



**AISHWARYA TELECOM LIMITED
THIRTEEN ANNUAL REPORT
2007 - 2008**

Board of Directors:

G. Ramakrishna Reddy

Chairman

Mr. G.Rama Manohar Reddy

Managing Director

G. Amulya Reddy

Whole-time Director

Mr. K. Hari Krishna Reddy

Director

Mr. D. Venkata Subbiah

Director

Mr. V. Krishnan

Director

Mr. Harish K Jain

Director

Mr. K Arvind Reddy

Director

Company Secretary

C N Bhavani Prasad, A.C.S.

Registered Office:

1026&1027, Singadikunta,
Kawadiguda,
Hyderabad – 500 080 (AP)

Factory:

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

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

Registrar & Transfer Agents :

Bigshare Services Private Limited
E/2, Ansa Industrial Estate, Sakihivihar, Sakinaka,
Andher (E), Mumbai - 400 082.
Contact Person : Mr. Ashok Shetty

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NOTICE

NOTICE is hereby given that 13th Annual General Meeting of Aishwarya Telecom Limited will be held as per the schedule given below.

Day and Date	Monday, September 22, 08
Time	11:00 AM
Venue	1-3-1026 &1027 Singadikunta,Kawadiguda Hyderabad 500 080

ORDINARY BUSINESS:

1. To receive, consider and adopt
 - a) The audited Balance sheet as at March 31,2008
 - b) The audited Profit and Loss Account for the year ended on that date
 - c) The auditors' report, thereon; and
 - d) The directors' report
2. To declare dividend of 5% on Equity share capital.
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 as auditors of the Company who shall hold office from the conclusion of this Meeting till conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. Appointment of Mr. K. Arvind Reddy as a director:

To consider and pass with or without modifications the following resolution as an ordinary Resolution.

“RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any ,of the Companies Act,1956 Mr. K. Arvind Reddy, who was appointed as an Additional Director in the Board Meeting held on 23-06-2008 as per Section 260 of the Companies Act,1956 and who holds office upto the ensuing AGM be and is hereby appointed as the Director of the company “.

6. Appointment of Mr. Harish K Jain as a director:

To consider and pass with or without modifications the following resolution as an ordinary Resolution.

“RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Mr. Harish K Jain, who was appointed as an Additional Director in the Board Meeting held on 30-07-2008 as per Section 260 of the Companies Act, 1956 and who holds office upto the ensuing AGM be and is hereby appointed as the Director of the company “.

7. Revision in terms of Remuneration of Mr.G. Rama Manohar Reddy:

To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution:

“RESOLVED THAT, in accordance with the provisions of Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act and subject to such consents/approvals as may be required, the remuneration payable to Mr. G. Rama Manohar Reddy, who was appointed as Managing Director of the company be and is hereby revised w.e.f. 01.08.2008 to Rs. 1,50,000 per month from Rs. 1,00,000 per month towards salary and that the other existing terms and conditions of the appointment, remain unchanged.”

“FURTHER RESOLVED THAT, notwithstanding anything contained to the contrary herein, where in any financial year during the currency of the tenure of Mr. G. Rama Manohar Reddy, the company has no profits or its profits are inadequate, the company will pay remuneration by way of salary, allowances, and perquisites within the limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as in force from time to time.”

8. Revision in terms of Remuneration of Mrs. G. Amulya Reddy:

To consider and, if thought fit, to pass with or without modifications, the following resolution as an Special Resolution:

“RESOLVED THAT in accordance with the provisions of Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act and subject to such consents/approvals as may be required, the remuneration payable to Mrs. G. Amulya Reddy, who was appointed as Whole-time Director of the company be and is hereby revised w.e.f. 01.08.2008 to Rs. 1,00,000 per month from Rs. 75,000 per month towards salary and that the other existing terms and conditions of the appointment, remain unchanged.”

