



**Board of Directors:**

Mr. G. Ramakrishna Reddy	-	Chairman
Mr. G.Rama Manohar Reddy	-	Managing Director
Ms. G. Amulya Reddy	-	Whole-time Director
Mr. K. Hari Krishna Reddy	-	Director
Mr. D. Venkata Subbiah	-	Director
Mr. V. Krishnan	-	Director

**Company Secretary:**

Mr. CS. Bhavani Prasad. C.N

**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)

**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)

**Factory:**

Plot No:F-102  
UPSIDC Industrial Area  
Selaqui, Dehradun-248 008  
Uttarakhand

**Bankers**

State Bank of Hyderabad



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## NOTICE

NOTICE is hereby given that Twelfth Annual General Meeting of members of Aishwarya Telecom Limited will be held on Monday the 25<sup>th</sup> June, 2007 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 31<sup>st</sup> March, 2007 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, Mr. G. Rama Krishna Reddy who retires by rotation and being eligible has offered himself 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. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

"RESOLVED that Mr K Hari Krishna Reddy, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 101 of the Articles of Association of the Company and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, under Section 257 of the Companies Act, 1956, from a Member signifying his intention to propose Mr K Hari Krishna Reddy as a candidate for the office of a Director of the Company, be and is hereby appointed as Director of the Company liable to retire by rotation."

6. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

"RESOLVED that Mr D Venkata Subbiah, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 101 of the Articles of Association of the Company and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, under Section 257 of the Companies Act, 1956, from a Member signifying his intention to propose Mr D Venkata Subbiah as a candidate for the office of a Director of the Company, be and is hereby appointed as Director of the Company liable to retire by rotation."



7. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

**"RESOLVED that Mr Venkataraman Krishnan, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 101 of the Articles of Association of the Company and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, under Section 257 of the Companies Act, 1956, from a Member signifying his intention to propose Mr Venkataraman Krishnan as a candidate for the office of a Director of the Company, be and is hereby appointed as Director of the Company liable to retire by rotation."**

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

**"RESOLVED that pursuant to the provisions of Sections 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or reenactment there of) and the Articles of Association of the Company, and subject to the regulations/rules/guidelines issued by the Government of India, Foreign Investment Promotion Board (herein after referred to as "FIPB"), secretariat for Industrial Assistance (herein after referred to as "SIA"), Government of India, Reserve Bank of India (herein after referred to as "the RBI") and /or under Foreign Exchange Management Act, 1999 (herein after referred to as "FEMA"), such approvals, permissions, sanctions and consents as may be necessary and required under applicable laws, rules, regulations and contracts, and on such terms, conditions, alterations, modifications, corrections, changes and variations, if any, that may be stipulated under such approvals, permissions, sanctions and consents, (which may be accepted by the Board of Directors of the Company), as the case may be, consent of the Company, be and is hereby accorded to the Board of Directors (which term shall include any duly constituted and authorized committee thereof) for offering, issuing and allotting on a private placement and/or preferential basis to Sri G Rama Manohar Reddy, Smt. G Amulya Reddy and Sri B Avinash Reddy, promoter and his relatives, in one or more tranches and on such terms and conditions and in such manner up to 1,29,000 Equity Shares of Rs.10 each for cash at a premium of Rs.30 per share, as may be approved or finalized by the Board of Directors."**

**"RESOLVED further that for the purpose of giving effect to the aforesaid special resolution under Section 81 (1A) of the Companies Act, 1956, the Board of Directors (which term shall include any duly constituted and authorized committee thereof) of the Company be and is hereby authorized to take such steps and to do all such other acts, deeds, matters and things and accept any alteration(s) or amendment(s) or correction(s) or modification(s) as it may deem fit and appropriate and give such directions/ instructions as may be necessary to settle any question, difficulty or doubt that may arise in regard to offer, issue, allotment of the said Equity Shares."**



"RESOLVED further that the Equity Shares to be issued and allotted shall rank pari passu with the existing Equity Shares of the Company in all respects."

Registered Office:

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

**By order of the Board,**

Sd/-

**(G. Rama Krishna Reddy)**  
Chairman

Place : Hyderabad  
Date : 31-05-2007

**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. An Explanatory statement as required U/s 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto.
4. 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**

Mr K Hari Krishna Reddy was appointed by the board of Directors of the Company on 31-08-2006 as an additional Director and, as per the provisions of Sec:260 of the Companies Act,1956, he holds office as a Director up to the date of this Annual General Meeting. The Company has received a Notice from a Member alongwith a deposit of Rs:500, signifying his intention to propose the appointment of Mr K Hari Krishna Reddy as a Director of the Company.

The Directors commend the passing of the Resolution at Item No:5.

Mr K Hari Krishna Reddy may be deemed to be concerned or interested in the Resolution relating to his appointment.

**Item No:6**

Mr D Venkata Subbiah was appointed by the board of Directors of the Company on 15-09-2006 as an additional Director and, as per the provisions of Sec:260 of the Companies Act,1956, he holds office as a Director up to the date of this Annual General Meeting. The Company has received a Notice from a Member alongwith a deposit of Rs:500, signifying his intention to propose the appointment of Mr D Venkata Subbiah as a Director of the Company.

The Directors commend the passing of the Resolution at Item No:6

Mr D Venkata Subbiah may be deemed to be concerned or interested in the Resolution relating to his appointment.

