



Board of Directors:

Mr. G.Rama Manohar Reddy	-	Managing Director
Ms. G. Amulya Reddy	-	Director
Mr. G. Ramakrishna Reddy	-	Director

Company Secretary:

Mr. M. Chakrapani, A.C.S.

Registered Office:

3 C, Samrat Commercial Complex,
Opp. AG's Office, Saifabad, Khairatabad,
Hyderabad – 500 004 (AP)

Factory:

2-330, Thota Street,
YANAM – 533464 (Pondicherry)

R & D Centre:

4 A, Samrat Commercial Complex,
Opp. AG's Office, Saifabad, Khairatabad,
Hyderabad – 500 004 (AP)

Bankers:

State Bank of Hyderabad
Bellavista Branch,
Rajbhavan Road, Somajiguda,
Hyderabad-500 082 (AP)

Statutory Auditors:

M/s. AM Reddy & Co.,
Chartered Accountants
10-5-6/B, My Home Plaza,
Off: 103, II Floor, Masab Tank,
Hyderabad – 500 028 (AP)



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NOTICE

NOTICE is hereby given that Eleventh Annual General Meeting of members of Aishwarya Telecom Limited will be held on Friday the 25th August, 2006 at 11.30 a.m. at the Registered Office of the Company at No. 3C, Samrat Commercial Complex, Opp. AG Office, Saifabad, Khairatabad, Hyderabad – 500004 Andhra Pradesh, India to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit & Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of, Ms. G. Amulya Reddy who retires by rotation and being eligible has offered herself for reappointment.
4. To appoint M/s. A.M. Reddy & Co., Chartered Accountants, Hyderabad who shall hold office from the conclusion of this Annual General Meeting till conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. ISSUE OF BONUS SHARES

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

"RESOLVED THAT pursuant to recommendations of the Board of Directors and Article 121 of the Articles of Association of the Company, the consent of the Shareholders be and is hereby accorded to capitalise a sum of Rs.88,84,000/- (Rupees Eighty Eight Lakh Eighty Four Thousand only) and such sum be set free for distribution among the holders of existing equity shares of the company, whose names appear in the Register of Members of the Company on 25th August, 2006 as an increase of the amount of share capital of the company held by each such member and not as income or in lieu of dividend credited as Rs.10/- each fully paid-up equity shares as bonus shares in the proportion of one new equity shares for every five existing fully paid equity shares held on 25th August, 2006.

RESOLVED FURTHER THAT the above proposal be subject to following terms and conditions:

- (i) The new equity shares to be allotted as bonus shares will be allotted subject to the terms of the Memorandum & Articles of Association of the company.
- (ii) The new equity shares shall rank *pari-passu* in all respects with and carry the same rights as the existing fully paid-up equity shares of the company and notwithstanding the date or dates of allotment thereof shall be entitled to participate in full in any dividend to be declared.
- (iii) No letter of allotment will be issued by the company in respect of the new equity shares. However, the equity share certificates in respect thereof will be ready for delivery to the allottees within three months from the date of allotment thereof.

- (iv) That it is hereby recorded that subject to statutory limitation of dividend, if any, and provided cash resources are adequate and profits after taxation for the year are sufficient to cover the dividend plus transfers to reserves which may be required, it is the intention of the Board of Directors unless prevented by unforeseen circumstances to recommend the declaration of dividend of atleast Rs.1 per equity share on the share capital as increased by the proposed bonus issue in the financial year of the company immediately after the allotment of the said Bonus shares. This statement of intention is not a forecast.

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board/Committee of the Board be and is hereby authorised to do all such acts, deeds, matters and things whatsoever including settling any question, doubt or difficulty that may arise with regard to or in relation to the issue or allotment of the bonus shares”.

6. INVESTMENT IN THE PROPOSED JOINT VENTURE COMPANY:

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

“RESOLVED THAT pursuant to the provisions Section 372A and other applicable provisions if any, of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to invest by subscribing to Equity Shares of M/s. Aishwarya Futurtec Private Limited, a proposed Joint Venture Company between M/s. Aishwarya Telecom Limited and M/s. Futurtec OY, a Limited Liability Company incorporated under the laws of Finland upto a maximum amount of Rs.50 Lakhs, by way of funds generated from internal accruals of the company.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to take all decisions and to do all such acts, deeds and things as may be required to be done for investing the amount as approved by the company in this meeting.

Registered Office:

#3C, Samrat Commercial Complex,
Opp. AG's Office, Saifabad,
Khairatabad, Hyderabad – 500004 (AP)

By order of the Board,

Sd/-

(G. Rama Manohar Reddy)
Managing Director

Place : Hyderabad

Date : 31.07.2006

Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective, the proxy form duly completed and signed shall be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members are requested to notify immediately any change in their address to the Company's Registered Office.

