar

Annual General Meeting 2007-08	27 th Sept 2008
Unaudited results for the quarter ending June 30, 2008	31 st July 2008
Unaudited results for the quarter/half-year ending Sept30, 2008	3 rd week of Oct 2008
Unaudited results for the quarter ending December 31, 2008	3 rd week of Jan 2009
Audited Results for the year ending March 31, 2009	Before 30 th June 2009
Annual General Meeting 2008-09	Aug/ Sept 2009

3. Book Closure Date

20th Sept 2008 to 27th Sept 2008 (both days inclusive)

4. Listing Details & Codes

The Company's equity shares are listed at
Bombay Stock Exchange (BSE) Script Code: 532596
National Stock Exchange (NSE) Script Code: SOLEMS

5. NSDL & CDSIL (ISIN)

: INE647I01013

6. Registered Office

: Solelectron EMS India Limited
44 KHB Industrial Area
Yelahanka New Township
Bangalore 560 064
Tel: 080 28462064, 41685387, 41685390
Fax: 080 28566274

7. Company Identification number

: L32109KA2006PLC040641

Report on Corporate Governance (Contd...)

8. Distribution of Shareholding

The distribution of the Shareholding as on 31st March 2008

SI No	Category From - To	No of Cases	% of Cases	Amount	%of Amount
1	1 - 5000	8212	95.53	6333100	8.56
2	5001 - 10000	187	2.18	1392400	1.88
3	10001 - 20000	99	1.15	1439940	1.95
4	20001 - 30000	28	0.33	710600	0.96
5	30001 - 40000	11	0.13	378570	0.51
6	40001 - 50000	15	0.17	673210	0.91
7	50001 - 100000	17	0.20	1201980	1.62
8	100001 & Above	27	0.31	61870200	83.61
	Total	8596	100	74000000	100

9. Shareholding Pattern

The Shareholding pattern as on 31st March 2008.

SI No	Category	No.of Holders	Total Shares	% To Equity
1	FOREIGN BODIES CORPORATES	2	4194000	56.68%
2	RESIDENT INDIVIDUALS	8005	1203806	16.27%
3	MUTUAL FUNDS	6	1067631	14.43%
4	BODIES CORPORATES	311	414701	5.60%
5	FOREIGN PROMOTERS	2	339009	4.58%
6	FOREIGN INSTITUTIONAL INVESTORS	4	80704	1.09%
7	H U F	175	36685	0.50%
8	NON RESIDENT INDIANS	49	36371	0.49%
9	BANKS	3	18100	0.24%
10	CLEARING MEMBERS	37	8743	0.12%
11	INDIAN PROMOTERS	1	100	0.00%
12	PROMOTERS BODIES CORPORATE	1	150	0.00%
	Total	8596	7400000	100.00%

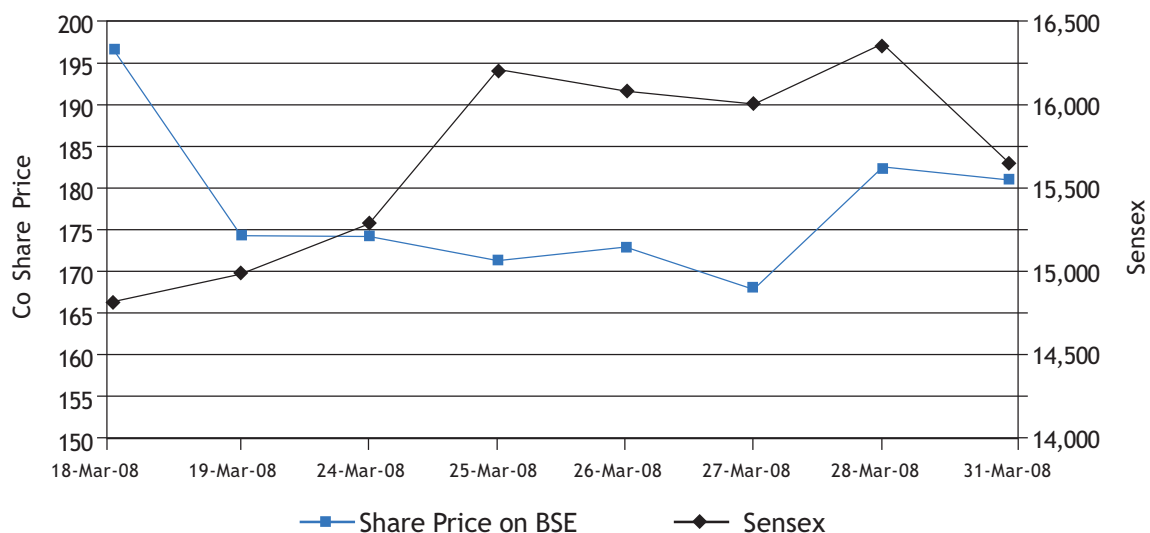
10. Stock Market Information

Monthly high and low price during 2007-08 are as follows:

The company got listed on 18th March 2008

Date	NSE		BSE	
	High Price	Low Price	High Price	Low Price
18 March 2008	280.0	151.3	300.00	166.00
19 March 2008	208.9	165.3	208.00	165.75
24 March 2008	182.0	151.0	184.00	154.10
25 March 2008	177.1	165.2	179.50	161.00
26 March 2008	175.0	165.0	175.00	161.30
27 March 2008	173.0	166.0	171.90	163.10
28 March 2008	177.0	166.5	184.70	169.50
31 March 2008	194.0	171.0	198.00	177.00

Share Price v/s Sensex



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

11. Dematerialisations of Shares

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.