**Item No:7**

Mr Venkataraman Krishnan was appointed by the board of Directors of the Company on 28-05-2007 as an additional Director and, as per the provisions of Sec:260 of the Companies Act,1956, he holds office as a Director up to the date of this Annual General Meeting. The Company has received a Notice from a Member alongwith a deposit of Rs:500, signifying his intention to propose the appointment of Mr Venkataraman Krishnan as a Director of the Company.

The Directors commend the passing of the Resolution at Item No:7

Mr D Venkataraman Krishnan may be deemed to be concerned or interested in the Resolution relating to his appointment.

**Item No:8**

Your Company has embarked upon a growth plan and has initiated steps to augment resources for meeting long term working capital requirements and general corporate purposes. The Company is in the process of making an Initial Public Offering pursuant to the resolution passed by the members in their meeting held on 15<sup>th</sup> February, 2007.



In the meanwhile, pending the proposed issue, the Company proposes to offer 1,29,000 Equity Share of Rs.10 each for cash at a premium of Rs.30 per share on preferential allotment basis to the promoters of the Company. The Equity Shares on a preferential allotment basis is offered for subscription only to the proposed allottees who have indicated that they would be willing, subject to necessary permissions in this regard to participate in the Equity Shares of the Company.

The disclosures as required under Rule 6 of Unlisted Public Companies (Preferential Allotment) Rules, 2003 is given below.

#### 1. The Objects of the issue through preferential offer

The objects of the proposed issue of Equity Shares to the proposed allottees is to augment the resources of the Company for meeting long term working capital requirements and general corporate purposes.

#### 2. Intention of Promoters/Directors / Key Management Persons to Subscribe to the Offer

Sri G Rama Manohar Reddy, promoter and Managing Director of the Company and his relatives are subscribing to the Equity Shares being issued on preferential basis.

#### 3. The Classes or Classes of Persons to whom the allotment is proposed to be made

- a. Promoters and their relatives

#### 4. The Price or Price Band at which the allotment is proposed

The Equity Shares are to be issued to the investors at a price of Rs.10each per share for cash at a premium of Rs.30 per share.

#### 5. Relevant Date on the basis of which price has been arrived at

The relevant date is taken as 31st day of May, 2007.

#### 6. Proposed time within which the allotment shall be completed

The allotment of the Equity Shares being issued on preferential basis is proposed to be made within a period of 12 months from June 25, 2007, being the date on which the shareholders approval is obtained for the preferential issue.

#### 7. Change in Control or Management

The issue of Equity Shares as aforesaid will not result in change in the management or control of the Company.

#### 8. Shareholding Pattern of the Promoters and other classes before and after the proposed issue of Equity Shares pursuant to the resolution.

Category	Pre-Issue		Post-Issue	
	No. of Shares	%	No. of Shares	%
! Promoters	53,30,400	100.00	54,59,400	100.00
Total	53,30,400	100.00	54,59,400	100.00



## 9. Auditors Certificate

A Certificate as required certifying that the proposed issue is in accordance with the rules under Unlisted Public Companies (Preferential Allotment) Rules, 2003 has been obtained from the Auditors of the Company and will be available for inspection prior to the date of the Annual General Meeting at the Registered Office of the Company between 10 AM and 1 PM on any working day.

Sri G Rama Manohar Reddy, Smt. G Amulya Reddy and Sri G Rama Krishna Reddy are concerned or interested in the resolution and none of the other Directors interested or concerned in the resolution.

Registered Office:

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

By order of the Board,

Sd/-

(G. Rama Krishna Reddy)  
Chairman

Place: Hyderabad.  
Date: 31st May, 2007





## DIRECTORS' REPORT

To

The Members of  
**AISHWARYA TELECOM LIMITED,**

Your Directors have pleasure in presenting their TWELFTH Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March 2007

### 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. 3.03 Crores (previous year Rs.2.35 Crores)

During the year under review, your company has achieved a Turnover of Rs. 22.00 Crores when compared to the previous year turnover of Rs. 16.65 Crores

### FINANCIAL RESULTS

*(Rupees in Thousands)*

Particulars	2007	2007	2006	2006
<b>Income from operations</b>				
Sales	<b>220016</b>		<b>166504</b>	
Increase in stocks	<b>6373</b>		<b>4530</b>	
Other Income	<b>1234</b>	<b>227623</b>	<b>410</b>	<b>171444</b>
<b>Expenditure</b>				
a) Trade Purchases		<b>134591</b>		<b>100374</b>
b) Manufacturing Expenses		<b>7705</b>		<b>9301</b>
c) Payment & Benefits to Employees		<b>8406</b>		<b>6777</b>
d) Administrative Expenses		<b>22326</b>		<b>17458</b>
<b>Financial Charges</b>		<b>6788</b>		<b>3236</b>
<b>Depreciation</b>		<b>4696</b>		<b>2975</b>
<b>Net Profit for the year before tax</b>		<b>43111</b>		<b>31323</b>
Provision for Taxation		<b>12812</b>		<b>7785</b>
<b>Profit After Tax</b>		<b>30299</b>		<b>23538</b>
Add: Balance brought from previous year		<b>17350</b>		<b>13055</b>
<b>Balance available for appropriation</b>		<b>47649</b>		<b>36593</b>
<b>Appropriations:</b>				
Transfer to General Reserve		<b>3000</b>		<b>2500</b>
Proposed Dividend		<b>4975</b>		<b>3154</b>
Income Tax on Distributed Profits		<b>698</b>		<b>442</b>
Balance Carried to Balance Sheet		<b>38976</b>		<b>30493</b>
Earnings per share		<b>5.68</b>		<b>5.30</b>
No. of Equity Shares		<b>5330400</b>		<b>4442000</b>

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**

### **INITIAL PUBLIC OFFER:**

The Company is planning for an IPO (Initial Public Offer) with an offer amount of Rs.24.00 Crores for the purpose of expansion of Company's business activities into various areas.