EXPLANATORY STATEMENT
(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.5: ISSUE OF BONUS SHARES

The present paid-up share capital of the company is Rs.4,44,20,000/- and free reserves as on 31st March, 2006 are Rs.2,27,83,132/- The Directors have pleasure in proposing the Issue of Bonus shares in the ratio of One new fully paid Bonus Equity Share for every five existing equity shares. For this purpose, it is proposed to capitalise a sum of Rs. 88,84,000/- to be applied for the issue of 8,88,400 equity shares of Rs.10/- each on 25th August, 2006 fixed by the Board of Directors. The capitalisation will be done by withdrawing permissible amounts from the General Reserve Account and the Share Premium as mentioned in the Resolution. The said bonus shares will rank pari-passu in all respects with the existing 44,42,000 Equity Shares of Rs.10/- each of the Company from the date of allotment of which the date shall be 25th August, 2006. These shares will be entitled to participate in any dividend that may be declared in respect of any financial year beginning from 2006-07, but not barring unforeseen circumstances, your Directors intend to recommend the declaration and payment of a dividend of not less than Rs.1/- per equity share on the expanded capital for the year beginning from 2006-07.

The Directors of the Company may be deemed to be concerned or interested in this resolution to the extent of shares held by them and their relatives.

The Directors, therefore recommend the Special Resolution for the approval of the Shareholders.

Item No.6: INVESTMENT IN THE PROPOSED JOINT VENTURE COMPANY:

The Board of Directors of the Company during their business, have come across a product named Bridge Structural Health Monitoring System, a device which is used in construction of Bridges for Railways, Roadways etc., manufactured by a foreign company called Futurtec OY, a Limited liability company incorporated under the laws of Finland..

During the negotiations the company found that this will generate good revenues for the company and was interested to take the distributorship of the product from M/s. Futurtec OY. After entering into an MOU for distributorship, the foreign counterpart has proposed a special purpose Joint Venture Company be formed under the laws of India with the scope of local manufacturing and design of products, jointly undertaking Turnkey Projects, Supply Services and Products for all sectors of the Indian and Export, infrastructure market segments such as but not limited to Bridges, Roads and Railways.

The foreign counterpart and Indian company have decided to invest initially in the Joint Venture Company a sum of Euros € - 15000/- each and later to increase as the business increases. Consequently, the company and the foreign counterpart has applied to the Registrar of Companies for availability of the name M/s. Aishwarya Futurtec Private Limited and got the approval for availability of the name. The proposed company has to be incorporated with the Registrar of Companies, Andhra Pradesh under the provisions of the Companies Act, 1956 in due course.



The proposed Investment does not exceed the limits as stipulated under Section 372A of the Companies Act, 1956 or rules made thereunder.

The investments shall be provided from internal Accruals and/or such other mode as may be decided by the Board of Directors of the company from time to time.

The Directors accordingly, recommend the passing of this Special Resolution.

Directors may be deemed to be concerned or interested in the aforesaid resolution to the extent they are Directors in M/s. Aishwarya Futurtec Private Limited.

Registered Office:

#3C, Samrat Commercial Complex,
Opp.AG's Office, Saifabad,
Khairatabad, Hyderabad – 500004 (AP)

By order of the Board,

Sd/-

**(G. Rama Manohar Reddy)
Managing Director**

Place: Hyderabad.
Date: 31st July, 2006

DIRECTORS' REPORT

To

The Members of
AISHWARYA TELECOM LIMITED,

Your Directors have pleasure in presenting their ELEVENTH Annual Report together with the Audited Accounts for the year ended 31st March 2006.

REVIEW OF OPERATIONS

Your Company's performance during the year under review was encouraging mainly due to the increase in Trading Activities of the company.

During the year under review, your company has recorded a Profit After Tax (PAT) of Rs.2.35 Crores (previous year Rs.1.17 Crores)

During the year under review, your company has achieved a Turnover of Rs. 16.65 Crores when compared to the previous year turnover of Rs. 7.83 Crores

FINANCIAL RESULTS

(Rupees in Thousands)

Particulars	Current Year 2005-06	Previous Year 2004-05
Income from operations		
Sales	166504	78281
Increase in stocks	4530	622
Other Income	410	449
	171444	79352
Expenditure		
a) Trade Purchases	100374	36085
b) Manufacturing Expenses	9301	8414
c) Payment & Benefits to Employees	7075	6379
d) Administrative Expenses	17458	11498
Financial Charges	3236	2213
Depreciation	2975	1885
Net Profit for the year before tax	31323	12877
Provision for Taxation	7785	1142
Profit After Tax	23538	11735
Add: Balance brought from previous year	13055	3857
Balance available for appropriation	36593	15592
Appropriations:		
Transfer to General Reserve	2500	1000
Proposed Dividend	3154	1360
Income Tax on Distributed Profits	442	178
Balance Carried to Balance Sheet	30493	13054
Earnings per share	7.48	8.63
No. of Equity Shares	4442000	1360000

Your company's operations during the year witnessed a steady growth in the Telecom Testing Equipment Market. The performance has been excellent also due to Quality products, Excellent after sales services, Quick deliveries, Quick Calibration Services, and good marketing strategies.