Report on Corporate Governance (Contd...)

The break up of the shares held in physical and electronic form as on 31st March 2008 is as follows:

The break up of the shares held in physical and electronic form as on 31st March 2008.

Particulars	No. of holders	Total Shares	% to Equity
NSDL	5128	1991133	26.91
CDSL	1400	816060	11.03
Physical	2068	4592807	62.06
Total	8596	7400000	100.00

12. Share Transfer System

The composition of the share transfer committee is as follows:

Name	Category
Mr. Soundarajan Subramaniam	Director
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.

13. 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

14. Outstanding GDRs/ADRs/Warrants

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

15. Plant Location & Address for communication

Solectron EMS India Limited
44 KHB Industrial Area
Yelahanka New Township
Bangalore 560 064
Tel: 080 41673801 Fax: 080 28566274

16. Investors Correspondence

N Sri Sai Kumar
Company Secretary & Compliance officer
Solectron EMS India Limited
44 KHB Industrial Area
Yelahanka New Township
Bangalore 560 064
E Mail: srisaikumarn@solectronems.com

By the Order of the Board
For Solectron EMS India Limited

12.07.2008
Bangalore

Apparao Mallavarappu
Director

Manny Marimuthu
Director

Certificate on compliance of the provisions of the code of Corporate Governance in the listing agreement

To

The shareholders of Solectron EMS India Limited
44, KHB Yelahanka New Township,
Bangalore- 560064

I have examined the Compliance of conditions of Corporate Governance by Solectron EMS India Limited for the year ended 31st March, 2008, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to review the 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 an opinion on financial statements of the Company.

In my opinion and to the best of the information and according to the explanations given to me, I certify that the Company, except for the constitution of the Audit Committee, has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

I further 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.

12-07-2008
Bangalore

S. P. NAGARAJAN
Company Secretary
Membership No.:10028
Certificate of Practice No.4738

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 2008 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 2008, and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2008 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) 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 2008;
 - (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
12 July 2008

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 2008. 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, except goods-in-transit, 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 sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, *the internal control system of the Company needs to be strengthened in order to be commensurate with the size of the Company and the nature of its business 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) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) *In our opinion, the internal audit system of the Company is not 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 and Income-tax have not been regularly deposited during the year by the Company with the appropriate authorities and there have been delays in a large number of cases.* The Company has been generally regular in depositing its dues pertaining to Sales tax, Service tax, Customs duty, Excise duty and other material statutory dues with the appropriate authorities. As informed to us, the Company did not have any dues on account of Investor Education and Protection Fund and Wealth tax.

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, *except for service tax dues aggregating Rs 854,062* no other undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2008 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, 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
12 July 2008

Balance Sheet

	SCHEDULE	As at 31 March 2008	As at 31 March 2007 (Rs.)
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	4	74,000,000	-
Share capital pending cancellation pursuant to scheme of arrangement	3	-	500,000
Equity shares to be issued pursuant to scheme of arrangement	3	-	74,000,000
Reserves and surplus	5	<u>376,344,114</u>	<u>253,667,295</u>
		<u>450,344,114</u>	<u>328,167,295</u>
LOAN FUND			
Unsecured loans	6	<u>445,898,097</u>	<u>543,763,917</u>
		<u>445,898,097</u>	<u>543,763,917</u>
Deferred tax liability, net	19(p)	-	7,156,962
		<u>896,242,211</u>	<u>879,088,174</u>
APPLICATION OF FUNDS			
Fixed assets	7		
Gross block		407,893,642	403,765,296
Less: Accumulated depreciation		(100,051,648)	(55,972,000)
Net block		<u>307,841,992</u>	<u>347,793,296</u>
Capital work-in-progress		<u>264,795</u>	<u>12,970,896</u>
		<u>308,106,789</u>	<u>360,764,192</u>
Deferred tax asset, net	19(p)	15,399,099	-
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	501,066,014	366,366,844
Sundry debtors	9	460,367,619	548,875,164
Cash and bank balances	10	26,670,905	5,501,211
Loans and advances	11	<u>109,164,594</u>	<u>83,733,796</u>
		<u>1,097,269,132</u>	<u>1,004,477,015</u>
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	508,311,647	475,268,546
Provisions	13	<u>16,221,162</u>	<u>10,884,487</u>
		<u>524,532,809</u>	<u>486,153,033</u>
NET CURRENT ASSETS			
		<u>572,736,323</u>	<u>518,323,982</u>
		<u>896,242,211</u>	<u>879,088,174</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 : 12th July 2008