For this purpose Company has appointed M/s SREI Capital markets Limited as Book Running Lead Managers to look after the Issue.

### **HIGH END TECHNOLOGIES:**

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, for which Quality Assessment and validation is mandatory as per TRAI norms. In light of the above developments to be taken the company proposing for IPO projecting the project cost Rs.2400.00 Lakhs (Approx.) for Capital equipment for R&D, production, Quality Audit Services, land & building and working capital requirements.

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.

### **COMMERCIAL ACTIVITY AT DEHRADUN :**

Your company has set up a manufacturing unit at Dehra Dun, State of Uttarakhand to take benefits of the Excise Duty and Tax concessions available to backward states.

Many Foreign Companies are interested to give Technology transfer or assemble their products at Dehra Dun to avail these concessions for cost savings and sell the products at lower price to the Govt Organisations like BSNL, MTNL, IIT, Railways etc to increase the market share.

## **DIRECTORS**

Pursuant to Section 255 and 256 of the Companies Act, 1956, Mr. G. Rama Krishna Reddy, Director retires by rotation and being eligible has offered himself 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 31<sup>st</sup> March, 2007, 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 31<sup>st</sup> March 2007 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 2006-07 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

	2006-07	2005-06
	Rs.	Rs.
Mr. G. Rama Manohar Reddy, Managing Director	3,90,000	3,70,000
Ms. G. Amulya Reddy, Wholetime Director	2,10,000	2,05,000
Mr. G. Ramakrishna Reddy, Chairman	62,500	1,25,000
Total	6,62,500	7,00,000
	=====	=====



## CORPORATE GOVERNANCE:

Corporate governance is about maximising shareholder value legally, ethically on a sustainable basis, while ensuring fairness to every stakeholder- the Company's customers, employees, investor's vendor- partners, the government of the land and the community. Thus Corporate Governance is a reflection of the Company's culture, policies, its relationship with the stake holders and its commitment to values

The directions issued by the SEBI vide SEBI/CFD/DIL/CG/1/2004/12/10 dated October 29, 2004 under Clause 49 of the Listing Agreement in respect of Corporate Governance are applicable to the Company immediately upon seeking in-principle approval from the Stock Exchange(s) for listing of the Equity Shares on the various stock exchanges.

The Company complies with the norms for composition of the Board of Directors and has already set up an Audit Committee, Remuneration Committee and Shareholders' Grievance Committee. The Company has complied with SEBI Guidelines in respect of Corporate Governance specially with respect to broad basing of the Board, constituting the various committees as required. The details are under:

### **Composition of the Board of Directors**

The Composition of Board of the Company is in conformity with clause 49 of the listing agreement and comprises one-half Independent Directors. The Issuer Company has already appointed three (3) independent directors, viz. Mr D Venkata Subbiah, Mr K Hari Krishna Reddy and Mr Venkataraman Krishnan on its Board. As the Chairman of the Company is a Non-Executive Director, one-half of the Board of Directors comprise of Independent Directors.

The Board of Directors comprises a total of six (6) Directors, which includes one (1) Non-Executive Chairman, one (1) Managing Director, one (1) Whole Time Director and three (3) Independent Directors.

The composition of the Board of Directors is as under:

Name of the Director	Designation	Status
Mr G Rama Krishna Reddy	Chairman	Non Executive & Independent
Mr G Rama Manohar Reddy	Managing Director	Executive Director
Mrs G Amulya Reddy	Whole-Time Director	Executive Director
Mr D Venkata Subbiah	Director	Non Executive & Independent
Mr K Hari Krishna Reddy	Director	Non Executive & Independent
Mr Venkataraman Krishnan	Director	Non Executive & Independent

The Issuer Company has already formed the following Committees:



## **Audit Committee**

The Audit committee was constituted on September 15, 2006 and has the following terms of reference and composition:

### **Terms of Reference**

Overseeing the company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;

Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditors and fixation of audit fees;

Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

Reviewing with management the annual financial statements before submission to the Board for approval, with particular reference to matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report; changes, if any, in accounting policies and practices and reasons for the same; major accounting entries involving estimates based on the exercise of judgement by management; significant adjustments made in the financial statements arising out of audit findings; compliance with listing and other legal requirements relating to financial statements; disclosure of any related party transactions; and qualifications in the draft Audit Report;

Reviewing with management, the quarterly financial statements before submission to the Board for approval;

Reviewing with management, performance of statutory and internal auditors, and adequacy of internal systems;

Reviewing adequacy of internal audit functions, if any, including the structure of the internal audit department staffing and seniority of the officials heading the department, reporting structure, coverage and frequency of internal audit;

Discussions with internal auditors, any significant findings and follow-up thereon;

Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors; and

To review the functioning of the Whistle Blower mechanism, in case the same exists.