“FURTHER RESOLVED THAT, notwithstanding anything contained to the contrary herein, where in any financial year during the currency of the tenure of Mrs. G. Amulya Reddy, the company has no profits or its profits are inadequate, the company will pay remuneration by way of salary, allowances, and perquisites within the limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as in force from time to time.”

9. ESOS Scheme – 2008

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

“RESOLVED THAT pursuant to Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) read with the enabling provisions of the Articles of Association of the Company and Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and subject to all applicable rules, regulations and guidelines issued by the Securities Exchange Board of India (hereinafter referred to as “SEBI”), Stock Exchanges, Foreign Investment Promotion Board, Secretariat for Industrial Assistance, Government of India, Reserve Bank of India, and / or under Foreign Exchange Management Act, 1999, such approvals, permissions, sanctions and consents as may be necessary and required under applicable laws, rules and regulations and on such terms and conditions (including any alterations, modifications, corrections, changes and variations, if any, that may be stipulated under such approvals, permissions, sanctions and consents as the case may be), which may be accepted by the Board of Directors of the Company (which term shall include any duly constituted and authorized Committee thereof including ESOP Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) and subject to any alterations, modifications, corrections, changes and variations that may be decided by the Board of Directors in their discretion, the consent of the Company be and is hereby accorded to the Board of Directors to create, offer, issue and allot at any time to or for the benefit of such person(s) who are in permanent employment of the Company, including Directors of the Company, whether whole time or not, whether working in India or out of India under a Scheme titled Aishwarya Employees Stock Option Scheme - 2008’ or such other name (hereinafter referred to as the “ESOP”) such number of equity shares and/or equity linked instruments (including Options) and/or any other instrument or securities (hereinafter collectively referred to as “Securities”) of the Company which may result into issue of equity shares not exceeding 3,00,000 (Three Lakh Equity shares) of Rs. 10/- each at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the applicable provisions of the law or guidelines as may be prevailing at that time.

RESOLVED FURTHER THAT the said securities may be allotted directly to such employees/directors or in accordance with a Scheme framed in that behalf or through a trust which may be setup in any permissible manner and that the scheme may also envisage for providing any financial assistance to the employees or to the trust to enable the employee / trust to acquire, purchase or subscribe to the securities of the Company.

RESOLVED FURTHER THAT the new Equity Shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing Equity Shares of the Company, except that they shall be entitled for dividend on pro-rata basis from the date of allotment till the end of the relevant financial year in which the new Equity Shares are allotted.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of shares, the Board of Directors be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the Scheme and make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority and to do all such

AISHWARYA TELECOM LIMITED

acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board of Directors to secure any further consent or approval of the members of the Company.”

**By order of the Board,
AISHWARYA TELECOM LIMITED
(G. Rama Krishna Reddy)
Chairman**

Place : Hyderabad

Date : 30-07-2008

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.** Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member attending the meeting and voting in person if he or she wishes. A form of proxy is given at the end of this Annual report
2. The register of members and share transfer books of the Company will remain closed from 20.09.2008 to 22.09.2008 (both days inclusive)
3. The dividend of 5% for the year ended 31st March 2008 as recommended by the Board if sanctioned at the AGM will be payable to those members whose names appear on the Company's Registrar of members on 20th September, 2008.
4. Members are requested to notify immediately any change in their address to the Company's Registered Office.
5. An Explanatory statement as required U/s 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto.
6. .Members/Proxies are requested to bring duly filled in attendance slips to the meeting. The form of attendance slip is given at the end of this Annual Report.
7. while members holding shares in the physical form may write to the Company for any change in their addresses and bank mandates, members holding shares in electronic form may write to their depository participants for immediate updation so as to enable the Company to dispatch dividend warrants to the correct address,

AISHWARYA TELECOM LIMITED
ANNEXURE TO THE RESOLUTION

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

Item No.6: Revision in terms of Remuneration of Mr. G. Rama Manohar Reddy:

Mr. G. Rama Manohar Reddy was appointed as the Managing Director of the company for the period of 5 years with effect from 01-04-2004

The Board recognized the significant contribution made by Mr G Rama Manohar Reddy in shaping up of the company in a very short span of time. He has devoted more time and attention to bring up the company to the present level apart from ensuring international standards for the products produced by the Company so far. Therefore, the Board proposed to increase his remuneration with effect from August, 1st 2008 on such terms and conditions as set out in the proposed resolution.