for Solectron EMS India Limited

Apprao Mallavarapu
Director

N Sri Sai Kumar
Manager & Company Secretary

Manny Marimuthu
Director

Profit and Loss Account

SCHEDULE	For the year ended 31 March 2008	For the period 27 September 2006 to 31 March 2007 (Rs.)
INCOME		
Sale of manufactured goods	3,098,328,745	1,017,205,146
Less: Excise duty	<u>(134,356,356)</u>	<u>(59,529,968)</u>
Sale of manufactured goods, net	2,963,972,389	957,675,178
Service income	159,330,956	104,683,165
Other income	14 59,728,545	33,059,778
	<u>3,183,031,891</u>	<u>1,095,418,121</u>
EXPENDITURE		
Materials costs	15 2,686,533,526	877,680,974
Personnel costs	16 90,227,012	45,806,050
Operating expenses	17 162,906,421	79,397,664
Finance expenses	18 46,327,902	21,116,190
Depreciation	7 54,797,833	25,493,367
	<u>3,040,792,694</u>	<u>1,049,494,245</u>
Profit before taxation	142,239,197	45,923,876
Income taxes		
- Current	31,130,000	9,146,413
- Deferred	(22,556,061)	7,156,962
- Fringe benefit tax	884,921	571,501
Profit after taxation	132,780,336	29,049,000
Balance in profit and loss account brought forward	29,049,000	-
Profit available for appropriation	161,829,337	29,049,000
Appropriation during the year		
- Proposed final dividend	7,400,000	-
- Corporate dividend tax	1,257,630	-
Balance carried to the balance sheet	<u>153,171,707</u>	<u>29,049,000</u>
Earnings per share (par value Rs 10 each)		
Basic and diluted	19 (c) <u>17.94</u>	<u>7.85</u>
Weighted average number of equity shares		
Basic and diluted	19 (c) <u>7,400,000</u>	<u>3,700,000</u>
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 : 12th July 2008

for Solelectron EMS India Limited

Apprao Mallavarapu
Director

N Sri Sai Kumar
Manager & Company Secretary

Manny Marimuthu
Director

Schedules to the Financial Statements

	As at 31 March 2008	As at 31 March 2007 (Rs.)
4. SHARE CAPITAL		
Authorised		
7,500,000 (previous period: 50,000) equity shares of Rs 10 each	<u>75,000,000</u>	<u>500,000</u>
Issued, subscribed and paid-up		
7,400,000 (previous period: Nil) equity shares of Rs 10 each, fully paid	<u>74,000,000</u>	-
	<u>74,000,000</u>	-
Out of the above 3,750,000 (previous period: Nil) equity shares of Rs 10 each are held by C-MAC Holdings Limited, British Virgin Islands, the holding company. The ultimate holding company is Flextronics International Inc, USA. Also refer background (schedule 1)		
Nil (previous period: 7,400,000) equity shares of Rs 10 each, fully paid, to be issued pursuant to the demerger (refer to schedule 3) which have been disclosed as “equity shares to be issued pursuant to scheme of arrangement” in the balance sheet	-	<u>74,000,000</u>
5. RESERVES AND SURPLUS		
General reserve		
- opening balance	224,618,295	-
Add: Transferred from Solectron Centum Electronics Limited pursuant to scheme of arrangement (refer schedule 3)	-	224,618,295
Less: Transitional adjustment in accordance with revised AS 15 “Employee benefits” [refer schedule 19 (s)]	<u>(1,445,888)</u>	-
- closing balance as at year/period end	<u>223,172,407</u>	224,618,295
Profit and loss account	<u>153,171,707</u>	29,049,000
	<u>376,344,114</u>	<u>253,667,295</u>
6. UNSECURED LOANS		
Short term loans		
- from banks (payable within a year) *	<u>445,898,097</u>	543,763,917
	<u>445,898,097</u>	<u>543,763,917</u>

* guaranteed by Solectron Corporation, USA

Schedules to the Financial Statements (Contd...)

SCHEDULE : 7 FIXED ASSETS

PARTICULARS	(Amount in Rs.)												
	GROSS BLOCK					ACCUMULATED DEPRECIATIONS					NET BLOCK		
	1.4.2007	Additions on a/c of demerger**	Additions during the year	Deletions during the year	31.3.2008	1.4.2007	Additions on account of demerger**	Charge for the year	Deletions during the Year	31.3.2008	31.3.2007	31.3.2008	
Tangible assets, owned	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease hold improvements	10,026,833	-	1,414,408	10,026,833	1,414,408	2,205,672	-	1,311,161	3,375,469	141,364	7,821,161	1,273,044	7,821,161
Plant and machinery *	347,321,175	-	21,339,620	11,788,803	356,871,992	45,299,690	-	45,941,905	4,613,121	86,628,474	302,021,485	270,243,518	302,021,485
Electrical installations	3,354,407	-	2,519,043	4,184	5,869,266	26,887	-	170,411	4,184	193,114	3,327,520	5,676,152	3,327,520
Computers	20,997,907	-	1,323,037	5,024,172	17,296,772	3,993,087	-	3,369,602	1,653,568	5,709,121	17,004,920	11,587,651	17,004,920
Office equipment	2,069,879	-	3,182,367	1,234,185	4,018,061	559,504	-	294,843	572,953	281,394	1,510,375	3,736,667	1,510,375
Furniture	8,937,979	-	662,433	2,935,239	6,665,173	601,452	-	1,327,384	498,890	1,429,946	8,336,527	5,235,227	8,336,527
Total (A)	392,708,180	-	30,440,908	31,013,416	392,135,672	52,686,292	-	52,415,306	10,718,185	94,383,413	340,021,988	297,752,259	340,021,988
Intangible assets, owned													
Software	11,057,116	-	4,700,854	-	15,757,970	3,285,708	-	2,382,527	-	5,668,235	7,771,408	10,089,735	7,771,408
Total (B)	11,057,116	-	4,700,854	-	15,757,970	3,285,708	-	2,382,527	-	5,668,235	7,771,408	10,089,735	7,771,408
Total (A) + (B)	403,765,296	-	35,141,762	31,013,416	407,893,642	55,972,000	-	54,797,833	10,718,185	100,051,648	347,793,396	307,841,994	347,793,396
Previous year	-	183,931,644	219,833,652	-	403,765,296	-	30,478,633	25,493,367	-	55,972,000	-	347,793,396	-