### **Composition**

Mr K Hari Krishna Reddy – Chairman (Independent Director)

Mr D Venkata Subbiah – Member (Independent Director)

Mr G Rama Krishna Reddy – Member (Non-Executive Director)

The Internal Auditors, Statutory Auditors and the person in-charge of finance and accounts of the Company are permanent invitees. The Company Secretary of the Company is the Secretary to the Committee.

#### **Remuneration Committee:**

The Remuneration Committee was constituted on September 15, 2006, and has the following terms of reference and composition:

#### **Terms of Reference:**

To review, assess and recommend the appointment of executive and non-executive directors from time to time, to periodically review the remuneration package of the executive directors and recommend suitable revision to the Board in accordance with the Companies Act, to consider and recommend Employee Stock Option Schemes (if any) from time to time and to administer and superintend the same.

#### **Composition:**

Mr K Hari Krishna Reddy – Chairman (Independent Director)  
Mr D Venkata Subbiah – Member (Independent Director)  
Mr G Rama Krishna Reddy - Member (Non-Executive Director)

The Company Secretary of the Company is the Secretary to the Committee.

#### **Remuneration Policy:**

Remuneration of employees largely consists of base remuneration, perquisites and performance incentives. The components of the total remuneration vary for different cadres and are governed by industry pattern, qualifications, and experience of the employee, responsibilities handled by him, individual performance etc.

Notice period for termination of appointment of Managing Director and Whole time Director is three months on either side. No severance pay is payable on termination of appointment.

Non-Executive Directors: No remuneration was paid to Non-Executive Directors during the financial year 2005-06.

#### **Shareholder's Grievances Committee**

The Shareholder's Grievances Committee was constituted on September 15, 2006. This Committee has been constituted to specifically to redress the shareholders and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. It has the following terms of reference and composition:

#### **Terms of Reference:**

To look into the shareholder complaints, if any, and to redress the same expeditiously; and To do all the necessary things as may be required from time to time under the Companies Act, 1956 and other related enactment.

#### **Composition:**

Mr G Rama Krishna Reddy – Chairman (Non-Executive Director)  
Mr D Venkata Subbiah – Member (Independent Director)  
Mr K Hari Krishna Reddy – Member (Independent Director)



The Company Secretary of the Company is the Secretary to the Committee.

### **Share Transfer Committee**

The Share Transfer Committee was constituted on September 15, 2006. This Committee has been constituted to specifically look into the transfer and/or transmission of shares lodged by the investors and any other matter related thereto. It has the following terms of reference and composition:

#### **Terms of Reference:**

To accept the share application along with the share application money and reject the application as may be deem fit and proper;

To do all work relating to transfer, transmission, consolidation, split and issue of duplicate shares of the company;

To do all the necessary things as may be required from time to time under the Companies Act, 1956 and other related enactment; and

To take on record the transfer/transmission effected by the RTA and/or the person to whom the power to approve the transfer/transmission has been delegated.

#### **Composition:**

Mr G Rama Manohar Reddy – Chairman (Managing Director)

Mr G Rama Krishna Reddy – Member (Non-Executive Director)

Mr K Hari Krishna Reddy – Member (Independent Director)

The Company Secretary of the Company is the Secretary to the Committee.

### **Management Committee:**

The Management Committee was formed on September 15, 2006 and has the following terms of reference and composition:

#### **Terms of Reference:**

To take decisions relating to any matter arising pre or post in respect of Initial Public Offer to the public and to deal with SEBI, Stock exchanges, all intermediaries and to do all such acts and things as may be deemed necessary for the purpose; and

To monitor deployment of issue proceeds.

#### **Composition:**

Mr G Rama Manohar Reddy – Chairman (Managing Director)

Mrs G Rama Krishna Reddy – Member (Non-Executive Director)

Mr K Hari Krishna Reddy – Member (Independent Director)

The Company Secretary of the Company is the Secretary to the Committee.



## 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 (R&D)

#### 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) Mobile Testers
- (ii) Data Testers
- (iii) Fibre optic Testers
- (iv) Copper Telephone cable Testers

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

- (i) Improved Technology
- (ii) Hand held products for Private telephone service providers
- (iii) Low priced products & Less raw material

#### 3. Future Plan of Action

- (i) End Network testers for Mobile operators
- (ii) Turnkey solutions for Defence & Telecom areas
- (iii) Defence related testers
- (iv) Bridge Monitoring Systems for Infrastructure sectors like Railway bridges & Road bridges
- (v) Exports and education segment



**(c) Foreign Exchange Earnings and Outgo**

Particulars	Current Year 2006-07	(Rupees in lakhs)
		Previous Year 2005-06
Total Foreign Exchange Outgo	887.76	428.93
Total Foreign Exchange earned	32.76	3.06

**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 May, 2007

(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 PRIVATE LIMITED,  
HYDERABAD.

1. We have audited the attached Balance Sheet of M/s.AISHWARYA TELECOM LIMITED as at 31<sup>st</sup> March, 2007 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 31<sup>st</sup> March, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2007 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 31<sup>st</sup> March 2007 and:
- (b) in the case of the Profit and Loss account, of the Profit for the year ended on that date.

PLACE : HYDERABAD.  
DATE : 31.05.2007

for A.M.REDDY & CO.,  
CHARTERED ACCOUNTANTS

Sd/-

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

**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. In our opinion, the company has an internal audit 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 employees 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 31<sup>st</sup> March, 2007 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 31.03.2007 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.