Your company's performance on the Trading front is on a progressive platform even under the stiff competitive environment prevailing amongst the International Telecom equipment Players.

FUTURE PROSPECTS

Your company is targeting to introduce high end technologies, such as OTDR (MAINFRAME), ETHERNET TRAFFIC ANALYZERS, NETWORK SYNCHRONISATION PRODUCTS, in the coming two years. Your company is proposing to provide Quality Audit services to all mobile operators, to whom Quality Assessment and validation is mandatory as per TRAI norms. In light of the above developments the company is proposing for IPO projecting the project cost Rs.2600.00 Lakhs (Approx.) for Capital equipment, R&D, production, Quality Audit Services, land & building and working capital requirements.

A Joint Venture company with Futurtec OY, shall be incorporated in the name & style M/s. Aishwarya Futurtec Pvt. Ltd., to manufacture and promote Bridge Structural Health Monitoring System for rail and road infrastructure projects. This new company will be a subsidiary company to Aishwarya Telecom Ltd. Similarly, your company is looking for JVS with many other foreign companies with sophisticated technology to produce telecom products for domestic market at prices much lower than imported products due to saving in custom duty, zero excise duty and lower labour costs.

With the above developments, your Board of Directors are confident that your company would be in a position to increase its performance doubled in the forthcoming year. The Company has also taken certain initiatives towards reducing the cost of existing term and small personal loans, which would also help in enabling the company to utilise the funds effectively.

The company is eligible under Book-Building Process for going into the securities market for additional funds through Initial Public Offer during the current year under review.

DIRECTORS

Pursuant to Section 255 and 256 of the Companies Act, 1956, Ms. G. Amulya Reddy, Director retires by rotation and being eligible has offered herself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 and loss of the company for the year under review;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the accounts for the financial year ended 31st March 2006 on a 'Going Concern' basis.



AUDITORS

M/s. A.M. Reddy & Co., Chartered Accountants, Hyderabad, will hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letters from them to the effect that their reappointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

AUDIT REPORT

Audit Report for the year 2005-06 is annexed along with the Balance Sheet is self explanatory and has no adverse comments or reservations in the financial statements presented to the Shareholders.

PARTICULARS OF EMPLOYEES

There are no employees who come under the purview of the particulars required to be furnished pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Amendment) Act, 1988 and their salary does not exceed the prescribed limits.

MANAGERIAL REMUNERATION

	2005-06 Rs.	2004-05 Rs.
Mr. G. Rama Manohar Reddy, Managing Director	3,70,000	2,80,000
Ms. G. Amulya Reddy, Wholetime Director	2,05,000	1,70,000
Mr. G. Ramakrishna Reddy, Wholetime Director	1,25,000	0
	-----	-----
Total	7,00,000	4,50,000
	=====	=====

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Your company continued its commitment to develop and enhance its human resource potential. Your company's constant endeavour to implement best HR practices has resulted in uninterrupted harmonious industrial relations.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Additional information on Conservation of Energy, Technology absorption, Foreign Exchange Earnings and Outgo as required to be disclosed under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished below:

(a) Conservation of Energy

Conservation of energy is a continual process for the Company and all efforts are made to identify the areas where improvements can be affected.

(b) Technology Absorption

RESEARCH & DEVELOPMENT

1. Specific Areas in which R&D carried out by the company:

During the year under review, Research and Development efforts in the following areas strengthened by the company's operations through technology absorption, adaptation and innovation.

- (i) Optical Fibre Cable Networks
- (ii) Data Testing products
- (iii) Digital Communication products

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

- (i) Improved Technology
- (ii) Hand held products
- (iii) Low cost of production

3. Future Plan of Action

- (i) High end products
- (ii) Networking Products
- (iii) Defence related testers
- (iv) Bridge Monitoring Systems
- (v) Exports and new areas of markets

(c) Foreign Exchange Earnings and Outgo

Particulars	<i>(Rupees in lakhs)</i>	
	Current Year 2005-06	Previous Year 2004-05
Total Foreign Exchange Outgo	428.93	167.19
Total Foreign Exchange earned	3.06	16.93

ACKNOWLEDGEMENTS

Your Directors wish to express their gratitude and sincere thanks for the continuous support and encouragement extended to your Company by the Ministry of Telecom, State Bank of Hyderabad, State Bank of India and other Banks and various State and Central Governments Agencies and all other Clients of the terminal.

Your Directors wish to express their sincere thanks to the shareholders for having reposed confidence in the company and its management.

Your Directors place on record their appreciation of the contribution made by the employees at all levels, who through their competence, hard work, solidarity, co-operation and support, have enabled the company to continue its operation to the best satisfaction of all our customers.