** refer schedule 3.

* includes interest capitalised during the period amounting to Rs Nil (previous period: Rs 2,648,238).

Schedules to the Financial Statements (Contd...)

	As at 31 March 2008	As at 31 March 2007 (Rs.)
8. INVENTORIES		
Stores and spares	10,656,288	10,204,662
Work-in-progress	74,475,045	63,560,640
Raw materials and components	329,195,937	291,438,062
Raw materials in transit	42,382,886	1,163,480
Finished goods	44,355,858	-
	<u>501,066,014</u>	<u>366,366,844</u>
9. SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
- considered good	5,487,957	11,857,125
- considered doubtful	5,972,749	4,928,189
	<u>11,460,706</u>	<u>16,785,314</u>
Other debts (considered good) *	454,879,662	537,018,039
	<u>466,340,368</u>	<u>553,803,353</u>
Less: Provision for doubtful debts	<u>(5,972,749)</u>	<u>(4,928,189)</u>
	<u>460,367,619</u>	<u>548,875,164</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	3,751,008	12,394,894
- Solectron (Suzhou) Technology	116,973	-
- Solectron Technology Sdn. Bhd	<u>33,902</u>	<u>33,902</u>
10. CASH AND BANK BALANCES		
Cash in hand	84,949	1,808,278
Balances with scheduled banks		
- in current accounts	21,472,956	3,592,933
- in margin money accounts	5,113,000	100,000
	<u>26,670,905</u>	<u>5,501,211</u>
11. LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received *	64,209,057	69,989,945
Balances with government authorities	23,116,476	4,440,707
Deposits	17,401,345	7,897,716
Prepaid expenses	2,352,637	1,405,428
Advance tax and tax deducted at source [net of provision Rs 32,014,921, (previous period Rs Nil)]	2,085,079	-
	<u>109,164,594</u>	<u>83,733,796</u>
* Includes amounts due and maximum amount outstanding from the companies under the same management as defined under Section 370(1-B) of the Companies Act, 1956.		
- Solectron India Private Limited	953,837	-
- Solectron Technology Sdn Bhd	2,188,394	-
- Solectron Corporation, USA	<u>1,223,767</u>	<u>18,433,060</u>

	As at 31 March 2008 (Rs.)	As at 31 March 2007 (Rs.)
12. CURRENT LIABILITIES		
Book overdraft	-	24,869,723
Sundry creditors		
- dues to micro and small enterprises [refer schedule 19(r)]	-	-
- dues to others	483,345,013	415,991,263
Advances received from customers	2,200,590	18,878,145
Interest accrued but not due	1,984,697	-
Other liabilities	<u>20,781,347</u>	<u>15,529,415</u>
	<u>508,311,647</u>	<u>475,268,546</u>
13. PROVISIONS		
Taxation [net of advance tax Rs 5,928,820, (previous period Rs Nil)]	3,789,094	9,717,914
Gratuity	1,042,001	407,452
Compensated absence	2,732,437	759,121
Proposed final dividend	<u>7,400,000</u>	-
Corporate dividend tax	<u>1,257,630</u>	-
	<u>16,221,162</u>	<u>10,884,487</u>
14. OTHER INCOME		
Scrap sales	917,517	303,017
Other service reimbursements [net of cost reimbursements aggregating Rs Nil (previous period: Rs 29,111,444)]	-	2,911,144
Liabilities no longer required written back	-	803,732
Foreign exchange gain, net	<u>58,811,029</u>	<u>29,041,885</u>
	<u>59,728,546</u>	<u>33,059,778</u>
15. MATERIALS COSTS		
Raw materials, components and packing materials consumed	2,741,803,789	883,106,983
Movement in manufactured finished goods and work in progress		
Opening		
Work in progress	63,560,640	-
	63,560,640	-
<i>Additions on account of demerger*</i>		
Work in progress	-	58,134,631
	-	58,134,631
Closing		
Finished goods	<u>44,355,858</u>	-
Work in progress	<u>74,475,045</u>	<u>63,560,640</u>
	<u>118,830,903</u>	<u>63,560,640</u>
Increase in inventories of manufactured finished goods and work-in-progress	<u>(55,270,263)</u>	<u>(5,426,009)</u>
	<u>2,686,533,526</u>	<u>877,680,974</u>

Schedules to the Financial Statements (Contd...)