**PLACE : HYDERABAD.**  
**DATE : 31.05.2007**

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

Sd/-

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

**BALANCE SHEET AS AT 31ST MARCH, 2007**

Particulars	Sche- dules	As at	
		31.03.07	31.03.06
		Rs.	Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS:</b>			
- Share Capital	*A*	54464250	44420000
- Reserves & Surplus	*B*	38525616	21800132
<b>LOAN FUNDS:</b>			
- Secured Loans	*C*	34570425	12710690
- Unsecured Loans			
From Others		0	900000
<b>TOTAL</b>		<b>127560291</b>	<b>79830822</b>
<b>APPLICATION OF FUNDS:</b>			
<b>Fixed Assets:</b>			
- Gross Block	*D*	46056208	31119940
Less Depreciation Block		12349753	7654030
Net Block		33706455	23465910
<b>Current Assets, Loans &amp; Advances</b>			
- Inventories	*E*	17963449	10664322
- Sundry Debtors		102823945	86124561
- Cash & Bank Balances		1388025	959995
- Loans & Advances		29338876	18591083
		151514295	116339961
<b>Less Current Liabilities &amp; Provisions</b>			
- Current Liabilities	*F*	36798012	47878525
- Provisions		15438339	8856513
		52236351	56735038
Net Current Assets		99277944	59604923
Deferred Tax Liability (Net)		-6592753	-3267011
Miscellaneous Expenditure (To the extent not written off or adjusted)		663645	0
- Deferred Revenue Expenditure		505000	1010000
<b>TOTAL</b>		<b>127560291</b>	<b>80813822</b>

**NOTES ON ACCOUNTS**

\*L\*

**VIDE OUR REPORT OF EVEN DATE****FOR AND ON BEHALF OF THE BOARD**

for A.M.REDDY &amp; CO.

Sd/-

Sd/-

CHARTERED ACCOUNTANTS

(G. RAMA KRISHNA REDDY)

(G.RAMA MANOHAR REDDY)

Sd/-

DIRECTOR

MANAGING DIRECTOR

(CA. RAMANA REDDY A.V.)

PARTNER

Sd/-

(CS. BHAVANI PRASAD C.N.)

COMPANY SECRETARY

PLACE : HYDERABAD

DATE : 31.05.2007

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH' 2007**

Particulars	Current Year Rs.	Previous Year Rs.
<b>INCOME</b>		
- Sales	220016065	166504181
- Increase in Stocks "G"	6373633	4530094
- Other Income	1234148	409985
<b>TOTAL</b>	<b>227623846</b>	<b>171444260</b>
<b>EXPENDITURE</b>		
- Trade Purchases	134591192	100373896
- Manufacturing Expenses "H"	7705275	9301019
- Payments & Benefits to Employees "I"	8406195	6776864
- Administrative Expenses "J"	22326105	17458242
- Financial Charges "K"	6788242	3236553
- Depreciation	4695723	2974657
<b>TOTAL</b>	<b>184512732</b>	<b>140121231</b>
Net Profit for the year before tax	43111114	31323028
Less: Provision for Taxation		
- Current Tax	9257837	4671257
- Fringe Benefit Tax	228262	380611
- Deferred Tax	3325742	2733066
	12811841	7784934
Profit after tax	30299273	23538094
Add: Balance Brought Forward from previous year	17350132	13054842
Balance available for appropriation	47649405	36592936
Appropriation:		
- Transferred to General Reserve	3000000	2500000
- Proposed Dividend	4975040	3154400
- Income Tax on Distributed Profits	697749	442405
- Balance carried to Balance Sheet	38976616	30496132
<b>TOTAL</b>	<b>47649405</b>	<b>36592937</b>

**NOTES ON ACCOUNTS**

"L"

VIDE OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

for A.M.REDDY &amp; CO.

CHARTERED ACCOUNTANTS

Sd/-

(CA. RAMANA REDDY A.V.)  
PARTNER

PLACE : HYDERABAD

DATE : 31.05.2007

Sd/-

(G. RAMA KRISHNA REDDY)  
DIRECTOR

Sd/-

(G.RAMA MANOHAR REDDY)  
MANAGING DIRECTOR

Sd/-

(CS. BHAVANI PRASAD C.N.)  
COMPANY SECRETARY





## SCHEDULES TO ACCOUNTS:

SCHEDULE - A	Rs.	As at 31.03.07 Rs.	Rs.	As at 31.03.06 Rs.
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## SHARE CAPITAL:

## - Authorised

1,20,00,000 Equity Shares of Rs. 10/-  
each (Previous year 65,00,000 Equity  
Shares of Rs.10/- each)

120000000

65000000

## - Issued, Subscribed &amp; Paid - Up

53,30,400 Equity Shares of Rs.10/- each fully paid up  
(Previous Year 44,42,000 Equity Shares of Rs.10/-  
each fully paid up)

53304000

44420000

( Of the above shares,24,89,000 equity Shares are  
allotted as fully paid up by way of bonus shares by  
capitalising the Securities Premium a/c and Profit &  
Loss a/c)

## - Share Application Money Pending

Allotment

1160250

0

TOTAL

54464250

44420000

## SCHEDULE - B

## RESERVES &amp; SURPLUS:

## General Reserve

## - Opening Balance

4450000

1950000

## - Transferred during the year

3000000

2500000

7450000

4450000

## - Profit &amp; Loss Account

38976616

30496132

Less: Capitalisation of profits for bonus  
shares issued 888400 equity shares  
of Rs.10/- fully paid up

