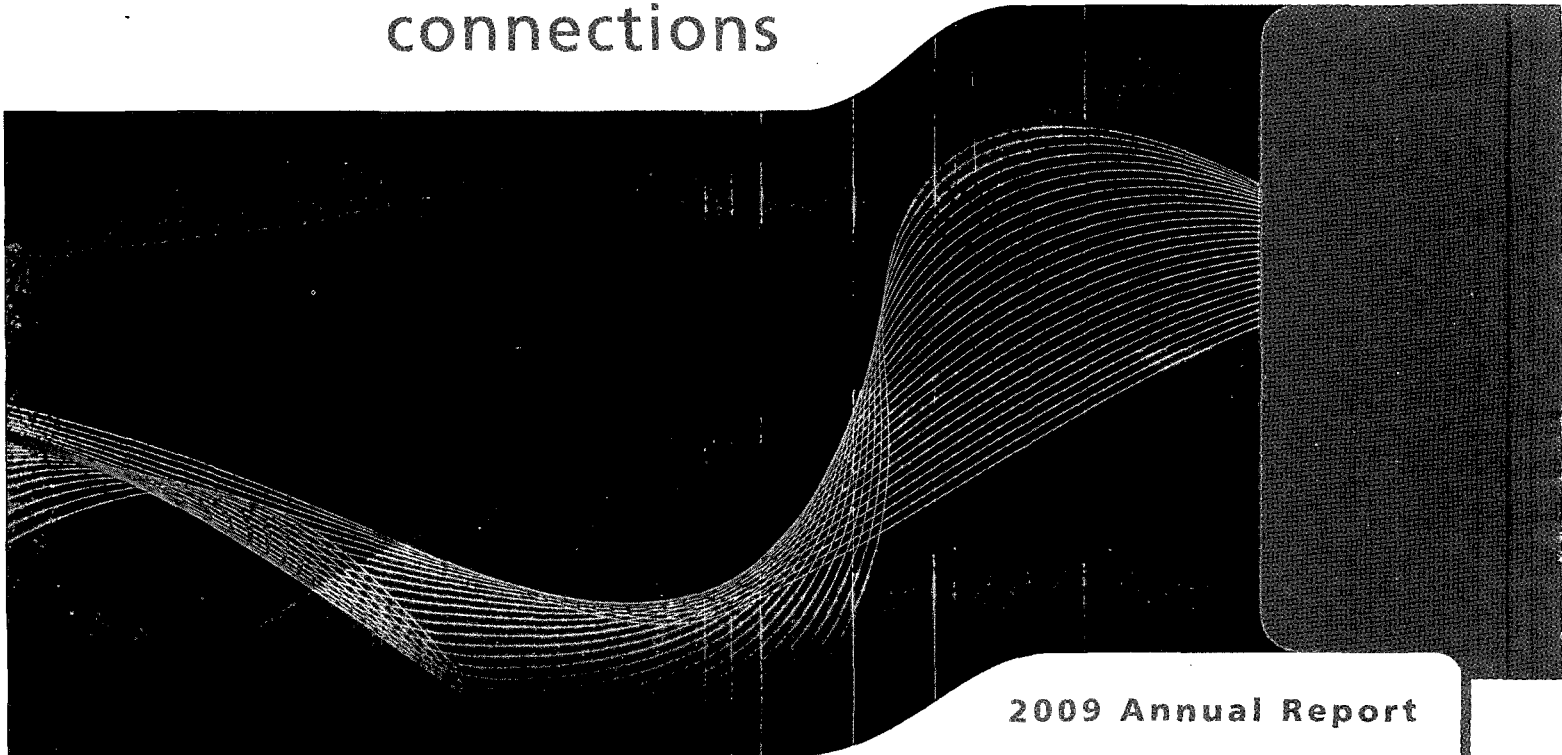


building
reliable
connections



2009 Annual Report

KRONE Communications Ltd.
Twenty First Annual Report



CONTENTS

Notice	2
Directors' Report	4
Annexure to Directors' Report	5
Management Discussion and Analysis	6
Report on Corporate Governance	8
Auditors' Report	11
Financial Statements	14
Cash Flow Statement	22
Balance Sheet Abstract	39
Shareholder Information	40

BOARD OF DIRECTORS

Mr. K. Bala Chandran	Chairman & Managing Director
Mr. Patrick D. O'Brien	Director
Mr. James G. Mathews	Director
Mr. Arun Thiagarajan	Independent Director
Mr. S. Rajagopalan	Independent Director (upto November 12, 2009)
Mr. Bodapati Bhaskar	Independent Director

Vice President - Finance & Company Secretary

Mr. R. Ganesh

Registered Office and Factory

10(C), II Phase, Peenya Industrial Area
Bangalore - 560 058

Auditors

S. R. Batliboi & Associates
Chartered Accountants

Bankers

Canara Bank
Deutsche Bank

Legal Advisors

Dua Associates

Registrar & Share Transfer Agents

M/s. Karvy Computershare Private Limited
Karvy House, 46 Avenue 4, Street No. 1
Banjara Hills, Hyderabad 500 034
Tel: 040-23312454/23320251
Fax: 040-23311968
E-mail: mailmanager@karvy.com

NOTICE TO MEMBERS

Notice is hereby given that the 21st Annual General Meeting of KRONE Communications Limited will be held on Friday, January 22, 2010 at 10.30 am at Hotel Atria, No.1, Palace Road, Bangalore 560001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended September 30, 2009, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend.
3. To appoint Auditors and fix their remuneration.

The retiring auditors M/s S.R. Batliboi & Associates, Chartered Accountants, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED that the name of the Company be and is hereby changed from 'Krone Communications Limited' to "ADC India Communications Limited".

5. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of section 16 of the Companies Act, 1956 the Name Clause of the Memorandum of Association of the Company be altered by substituting the following clause in place of the existing clause:

"1. The name of the Company is ADC India Communications Limited".

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of section 31 of the Companies Act, 1956 the meaning of the expression "The Company" or "This Company" in Article 2 of the Articles of Association of the

Company be and is hereby altered to mean the following:

"The Company" or "This Company" means "ADC India Communications Limited".

By Order of the Board

R. Ganesh

Vice President - Finance & Company Secretary

Place : Bangalore

Date : December 10, 2009

NOTE:

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member of the Company.
2. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from January 12, 2010 to January 22, 2010 (both days inclusive).
4. Dividend if declared, will be paid on or before the specified time limit to those Members whose name appear in the Register of Members of the Company as at the end of business hours on January 11, 2010. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership as per the details furnished by NSDL and CDSL for this purpose.
5. Since SEBI has made it mandatory for distributing dividends through Electronic Clearing Services (ECS), the Company will use the bank account details furnished by the Depositories for distributing the dividends to the shareholders holding shares in the electronic form. Members are requested to notify any change in their Bank account details to their Depository Participant immediately.
6. Members are requested to notify immediately any change in their registered address and the bank mandate details to the Company's Share Transfer Agent (for shares held in physical form) and to

Depository Participants (for shares held in electronic form).

7. Pursuant to the provisions of section 205C of the Companies Act, 1956 the amount, which was lying unclaimed for a period of seven years, on the dividend, declared for the year 2001 has been transferred to Investor education and Protection Fund (IEPF) on July 14, 2009.
8. Pursuant to the provisions of section 205 A (5) of the Companies Act, 1956, as amended, and with the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividends for the financial year ended 1998 and thereafter which remains unclaimed for a period of 7 years from the date of transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund established by the Central Government. Shareholders, who have not yet encashed, may make their claim to the Company/ Share Transfer Agent, without any delay. According to the provisions of the Companies Act, 1956 no claims can be made either against the said Fund or on the Company for the amounts of dividend so transferred to the said Fund.

By Order of the Board

R. Ganesh

Vice President - Finance & Company Secretary

Place : Bangalore
Date : December 10, 2009

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956

Item No. 4

At present three brand names are associated in the business of the Company- KRONE, ADC KRONE AND ADC. This is resulting in confusion among the

customers, partners, vendors, other ADC Group Companies and the general public. This is also not supporting the adoption "ONE ADC" behaviour. It is felt that this confusion could impact the future business of the Company.

It is, therefore, proposed to change the name of the Company from "Krone Communications Limited" to "ADC India Communications Limited". Your Directors recommend that the proposed resolution be adopted in the overall interest of the Company.

None of the Directors are concerned or interested in the proposed resolution.

Item No.5

With the proposed change in the name of the Company it has become necessary to alter the existing name clause in the Memorandum of Association of the Company. Hence the proposed resolution.

None of the Directors are concerned or interested in the proposed resolution.

Item No.6

With the proposed change in the name of the Company, it has become necessary to change the expression of "The Company" or "This Company" under the clause 'Interpretation' in Article 2 of the Articles of Association of the Company. Hence the proposed resolution.

None of the Directors are concerned or interested in the proposed resolution.

By Order of the Board

R. Ganesh

Vice President - Finance & Company Secretary

Place : Bangalore
Date : December 10, 2009

DIRECTORS' REPORT

To the Members,

The Board of Directors of your Company has pleasure in presenting the 21st Annual Report on the business and operations, including the financial statements for the year-ended September 30, 2009.

Financial Results

(Rs. in Lakhs)

	For the Year ended 30th September 2009	For the Year ended 31st October 2008
Gross Revenue (including Excise Duty)	7043.26	10848.79
Profit before depreciation	325.57	1028.19
Less: Depreciation	152.25	155.10
Net Profit for the year before Taxation	173.32	873.09
Provision for Taxation	64.98	312.35
Profit after tax	108.34	560.74
Add: Profit brought forward from previous year	3984.44	3614.32
Profit available for Appropriation	4092.78	4175.06
Appropriations		
Dividend Proposed	69.00	115.00
Tax on Dividends	11.72	19.54
Transfer to General Reserve	5.42	56.07
Profit retained in Profit & Loss Account	4006.64	3984.44

It was decided this year to change the financial year of the Company from November – October to October – September to fall in line with the accounting period of the Parent – ADC. Hence, this year's result is for eleven month period from November '08 to September '09.