For and on behalf of the Board of Directors,

Sd/-

Sd/-

Place : Hyderabad
Date : 31st July, 2006

(G. Ramakrishna Reddy) (G. Rama Manohar Reddy)
Director Managing Director

A.M.Reddy & CO.,
Chartered Accountants

10-5-6/B, My Home Plaza,
Off: 103, II Floor, Masabtank,
Hyderabad - 500 028
Ph: 23316426/23316912

AUDITORS' REPORT

The Members of
AISHWARYA TELECOM LIMITED, HYDERABAD.

1. We have audited the attached Balance Sheet of M/s. AISHWARYA TELECOM LIMITED as at 31st March, 2006 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 of India (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out 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 in paragraph 3 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance sheet and Profit and Loss Account 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 written representations received from the directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 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 to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956 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 31st March 2006 and;
 - (b) In the case of the Profit and Loss account, of the Profit for the year ended on that date.

**For A.M.REDDY & CO.,
CHARTERED ACCOUNTANTS**

Sd/-

**(CA. RAMANA REDDY A.V.)
PARTNER
Membership No. 024329**

**Place : Hyderabad
Date : 31.07.2006**

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date)

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets of the company have been physically verified by the management during the year as per a programme of verification, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification.

(c) In our opinion and according to the information and explanations given to us, during the year, the company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
2. (a) The stocks of finished goods and raw materials of the company have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, 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) On the basis of our examination of records of inventory, in our opinion, the company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and the book records were not material.
3. (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the registered maintained u/s.301 of the Companies, Act, 1956.

(b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the registered maintained u/s.301 of the Companies, Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of stores, raw materials including components, Plant & Machinery, equipment and other assets and with regard to the sale of goods and services. Further, on the basis of our examination and information and according to the explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.

5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the Register maintained under section 301 of the Act, have been so entered.

(b) In our opinion, and according to the information and explanations given to us, the company has not made any contracts or arrangements that need to be entered in the register maintained under section 301 of the Act, and exceeding the value of five lakh rupees in respect of any party during the year.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public to which the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are applicable.
7. The company does not have a formal internal audit department but the company's internal control procedures in different operational areas together with the internal checks conducted by the management during the year can be considered as an adequate system commensurate with the size and nature of its business.
8. The maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
9. (a) The company is generally regular in depositing provident fund and employee's state insurance dues with the appropriate authorities. However, the company is regular in depositing undisputed statutory dues including income tax, sales tax, wealth tax, service tax custom duty, excise duty, cess and other material statutory dues as applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2006 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess, which have not been deposited on account of any dispute.
10. The company has neither accumulated losses as on 31.03.2006 nor has it incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
11. The company has neither taken any term loans from a financial institution and a bank nor issued any debentures. Accordingly, the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 is not applicable to this company.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.



13. 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 are not applicable to this company.
14. 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 are not applicable to this company.
15. The company has not given any guarantees for loans taken by others, from banks or financial institutions, the terms and conditions, whereof, in our opinion, are prima facie prejudicial to the interest of the company.
16. In our opinion and according to the information and explanations given to us and on an overall examination, no term loans have been availed by the company during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by public issue, during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For A.M. REDDY & CO.,
CHARTERED ACCOUNTANTS**

Sd/-

**(CA. RAMANA REDDY A.V.)
PARTNER
Membership No. 024329**

**Place : Hyderabad
Date : 31.07.2006**



BALANCE SHEET AS AT 31ST MARCH, 2006

Particulars	Sche- dules	As at 31.03.06		As at 31.03.05	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
SHARE HOLDERS FUNDS:					
- Share Capital	"A"		44420000		18848940
- Resources & Surplus	"B"		22783132		15004842
LOAN FUNDS:					
- Secured Loans	"C"		12710690		14529000
- Unsecured Loans					
From Others			900000		200000
TOTAL			<u>80813822</u>		<u>48582782</u>
APPLICATION OF FUNDS:					
Fixed Assets:					
- Gross Block	"D"	31119940		17990176	
Less Depreciation Block		<u>7654030</u>		<u>4679373</u>	
Net Block			23465910		13310803
Current Assets, Loans & Advances					
- Inventories	"E"	10664322		5599957	
- Sundry Debtors		86124561		29798212	
- Cash & Bank Balances		959995		560032	
- Loans & Advances		18591083		18057665	
		<u>116339961</u>		<u>54015866</u>	
Less Current Liabilities & Provisions					
- Current Liabilities	"F"	47878525		17177450	
- Provisions		8856513		2547492	
		<u>56735038</u>		<u>19724942</u>	
Net Current Assets			59604923		34290924
Deferred Tax Liability (Net)			-3267011		-533945
Miscellaneous Expenditure (To the extent not written off or adjusted)					
- Deferred Revenue Expenditure			1010000		1515000
TOTAL			<u>80813822</u>		<u>48582782</u>

NOTES ON ACCOUNTS

"L"

VIDE OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF BOARD OF DIRECTORS

For A.M.REDDY & CO.