7901000

13146000

31075616

17350132

## - Securities Premium A/c

983000

Less: Amount utilized for issue of fully paid up  
bonus shares

983000

0

983000

TOTAL

38525616

21800132

## SCHEDULE - C

## SECURED LOANS:

## - Cash Credit from SBH

20396901

5688941

- Short Term working capital loans from  
Banks & Financial Institutions

14173524

7021749

TOTAL

34570425

12710690



## SCHEDULE - D

## FIXED ASSETS:

Description of the Asset	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	Cost as at 1.4.06	Additions During the year	Total As at 31.03.07	As at 31.03.06	For the Year	Total As at 31.03.07	As at 31.03.07	As at 31.03.06
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
- Computers	1683832	480365	2164197	1170473	308888	1479361	684836	513359
- Furnitures & Fixtures	566613	360878	927491	243759	72695	316454	611037	322854
- Optical Test Equipment	1339477	4540314	5879791	337462	266950	604412	5275379	1002015
- R & D Equipment	25970599	9204320	35174919	5230357	3834544	9064901	26110018	20740242
- Office Equipment	458570	313956	772526	192064	50361	242425	530101	266506
- Vehicles	1100849	36435	1137284	479915	162285	642200	495084	620934
<b>TOTAL</b>	<b>31119940</b>	<b>14936268</b>	<b>46056208</b>	<b>7654030</b>	<b>4695723</b>	<b>12349753</b>	<b>33706455</b>	<b>23465910</b>



## SCHEDULE - E

		As at 31.03.07		As at 31.03.06
CURRENT ASSETS, LOANS & ADVANCES:	Rs.	Rs.	Rs.	Rs.
<b>Inventories</b>				
- Raw Materials	3490360		2564866	
- Finished Goods	<u>14473089</u>		<u>8099456</u>	
		17963449		10664322
<b>Sundry Debtors</b> (Unsecured, Considered Good)				
- Outstanding more than 6 months	17287516		4331334	
- Others	<u>85536429</u>		<u>81793227</u>	
		102823945		86124561
<b>Cash &amp; Bank Balances</b>				
- Cash on Hand	626566		790952	
- Balance with Scheduled Bank in Current Accounts	<u>761459</u>		<u>169043</u>	
		1388025		959995
<b>Loans &amp; Advances:</b>				
- Margin Money	11670023		6756169	
- Deposits	11919767		6389156	
- Other Advances	681467		995040	
- Advance to Suppliers	2341617		3957866	
- Tax Deducted at Source	162623		147833	
- Prepaid Expenses	50758		51710	
- Interest Receivable	332689		164874	
- Advance Income Tax	1500000		0	
- Advance Fringe Benefit Tax	196111		123435	
- Advance Tax - Appeals	450000		0	
- Professional Tax Recoverable	<u>33821</u>		<u>5000</u>	
		29338876		18591083
<b>TOTAL</b>		<u>151514295</u>		<u>116339961</u>

## SCHEDULE - F

## CURRENT LAIBILITIES &amp; PROVISIONS

## Current Liabilities:

- Creditors for Supplies	34035644		40244538	
- Creditors For Expenses	2091706		3854287	
- Advances From Customers	<u>670662</u>		<u>3779700</u>	
		36798012		47878525
<b>Provisions:</b>				
- For Gratuity	279451		207840	
- For Taxation	9257837		4671257	
- For Fringe Benefit Tax	228262		380611	
- For Dividend	4975040		3154400	
- For Tax on Distributed Profits	<u>697749</u>		<u>442405</u>	
		15438339		8856513
		<u>52236351</u>		<u>56735038</u>



SCHEDULE - G		Current	Previous
		Year	Year
INCREASE/DECREASE IN STOCKS	Rs.	Rs.	Rs.
- Closing Stock			
Finished Goods		14473089	8099456
Less : Opening Stock			
Finished Goods		8099456	3569362
	TOTAL	<u>6373633</u>	<u>4530094</u>

## SCHEDULE - H

## MANUFACTURING EXPENSES:

## Raw Materials:

- Opening Stock	2564866	2030595
Add: Purchases	7809901	8312674
	<u>10374767</u>	<u>10343269</u>
Less: Closing Stock	<u>3490360</u>	<u>2564866</u>
	6884407	7778403
- Packing Material	373709	543050
- Testing & Calibration Expenses	321159	318866
- Excise Duty	126000	660700
	<u>7705275</u>	<u>9301019</u>
	TOTAL	

## SCHEDULE - I

## PAYMENT &amp; BENIFITS TO EMPLOYEES:

- Salaries, Wages & Other	6750831	5263002
Benefits to employees		
- Club Facilities	8676	6414
- Staff Welfare	857846	725608
- PF Administration Charges	50995	41344
- PF Employers' Contribution	577995	465322
- ESI Employer Contribution	88241	67334
- Gratuity	71611	207840
	<u>8406195</u>	<u>6776864</u>
	TOTAL	