	As at 31 March 2008 (Rs.)	As at 31 March 2007 (Rs.)
* refer schedule 3.		
16. PERSONNEL COSTS		
Salaries, wages and allowances	80,555,320	39,676,898
Contribution to provident and other funds	<u>5,067,492</u>	<u>2,610,247</u>
Staff welfare expenses	<u>4,604,200</u>	<u>3,518,905</u>
	<u>90,227,012</u>	<u>45,806,050</u>
17. OPERATING EXPENSES		
Sub-contracting services	57,862,700	21,689,350
Power and fuel	17,669,067	7,649,754
Travelling and conveyance	15,834,249	10,787,147
Professional and consultancy	14,658,126	9,006,242
Rent	12,657,697	6,969,009
Loss on sale of fixed asset	8,270,142	-
Postage, telephones and telegrams	6,876,641	3,389,732
Rates and taxes	5,010,136	1,346,637
Provision for doubtful debts	4,690,289	2,916,944
Insurance	3,406,427	2,514,682
Repairs and maintenance		
- Building	2,542,242	735,821
- Plant and machinery	1,078,153	2,147,169
Recruitment and training	1,091,682	935,322
Advertisement and promotion	93,605	195,748
Miscellaneous expenses	<u>11,165,265</u>	<u>9,114,107</u>
	<u>162,906,421</u>	<u>79,397,664</u>
18. FINANCE EXPENSES		
Interest on short term loans	<u>39,001,682</u>	<u>17,141,404</u>
Other financial charges	<u>7,326,220</u>	<u>3,974,786</u>
	<u>46,327,902</u>	<u>21,116,190</u>

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 centum Electronics limited (formerly Solectron Centum Electronics Limited), for the demerger (refer schedule 3) of the Electronics Manufacturing Services business of Centum Electronics Limited into Solectron EMS India Limited which was approved by the Honorable High Court of Karnataka on 13 July 2007. Consequent to the demerger, C-MAC Holdings British Virgin Islands (“Parent Company”), a 100% subsidiary of C-Mac Industries Inc. (“C-Mac”), Canada holds 3,750,000 million shares in the Company. Flextronics International Inc. is the ultimate holding company of C-Mac. Effective 10 June 2008, C-MAC. sold its 51% stake in the Company to an individual promoter of the Company.

The Company is primarily involved in the manufacture of printed circuit board assembly (PCBA) and Repair and Return business catering to the needs of 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

Schedules to the Financial Statements (Contd...)

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.

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	8 - 9 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) Retirement benefits

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

Gratuity and leave encashment 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 period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). Deferred tax in respect of timing differences which originate during the tax holiday period but reversed after the tax holiday period is recognised in the year in which the timing differences originate. For this purpose the timing differences which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised. 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 ICAI. The Finance Act, 2007 levied FBT on Employees Stock Option Plan. Such FBT liability crystallises on the date of exercise of stock option and is accounted for accordingly.

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

Schedules to the Financial Statements (Contd...)

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 recognised.

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.

3. ARRANGEMENT

a. Background and nature of business

Scheme

During the previous year, a Scheme of Arrangement (the Scheme) pursuant to Sections 391 to Section 394 of the Companies Act, 1956 (the Act) and Rules 67 to Rules 87 of the Companies (Court) Rules 1959 (the Rules) and other applicable provisions of Act and Rules was approved by the Honourable High Court at Karnataka for the demerger of the Electronics Manufacturing Services business of Centum Electronics Limited (*formerly Solectron Centum Electronics Limited*) (The Transferor) into Solectron EMS India Limited (The Transferee).

The Transferor is engaged in the business, among others, of manufacturing, buying, distributing and selling advanced micro-electronics modules, frequency control products, resistor networks, electronic manufacturing services, and repair and return services catering to communications, military, aerospace and industrial electronics markets. The business and operations of the Transferor were categorized into the following two business divisions/undertakings:

- (i) the electronic manufacturing services business, comprising of the manufacture and assembly of printed circuit boards, and the provision of repair and return services (the “**EMS Business**”); and
- (ii) the components business, primarily comprising the manufacture of hybrid microcircuits and frequency controlled products .

This Scheme relates to a demerger of the EMS Business of the Transferor company and its subsequent vesting in the Transferee company.

The Scheme was approved by the shareholders of the Transferor company on 8 February 2007. The Honourable High Court of Karnataka sanctioned the Scheme vide its Order dated 13 July 2007. The Scheme became effective on submission of the order of the High Court of Karnataka with the Registrar of Companies at Bangalore.

b. Salient features of the Scheme

The salient features of the scheme of demerger are as follows:

- The appointed date of the scheme for the demerger and reduction of share capital is 1 October 2006.

- The Transferee company shall, issue and allot to each member of the Transferor company equity shares in the Transferee company in the ratio of one equity share in the Transferee company of the face value of Rs 10, credited as fully paid up, for every two fully paid-up equity share of Rs. 10 each held by the member in the Transferor company. No fractional certificates / coupons are to be issued.
- Consequent to the issue of shares as stated above, the issued, subscribed and paid-up equity capital of the Transferor company of Rs 148,000,000 comprising of 14,800,000 equity shares of the face value of Rs. 10 each, fully paid-up, shall stand reduced to Rs. 74,000,000 comprising of 7,400,000 equity shares of the face value of Rs. 10 each, fully paid-up.
- The reduction of equity share capital shall be effected as a part of this composite Scheme itself and not under a separate process in terms of Sections 78 and Section 100 to Section 103 of the Act as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital and the Order of the Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the Act confirming the reduction.
- Upon the coming into effect of the Scheme, and with effect from the appointed date, the Transferor company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Transferred Undertaking and stand possessed of all the estates, assets, rights, title and interest of the Transferred undertaking for and on account of, and in trust for, the Transferee company.
- All the profits or income accruing or arising or expenditure or losses arising to or incurred by the Transferor company in respect of the demerged undertaking, with effect from the appointed date has been treated as profit or income or expenditure or loss of the Transferee company.