The global economic recession has affected the technology sector in India and hence, the growth in the Company's business has been severely impacted across both Carrier and Enterprise business.

Although India continued to witness robust subscriber additions in the wireless segment last year they actually reflect the aggressive efforts of operators to milk the assets that have been invested in previous years. New

investment decisions of large operators were put on hold as the focus shifted to increasing revenue generation from existing infrastructure. Almost all of the procurement was related to sustaining current operations and maintenance. However the company's efforts to develop and position itself as a fibre connectivity vendor with support from the parent was timely and important. We were able to secure approvals and rate contracts from some large operators displacing existing competition.

The Enterprise segment was more directly impacted by the economic scenario in the US. While several expansions within the IT & ITes sector were delayed, new projects were postponed.

Overall a shrinking market forced competition to exhibit irrational behaviour causing intense pricing pressures. The rising Indian rupee and LME also added to the costs as customers were not willing to consider any cost escalation.

The company therefore had to embark on several cost management initiatives on the OPEX front to achieve profitable revenue.

Fibre connectivity and fibre distribution product line is expected to grow within the wireless sector besides the broadband Segment. FTTx pilot deployments and discussions in this area shows that many carriers are considering FTTx as a key technology option. Both these will be a long term opportunity for the Company.

The Datacentre market is also expected to grow and the Company has a strong product portfolio to address this segment. Investment in IT infrastructure by the state and central government is another business opportunity for the Company. The Company is fully geared to take advantage of all the above opportunities.

From an operations perspective, the Company switched to cost effective sourcing alternatives to improve its competitive position. We expect this to improve the company's operations excellence in meeting customer expectations.

Dividend

Your Directors recommend a dividend of 15% (Rs. 1.50 per equity share of Rs. 10/-) for the year ended September 2009 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Directors Responsibility Statement

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

- a. in the preparation of annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. accounting policies have been selected 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 at the end of the financial year and of the profit or loss of the Company for that period;

- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual accounts have been prepared on a going concern basis.

Strategy & Operations

Continuing our initiative on Fibre, several of the locally developed Fibre Connectivity solutions received customer approvals and rate contracts. This is a strategic initiative for the Company whose competence has been in copper all along. Our strategic focus in Enterprise moved more to Government and we received approvals for empanelment that allows us to participate in many several state-level data centre projects.

From an operations perspective our focus was on alternative sources to improve agility and cost-efficiency. Notwithstanding this we also achieved improvements in local operations improving yield and cycle times.

Directors

Mr. S. Rajagopalan retires by rotation and is eligible for re-appointment. However, due to health reasons, he has expressed his inability to continue as a Director in the Company. The Board placed on record their appreciation for his long association with the Company and for the valuable guidance and support provided by him during his association with the Company.

Corporate Governance

As required under clause 49 of the Listing Agreement, a report on Corporate Governance and Auditor's Certificate confirming compliance thereof are made a part of this Annual Report.

Particulars of Employees

Information as per Section 217(2A) of the Companies Act, 1956 read with the Rules framed there under forms a 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 all 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 this statement may write to the Company Secretary at the Corporate Office or e-mail to: ganesh.r@adckrone.com

Auditors

The Auditors - M/s. S.R. Batliboi & Associates retire at the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment.

Acknowledgements

The Directors thank the Company's Customers, Vendors, Bankers, Shareholders, Channel partners and distributors for their continued support and co-operation. The Directors also place on record their sincere thanks to ADC for their continued support during the year.

The Directors also wish to thank the management and all the staff for their contribution, support and continued co-operation during another challenging year.

For and on behalf of the Board of Directors

K. Balachandran

Chairman & Managing Director

Place : Bangalore

Date : November 12, 2009

ANNEXURE TO DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998:

A. Conservation of Energy

During the year chilling plant for moulding process was replaced by cooling towers. This will lead to saving about 60% in terms of KW and may lead to a saving of 500K INR per year from the next year.

B. Technology

Several fibre management systems engineered and designed were approved by the customers for use in their net-works. Some of the features for these were based on the ADC Product features found appropriate for Indian markets.

1. Research & Development

Continuous improvements and process changes activities continued during the year.

New products like Combo racks combining the functions of a digital and fibre distribution was introduced and supplied after getting special approvals from BSNL. A range of fibre distribution / management systems incorporating certain unique features of the parent company were introduced into the telecom market this year after successful evaluation by various customers.

2. Foreign exchange earnings and outflow on cash basis:

(i) Foreign Exchange - Rs. 68,358,936
Earnings (FOB)

(ii) Foreign Exchange - Rs 23,912,889
outflow

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

Carrier:

Though wireless market in India showed continued growth in terms of subscriber base, market slowdown effect dampened the selling opportunities with most of the major carriers reducing their capital expenditure. New investment decisions of large operators were put on hold as the focus shifted to increasing revenue generation from existing infrastructure. Many new operators received licences to operate but did not launch their services in a big way. Our fibre initiative to develop fibre distribution products gained momentum though the traditional copper product line did not see good traction. Some of the global carriers setting up their communication infrastructure in India brought opportunities for ADC connectivity solutions in copper and high density fibre products. There were some early discussions on FTTx deployments in India by some of the carriers and also by some high-end residential projects. Copper prices fell drastically down during our first quarter and started picking up from third quarter onwards. This along with fluctuation in US dollar exchange rate threw several challenges in maintaining long term contract prices.

Enterprise:

After many years of continued high-growth, structured cabling market in India was flat with many Enterprise projects getting delayed or shelved. There was lot of price pressure with lesser number of projects for the existing players. Our focus was more on Datacentres which require more robust physical layer connectivity. Also, the need to manage higher densities in a Datacentre requires a more specialized approach in design, product selection and deployment. Other areas of focus were government and PACE (Program for Architects, Consultants and Engineers) segments. Our Key account management structure brought some good global account opportunities with dedicated resources in Key account management and project management. UTP cables with very high copper content being the major component in structured cabling, structured cabling system prices varied throughout the year with sharp drop in Copper price in Q1 and sudden increase from Q3.

REVIEW OF OPERATING PERFORMANCE

The financial statements have been prepared in compliance with the requirement of the Companies Act, 1956 and Generally Accepted Accounting Principles

(GAAP) in India. The management of the Company accepts responsibility for the integrity and objectivity of these financial statements and the basis for the various estimates and judgments used in preparing the financial statements.

A decision was taken to end this year's accounting period on September 30, 2009. The financial results for the year ended September 30, 2009, is for eleven months and some of the key performance indicators are given below:

(Rs. in Lakhs)

Particulars	2009	2008
Gross Revenue	7043.26	10848.79
Profit before Depreciation and Tax	325.57	1028.19
Depreciation	152.25	155.10
Profit before Tax	173.32	873.09
Ratio of Profit before Tax to Revenue in percentage	2.46	8.05
Profit after Tax	108.34	560.74
Total Assets	6655.77	7574.11
Earning per share	Rs. 2.36	Rs.12.19
Inventory Turnover ratio	4.20 times	5.42 times
Debtors turnover ratio	2.26 times	3.33 times

During the eleven months of the year 2009, 50% of the Company's total sales came from Carrier segment and 50% from Enterprise segment. An overall sale inclusive of excise duty was Rs.7043 Lakhs for the year 2009. Profit before taxation is 2.46%.

OPPORTUNITIES AND THREATS

Carrier:

Fibre connectivity and Fibre distribution product line is an opportunity which is expected to grow with the GSM/CDMA growth and broadband growth. FTTx pilot deployments and discussions in this area shows that many carriers started considering FTTx deployments and this will be a long term opportunity for us. Decline in the wire-line market continue to be a threat for the company. Margins in copper product line also continue to be a threat.

During the year we developed opportunities for the ADC In-building wireless coverage solutions and also

achieved success in the utility sector. We expect this to be a growing opportunity in urban high-end buildings.

Enterprise:

Datacentre market is a key opportunity that requires a more reliable network infrastructure. Datacentre market is expected to grow and we have a strong product portfolio to address this segment. Investment in IT infrastructure by Government is another opportunity for the Enterprise business. Maintaining margins and managing long term contracts with high variation in copper price is a challenge in Enterprise market.

RISKS AND CONCERNS

Carrier

Competition from Chinese and low-cost local vendors is a risk and concern.

Enterprise

Very high fluctuation in copper price and frequent variation in Rupee - USD exchange rate is a concern and risk since many of the Enterprise projects are long term projects where prices will be fixed throughout.

LACK OF OWNED TECHNOLOGY

The Company primarily makes and sells technology developed and owned by companies affiliated to it. The right of the Company to continue to make and sell products is therefore contingent upon these affiliated companies electing to utilize the company as a manufacturing or sales channel.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has adequate internal control systems for various business processes, financial reporting and compliance with applicable laws and regulations.

The internal audit function is looked after by the group internal audit team who carry out audits on a regular basis on various areas of operations of the Company. The summary of the Internal Audit observations is presented to the Audit Committee and the suggestions and guidance of the audit committee are implemented to ensure effective operation of all departments in the company.

MANUFACTURING OPERATIONS

Assembly operations continue to be largely outsourced. This entailed training sub contract personnel and considerable increase in stores transactions. This has helped in meeting very short customer delivery lead time expectations and above all control costs. Despite drastic reduction in sales the manufacturing overhead was commendably maintained at previous years ratios.

Continuous improvements, alternate sourcing and process changes activities continued during the year.

New products like Combo racks combining the functions of copper and fibre distribution was introduced and supplied after getting special approvals from the service provider. A range of Fibre distribution / management systems incorporating certain unique features of the parent company were developed with local engineering and supply chain resources.

HUMAN RESOURCE DEVELOPMENT

The total number of permanent employees of the Company as at September 30, 2009 was 134. During the year, the Company launched Employer Self Service package (ESS Module) for the benefit of the Employees of the Company. With this facility, employees will have online access to all employee related information.