## SCHEDULE - J

	Current Year Rs.	Previous Year Rs.
<b>ADMINISTRATIVE &amp; SELLING EXPENSES:</b>		
- Directors Remuneration	662500	700000
- Insurance	207237	207538
- Internet Expenses	23695	8352
- R&D Recurring Expenses	4610381	2718125
- Legal & Professional Charges	35591	264405
- Local Conveyance	546524	284362
- Misc. Expenses	76454	41308
- Subscription, Books & Periodicals	43650	70894
- Rent	878646	330350
- Office Electricity & Maintenance	391656	337181
- Postage & Telegrams	142626	141938
- Printing & Stationery	655794	572745
- Professional Tax	7500	2500
- Recruitment Charges	107131	64166
- Donations	0	2000
- Rates & Taxes	184904	16160
- Consultation Charges	890023	666480
- Repairs & Maintenance	281044	316498
- Testing & Calibration Expenses	590398	1027803
- Telephone Fax & Pager Expenses	777012	713940
- Tour & Travelling Expenses:		
Directors	863984	883228
Others	3257709	2791504
- Auditors Remuneration	168540	72950
- Regn. Licence & Filing Fees	574430	623623
- Royalty	130000	130000
- Advertisement Expenses	559893	389169
- Agency Commission	43746	627290
- Tender Expenses	229761	108961
- Business Promotion Expenses	93327	132650
- Discount on Sales	770062	190336
- Carriage Outwards	1370196	453591
- Incentives & Discounts	272957	119950
- Sales Tax	2641031	2002745
- Bad debts written off	0	445500
- Foreign Exchange Loss	237703	0
<b>TOTAL</b>	<b>22326105</b>	<b>17458242</b>

## SCHEDULE - K

## FINANCIAL CHARGES:

- Bank Charges & Interest	2044128	775123
- Loan Processing Fees	374160	54875
- Interest on CC A/C	3023518	1362820
- Interest on Short Term Loans	1189349	908949
- Interest on Hire Purchase Loan	22412	31523
- Interest on Income Tax	134675	103263
<b>TOTAL</b>	<b>6788242</b>	<b>3236553</b>



## SCHEDULE 'L'

## NOTES ON ACCOUNTS

## 1. Contingent Liabilities not provided for:

	Current Year	Previous Year
	Rs. Lakhs	Rs. Lakhs
a. Bank Guarantees	85.07	49.97
b. Letter of Credit	347.69	196.05
c. Disputed Income Tax Liability	4.02	-
d. Disputed Sales Tax Liability	59.73	-

## 2. Disclosure of significant Accounting Policies:

## a) Basis of Preparation of Financial Statements:

- i) The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956.
- ii) Accounting policies not specifically referred to otherwise are in consonance with prudent accounting principles.
- iii) All income and expenditure items having material bearing on the financial statements are recognised on accrual basis.

## b) Fixed Assets:

Fixed Assets are stated at acquisition cost (net of modvat / cenvat, if any) including directly attributable cost of bringing them to their respective working conditions for the intended use less accumulated depreciation. All costs, including financing/borrowing cost till commencement of commercial production attributable to the fixed assets have been capitalized.

## c) Revenue Recognition of Income &amp; 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 on FIFO basis. 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.

**g) Foreign Currency Transactions:**

Foreign currency transactions are recorded in the books by applying the exchange rate as on the date of transaction. Fluctuations in the exchange rate transactions are charged to Profit & Loss Account, wherever necessary. In respect of foreign currency transactions in fixed assets, the exchange gain or loss is adjusted in the carrying amount of fixed assets and accordingly depreciation is charged.

**h) Retirement Benefits:**

Gratuity: Liability towards gratuity is provided on the basis of actuarial valuation made by an independent actuary.

Provident Fund: The periodic contributions to Statutory Provident Fund are charged to revenue.

**i) Earning per Share:**

The Company reports its Earnings per Share (EPS) in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India (ICAI).

**j) Taxes on Income:**

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates / laws that have been enacted or substantively enacted by the Balance Sheet date.

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. Short Term Working Capital Loans from Banks and Financial Institutions mentioned under Schedule - C are not charged with any assets of the company but these loans are secured by the personal guarantees of directors.

**5. Managerial Remuneration:**

	2006-07 Rs.	2005-06 Rs.
Managing Director	390000	370000
Whole Time Director	210000	205000
Whole Time Director	62500	125000
TOTAL	662500	700000

**6. Auditors' Remuneration:**

	2006-07 Rs.	2005-06 Rs.
As Auditors	100000	55000
Tax Audit Fees	50000	10000
Service Tax	18540	7950
TOTAL	168540	72950

7. 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.
8. 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.
9. Segment Reporting as per AS-17 is not applicable to this company.

**10. Earning per Share**

The numerators and denominators used for calculation of EPS

	Year ended 31-03-07 Rs	Year ended 31-03-06 Rs
a) Profit available to the Equity shareholders	30299273	23538095
b) No. of Equity shares	5330400	4442000
c) Nominal value of share	10	10
d) Earning per Share	-	7.48
e) Adjusted Earning per Share	5.68	4.42

Earning Per Share has been calculated for the year 2006-07 as per Accounting Standard – 20 "Earning Per Share" on the basis of weighted average number of shares. The company issued 8,88,400 Bonus shares of Rs.10/- each to the equity shareholders at the ratio of 1:5 on 25<sup>th</sup> August, 2006.