Chartered Accountants

Sd/-

Sd/-

Sd/-

(G. RAMAKRISHNA REDDY) (G. RAMA MANOHAR REDDY)

DIRECTOR

MANAGING DIRECTOR

(CA. RAMANA REDDY A.V.)

PARTNER

Sd/-

Place : Hyderabad

Date : 31.07.2006

(M.CHAKRAPANI)

COMPANY SECRETARY

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH' 2006

Particulars	Sche- dules	Current Year Rs.	Previous Year Rs.
INCOME			
- Sales		166504181	78280920
- Increase in Stocks	"G"	4530094	622779
- Other Income		409985	448662
TOTAL		<u>171444260</u>	<u>79352361</u>
EXPENDITURE			
- Trade Purchases		100373896	36085454
- Manufacturing Expenses	"H"	9301019	8413586
- Payments & Benefits to Employees	"I"	6776864	6379326
- Administrative Expenses	"J"	17458242	11497526
- Financial Charges	"K"	3236553	2213176
- Depreciation		2974657	1884847
- Preliminary expenses written off		0	950
TOTAL		<u>140121231</u>	<u>66474865</u>
Net Profit for the year before tax		31323029	12877495
Less: Provision for Taxation			
- Current Tax		4671257	1009757
- Fringe Benefit Tax		380611	0
- Deferred Tax		2733066	131962
		<u>7784934</u>	<u>1141719</u>
Profit after tax		23538095	11735776
Add: Balance Brought Forward from previous year		13054842	3856801
Balance available for appropriation		<u>36592937</u>	<u>15592577</u>
Appropriation:			
- Transferred to General Reserve		2500000	1000000
- Proposed Dividend		3154400	1360000
- Income Tax on Distributed Profits		442405	177735
- Balance carried to Balance Sheet		30496132	13054842
TOTAL		<u>36592937</u>	<u>15592577</u>

NOTES ON ACCOUNTS

"L"

VIDE OUR REPORT OF EVEN DATE**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS****For A.M.REDDY & CO.****Chartered Accountants**

Sd/-

Sd/-

Sd/-

(G. RAMAKRISHNA REDDY) (G. RAMA MANOHAR REDDY)
DIRECTOR MANAGING DIRECTOR
(CA. RAMANA REDDY A.V.)
PARTNER

Sd/-

Place : Hyderabad
Date : 31.07.2006
(M.CHAKRAPANI)
COMPANY SECRETARY



SCHEDULES TO ACCOUNTS:

	Rs.	As at 31.03.06 Rs.	Rs.	As at 31.03.05 Rs.
SCHEDULE - A				
SHARE CAPITAL:				
- Authorised 65,00,000 Equity Shares of Rs. 10/- each (Previous year 50,00,000 Equity Shares of Rs.10/- each)		<u>65000000</u>		<u>50000000</u>
- Issued, Subscribed & Paid - Up 44,42,000 Equity Shares of Rs. 10/- each fully paid up (Previous Year 18,78,000 Equity Shares of Rs.10/- each fully paid up) (Out of the above, 1314600 shares of Rs.10/- each have been issued as fully paid up bonus shares)		44420000		18780000
- Share Application Money Pending Allotment		0		68940
TOTAL		<u>44420000</u>		<u>18848940</u>

SCHEDULE - B

RESERVES & SURPLUS:

General Reserve

- Opening Balance	1950000		950000	
- Transferred during the year	<u>2500000</u>		<u>1000000</u>	
		4450000		1950000
- Profit & Loss Account	30496132		13054842	
Less: Capitalisation of profits for bonus shares issued 1314600 equity shares of Rs.10/- fully paid up	<u>13146000</u>		<u>0</u>	
		17350132		13054842
- Securities Premium A/c		983000		0
TOTAL		<u>22783132</u>		<u>15004842</u>

SCHEDULE - C

SECURED LOANS:

- Cash Credit from SBH	4188941		7052857	
- Short Term Loan from SBH	1500000		1500000	
- Medium Term Loan from :				
American Express	1849539		586506	
Citi Bank	374122		505523	
HDFC Bank	1368318		1484605	
Kotak Mahindra Bank	1336821		984568	
SIDBI	1190000		1925923	
Sunderam Finance	367345		489018	
- GE Money		535604		0
TOTAL		<u>12710690</u>		<u>14529000</u>



SCHEDULE - D

FIXED ASSETS:

Description of the Asset	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	Cost as at 1.4.05	Additions During the year	Total As at 31.03.06	As at 31.03.05	For the Year	Total As at 31.03.06	As at 31.03.06	As at 31.03.05
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
- Computers	1414957	268875	1683832	906035	264438	1170473	513359	508922
- Furnitures & Fixtures	512107	54506	566613	176958	66801	243759	322854	335149
- Optical Test Equipment	419000	920477	1339477	277184	60278	337462	1002015	141816
- R & D Equipment	14176863	11793736	25970599	2895651	2334706	5230357	20740242	11281212
- Office Equipment	390100	68470	458570	153496	38568	192064	266506	236604
- Vehicles	1077149	23700	1100849	270049	209866	479915	620934	807100
TOTAL	17990176	13129764	31119940	4679373	2974657	7654030	23465910	13310803



SCHEDULE - E		As at 31.03.06		As at 31.03.05
CURRENT ASSETS, LOANS & ADVANCES:	Rs.	Rs.	Rs.	Rs.
Inventories				
- Raw Materials	2564866		2030595	
- Finished Goods	<u>8099456</u>		<u>3569362</u>	
		10664322		5599957
Sundry Debtors (Unsecured, Considered Good)				
- Outstanding more than 6 months	4331334		4933328	
- Others	<u>81793227</u>		<u>24864884</u>	
		86124561		29798212
Cash & Bank Balances				
- Cash on Hand	790952		539309	
- Balance with Scheduled Bank in Current Accounts	<u>169043</u>		<u>20723</u>	
		959995		560032
Loans & Advances:				
- Margin Money	6756169		4764363	
- Deposits	6389156		3417025	
- Other Advances	995040		762638	
- Advance to Suppliers	3957866		7920381	
- Tax Deducted at Source	147833		117788	
- Prepaid Expenses	51710		29715	
- Interest Receivable	164874		45755	
- Technology Fund Receivable - DSIR	0		1000000	
- Advance Fringe Benefit Tax	123435		0	
- Professional Tax Recoverable	<u>5000</u>		<u>0</u>	
		18591083		18057665
TOTAL		<u><u>116339961</u></u>		<u><u>54015866</u></u>

SCHEDULE - F

CURRENT LAIBILITIES & PROVISIONS

Current Liabilities:				
- Creditors for Supplies	40244538		13727311	
- Creditors For Expenses	3854287		1339379	
- Advances From Customers	3779700		577200	
- Bank Overdraft	<u>0</u>		<u>1533560</u>	
		47878525		17177450
Provisions:				
- For Gratuity	207840		0	
- For Taxation	4671257		1009757	
- For Fringe Benefit Tax	380611		0	
- For Dividend	3154400		1360000	
- For Tax on Distributed Profits	<u>442405</u>		<u>177735</u>	
		8856513		2547492
		<u><u>56735038</u></u>		<u><u>19724942</u></u>

SCHEDULE - G		Current	Previous
INCREASE/DECREASE IN STOCKS		Year	Year
	Rs.	Rs.	Rs.
- Closing Stock			
Finished Goods		8099456	3569362
Less : Opening Stock			
Finished Goods		3569362	2946583
TOTAL		<u>4530094</u>	<u>622779</u>

SCHEDULE - H**MANUFACTURING EXPENSES:****Raw Materials:**

- Opening Stock	2030595	1443568
Add: Purchases	8312674	7489912
	<u>10343269</u>	<u>8933480</u>
Less: Closing Stock	2564866	2030595
	7778403	6902885
- Packing Material	543050	565000
- Testing & Calibration Expenses	318866	251701
- Excise Duty	660700	694000
TOTAL	<u>9301019</u>	<u>8413586</u>

SCHEDULE - I**PAYMENT & BENIFITS TO EMPLOYEES:**

- Salaries, Wages & Other	5263002	5238956
Benefits to employees		
- Staff Welfare	732022	708708
- PF Administration Charges	41344	29414
- PF Employers' Contribution	465322	335529
- ESI Employer Contribution	67334	66719
- Gratuity	207840	0
TOTAL	<u>6776864</u>	<u>6379326</u>

SCHEDULE - J

	Current Year Rs.	Previous Year Rs.
ADMINISTRATIVE & SELLING EXPENSES:		
- Directors Remuneration	700000	450000
- Insurance	207538	106009
- Internet Expenses	8352	120126
- R&D Recurring Expenses	2718125	1640905
- Legal & Professional Charges	264405	219114
- Local Conveyance	284362	129098
- Misc. Expenses	41308	76643
- Subscription, Books & Periodicals	70894	65009
- Office Electricity & Maintenance	667531	576466
- Postage & Telegrams	141938	161688
- Printing & Stationery	572745	389224
- Professional Tax	2500	7500
- Recruitment Charges	64166	93878
- Donations	2000	26550
- Rates & Taxes	16160	28138
- Consultation Charges	666480	475350
- Repairs & Maintenance	316498	164621
- Testing & Calibration Expenses	1027803	0
- Telephone Fax & Pager Expenses	713940	430696
- Tour & Travelling Expenses:		
Directors	883228	508211
Others	2791504	2396018
- Auditors Remuneration	72950	66120
- Regn. Licence & Filing Fees	623623	213496
- Royalty	130000	0
- Advertisement Expenses	389169	144551
- Agency Commission	627290	592448
- Tender Expenses	108961	64438
- Business Promotion Expenses	132650	307912
- Discount on Sales	190336	268457
- Carriage Outwards	453591	289622
- Incentives & Discounts	119950	440336
- Sales Tax	2002745	1044902
- Bad debts written off	445500	0
TOTAL	<u>17458242</u>	<u>11497526</u>