Under the provisions of Section 198, 310, 311, and all other applicable provisions read with Schedule XIII of the Companies Act, 1956, consent of the members of the company is required for increase in remuneration payable to Mr. G. Rama Manohar Reddy. The Board of directors based on the recommendation of Remuneration Committee is of the view that the remuneration package is commensurate with the operations of the company, the industry standards and the contribution made by Mr G Rama Manohar Reddy.

Further the same be treated as abstract of the contract pursuant to Section 302(1)(b) of the Companies Act, 1956.

Accordingly, the Board commends the resolution for approval of the Members as an ordinary resolution.

None of the directors of the company except Mr G. Rama Manohar Reddy, Mr. G. Rama Krishna Reddy and Mrs G Amulya Reddy being relatives, may be deemed to be concerned or interested in the resolution.

Item No.7: Revision in terms of Remuneration of Mrs. G. Amulya Reddy:

Mrs. G. Amulya Reddy was appointed as the Wholetime Director of the company for the period of 5 years with effect from 01-04-2004

The Board recognizes the significant contribution made by Mrs G Amulya Reddy in shaping up of the company in a very short span of time. She has devoted more time and attention for the growth and development of the company to the present level. Therefore, the Board proposes to increase her remuneration with effect from August, 1

2008 on such terms and conditions as set out in the proposed resolution.

Under the provisions of Section 198, 310, 311, and all other applicable provisions read with Schedule XIII of the Companies Act, 1956, consent of the members of the company is required for increase in remuneration payable to Mrs. G. Amulya Reddy. The Board of directors based on the recommendation of Remuneration Committee is of the view that the remuneration package is commensurate with the operations of the company.

Further the same be treated as abstract of the contract pursuant to Section 302(1)(b) of the Companies Act, 1956.

Accordingly, the Board commends the resolution for approval of the Members as an ordinary resolution.

None of the directors of the company except Mrs G. Amulya Reddy, Mr. G. Rama Krishna Reddy and Mr. G. Rama Manohar Reddy may be deemed to be concerned or interested in the resolution.

Item No. 8

ESOP Scheme

Intellectual capital is the source of competitive advantage for any organization and especially for organizations in the Telecom industry. The success of the organizations to a large extent depends on its ability to attract, retain and motivate its human resources. Stock Options have long been recognized as an effective instrument to attract talent and align the interest of employees with those of the Company and its shareholders, providing an opportunity to employees to share the growth of the Company and to create long-term wealth in the hands of employees. Stock Option Schemes also create a common sense of ownership between the Company and its employees, paving the way for a unified approach to the common objective of enhancing overall shareholder value. The main objective of such schemes is to give employees who are performing well, a certain minimum opportunity to gain from the Company's performance, thereby acting as a retention tool and to attract best talent available in the market.

The salient features of the Employees Stock Option Scheme are set out below:

1. Total Options to be allocated

The Options to be granted under the Scheme shall not result in issue of equity shares exceeding 3, 00,000 equity shares of Rs. 10/- each.

2. Identification of classes of employees entitled to participate in ESOP

Persons who are "permanent employees" of the Company, including Directors, as defined in the ESOP Guidelines (including any statutory modification(s) or enactment of the Act or the Guidelines for the time being in force), and as may be decided by the ESOP Compensation Committee, from time to time will be entitled to participate in the Scheme.

However, an employee who is a promoter or belongs to the promoter group and a director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the company shall not be eligible to participate in the ESOP scheme.