11. 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.33,25,742/- towards deferred tax liability in the year 2006-07. The major components of deferred tax assets and liabilities arising on account of timing differences in depreciation.
12. Sundry Debtors and Sundry Creditors are subject to confirmation with the respective parties.
13. Foreign Exchange Earnings & Out Go:
- Foreign Exchange Earnings – Rs. 32.76 lakhs  
(Previous year Rs.3.06 lakhs)
  - Foreign Exchange Outgo – Rs.887.76 lakhs  
(Previous year – Rs. 428.93 lakhs)
14. 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	2006-07		2005-06	
	Qty Nos.	Value Rs. Lakhs	Qty Nos.	Value Rs. Lakhs
IC	1497	17.57	1598	18.76
E. Prom	2685	6.23	2869	6.66
IC-74373	2577	14.93	2787	16.15
IC – 2864	2492	13.85	2542	14.12
Transformers	9795	1.99	9865	2.01
Micro Processors	5016	1.33	4987	1.32
PCB's	3298	1.66	3267	1.65
Batteries	923	5.71	887	5.48
Others		5.57		11.63
		68.84		77.78

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

##### Opening Stock:

Particulars	2006-07		2005-06	
	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	0.00	5	4.05
Pulse Echo Meter / TDR	0	0.00	3	3.19
Line & Dial Tester	0	0.00	2	0.15
Multi Core Testers	0	0.00	4	0.29
Digital Earth Resistance Tester	0	0.00	7	1.40
Fault master 111	29	20.88	1	5.04
Power	33	6.36	1	0.28
Light Source	27	17.82	5	3.30
		62.08		28.80

**Production:**

Particulars	2006-07		2005-06	
	Qty Nos.	Value Rs. Lakhs.	Qty Nos.	Value Rs. Lakhs.
Low Insulation Cable Fault Locator	98	--	122	--
Cable Route Indicator	0	--	0	--
Pulse Echo Meter / TDR	0	--	0	--
Line & Dial Tester	0	--	0	--
Multi Core Testers	0	--	0	--
Fault Master 111	33	--	181	--
Power Meter	27	--	75	--
Light Source	45	--	35	--
Optical Variable Attenuator	36	--	--	--
High Speed Data Circuit Tester	4	--	--	--

**Sales:**

Particulars	2006-07		2005-06	
	Qty Nos.	Value Rs. Lakhs	Qty Nos.	Value Rs. Lakhs
Low Insulation Cable Fault Locator	105	55.60	114	60.37
Cable Route Indicator	0	0.00	5	4.05
Pulse Echo Meter / TDR	0	0.00	3	0.87
Line & Dial Tester	0	0.00	2	0.10
Multi Core Testers	0	0.00	4	0.68
Digital Earth Resistance Tester	0	0.00	7	5.46
Fault Master 111	25	21.88	153	73.44
Power	21	6.10	43	12.04
Light Source	48	43.69	13	5.46
Optical Variable Attenuator	35	42.33	0	0.00
High Speed Data Circuit Tester	2	1.41	0	0.00
		171.01*		162.47*

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

**Closing Stock:**

Particulars	2006-07		2005-06	
	Qty Nos.	Value Rs. Lakhs	Qty Nos.	Value Rs. Lakhs
Low Insulation Cable Fault Locator	16	11.84	23	17.02
Cable Route Indicator	0	0.00	0	0
Pulse Echo Meter	0	0.00	0	0
Line & Dial Tester	0	0.00	0	0
Multi Core Testers	0	0.00	0	0
Digital Earth Resistance Tester	0	0.00	0	0
Fault Master 111	37	26.64	29	20.88
Power	39	7.41	33	6.36
Light Source	24	15.84	27	17.82
Optical Variable Attenuator	1	0.53	0	0.00
High Speed Data.Circuit Tester	2	0.54	0	0.00
		62.80		62.08

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

Sd/-

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

Sd/-

(G. RAMA KRISHNA REDDY)  
DIRECTOR

Sd/-

(CA RAMANA REDDY A.V.)  
PARTNER

Sd/-

(G.RAMA MANOHAR REDDY)  
MANAGING DIRECTOR

PLACE : HYDERABAD

DATE : 31.05.2007



**BALANCE SHEET ABSTRACT AND COMPANY'S  
GENERAL BUSINESS PROFILE**

(In terms of amendment of Schedule VI - Part IV)

**I. Registration Details**

Registration No. 01-20569 of 1995-96

State Code: 01

Balance Sheet            Date 31.03.2007

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

Public Issue

Nil

Rights Issue

Nil

Bonus Issue

8884

Private Placement

Nil

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

Total Liabilities

127560

Total Assets

127560

Sources of Funds:

Paid-up Capital

54464

Reserves & Surplus

38526

Secured Loans

34570

Unsecured Loans

Nil

Application of Funds:

Net Fixed Assets

33706

Investments

Nil

Net Current Assets

99278

Misc. Expenditure

664

Accumulated Losses

Nil



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

Turnover & Other Income  
227624

Total Expenditure  
184513



Profit/Loss Before Tax  
43111



Profit/Loss after Tax  
30299

(Please tick Appropriate box + for Profit - for Loss)

Earning per Share in Rs.

5.68

Dividend

4975

Rate  
(%)  
10

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

Item Code No. (ITC Code)

Product Description

Manufacturers and Traders of  
Telecom Testing Equipments

Item Code No. (ITC Code)

Product Description

—

Item Code No. (ITC Code)

Product Description

—

FOR AND ON BEHALF OF THE BOARD

Sd/-

(G. RAMAKRISHNA REDDY)  
DIRECTOR

Sd/-

(G.RAMA MANOHAR REDDY)  
MANAGING DIRECTOR

PLACE : HYDERABAD

DATE : 31.05.2007