SCHEDULE - K

FINANCIAL CHARGES:

- Bank Charges & Interest	775123	451738
- Loan Processing Fees	54875	54700
- Interest on CC A/C	1362820	1065367
- Interest on Short Term Loans	940472	550421
- Interest on Income Tax	103263	90950
TOTAL	<u>3236553</u>	<u>2213176</u>

SCHEDULE 'L'

NOTES ON ACCOUNTS

1. **Contingent Liabilities not provided for:**

	Rs. Lakhs
a. Bank Guarantees	49.97
b. Letter of Credit	196.05

2. **Disclosure of significant Accounting Policies:**

a) **GENERAL:** The financial statements are prepared under the historical cost convention and comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the companies Act, 1956 and the same is prepared on a going concern basis

b) **Fixed Assets**

All fixed assets are stated at cost less depreciation and any attributable cost for bringing the asset to working conditions.

c) **Revenue Recognition of Income & Expenditure**

All income and expenditure are accounted on accrual basis.

d) **Depreciation:**

Depreciation on fixed assets is provided on written down value method at the rates specified in Schedule XIV of the Companies Act, 1956.

e) **Inventories**

Raw materials are valued at cost. Finished Goods are valued at cost or net realizable value whichever is lower.

f) **R & D Expenditure**

R & D expenditure incurred by the company are debited to profit and loss account to the extent of revenue in nature and capitalized for the capital expenditure. Grants received to meet R & D expenditure was adjusted proportionately against R & D revenue & capital expenditure.

3. The company has set up an industrial undertaking at Yanam State of Pondicherry under Backward states. The company has also registered with Director of Industries and Commerce, Pondicherry as SSI Unit. As per provisions of Section 80 IB, the company is eligible for deduction at 100% profit earned for the unit for a period of 5 years and 30% of profits for the next 5 years. Therefore, the provision for tax has been made after claiming the deduction under section 80 IB.

4. Managerial Remuneration:

	2005-06	2004-05
	Rs.	Rs.
Managing Director	370000	280000
Whole Time Director	205000	170000
Whole Time Director	125000	0
TOTAL	700000	450000

5. Auditors' Remuneration:

	2005-06	2004-05
	Rs.	Rs.
As Auditors	55000	50000
Tax Audit Fees	10000	10000
Service Tax	7950	6120
TOTAL	72950	66120

6. Particulars of employees required under section 217(2A) of the companies Act, 1956 and the rules framed there under is not applicable as none of the employees are in receipt of gross remuneration as per the details prescribed in these rules.
7. Paise have been rounded off to the nearest rupee. Previous year figures have been regrouped wherever if thought necessary in conformity with the Current year groupings.
8. Segment Reporting as per AS-17 is not applicable to this company.
9. **Earning per Share**

The numerators and denominators used for calculation of EPS

	Year ended	Year ended
	31-03-06	31-03-05
	Rs	Rs
a) Profit available to the Equity shareholders	23538095	11735776
b) No. of Equity shares	4442000	1360000
c) Nominal value of share	10	10
d) Earning per Share	7.48	8.63

Earning Per Share has been calculated for the year 2005-06 as per Accounting Standard – 20 "Earning Per Share" on the basis of weighted average number of shares. The company allotted 1,62,200 equity shares in the month of March, 2006 therefore for the purpose of calculation of EPS those shares were not considered.

10. In compliance with the Accounting Standard "AS-22 Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the company has additionally provided Rs.27,33,066/- towards deferred tax liability in the year 2005-06. The major components of deferred tax assets and liabilities arising on account of timing differences in depreciation.

11. Sundry Debtors and Sundry Creditors are subject to confirmation with the respective parties.
12. Foreign Exchange Earnings & Out Go:
- Foreign Exchange Earnings – Rs. 3.06 lakhs
(Previous year Rs.16.93 lakhs)
 - Foreign Exchange Outgo – Rs.428.93 lakhs
(Previous year – Rs. 167.19 lakhs)

13. Additional information in pursuant to provisions required under Para 4 of Part II of Schedule VI of the companies Act, 1956.