INFORMATION TECHNOLOGY

An offsite disaster recovery server has been installed during the year. This will reduce the impact on business in the event of some eventuality. Up-gradation to ERP package which was carried out during the previous year has stabilized thereby improving some of the operations of the Company.

Cautionary Statement:

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations and which the management believes are true to the best of its knowledge at the time of preparation. Actual results might differ materially from those either expressed or implied and hence the Company and the management shall not be held liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to a system of good corporate governance, as it firmly believes that good corporate governance signifies good corporate practices aimed at increasing value for its shareholders, customers, employees, the government and all other stakeholders. Corporate governance of the company accords high importance for compliance with laws, rules and regulations at all times. The Company's internal control measures ensure the reliability of financial statements. The company is in full compliance with the applicable requirements under Clause 49 of the

Listing Agreement with the Bombay Stock Exchange Limited.

2. BOARD OF DIRECTORS

The current Board of Directors consists of six directors comprising:

- One Executive Director (Chairman & Managing Director)
- Five Non-Executive Directors including three independent directors.

Four Board Meetings were held during the period November 2008 to September 2009: December 11, 2008, February 26, 2009, May 29, 2009, August 27, 2009

The details of the Directors on the Board of your Company for the year 2009 are given below:

Name	Category	Month & Year of Appointment	Designation	No. of meetings held during the last year	No. of meetings attended	No. of memberships in Board of other companies	Membership of Board Committees	Chairman of Board Committees	Whether attended last AGM
K. Bala Chandran	Executive Director	June 2000	Chairman & Managing Director	4	4	1	2	1	Yes
G. Subramaniam*	Independent Director	February 2002	Director	4	1	7	NIL	NIL	Nb
S. Rajagopalan	Independent Director	July 2002	Director	4	2	NIL	NIL	NIL	Yes
Arun Thiagarajan	Independent Director	October 2003	Director	4	3	11	8	1	Yes
Jeffrey D. Pflaum*	Nominee Director	August 2007	Director	4	0	NIL	NIL	NIL	Nb
Patrick D O'Brien	Nominee Director	August 2007	Director	4	1	NIL	NIL	NIL	Nb
James G Mathews	Nominee Director	August 2007	Director	4	0	NIL	NIL	NIL	Nb
Michael Day*	Nominee Director	August 2007	Director	4	1	NIL	NIL	NIL	Yes
Bodapati Bhaskar**	Independent Director	December 2008	Director	4	2	NIL	NIL	NIL	Yes

* Ceased to be a Director w.e.f. December 12, 2008

** Appointed as a Director w.e.f. December 12, 2008

3. AUDIT COMMITTEE

The role of the Audit Committee includes the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are fairly stated.

- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board.
- Reviewing the internal audit system and scope of internal audit.

The Audit committee consists of the following Directors:

Mr. S. Rajagopalan	:	Member
Mr. Arun Thiagarajan	:	Member
Mr. Bodapati Bhaskar	:	Member
Mr. James D Mathews	:	Member

During the year 2009 four audit committee meetings were held: December 11, 2008, February 26, 2009, May 29, 2009 and August 27, 2009.

Mr. Arun Thiagarajan attended three meetings. Mr. Rajagopalan and Mr. Bodapati Bhaskar attended two meetings. Mr. James D Mathews could not attend any meeting. The requirements on periodicity and time gap between two meetings were in accordance with the requirements of clause 49 of the listing agreement.

Mr. R. Ganesh, Vice President – Finance & Company Secretary acts as the Secretary to the Committee.

4. COMPENSATION COMMITTEE

The committee reviews and decides the overall remuneration of the Managing Director.

The Compensation Committee consists of the following Directors:

Mr. Patrick O'Brien	:	Chairman
Mr. Bodapati Bhaskar	:	Member
Mr. S Rajagopalan	:	Member
Mr. Arun Thiagarajan	:	Member

During the year 2009 one Compensation committee meeting was held. Mr. G. Subramaniam and Mr. S. Rajagopalan attended the meeting and the rest could not attend the meeting.

Remuneration of whole-time Director:

Name	:	K Bala Chandran
Designation	:	Chairman & Managing Director
Salary	:	Rs. 1,948,000

Remuneration of Non-whole-time Directors for the year ended 30 September 2009

G Subramaniam	:	Rs. 22,582
S Rajagopalan	:	Rs. 62,106
Arun Thiagarajan	:	Rs. 62,106
Bodapati Bhaskar	:	Rs. 39,524

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The committee monitors and redresses Shareholder and Investors complaints.

The Shareholders/Investors Grievance Committee consists of the following Directors:

Mr. S. Rajagopalan	:	Chairman
Mr. James D Mathews	:	Member
Mr. Bodapati Bhaskar	:	Member
Mr. K Bala Chandran	:	Member

During the year, four Shareholders/Investors Grievance Committee meetings were held. Mr. K Bala Chandran attended all the four meetings. Mr. S. Rajagopalan and Mr. Bodapati Bhaskar attended two meetings and Mr. James D Mathews could not attend any meeting.

COMPLIANCE OFFICER

Name and designation of compliance officer is Mr. R. Ganesh – Vice President - Finance and Company Secretary.

Details of number of Shareholders complaints received, number not solved and number of pending share transfers are provided in the Shareholder information section of this report.

6. GENERAL BODY MEETINGS

Location and time of the last three Annual General Meetings;

Year	Date	Venue	Time
2006	February 21, 2007	Hotel Atria, No.1, Palace Road, Bangalore	10.30 a.m
2007	February 28, 2008	Hotel Atria, No.1, Palace Road, Bangalore	10.30 a.m
2008	February 26, 2009	Hotel Atria, No.1, Palace Road, Bangalore	10.30 a.m

7. DISCLOSURES

- i. Related party transactions are disclosed under Note 23 of the Notes to the Financial Statements.
- ii. There are no materially significant transactions with the related parties' viz. Promoters, Directors or the Management, their subsidiaries or relatives that may have potential conflict with the interest of the company at large.
- iii. There are no pecuniary relationships or transactions with Non-Executive Directors of the Company except the remuneration paid to them for services rendered as Directors of the Company.
- iv. No penalties or strictures have been imposed on the Company by Stock Exchange or

Securities & Exchange Board of India or any statutory authority on any matter relating to capital markets.

8. MEANS OF COMMUNICATION

The quarterly results are generally published in Business Standard and Sanjevani. Quarterly and Annual financial results are posted on the website www.adckrone.com/in/

Management Discussion and Analysis report is provided in the Management Discussion and Analysis section of this Annual Report.

9. GENERAL SHAREHOLDER INFORMATION

Information of importance to shareholders is given in the Shareholder information section of this Annual Report.

AUDITORS' CERTIFICATE

To
The Members of Krone Communications Limited

We have examined the compliance of conditions of corporate governance by Krone Communications Limited, for the financial period ended on September 30, 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify

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

We 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.

For S. R. Batliboi & Associates
Chartered Accountants

per Navin Agrawal
Partner

Membership No.: 56102

Place: Bangalore
Date: November 12, 2009

CODE OF CONDUCT

DECLARATION

It is hereby declared that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the Directors and Senior Management of the Company in respect of the financial year ended September 30, 2009.

Place: Bangalore
Date: November 12, 2009

K. Bala Chandran
Chairman & Managing Director

AUDITORS' REPORT

To The Members of Krone Communications Limited

1. We have audited the attached Balance Sheet of Krone Communications Limited ('the Company') as at September 30, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the eleven month period ("period") 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.
2. 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.
3. 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.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. 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;
 - ii. 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;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. 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.
 - v. On the basis of the written representations received from the directors, as on September 30, 2009, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on September 30, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. 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;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at September 30, 2009;
 - b) in the case of the profit and loss account, of the profit for the period ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the period ended on that date.

For S. R. Batliboi & Associates
Chartered Accountants

per Navin Agrawal
Partner
Membership No.: 56102

Place: Bangalore
Date: November 12, 2009

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date

Re: Krone Communications Limited ("the Company")

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the period and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the period.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the period.
- (b) The procedures of physical verification of inventory 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 and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the period, *because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.*
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, excise duty, cess and other undisputed statutory dues were outstanding, at the period end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, other than the following:

ANNEXURE TO AUDITORS' REPORT (CONTINUED)

Name of the Statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Karnataka Sales Tax Act, 1957	Sales Tax	11,223,615	1994-95 to 2001-02	Sales Tax Appellate Authorities
Income Tax Act, 1961	Income Tax	139,709 (Rs. 69,855 paid under protest)	AY 2004-05	Commissioner of Income Tax (Appeals)
CST Act, 1956 and KVAT Act, 2003	Sales Tax	3,161,688	FY 2005-06 to FY 2007-08	Assistant Commissioner of Commercial Taxes

- (x) The Company has no accumulated losses at the end of the financial period and it has not incurred cash losses in the current period and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. The Company did not have any debentures outstanding during the period.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's

Report) Order, 2003 (as amended) are not applicable to the Company.

- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the period.
- (xx) The Company has not raised any money through public issue during the period.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. Batliboi & Associates
Chartered Accountants

per Navin Agrawal
Partner

Membership No.: 56102

Place: Bangalore
Date: November 12, 2009

BALANCE SHEET AS AT 30 SEPTEMBER 2009

	SCHEDULE	30 September 2009 (Rs.)	31 October 2008 (Rs.)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	46,000,000	46,000,000
Reserves and surplus	2	450,836,167	448,075,165
LOAN FUNDS			
Secured loans	3	6,041,661	5,749,785
DEFERRED TAX LIABILITIES (NET)	4	167,447	-
TOTAL		503,045,275	499,824,950
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	5	223,434,213	233,866,563
Less: Accumulated depreciation & amortization		(132,677,633)	(132,194,037)
Net block		90,756,580	101,672,526
Capital advances (including Capital work in progress)		1,297,021	167,079
		92,053,601	101,839,605
DEFERRED TAX ASSETS (NET)	4	-	713,890
CURRENT ASSETS, LOANS AND ADVANCES			
Interest accrued on bank deposits		3,233,830	2,059,510
Inventories	6	89,186,870	158,403,932
Sundry debtors	7	209,184,206	340,440,483
Cash and bank balances	8	247,373,397	137,159,338
Loans and advances	9	24,545,502	17,508,836
Total Current Assets (A)		573,523,805	655,572,099
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	10	152,362,480	240,046,060
Provisions	11	10,169,651	18,254,584
Total Current Liabilities and Provisions (B)		162,532,131	258,300,644
Net Current Assets (A-B)		410,991,674	397,271,455
TOTAL		503,045,275	499,824,950
NOTES TO ACCOUNTS	17		

The Schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S.R.Batlloi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Per Navin Agrawal
Partner
Membership No.:56102

R. Ganesh
Vice President - Finance
and Company Secretary

K. Bala Chandran
Chairman &
Managing Director

Arun Thiagarajan
S. Rajagopalan
Bodapati Bhaskar

Place : Bangalore
Date : November 12, 2009

Directors

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1 NOVEMBER 2008 TO 30 SEPTEMBER 2009

	SCHEDULE	Year Ended 30 September 2009 (Rs.)	Year Ended 31 October 2008 (Rs.)
INCOME			
Sales of product (net of Sales tax and Value added tax)		648,285,392	1,040,617,935
Less: Excise Duty		<u>26,528,625</u>	<u>69,337,770</u>
Sales, Net of Excise Duty		621,756,767	971,280,165
Sales of Services (Net of Service tax)		16,044,293	10,187,960
Other Income	12	<u>39,996,621</u>	<u>34,073,158</u>
TOTAL		<u>677,797,681</u>	<u>1,015,541,283</u>
EXPENDITURE			
Cost of Sales	13	463,188,503	676,682,583
Personnel Expenses	14	73,201,516	90,244,495
Manufacturing, Marketing and Other Expenses	15	105,821,737	142,314,223
Depreciation/Amortisation		15,225,297	15,509,844
Financial Expenses	16	<u>3,028,934</u>	<u>3,480,734</u>
TOTAL EXPENDITURE		<u>660,465,987</u>	<u>928,231,879</u>
Profit Before Tax		17,331,694	87,309,404
Less : Provision for Tax			
- Current Tax		4,814,620	27,112,720
- Deferred Tax Charge/ (Credit)		881,337	1,994,323
- Fringe Benefit Tax		802,080	2,128,173
Total Tax Expense		6,498,037	31,235,216
Profit After Tax		10,833,657	56,074,188
Balance brought forward from previous year		398,444,438	361,432,094
Profit available for appropriation		409,278,095	417,506,282
Appropriations			
Proposed Dividend		6,900,000	11,500,000
Tax on Dividend		1,172,655	1,954,425
Transfer to General Reserve		<u>541,683</u>	<u>5,607,419</u>
Balance carried forward		<u>400,663,757</u>	<u>398,444,438</u>
Earnings per share (EPS)			
Basic and Diluted EPS [Nominal Value of shares Rs.10 (Previous Year: Rs.10)]		2.36	12.19
Weighted average number of equity shares used in computation of above		4,600,000	4,600,000
NOTES TO ACCOUNTS	17		

The Schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For S.R.Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Per Navin Agrawal
Partner
Membership No.:56102

R. Ganesh
Vice President - Finance
and Company Secretary

K. Bala Chandran
Chairman &
Managing Director

Arun Thiagarajan
S. Rajagopalan
Bodapati Bhaskar

Place : Bangalore
Date : November 12, 2009

Directors

SCHEDULES TO THE BALANCE SHEET AS AT 30 SEPTEMBER 2009

		30 September 2009 (Rs.)	31 October 2008 (Rs.)
1	SHARE CAPITAL		
	Authorised: 10,000,000 (Previous Year 10,000,000) equity shares of Rs.10/- each	<u>100,000,000</u>	<u>100,000,000</u>
	Issued, subscribed and paid-up: 4,600,000 (Previous year 4,600,000) equity shares of Rs. 10/- each, fully paid-up (Of the above 2,852,000 (Previous year 2,852,000) equity shares of Rs. 10/- each are held by ADC GmbH , Germany, the holding company)	<u>46,000,000</u>	<u>46,000,000</u>
2	RESERVES AND SURPLUS		
	General reserve		
	Balance as per last account	49,630,727	44,023,308
	Add: Transferred from profit and loss account	<u>541,683</u>	<u>5,607,419</u>
		50,172,410	49,630,727
	Profit and loss account	<u>400,663,757</u>	<u>398,444,438</u>
		<u>450,836,167</u>	<u>448,075,165</u>
3	SECURED LOANS		
	Term loan from a bank (secured by hypothecation of vehicles purchased) [Amounts payable within one year Rs. 2,517,692 (Previous Year Rs. 2,029,016)]	6,041,661	5,629,581
	Finance lease obligation (secured by hypothecation of vehicles)	-	120,204
		<u>6,041,661</u>	<u>5,749,785</u>
4	DEFERRED TAX LIABILITY/(ASSETS) NET		
	Deferred Tax Liability Difference in Depreciation in Block of Fixed Assets as per tax books and financial books	<u>3,782,512</u>	<u>4,345,681</u>
	Gross Deferred Tax Liability	<u>3,782,512</u>	<u>4,345,681</u>
	Deferred Tax Assets Expenditure debited to Profit & Loss Account in the current year but allowed for tax purposes in following years	2,439,898	2,379,100
	Provision for doubtful debts	<u>1,175,167</u>	<u>2,680,471</u>
	Gross Deferred Tax Assets	<u>3,615,065</u>	<u>5,059,571</u>
	Net Deferred Tax Liability / (Asset)	<u>167,447</u>	<u>(713,890)</u>

SCHEDULES TO THE BALANCE SHEET AS AT 30 SEPTEMBER 2009 (CONTINUED)

5 FIXED ASSETS

Particulars	Gross Block				Depreciation & Amortization				Net Block	
	As at 1 November 2008	Additions during the year	Deletion & Adjustments during the year	As at 30 September 2009	As at 1 November 2008	Addition during the Year	Deletion & Adjustments during the year	As at 30 September 2009	As at 30 September 2009	As at 31 October 2008
Land	17,298,442	-	-	17,298,442	-	-	-	-	17,298,442	17,298,442
Building	27,674,516	-	-	27,674,516	5,403,949	847,298	-	6,251,247	21,423,269	22,270,567
Plant and machinery	137,383,824	1,114,730	12,314,281	126,184,273	107,315,000	5,774,884	12,279,388	100,810,496	25,373,777	30,068,824
Electrical installations	5,098,135	-	-	5,098,135	1,849,622	226,996	-	2,076,618	3,021,517	3,248,513
Furniture and fixtures	5,542,894	34,000	152,590	5,424,304	2,342,096	577,183	112,170	2,807,109	2,617,195	3,200,798
Lease hold improvements	625,873	-	-	625,873	333,803	229,482	-	563,285	62,588	292,070
Office equipment	8,513,565	330,731	858,758	7,985,538	2,997,614	1,161,950	381,338	3,778,226	4,207,312	5,515,951
Computers	10,290,442	-	1,107,085	9,183,357	5,481,571	1,716,571	1,093,143	6,104,999	3,078,358	4,808,871
Vehicles	8,868,840	3,354,585	361,485	11,861,940	3,589,436	2,582,382	361,485	5,810,333	6,051,607	5,279,404
Vehicles- finance lease	875,662	-	514,177	361,485	824,115	51,547	514,177	361,485	-	51,547
Intangible Assets										
Software	11,694,370	41,980	-	11,736,350	2,056,831	2,057,004	-	4,113,835	7,622,515	9,637,539
TOTAL	233,866,563	4,876,026	15,308,376	223,434,213	132,194,037	15,225,297	14,741,701	132,677,633	90,756,580	101,672,526
Previous Year	230,174,866	20,140,642	16,448,945	233,866,563	132,378,513	15,509,844	15,694,320	132,194,037	101,672,526	

SCHEDULES TO THE BALANCE SHEET AS AT 30 SEPTEMBER 2009 (CONTINUED)

	30 September 2009 (Rs.)	31 October 2008 (Rs.)
6 INVENTORIES (at lower of cost and net realisable value)		
Raw materials and components [Including stock in transit Rs. 1,351,446 (Previous year Rs.3,425,828)]	37,848,974	44,200,461
Stores and spares	160,986	225,340
Work-in-Progress/Semi Finished goods	3,097,281	4,405,000
Finished goods	16,618,387	18,619,678
Traded goods [Including stock in transit Rs. 2,921,496 (Previous year Rs.13,379,915)]	31,461,242	90,953,453
	89,186,870	158,403,932
7 SUNDRY DEBTORS *		
Unsecured		
Debts outstanding for a period exceeding six months		
- considered good	14,258,590	32,085,430
- considered doubtful	3,457,391	7,886,057
	17,715,981	39,971,487
Other debts - Considered good	194,925,616	308,355,053
	212,641,597	348,326,540
Less : Provision for doubtful debts	(3,457,391)	(7,886,057)
	209,184,206	340,440,483
*Sundry Debtors include amount due from companies under the same management as follows :		
<u>Holding Company:</u>		
ADC GmbH, Holding Company	-	1,182,751
<u>Fellow Subsidiaries:</u>		
ADC Communications Hongkong Ltd	4,153,844	11,491,275
ADC Communications (Australia) Pty Ltd.	660,954	1,218,424
ADC Telecommunications Inc.	2,376,205	439,648
ADC (India) Communications & Infotech Pvt Ltd	8,824	-
ADC Communications (Shanghai) Company Ltd.	-	66,270
8 CASH AND BANK BALANCES		
Cash on hand	106,607	140,223
Balances with scheduled banks :		
- in current accounts	46,149,963	27,346,141
- in deposit accounts*	199,287,034	107,862,628
- in unpaid dividend accounts	1,829,793	1,810,346
	247,373,397	137,159,338
*Includes margin money deposits under lien against bank guarantees	-	1,671,349