c. Consideration

In consideration of the demerger, the Transferee company has allotted to each member of the Transferor company whose name appears in the register of members of the Transferor company on the record date, equity shares in the Transferee company in the ratio of one equity share in the Transferee company of the face value of Rs 10, credited as fully paid up, for every two fully paid-up equity shares of Rs. 10 each held by the member in the Transferor company.

The 50,000 equity shares of Rs 10 each forming a part of the share capital of the Transferee company prior to the Scheme taking effect, shall stand cancelled without any further act or deed and payment has been made to those shareholders in respect of the share capital cancelled.

d. Accounting treatment

- All the assets and liabilities of the EMS business recorded in the books of the Transferor company have been transferred to and vested in Transferee company pursuant to the Scheme and have been recorded by the Transferee company at their book values as appearing in the books of the Transferor company as on 1 October 2006;

The demerger has been accounted for in the books of the Transferee company in the following manner:

- The excess of assets over the liabilities taken over as adjusted by the fresh share capital issued has been credited to the general reserves of the Transferee company;

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The accounting treatment for the demerger in Transferee company is as follows:

Computation of balance in general reserves after demerger:

Particulars	Rs Amount
Assets transferred	
Fixed assets including capital work in progress	328,511,054
Net current assets	245,907,241
Total assets (A)	574,418,295
Liabilities transferred	
Unsecured loans	275,800,000
Net assets transferred	298,618,295
Less: Fresh share capital to be issued	74,000,000
Net, excess of assets over liabilities transferred as adjusted by fresh share capital to be issued to be credited to general reserve of the Company	224,618,295

19. NOTES TO THE ACCOUNTS

a) Capital commitments and contingent liabilities

	As at 31 March 2008	Rs As at 31 March 2007
Estimated amount of contracts remaining to be executed on capital account (net of advances)	5,318,607	14,077,840
Bank guarantees	-	100,000

	Year ended 31 March 2008	Rs Period ended 31 March 2007
b) Auditors' remuneration excluding service tax (included under professional and consultancy)		
Audit fees *	2,850,000	700,000
Out of pocket expenses	15,597	15,600
	2,865,597	715,600

* includes audit fees for previous period Rs 450,000 (previous period: Rs Nil)

c) Earnings per share

The computation of earnings per share is set out below:

Profit for the year / period	132,780,337	29,049,000
Weighted average number of equity shares outstanding at the beginning of the year/period	7,400,000	25,000
Weighted average number of equity shares to be cancelled pursuant to scheme of the arrangement dated 1 October 2006	-	(25,000)
Weighted average number of equity shares to be issued pursuant to scheme of arrangement dated 1 October 2006	-	3,700,000
Weighted average number of equity shares outstanding during the year/period	7,400,000	3,700,000
Face value of equity shares	10	10
Earnings per share - basic and dilutive	17.94	7.85

d) Particulars of installed capacity

Products	Installed capacity	
	As at 31 March 2008	As at 31 March 2007
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.

e) Particulars of production

Products	(in units)	
	Year ended 31 March 2008	Period ended 31 March 2007
Electronic Manufacturing Services - Printed Circuit Board Assembly	619,048	353,119

f) Finished goods

Opening stock

There is no opening stock of finished goods.

Closing stock

Components	Year ended 31 March 2008		Period ended 31 March 2007	
	Quantity (Nos)	Value Rs	Quantity (Nos)	Value Rs
Printed Circuit Board Assembly	8,231	44,355,858	-	-
Total	8,231	44,355,858	-	-

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

Components	Year ended 31 March 2008		Period ended 31 March 2007	
	Quantity (Nos)	Value Rs	Quantity (Nos)	Value Rs
Integrated circuits	19,401,342	1,122,718,893	5,627,025	470,141,359
Others	-	459,271,004	-	234,536,763
Total	19,401,342	1,581,989,897	5,627,025	704,678,122

Raw materials	Year ended 31 March 2008		Period ended 31 March 2007	
	Quantity (Nos)	Value Rs	Quantity (Nos)	Value Rs
PCB	9,330,882	855,206,490	451,529	98,989,659
Others	-	304,607,402	-	79,439,202
Total	9,330,882	1,159,813,892	451,529	178,428,861

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

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h) Particulars of raw materials and components consumed

Components	Year ended 31 March 2008		Period ended 31 March 2007	
	%	Value Rs.	%	Value Rs.
Imported	82.45	1,304,415,789	87.52	616,716,819
Indigenous	17.55	277,574,108	12.48	87,961,303
Total	100	1,581,989,897	100	704,678,122
Raw materials	Year ended 31 March 2008		Period ended 31 March 2007	
	%	Value Rs.	%	Value Rs.
Imported	85.75	994,645,646	72.40	129,178,384
Indigenous	14.25	165,168,246	27.60	49,250,477
Total	100	1,159,813,892	100	178,428,861