Details of Raw Material Consumed

Particulars	2005-06		2004-05	
	Qty Nos.	Value Rs. Lakhs	Qty Nos.	Value Rs. Lakhs
IC	1598	18.76	1257	14.75
E. Prom	2869	6.66	2261	5.25
IC-74373	2787	16.15	2083	12.07
IC – 2864	2542	14.12	2163	12.02
Transformers	9865	2.01	8754	1.78
Micro Processors	4987	1.32	4587	1.22
PCB's	3267	1.65	2817	1.42
Batteries	887	5.48	758	4.69
Others		11.63		8.29
		77.78		61.49

DETAILS OF OPENING STOCK, PRODUCTION, SALES AND CLOSING STOCK:

Opening Stock:

Particulars	2005-06		2004-05	
	Qty Nos.	Value Rs. Lakhs	Qty Nos.	Value Rs. Lakhs
Low Insulation Cable Fault Locator	15	11.10	8	5.98
Cable Route Indicator	5	4.05	6	2.52
Pulse Echo Meter / TDR	3	3.19	11	3.18
Line & Dial Tester	2	0.15	4	0.20
Multi Core Testers	4	0.29	3	0.30
Digital Earth Resistance Tester	7	1.40	4	1.40
Fault master 111	1	5.04	21	9.58
Power	1	0.28	0	0
Light Source	5	3.30	0	0
		28.80		23.16

Production:

Particulars	2005-06		2004-05	
	Qty Nos.	Value Rs. Lakhs.	Qty Nos.	Value Rs. Lakhs.
Low Insulation Cable Fault Locator	122	--	25	--
Cable Route Indicator	0	--	45	--
Pulse Echo Meter / TDR	0	--	113	--
Line & Dial Tester	0	--	6	--
Multi Core Testers	0	--	5	--
Fault Master 111	181	--	102	--
Power Meter	75	--	32	--
Light Source	35	--	44	--

Sales:

Particulars	2005-06		2004-05	
	Qty Nos.	Value Rs. Lakhs	Qty Nos.	Value Rs. Lakhs
Low Insulation Cable Fault Locator	114	60.37	18	13.32
Cable Route Indicator	5	4.05	45	37.24
Pulse Echo Meter / TDR	3	0.87	113	32.77
Line & Dial Tester	2	0.10	7	0.35
Multi Core Testers	4	0.68	6	0.87
Digital Earth Resistance Tester	7	5.46	0	0.00
Fault Master 111	153	73.44	116	83.52
Power	43	12.04	31	8.68
Light Source	13	5.46	39	25.74
		162.47*		202.49

*Due to innumerable number of items, the quantitative details of trading purchases and sales are not included.



Closing Stock:

Particulars	2005-06		2004-05	
	Qty Nos.	Value Rs. Lakhs	Qty Nos.	Value Rs. Lakhs
Low Insulation Cable Fault Locator	23	17.02	15	11.10
Cable Route Indicator	0	0	5	4.05
Pulse Echo Meter	0	0	11	3.19
Line & Dial Tester	0	0	3	0.15
Multi Core Testers	0	0	2	0.29
Digital Earth Resistance Tester	0	0	4	1.40
Fault Master 111	29	20.88	7	5.04
Power	33	6.36	1	0.28
Light Source	27	17.82	5	3.30
		62.08		28.80

Notes: Schedules and statement on accounting policies form an integral part of the balance sheet and profit and loss account.

SIGNATURES TO SCHEDULES 'A' TO 'L'

VIDE OUR REPORT OF EVEN DATE FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,
For A.M. REDDY & CO.,
CHARTERED ACCOUNTANTS,

Sd/-

Sd/-

Sd/-

(G. RAMAKRISHNA REDDY) (G. R. MANOHAR REDDY)
DIRECTOR MANAGING DIRECTOR

(CA. RAMANA REDDY A.V.)
PARTNER

Sd/-

Place : Hyderabad
Date : 31.07.2006

(M.CHAKRAPANI)
COMPANY SECRETARY

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. **01-20569** of **1995-96** State Code: **01**
 Balance Sheet Date **31st March, 2006**

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Rights Issue
Nil	Nil
Bonus Issue	Private Placement
13146	12494

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

Total Liabilities	Total Assets
80813	80813

Sources of Funds:

Paid-up Capital	Reserves & Surplus
44420	22783
Secured Loans	Unsecured Loans
12711	900

Application of Funds:

Net Fixed Assets	Investments
23466	Nil
Net Current Assets	Misc. Expenditure
59605	1010
Accumulated Losses	
Nil	

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

Turnover & Other Income	Total Expenditure	
171444	140121	
Profit Before Tax	Profit after Tax	
31323	23538	
Earning per Share in Rs.	Dividend	Rate (%)
7.48	3154	10

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

Item Code No. (ITC Code)	Manufacturers and Traders of Telecom Testing Equipments
Product Description	
Item Code No. (ITC Code)	
Product Description	--
Item Code No. (ITC Code)	--
Product Description	

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sd/-

Sd/-

Place : Hyderabad
 Date : 31.07.2006

(G. RAMAKRISHNA REDDY)	(G. RAMA MANOHAR REDDY)
DIRECTOR	MANAGING DIRECTOR