SCHEDULES TO THE BALANCE SHEET AS AT 30 SEPTEMBER 2009 (CONTINUED)

		30 September 2009 (Rs.)	31 October 2008 (Rs.)
9	LOANS AND ADVANCES		
	Unsecured, considered good:		
	Advances recoverable in cash or in kind or for value to be received	2,829,182	1,458,154
	Balances with customs, excise and sales tax authorities	3,578,443	4,211,625
	Deposits - others	3,230,567	3,348,635
	Excess of Gratuity paid over liability	2,454,932	-
	Advance Income Tax (net of provisions)	8,612,467	4,726,008
	Advance Fringe Benefit Tax (net of provisions)	310,049	-
	Prepaid expenses	3,529,862	3,764,414
		24,545,502	17,508,836
10	CURRENT LIABILITIES		
	Sundry creditors		
	- Dues to Micro, small and medium companies (refer Note 10 of schedule 17)	23,444,791	31,884,028
	- Dues to creditors other than Micro and Small Enterprises [Includes amounts due to companies under same management Rs. 54,445,213 (Previous Year Rs. 49,301,517)]	121,417,419	183,765,088
		144,862,210	215,649,116
	Advance from customers	739,129	16,732,491
	"Investor Education and Protection Fund shall be credited with the following amounts (as and when due)"		
	Unclaimed dividend	1,829,793	1,810,346
	Other liabilities	4,931,348	5,854,107
		152,362,480	240,046,060
11	PROVISIONS		
	Provision for Fringe Benefit Tax (net of advance tax payments)	-	537,871
	Provision for gratuity	-	231,802
	Provision for leave encashment	2,096,996	1,634,932
	Proposed dividend	6,900,000	11,500,000
	Tax on proposed dividend	1,172,655	1,954,425
	Provision for warranties	-	2,395,554
		10,169,651	18,254,584

**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD
1 NOVEMBER 2008 TO 30 SEPTEMBER 2009 (CONTINUED)**

		Period ended 30 September 2009 (Rs.)	Year ended 31 October 2008 (Rs.)
12	OTHER INCOME		
	Interest on:		
	Bank deposits [Tax deducted at source - Rs.1,801,210 (Previous Year Rs. 1,772,982)]	9,810,564	8,009,092
	Others	1,990	8,654
	Dividend on Current investments - Non-Trade	-	1,854,144
	Profit on Sale of Investments	-	16,958
	Duty draw back	762,765	1,329,721
	Scrap sales	6,690,009	20,367,516
	Profit on Sale of Fixed Assets	-	669,422
	Foreign Exchange Fluctuation (Net)	1,041,410	-
	Commission	7,875,465	1,176,617
	Reversal of provision for doubtful debts	4,428,666	-
	Liabilities/ provisions no longer required written back	8,191,554	-
	Miscellaneous income	1,194,198	641,034
		<u>39,996,621</u>	<u>34,073,158</u>
13	COST OF SALES		
	Raw materials and components consumed	222,029,903	322,893,896
	Traded goods	234,413,140	353,754,934
	Stores and Packing materials consumed	5,088,455	8,554,186
		<u>461,531,498</u>	<u>685,203,016</u>
	Decrease / (Increase) in stocks		
	Opening:		
	Finished goods	18,619,678	12,462,251
	Work in Progress/Semifinished goods	4,405,000	1,553,193
		<u>23,024,678</u>	<u>14,015,444</u>
	Less: Closing		
	Finished goods	16,618,387	18,619,678
	Work in Progress/Semifinished goods	3,097,281	4,405,000
		<u>19,715,668</u>	<u>23,024,678</u>
	Add / (Less): Differential in Excise duty provision on Finished Goods	(1,652,005)	488,801
	Net Decrease/ (Increase)	<u>1,657,005</u>	<u>(8,520,433)</u>
	(A)+(B)	<u>463,188,503</u>	<u>676,682,583</u>

**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD
1 NOVEMBER 2008 TO 30 SEPTEMBER 2009 (CONTINUED)**

	Period ended 30 September 2009 (Rs.)	Year ended 31 October 2008 (Rs.)
14 PERSONNEL EXPENSES		
Salaries, wages and bonus	64,080,945	77,758,638
Contribution to provident and other funds	6,902,636	6,669,134
Gratuity Expenses	373,192	1,167,025
Workmen and staff welfare expenses	1,844,743	4,649,698
	<u>73,201,516</u>	<u>90,244,495</u>
15 MANUFACTURING, MARKETING AND OTHER EXPENSES		
Power and fuel	2,413,891	3,542,611
Repairs and maintenance:		
Plant and machinery	2,688,174	3,635,008
Building	1,200,314	1,173,126
Others	5,602,108	5,861,757
Rent	3,021,234	3,423,284
Rates and taxes	2,837,994	1,508,176
Insurance	2,286,050	3,192,018
Professional and consultancy charges	3,668,240	3,966,954
Management services fee	13,533,938	8,620,750
Telephone and Communication	2,833,155	3,387,918
Advertisement and sales promotion	13,367,966	18,031,190
Printing and stationery	930,905	855,824
Travelling and conveyance	10,793,097	19,360,005
Commission on sales (other than sole selling agents)	6,753,897	8,506,565
Foreign Exchange Fluctuation (Net)	-	18,214,403
Royalty/ technical fees	23,237,995	22,881,397
Provision for doubtful debts and advances	-	2,330,080
Bad debts - written off	1,480,867	589,535
Loss on assets sold/discarded (Net)	508,896	-
Freight Outwards (Net of recovery)	4,874,297	7,084,458
Miscellaneous Expenses	3,788,719	6,149,164
	<u>105,821,737</u>	<u>142,314,223</u>
16 FINANCIAL EXPENSES		
Interest on Term Loans/Finance Lease	1,213,407	1,029,136
Bank charges	1,815,527	2,451,598
	<u>3,028,934</u>	<u>3,480,734</u>

CASH FLOW STATEMENT FOR THE PERIOD 1 NOVEMBER 2008 TO 30 SEPTEMBER 2009

	Period Ended 30 September 2009 (Rs.)	Year Ended 31 October 2008 (Rs.)
A. Cash flows from operating activities:		
Profit before Taxation	17,331,694	87,309,404
Adjustments:		
Depreciation	15,225,297	15,509,844
Interest on loans	1,213,407	1,029,136
Unrealised exchange gain, net	(523,869)	(11,854,648)
(Profit)/Loss on assets sold/discarded, net	508,896	(669,422)
Interest Income	(9,812,554)	(8,017,746)
Dividend on Investments	-	(1,854,144)
Income from sale of Investments	-	(16,958)
Bad debts - written off	1,480,867	589,535
(Reversal)/Provision for doubtful debts (Net)	(4,428,666)	2,330,080
Operating profit before working capital changes	<u>20,995,072</u>	<u>84,355,081</u>
Movements in working capital:		
(Increase)/Decrease in Debtors	133,318,492	(93,414,105)
(Increase)/Decrease in Inventories	69,217,062	(45,693,864)
(Increase)/Decrease in Loans & Advances	(2,840,158)	(1,533,867)
Increase/(Decrease) in Current Liabilities & Provisions	<u>(88,219,083)</u>	<u>67,472,772</u>
Cash generated from operations	132,471,385	11,186,017
Less: Direct Taxes paid (net of refunds)	<u>(10,351,079)</u>	<u>(39,906,195)</u>
Net cash from / (used in) operating activities	<u>122,120,306</u>	<u>(28,720,178)</u>
B. Cash flows from investing activities		
Purchase of fixed assets	(6,226,303)	(23,327,078)
Proceeds from sale of fixed assets	57,779	1,424,050
Movement in fixed deposits with maturity greater than three months (net)	(3,924,406)	(52,143,111)
Interest earned on bank deposits	8,638,234	8,606,078
Dividend on Investments	-	1,854,144
Income from sale of Investments (net)	-	16,958
Net cash from / (used in) investing activities	<u>(1,454,696)</u>	<u>(63,568,959)</u>
C. Cash flows from financing activities		
Interest paid	(1,213,407)	(1,029,136)
Proceeds from term loans	3,354,585	1,694,296
Repayment of term loans	(2,942,505)	(2,147,726)
Capital Lease obligation repayments	(120,204)	(258,644)
Dividend Paid	(11,500,000)	(13,800,000)
Tax on Dividend paid	<u>(1,954,425)</u>	<u>(2,345,310)</u>
Net Cash from / (used in) financing activities	<u>(14,375,956)</u>	<u>(17,886,520)</u>

	Period Ended 30 September 2009 (Rs.)	Year Ended 31 October 2008 (Rs.)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	106,289,654	(110,175,657)
Cash and cash equivalents at the beginning of the year	29,296,709	139,472,367
Cash and cash equivalents at the end of the year	135,586,363	29,296,710
Cash and cash equivalents comprise of cash at bank and in hand, and short term deposits with an original maturity period of three months or less.		
Components of cash and cash equivalents as at		
Cash on hand	106,607	140,223
Balances with scheduled banks :		
- in current accounts	46,149,963	27,346,141
- in deposit accounts*	87,500,000	-
- in Unpaid Dividend Accounts	1,829,793	1,810,346
TOTAL	135,586,363	29,296,710

*Excluding fixed deposits with maturity greater than three months 111,787,034 107,862,628
 [Margin money deposits against bank guarantees - Rs. Nil
 (2008 - Rs. 1,671,349)]

As per our report of even date

For S.R.Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Per Navin Agrawal
 Partner
 Membership No.:56102

R. Ganesh
 Vice President - Finance
 and Company Secretary

K. Bala Chandran
 Chairman &
 Managing Director

Arun Thiagarajan
S. Rajagopalan
Bodapati Bhaskar
 Directors

Place : Bangalore
 Date : November 12, 2009

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

1. NATURE OF OPERATIONS

Krone Communications Ltd. ("the Company") is engaged in providing versatile, reliable and cost effective connectivity solutions to suit individual enterprise and telecom service provider requirements. The Company provides copper and fibre physical connectivity in telecommunications and data networking solutions including structured cabling.