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

Products	Year ended 31 March 2008		Period ended 31 March 2007	
	Quantity (Units)	Value Rs	Quantity (Units)	Value Rs
Printed Circuit Boards Assembly	610,817	2,919,342,007	353,119	928,601,440
Others	-	44,630,382	-	29,073,738
Services	-	159,330,956	-	104,683,165
Total		3,123,303,345	353,119	1,062,358,343

j) CIF value of imports

Products	Rs	
	Year ended 31 March 2008	Period ended 31 March 2007
Capital goods	14,943,761	2,219,628
Raw materials and components (including goods in transit)	2,530,771,931	537,722,125
Stores and spares	5,054	197,040
Total	2,545,720,746	540,138,793

k) Expenditure in foreign currency (on payment basis)

	Rs	
	Year ended 31 March 2008	Period ended 31 March 2007
Travelling and conveyance	820,535	2,810,776
Sub-contracting services	38,472,520	-
Other financial charges	-	21,369
Total	39,293,055	2,832,145

l) Earnings in foreign currency

	Year ended 31 March 2008	Rs Period ended 31 March 2007
Sale of manufactured goods	2,047,535,748	610,511,112
Service income	1,743,278	6,345,427
Total	2,049,279,026	616,856,539

m) 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 four 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 2008	Rs Period ended 31 March 2007
Revenues		
India	902,534,746	445,501,803
Europe	601,504,660	237,556,897
USA	597,296,935	322,958,401
Rest of world	1,021,967,004	56,341,242
	3,123,303,345	1,062,358,343
Segment assets		
India	1,318,534,240	1,178,396,704
Europe	24,707,436	145,100,309
USA	56,960,512	29,183,657
Rest of world	20,572,832	12,560,538
	1,420,775,020	1,365,241,208

n) Related party transactions

A. Parties where control exists

- Flextronics International (Ultimate Holding Company with effect from 1 October 2007)
- Solectron Corporation (Ultimate Holding Company till 30 September 2007)
- C-Mac Industries Inc., Canada (Holding Company of C-Mac Holdings Limited)
- C-Mac Holdings Limited, British Virgin Islands (Holding Company)

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

Parties under common control:

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

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- Solectron B V Europe
 - Solectron Scotland Limited
 - Solectron Sweden AB
 - Solectron Technology Singapore Pte Limited
 - Solectron California Corporation
 - Solectron BV Europe
 - Solectron - North Carolina
 - Solectron (Shenzen) Technology Company Limited
 - Solectron Technology Singapore
 - Centum Electronics Limited [formerly Solectron Centum Electronics Limited, fellow subsidiary up to 29 August 2007]
- C. Key executive management personnel represented on the Board
- Mr. Soundarajan Subramaniam
- D. Others
- Centum Industries Private Limited (upto 29 August 2007)
- E. Non executive/ independent directors on the Board
- Mr. Keki Elavia (Appointed on 3 August 2007 and resigned with effect from 23 January 2008)
 - Mr. Todd DuChene (Appointed on 20 July 2007 and resigned with effect from 27 November 2007)
 - Mr. Manny Marimuthu (since 28 November 2007)
 - Mr. Manoj Nagrath (since 18 January 2008)

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

	Year ended 31 March 2008	Rs. Period ended 31 March 2007
Purchase of goods		
<i>Fellow subsidiaries</i>	12,833,043	9,790,029
Solectron Centum Electronics Limited	7,048,308	8,257,699
Solectron (Suzhou) Technology Co. Ltd	4,361,822	1,130,451
Others	1,422,913	401,879
<i>Others</i>	7,652,994	20,632,106
Sale of goods and services		
<i>Fellow subsidiaries</i>	6,044,947	6,402,443
Solectron Technology Singapore	6,044,947	6,402,443
Purchase of fixed assets		
<i>Fellow subsidiaries</i>	16,520	2,466,612
Solectron Technology Sdn.Bhd	16,520	2,466,612
Subcontracting services		
<i>Fellow subsidiaries</i>	40,582,509	-
Solectron (Suzhou) Technology	31,294,367	-
Solectron Technology Singapore Pte Ltd	9,022,166	-
Solectron Technology Sdn.Bhd	265,976	-
Services received		
<i>Ultimate Holding company</i>	-	112,896

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

	Year ended 31 March 2008	Rs. Period ended 31 March 2007
Sundry debtors		
<i>Fellow subsidiaries</i>	3,901,883	12,428,796
Solectron Technology Singapore PL	3,751,008	12,394,894
Others	150,875	33,902
Sundry creditors		
<i>Ultimate Holding Company</i>	3,695,955	112,896
<i>Fellow subsidiaries</i>	10,410,109	31,367,756
Solectron Centum Electronics Limited	-	23,927,954
Others	10,410,109	7,439,802
<i>Others</i>	-	2,491,221
Loans & advances		
<i>Fellow subsidiaries</i>	4,365,548	18,433,060
Solectron Centum Electronics limited	-	18,433,060
Solectron India Private Limited	953,387	-
Solectron Technology Sdn Bhd	2,188,394	-
Solectron Corporation	1,223,767	-

The Company has not paid any remuneration to key managerial personnel.

o) 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 account for the year/period with respect to the above is Rs. 12,657,697 (previous period: Rs 6,969,009)

p) Deferred taxes

The composition of net deferred tax assets and liabilities of the Company as at 31 March 2008 and 31 March 2007, respectively are as under:

	31 March 2008	Rs 31 March 2007
Deferred tax asset/ (liability)		
Deferred tax liability		
Fixed assets	(4,681,117)	(9,356,246)
<i>Total deferred tax liability</i>	(4,681,117)	(9,356,246)
Deferred tax assets		
Provision for doubtful debts	1,594,230	1,675,091
Provision for inventory obsolescence	15,599,500	-
Preliminary expenses	386,844	-
Current liabilities and provisions	2,499,642	524,193
<i>Total deferred tax assets</i>	20,080,216	2,199,284
Net deferred tax asset / (liability)	15,399,099	(7,156,962)

Schedules to the Financial Statements (Contd...)

q) **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 general reserves. The following table set out the status of the gratuity plan as required under Accounting Standard 15 - revised.

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

Particulars	Rs As at 31 March 2008
Obligations at year beginning 1 April 2007	996,014
Service cost	732,405
Interest cost	142,062
Actuarial gain/ (loss)	(469,044)
Benefits paid	(359,436)
Obligations at year end	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	1,042,001
Liability recognized in the balance sheet	1,042,001
Gratuity cos't for the year ended 31 March 2008	
Service cost	732,405
Interest cost	142,062
Expected return on plan assets	-
Actuarial gain / (loss)	(469,044)
Net gratuity cost	405,423
Assumptions:	
Expected rate of return on plan assets	Not applicable
Interest rate per annum	7.95%

The estimates 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.

- r) The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure

in respect of the amounts payable to such enterprises as at 31 March 2008 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 2008 Rs	For the year ended 31 March 2007 Rs
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	-	-
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;	-	-
The amount of interest accrued and remaining unpaid at the end of the year	-	-
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.	-	-

- s) Prior period comparatives have been regrouped / reclassified as per current year classifications. Previous period's figures are not comparable as the profit and loss account of the previous year is for the period 27 September 2006 to 31 March 2007.

for Solectron EMS India Limited

Apprao Mallavarapu
Director

Manny Marimuthu
Director

Bangalore
12 July 2008

N Sri Sai Kumar
Manager & Company Secretary

Cash Flow Statement

	For the year ended 31 March 2008	For the period 27 September 2006 to 31 March 2007 (Rs.)
Cash flow from operating activities		
Profit before tax	142,239,197	45,923,876
Adjustments:		
Provision for doubtful debts	4,690,289	2,916,944
Loss on sale of fixed assets	8,270,142	-
Depreciation	54,797,832	25,493,367
Interest and other financial charges	46,327,902	21,116,190
Operating cash flows before working capital changes	256,325,363	95,450,377
(Increase) / decrease in sundry debtors	83,817,255	(344,109,088)
(Increase) in inventories	(134,699,170)	(156,189,485)
(Increase) in loans and advances	(23,345,718)	(1,846,069)
Increase in current liabilities and provisions	37,463,673	251,875,195
Cash generated from operations	219,561,403	(154,819,070)
Income taxes paid	(40,028,820)	-
Net cash generated/(used in) operating activities	179,532,583	(154,819,070)
Cash flow from investing activities		
Purchase of fixed assets	(27,678,952)	(94,594,146)
Proceeds from sale of assets	12,025,088	-
Net cash used in investing activities	(15,653,864)	(94,594,146)
Cash flow from financing activities		
Short term loans from bank, net	(97,865,820)	267,963,917
Interest and other financial charges	(44,343,205)	(21,116,190)
Issue/(repayment) of share capital	(500,000)	500,000
Net cash provided by/ (used in) financing activities	(142,709,025)	247,347,727
Net increase/(decrease) in cash and cash equivalents	21,169,694	(2,065,490)
Cash and cash equivalents at the beginning of the year	5,501,211	-
Cash and cash equivalents transferred on account of scheme of arrangement *	-	7,566,701
Cash and cash equivalents at the end of the year/period (refer schedule 10)	26,670,905	5,501,211

* Refer schedule 3

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 : 12 July 2008

for Solectron EMS India Limited

Apprao Mallavarapu
Director

Manny Marimuthu
Director

N Sri Sai Kumar
Manager & Company Secretary

Balance Sheet Abstract and Company's General Profile

Registration details

Registration No	L32109KA2006PLC040641
State Code	08
Balance Sheet Date	31 March 2008

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	896,242,211
Total assets	896,242,211

Sources of funds

Paid-up capital	74,000,000
Reserves and surplus	376,344,114
Unsecured loans	445,898,097
Deffered tax liability	Nil

Application of funds

Net fixed assets	308,106,789
Investments	-
Net current assets	572,736,323
Miscellaneous expenditure	-
Accumulated losses	-

Performance of Company

(In Rs.)

Turnover	3,183,031,891
Total expenditure	3,040,792,694
Profit / loss before tax	142,239,197
Extraordinary income	-
Profit / loss after tax	132,780,337
Earnings per share from ordinary activities	17.94
Earnings per share including extraordinary activities	17.94
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

Apprao Mallavarapu
Director

Manny Marimuthu
Director

Place : Bangalore
Date : 12 July 2008

N Sri Sai Kumar
Manager & Company Secretary