The Company is headquartered at Bangalore and has its manufacturing facility at Peenya and Regional sales offices in New Delhi, Mumbai, Chennai, Hyderabad and Pune.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards issued by Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

2.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.3 Fixed Assets and Intangible Assets

Fixed assets and Intangible assets are stated at cost less accumulated depreciation/amortization and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

2.4 Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

2.5 Depreciation

Depreciation is provided as per useful lives of assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956 which ever is higher. Depreciation on vehicles are provided under the written down value method, while other assets are depreciated under the straight line method.

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

Description	Rate of depreciation (SLM)	Schedule-XIV rates (SLM)
Buildings	3.34% - 25%	3.34%
Plant and Machinery	5%-50%	4.75%
Moulds	20%-100%	16.21%
Software	20% - 50%	16.21%
Computers	25%	16.21%
Electrical Installations	5%	4.75%
Office Equipments	10%-100%	4.75%
Furniture and Fittings	10% - 100%	6.33%
	(WDV)	(WDV)
Vehicles	25.89%	25.89%

Assets acquired on a finance lease/ hire purchase are depreciated over the shorter of the lease period or useful lives on a straight line basis.

Leasehold improvements are amortised over the primary period of the lease or the useful life whichever is lower, on a straight line basis.

Assets individually costing Rs. 5,000 or less are depreciated fully in the year of purchase.

2.6 Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight line basis over the lease term.

2.7 Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

2.8 Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares (including materials in transit)	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
Work-in-progress, semi finished goods and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
Traded goods (including materials in transit)	Lower of cost and net realizable value. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion (as appropriate) and estimated costs necessary to make the sale.

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

2.9 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which normally coincides with the dispatch of goods from the factory/warehouse of the Company. Sales are disclosed net of sales tax/ VAT and trade discount.

Revenue from service contracts are recognised, when the rendering of services under a contract is completed or substantially complete.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Duty drawback benefit is recognised on an accrual basis based on an estimate of the benefit receivable. Dividend revenue is recognised when the right to receive the payment is established by the balance sheet date. Commission Income is accounted on accrual basis as per the terms of the contract with the customers.

2.10 Foreign currency translation

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

2.11 Retirement and other employee benefits

Retirement benefits in the form of Provident Fund and Superannuation Scheme are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable under the respective schemes.

Gratuity liability is a defined benefit obligation and is provided for based on an actuarial valuation on projected unit method determined at the balance sheet date. Short term compensated absences are provided for on a full liability basis as at the balance sheet date for the unavailed balance of leave.

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

Actuarial gains/losses are immediately taken to the profit and loss account and not deferred.

2.12 Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognizes deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

2.13 Segment reporting policies

Identification of segments :

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the location in which the customers are situated.

Allocation of common costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items :

Includes general corporate income and expense items which are not allocated to any business segment.

2.14 Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

2.15 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3. Segment Information

Business Segments :

The Company has organized its operations into two major businesses: Telecommunication and IT- Networking.

Geographical Segments :

The Company's geographical areas of operations comprises of a) India, and b) other countries

(a) PRIMARY SEGMENT INFORMATION (by business segment)

Particulars	30 Sep. 2009	31 Oct. 2008
Segment Revenue		
a. Telecommunication	317,341,666	490,169,875
b. IT – Networking	320,459,394	491,298,250
Net sales / income from operations	637,801,060	981,468,125
Segment Profit / (Loss) before Tax and Interest		
a. Telecommunication	23,212,834	49,233,590
b. IT – Networking	(11,179,192)	32,227,794
Total	12,033,642	81,461,384
Add /(Less) : a. Interest income, Dividend (net of interest expense)	8,599,147	8,859,712
b. Other un-allocable expenditure (Net of un-allocable income)	(3,301,095)	(3,011,692)
Total Profit Before Tax	17,331,694	87,309,404
Provision for taxation	6,498,037	31,235,216
Profit after tax	10,833,657	56,074,188
Other information:		
Depreciation		
a. Telecommunication	8,468,047	8,816,136
b. IT Networking	3,072,064	2,935,929
c. Unallocable	3,685,186	3,757,779
Total	15,225,297	15,509,844
OTHER INFORMATION		
Segmental Assets		
a. Telecommunication	217,021,704	235,448,922
b. IT – Networking	156,445,057	340,272,629
c. Unallocable	292,110,645	182,404,043
Total Assets	665,577,406	758,125,594

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

Segmental Liabilities		
a. Telecommunication	86,150,713	94,283,855
b. IT-Networking	57,055,799	134,125,271
c. Unallocable	25,534,727	35,641,303
Total Liability	168,741,239	264,050,429
Capital Expenditure (Excluding capital advances)		
a. Telecommunication	1,479,343	4,140,688
b. IT-Networking	540,600	2,126,540
c. Unallocable	2,856,083	13,873,414
Total Capital Expenditure	4,876,026	20,140,642

(b) SECONDARY SEGMENT INFORMATION (by Geographical Segment)

Revenue	30 Sep. 2009 Rs.	31 Oct. 2008 Rs.
a. Domestic	599,345,474	915,838,534
b. Exports	38,455,586	65,629,591
Total Revenue	637,801,060	981,468,125
Assets		
a. India	656,209,186	725,163,630
b. Outside India	9,368,220	32,961,964
Total Assets	665,577,406	758,125,594
Capital Expenditure		
a. India	4,876,026	20,140,642
b. Outside India	-	-
Total Capital Expenditure	4,876,026	20,140,642

4. Related Party Disclosure

1. Names of related parties

Holding Company	ADC GmbH
Ultimate Holding Company	ADC Telecommunications Inc.
Fellow Subsidiaries	ADC Communications (Australia) Pty Ltd. ADC Communications Hongkong Ltd. ADC Communications (NZ) Ltd. ADC Communications (UK) Ltd ADC USA Incorporated ADC Communications (Shanghai) Company Ltd ADC Digital Communications Inc. ADC Communications (SEA) Pte Ltd.
Key Management Personnel	Mr. K Bala Chandran, Chairman & Managing Director

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

(Amount in Rs.)

	Purchase of goods	Sale of goods	Commission income	Royalty & Technical know how	Other reimbursements (refer note 3 below)	Amounts receivable	Amounts payable
	For the 11 month period ended 30 September 2009					As at 30 September 2009	
ADC GmbH, Holding Company	49,429,608 (31,635,774)	- (1,076,247)	- (-)	5,249,793 (8,391,396)	- (-)	- (1,182,751)	12,847,858 (18,958,022)
ADC Telecommunications Inc, Ultimate Holding Company	6,318,243 (998,214)	- (-)	2,151,095 (1,176,617)	12,192,202 (14,490,001)	15,891,168 (12,146,875)	2,376,205 (439,648)	32,572,680 (22,969,725)
ADC Communications Hong Kong Ltd	6,378,265 (99,623,261)	14,359,663 (24,390,723)	5,724,370 (-)	- (-)	- (211,376)	4,153,844 (11,491,275)	623,614 (2,291,374)
ADC Communications (Australia) Pty Ltd.	6,862,750 (10,343,386)	3,394,309 (6,616,306)	- (-)	- (-)	- (2,742,874)	660,954 (1,218,424)	- (50,567)
ADC USA Incorporated	29,677,361 (39,246,539)	- (47,533)	- (-)	- (-)	- (-)	- (-)	6,564,240 (-)
ADC Digital Communications Inc.	5,776,687 (15,671,967)	- (-)	- (-)	- (-)	- (-)	- (-)	1,203,668 (3,107,918)
Other fellow subsidiaries	6,348,313 (8,303,689)	1,343,165 (1,232,037)	- (-)	- (-)	1,173 (19,895)	8,824 (66,270)	633,153 (1,923,911)
TOTAL	110,791,227 (205,822,830)	19,097,137 (33,362,866)	7,875,465 (1,176,617)	17,441,995* (22,881,397)	15,892,341 (15,121,020)	7,199,827 (14,398,368)	54,445,213 (49,301,517)

- Figures in brackets represent amounts for previous year ended October 31, 2008.
- Remuneration paid to directors is disclosed elsewhere in the notes to accounts.
- Reimbursements made have been debited to the respective heads of expenses in the profit and loss account.

* Net of reversal for prior year Rs. 5,796,000.

5. Leases

(a) Finance Lease :

The Company has entered into finance lease arrangements for vehicles. The period of lease is 4 years and there are no escalation clauses in the arrangements. The implicit rate of interest works out in the range of 10-12% per annum. There are no subleases.

	30 Sep. 2009 Rs.	31 Oct. 2008 Rs.
Lease payments for the period/ year	120,204	258,644
Minimum Lease Payments :		
Not later than one year [Present Value Rs. Nil (Previous year Rs. 120,204)]	-	122,398
Later than one year but not later than five years	-	-
Total minimum lease payments at the year end	-	122,398
Present value of minimum lease payments	-	120,204

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

(b) Operating Lease:

The Company has operating leases for office premises that are renewable on a periodic basis and cancellable at its option. Lease rental expense debited to Profit and Loss Account for the period is Rs.3,021,234 (Previous year: Rs. 3,352,884). The future minimum lease payments for operating lease for the period that the facilities are expected to be occupied is as follows:

(Amount in Rs.)

	30 Sep. 2009	31 Oct. 2008
Not later than one year	240,000	250,800
Later than one year but not later than five years	-	-
Later than five years	-	-

6. **Capital Commitments:** Estimated amount of contracts remaining to be executed on capital account and not provided for amounts to Rs. 887,660 (Previous year - Rs. 342,773).

7. Contingent Liabilities not provided for

	30 Sep. 2009	31 Oct. 2008
Sales tax demands contested by the Company.	14,385,303	11,223,615
Letters of Credit	544,647	769,211
Bank guarantees	80,405,716	103,199,874

8. Supplementary Statutory Information

8.1 Directors' Remuneration

	30 Sep. 2009	31 Oct. 2008
(a) Paid/payable to the Managing director		
Salaries, bonus and allowances	1,650,000	4,199,009
Contribution to Provident Fund & Other Funds	298,000	681,859
	1,948,000	4,880,868
(b) Commission to Non-Wholetime Directors	186,318	600,000
(c) Directors' Sitting fees	20,000	Nil

Note:- As the future liability for gratuity is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Chairman & Managing Director is not ascertainable and, therefore, not included above.

8.2 Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956

(Amount in Rs.)

	30 Sep. 2009	31 Oct. 2008
Profit before taxation	17,331,694	87,309,404
Add:		
Managerial remuneration	1,948,000	4,880,868
Book Depreciation	15,225,297	15,509,844
Remuneration to Non whole time Directors	186,318	600,000
Directors' sitting fees	20,000	-
(Reversal) / Provision for doubtful debts and advances (net)	(4,428,666)	2,330,080
Depreciation as per Schedule-XIV of the Companies Act	(11,650,797)	(12,667,511)
Net profit as per Section 349 of the Companies Act, 1956	18,631,846	97,962,685
Remuneration to Managing Director at 5% of the net profits as calculated above	931,592	4,898,134
Remuneration payable restricted to *	1,948,000	4,880,868
Commission to other directors at 1% of the net profits as calculated above	186,318	979,627
Remuneration payable restricted to	186,318	600,000

* Remuneration to Managing Director for the current period is as per limits specified in Schedule – XIII of the Companies Act, 1956.

**SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH
PERIOD ENDED SEPTEMBER 30, 2009**

	30 Sep. 2009 Rs.	31 Oct. 2008 Rs.
8.3 Earnings in foreign currency (Cash basis)		
Exports at F.O.B. Value	61,898,037	43,432,606
Commission	6,460,899	1,018,321
Total	68,358,936	44,450,927
8.4 Expenditure in foreign currency (Cash basis)		
Traveling	3,526,700	5,647,458
Regional Recharge Expenses	11,085,750	11,352,757
Royalty / technical fees	8,391,396	8,627,257
Others	909,043	2,205,708
	23,912,889	27,833,180
8.5 Value of imports calculated on CIF basis		
Raw materials	38,988,430	93,404,986
Components, Traded Goods and Other consumables	187,857,738	336,043,615
Capital goods	1,184,832	8,218,671
	228,031,000	437,667,272
8.6 Dividend remitted in foreign exchange		
Number of non-resident shareholders	3	1
Number of equity shares held on which dividend was due	2,856,967	2,852,000
Amount remitted (Rs.)	7,142,418	8,556,000
Year to which it relates	2008	2007

9. Auditors' remuneration included in Professional and Consultancy charges:

	30 Sep. 2009 Rs.	31 Oct. 2008 Rs.
Audit fee	700,000	700,000
Tax audit fee	305,000	225,000
Limited reviews	300,000	525,000
Out of pocket expenses reimbursed (excluding service tax)	25,000	84,141

10. The Company has amounts due to the Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at September 30, 2009.

	30 Sep. 2009 Rs.	31 Oct. 2008 Rs.
i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the accounting year		
Principal Amount :	23,444,791	31,884,028
Interest :	Nil	Nil
ii) The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
iii) The amount of interest due and payable for the period of delay in making payment (beyond the appointed day during the year)	Nil	Nil
iv) The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
v) The amount of further interest remaining due and payable for even in succeeding years	Nil	Nil

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

11. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

11.1 Licensed Capacity and Installed Capacity

Class of Goods	Unit	Licensed Capacity		Installed Capacity	
		2009	2008	2009	2008
Telephone connectors including back panel connectors and accessories	Rs.	600 Million	600 Million	600 Million	600 Million

Notes :

- No specific license is necessary for the manufacture of products mentioned above. Under the terms of registration of this industrial undertaking the annual total capacity is Rs.600 million.
- The figure for installed capacity is as certified by management and not verified by the auditors being a technical matter.

11.2 Particulars of production of manufactured goods (Quantity in Units):

	30 Sep. 2009	31 Oct. 2008
Telecom Products / Connectors, Accessories	3,458,970	2,008,583
Tools	20,084	12,640
Test cords	224,178	93,308
Fibre patch cords	-	32,400

11.3 Details of Finished Goods

(Amount in Rs.)

	Quantity (Units)		Value (Rs.)	
	2009	2008	2009	2008
Opening Stock Telecom Products / Connectors, Accessories	355,561	375,350	9,915,066	10,930,658
Tools	392	428	37,475	47,534
Test cords	46,199	11,393	8,667,137	1,484,059
			18,619,678	12,462,251
Closing Stock Telecom Products / Connectors, Accessories	195,447	355,561	13,232,786	9,915,066
Tools	1,050	392	178,193	37,475
Test cords	25,111	46,199	3,207,408	8,667,137
			16,618,387	18,619,678

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

11.4 Particulars in respect of Sale of manufactured products

	Unit	Quantity		Value (Rs.)	
		2009	2008	2009	2008
Telecom products / Connectors, Accessories	Nos.	2,168,697	3,478,759	290,274,953	476,200,811
Tools	Nos.	11,982	20,120	5,057,023	8,167,738
Test cords	Nos.	114,396	189,372	23,506,593	44,681,186
Fibre patch cords	Nos.	32,400	-	18,459,304	-
				337,297,873	529,049,735

11.5 Consumption of raw materials and components

Raw Materials

	Unit	Quantity		Value (Rs.)	
		2009	2008	2009	2008
Plastics	Kgs	60,157	100,829	13,757,863	19,575,035
Phosphor Bronze	Kgs	7,356	6,223	3,100,643	3,033,605
Special alloy	Kgs	42,445	140,840	22,990,821	72,187,742
ABS	Kgs	35,245	44,906	3,912,455	4,637,744
Others*				1,368,546	2,850,699
				45,130,328	102,284,825

Components

	Unit	Quantity		Value (Rs.)	
		2009	2008	2009	2008
Contacts	Nos.	64,345,124	157,027,600	37,510,504	35,223,737
Gas discharge tubes	Nos.	598,165	729,212	8,928,606	9,692,427
I-MDF Boxes	Nos.	1	17,501	1,951	13,238,470
Back mount frames	Nos.	191,046	249,547	10,133,867	20,394,799
Patch Cables	Nos.	945,584	3,240,888	5,255,545	14,139,409
Others*				115,069,102	127,920,229
				176,899,575	220,609,071

* It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

11.6 Imported and indigenous raw materials, components and spare parts consumed

	Percentage of total		Value (Rs.)	
	2009	2008	2009	2008
Raw Materials				
Imported	88	93	39,622,079	94,851,976
Indigenously obtained	12	7	5,508,249	7,432,849
	100	100	45,130,328	102,284,825
Components				
Imported	39	26	69,056,962	58,403,596
Indigenously obtained	61	74	107,842,613	162,205,475
	100	100	176,899,575	220,609,071

11.7 Details of Traded Goods

	Quantity		Value (Rs.)	
	2009	2008	2009	2008
Cables (meters)				
Opening Stock	3,381,404	2,350,194	45,157,876	31,090,007
Purchases	4,807,060	15,247,463	78,829,004	215,324,865
Sales	7,172,345	14,216,253	119,716,085	219,194,650
Closing stock	1,016,119	3,381,404	11,268,308	45,157,876
Connectors & Patch Cords (Nos.)				
Opening Stock	138,782	112,238	25,759,469	13,384,616
Purchases	480,101	941,257	58,307,420	100,599,517
Sales	542,954	914,713	104,898,463	130,388,084
Closing stock	75,929	138,782	12,741,840	25,759,469
DP Boxes (Nos.)				
Opening Stock	5,922	5,923	1,096,217	1,096,968
Purchases	57	342	41,865	290,304
Sales	63	343	64,775	406,980
Closing stock	5,916	5,922	1,093,623	1,096,217
Sub Pillar (Nos.)				
Opening Stock	12	5	28,620	9,336
Purchases	250	2,367	645,000	6,125,873
Sales	250	2,360	786,250	7,422,200
Closing stock	12	12	28,614	28,620

**SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH
PERIOD ENDED SEPTEMBER 30, 2009**

	Quantity		Value (Rs.)	
	2009	2008	2009	2008
Cross Connection Cabinets (Nos.)				
Opening Stock	2	2	25,066	25,066
Purchases	36	245	565,470	2,509,178
Sales	36	245	702,476	3,040,943
Closing stock	2	2	25,066	25,066
Others				
Opening Stock			5,506,290	5,534,209
Purchases			46,990,589	55,338,534
Sales			58,290,845	91,965,533
Closing stock			3,382,295	5,506,290

12. In accordance with the AS-29 'Provisions, Contingent Liabilities and Contingent Assets' the disclosure for warranty provision is as follows :

Particulars	2009 Rs.	2008 Rs.
Opening Balance	2,395,554	2,395,554
Add : Additions	-	-
Less : Write back	2,395,554	-
Closing Balance	-	2,395,554

(Amount in Rs.)

13 a) Defined Contribution Scheme	2009	2008
Contribution to superannuation fund	2,421,687	2,845,081
Contribution to provident fund	4,026,710	4,020,817
Contribution to ESI	89,238	102,416
	6,537,635	6,968,314

b) Defined Benefit Scheme

Gratuity benefit plan:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet.

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

(Amount in Rs.)

	2009	2008
Current service cost	1,019,132	908,368
Interest cost on benefit obligation	1,048,077	953,971
Expected return on plan assets	(1,000,490)	(744,543)
Net actuarial (gain) / loss recognised in the year	(923,613)	49,229
Past service cost	170,160	-
Net benefit expense	313,266	1,167,025
Actual return on plan assets	214,187	1,113,445

Balance Sheet

Details of Provision for gratuity

	2009	2008
Defined benefit obligation	14,903,606	13,504,135
Fair value of plan assets	17,528,698	13,272,333
Plan liability / (asset)	(2,454,932)	231,802

Changes in the present value of the defined benefit obligation are as follows:

	2009	2008
Opening defined benefit obligation	13,504,135	11,357,966
Interest cost	1,048,077	953,971
Current service cost	1,019,132	908,368
Benefits paid	-	-
Actuarial (gains) / losses on obligation	(667,738)	283,830
Closing defined benefit obligation	14,903,606	13,504,135

Changes in the fair value of plan assets are as follows:

	2009	2008
Opening fair value of plan assets	13,272,333	7,909,001
Expected return	1,000,490	744,543
Contributions by employer	3,000,000	4,384,188
Benefits paid	-	-
Actuarial gains / (losses)	255,875	234,601
Closing fair value of plan assets	17,528,698	13,272,333

The Company expects to contribute Rs.350,000 to gratuity in 2009-10.

The total plan assets are insurer – managed funds.

SCHEDULE 17 – NOTES TO ACCOUNTS FOR THE 11 MONTH PERIOD ENDED SEPTEMBER 30, 2009

The principal assumptions used in determining gratuity obligations for the Company's plans.

	2009	2008
Discount rate	8.10%	8.00%
Expected rate of return on assets	7.50%	7.50%

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 in the employment market.

Amounts for the current and previous periods are as follows:

	2009	2008
Defined benefit obligation	14,903,606	13,504,135
Plan assets	17,528,698	13,272,333
Surplus / (deficit)	2,625,092	(231,802)
Experience adjustment on Plan Liabilities	(95,376)	(10,871)
Experience adjustment on Plan Assets	4,081	37,070

14. Unhedged Foreign Exchange exposure

Particulars of Unhedged foreign Currency Exposure as at the Balance Sheet date

Particulars	Currency	2009		2008	
		Amount in Foreign Currency	Amount in INR	Amount in Foreign Currency	Amount in INR
Sundry creditors	USD	1,421,988	68,368,895	2,634,421	130,864,861
	EURO	16,572	1,164,401	129,889	8,364,028
	GBP	8,296	633,152	23,654	1,923,911
	AUD	-	-	1,524	50,567
Sundry debtors	EURO	68,527	4,814,797	215,742	13,892,450
	USD	741,899	35,651,969	383,914	19,070,914

15. Previous year comparatives

Previous year figures have been regrouped or reclassified wherever necessary to conform to current period's classification. The current period figures are for the eleven month period ended September 30, 2009 and hence not comparable with those of the previous year ended October 31, 2008.

Signatures to Schedules 1 to 17

For S.R.Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

Per Navin Agrawal
Partner
Membership No.:56102

R. Ganesh
Vice President - Finance
and Company Secretary

K. Bala Chandran
Chairman &
Managing Director

Arun Thiagarajan
S. Rajagopalan
Bodapati Bhaskar
Directors

Place : Bangalore
Date : November 12, 2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	9313	State Code	8
Balance Sheet Date	31.09.2009		

II. Capital raised during the year (amount in Rs. Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liability	503,045	Total Assets	503,045
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Source of Funds

Paid-up Capital	46,000	Reserves & Surplus	450,836
Secured Loans	6,042	Unsecured Loans	-

Application of funds

Net Fixed Assets	92,054	Investments	-
Net Current Assets	410,992	Misc. Expenditure	-
Accumulated Losses	-		-

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

Turnover	677,798	Total Expenditure	660,466
Profit before Tax	17,332	Profit after tax	10,834
Earning per Share	2.36	Dividend Rate %	15%

V. General Names of Three Principal Products of Company (as per monetary terms)

Item Code No.	85179090
Product Description	Telecommunication Connectors / Parts / Products

Item Code No.	85079090
Product Description	Tools

Item Code No.	85444190
Product Description	Test Plugs

Item Code No.	85447090
Product Description	Fibre P/C

Signature to Schedules forming part of the Balance Sheet and Profit and Loss Account.

For and on behalf of the Board of Directors

Place : Bangalore
Date : November 12, 2009

R. Ganesh
Vice President - Finance
and Company Secretary

K. Bala Chandran
Chairman &
Managing Director

Arun Thiagarajan
S. Rajagopalan
Bodapati Bhaskar
Directors

SHAREHOLDER INFORMATION

1 Date, Time and Venue of the Annual General Meeting

Friday, January 22, 2010 at 10.30 am

Hotel Atria, No.1, Palace Road

Bangalore - 560 001

2 Financial Calendar (tentative and subject to change)	
Description	Dates
Financial Reporting – I Quarter Results	Friday, January 22, 2010
Financial Reporting – II Quarter Results	Thursday, April 29, 2010
Financial Reporting – III Quarter Results	Thursday, July 29, 2010
Financial Reporting – 2010 Year End Results	Thursday, November 18, 2010
Annual General Meeting	

3 Record Date / Date of Book Closure

January 12, 2010 to January 22, 2010 (both days inclusive)

4 Dividend Payment Date

Within the statutory time limit.

5 Listing on Stock Exchanges

Bombay Stock Exchange Limited (BSE)

Phiroze Jeejeebhoy Towers, Dalal Street

Mumbai 400 001

6 Stock Code

BSE - 523411

7 Registrar and Transfer Agents

Karvy Computershare Private Limited

17 - 24 Vittal Rao Nagar, Madhapur

Hyderabad 500 081

Ph: 040-23420815,-23420828

Fax: 040-23420814

e-mail :mailmanager@karvy.com

SHAREHOLDER INFORMATION

8 Shareholders complaints

Sl. No.	Nature of Complaints	Received	Resolved	Unresolved
1	Non receipt of share certificates / annual reports	2	2	0
2	Non receipt of Dividend Warrants	18	18	0
3	Queries relating to Demat / remat	0	0	0
4	Complaint from Stock Exchange	1	1	0
	Total	21	21	0

9 Market Price Data

Monthly high and low quotations at Mumbai Stock Exchange during the period are:

Months	KRONE price		BSE Sensex		KRONE price		BSE Sensex	
	High	Low	High	Low	High	Low	High	Low
November '08	78	62	10,945	8,316				
December '08	74	58	10,189	8,467	-5%	-6%	-7%	2%
January-09	76	59	10,470	8,632	3%	2%	3%	2%
February-09	66	51	9,725	8,619	-13%	-14%	-7%	0%
March-09	58	48	10,127	8,047	-12%	-6%	4%	-7%
April-09	74	51	11,492	9,546	28%	6%	13%	19%
May-09	104	63	14,931	11,621	41%	24%	30%	22%
June-09	94	71	15,600	14,017	-10%	13%	4%	21%
July-09	75	62	15,733	13,220	-20%	-13%	1%	-6%
August-09	97	69	16,002	14,684	29%	12%	2%	11%
September-09	115	85	17,143	15,357	19%	23%	7%	5%

10 Share Transfer System

The turnaround time for completion of transfer of shares in physical form is 30 days from the date of receipt if the documents are clear in all respects. The share transfer committee meets at frequent intervals for approving the share transfers.

11 Distribution of Shareholding as on 30 September 2009:

Category	No. of Shareholders	% to total number of shareholders	No. of shares	% to total number of shares
1 – 100	5139	71.29	368979	8.02
101 – 200	876	12.15	159011	3.46
201 – 500	703	9.75	258860	5.63
501 – 1000	264	3.66	208238	4.53
1001 – 5000	198	2.75	436552	9.49
5001 – 10000	16	0.22	111794	2.43
Above 10001	10	0.18	3056566	66.45
Total	7206	100.00	4600000	100.00

SHAREHOLDER INFORMATION

12 Categories of Shareholders as on 30 September 2009:

Category	No. of Shareholders	Total Shares	Percentage to Total
Foreign Collaborators – Promoter	1	2856967	62.11
Non Resident Indians	60	33060	0.72
Mutual Funds	4	700	0.02
Banks	4	380	0.01
Bodies Corporate	205	160865	3.50
Overseas Corporate Bodies	0	0	0.00
Public	6932	1548028	33.65
Total	7206	4600000	100.00

13 Dematerialisation of Shares

62.11% of the paid up capital is held by ADC GmbH and the public holds 37.89%.

2150785 shares representing 46.76% of the paid-up capital have been dematerialized as on 30 September 2009.

14 Outstanding ADR/GDR/Convertible : NIL

15 Plant location

No.10 ©, II Phase, Peenya Industrial Area
 Bangalore 560 058
 Ph: 28396101 / 28396291
 Fax: 28396104

16 Address for correspondence

Members can contact the Compliance Officer at the following address:

Mr. R. Ganesh
 KRONE Communications Limited
 No.10 ©, II Phase, Peenya Industrial Area
 Bangalore - 560 058
 Ph: 28396101 / 28396291
 Fax: 28396104
 Email: ganesh.r@adckrone.com

KRONE COMMUNICATIONS LIMITED
10(C), II Phase, Peenya, Bangalore - 560 058

ATTENDANCE SLIP

Twenty First Annual General Meeting January 22, 2010

Regd. Folio No.....

No. of Shares held.....

I hereby record my presence at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company at Hotel Atria, No. 1, Palace Road, Bangalore 560 001 at 10.30 a.m. on January 22, 2010.

Member's / Proxy's Name

Signature of Member / Proxy

Note: Please fill in this attendance slip and hand it over at the ENTRANCE OF THE MEETING HALL Members are requested to bring copies of the Annual Report to the Meeting.

KRONE COMMUNICATIONS LIMITED
10(C), II Phase, Peenya, Bangalore - 560 058

PROXY FORM

I/We of being a Member /
Members of Krone Communications Limited, hereby appoint of
..... as my / our proxy to vote for me/ us on my / our
behalf at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company to be held at Hotel Atria, No. 1,
Palace Road, Bangalore 560 001 at 10.30 a.m. on January 22, 2010.

Signed this.....day of.....2010

Note: This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the Meeting.

77