The options granted under the scheme shall not be renounced, transferred, pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

3. Requirements of vesting and period of vesting

Vesting of options will commence after a period of 1 year from the date of grant, and may extend upto 7 years from the date of grant. The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the ESOP Compensation Committee, in its discretion, and which will include performance appraisal of the employee and achievement of other performance milestones.

4. Exercise Price of Options

The exercise price for the purpose of the grant of options shall be decided by the Compensation committee from time to time.

5. Exercise Period and the Process of Exercise

The exercise period commences from the date of vesting, and will expire not later than 5 years from the date of grant of options, or such other period as may be decided by the ESOP Compensation Committee, from time to time.

The Options will be exercisable by the Employees by a written application to the Company to exercise the options, in such manner, on execution of such documents, as may be prescribed by the ESOP Compensation Committee from time to time.

The Options will lapse if not exercised within the specified exercise period.

6. Appraisal Process for determining the eligibility of employees to ESOP

The appraisal process for determining the eligibility of the employees will be specified by the ESOP Compensation Committee, and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, and/or any such other criteria that may be determined by the ESOP Compensation Committee at its sole discretion.

7. Maximum number of Options to be issued per employee in aggregate.

The maximum number of Options granted per employee shall not exceed 1,00,000 shares.

8. Accounting methods / policies

The Company shall conform to the accounting policies specified in Clause 13.1 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and / or such other guidelines as may be applicable, from time to time.

Subject to the approval of the Stock Exchanges, the relevant Equity Shares on exercise of the Options shall be listed on the Stock Exchanges.

9. Valuation of Options

The company shall use either Intrinsic Value Method or Fair Value Method for valuing options granted as may be decided by the Board of Directors or Compensation Committee.

In case the company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' Report.

None of the Directors of the Company is interested or concerned in the passing of the Resolutions except to the extent of any options, which may be granted to them pursuant to this plan.

The board of Directors commends this resolution for approval.

Registered Office:
#1026 & 1027, Singadikunta,
Kawadiguda, ,
Hyderabad – 500 080 (AP)

**By order of the Board,
AISHWARYA TELECOM LIMITED**

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

Place: Hyderabad.
Date: 30th July, 2008

DIRECTORS' REPORT

To
The Members of
AISHWARYA TELECOM LIMITED,

Your Directors have pleasure in presenting their THIRTEENTH Annual Report together with the Audited Accounts for the year ended 31st March 2008

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. **5.49** Crores (previous year Rs.3.03 Crores)

During the year under review, your company has achieved a Turnover of Rs. **34.91** Crores when compared to the previous year turnover of Rs. 22.76 Crores

FINANCIAL RESULTS

(Rupees in Thousands)

Particulars	2008	2008	2007	2007
Income from operations				
Sales	345534		220016	
Increase in stocks	833		6373	
Other Income	2807		1234	
		349174		227623
Expenditure				
a) Trade Purchases	173102			134591
b) Manufacturing Expenses	51534			7705
c) Payment & Benefits to Employees	12279			8406
d) Administrative Expenses	27041			22326
Financial Charges		9722		6788
Depreciation		6538		4696
Net Profit for the year before tax		68958		43111
Provision for Taxation		14091		12812
Profit After Tax		54867		30299
Add: Balance brought from previous year		31076		17350
Balance available for appropriation		85942		47649
Appropriations:				
Transfer to General Reserve		1372		3000
Proposed Dividend		5331		4975
Income Tax on Distributed Profits		906		698
Balance Carried to Balance Sheet		78185		38976
Earnings per share		9.75		5.68
No. of Equity Shares		6659400		5330400

AISHWARYA TELECOM LIMITED

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.

DIVIDEND

Your directors recommend a final dividend of Re:0.50 per share for your approval.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF FY 2007-08

ATL has successfully finished its IPO in Apr 08 and was oversubscribed to the extent of 20 times and got listed at BSE on 7th May 2008.

The year under review saw ATL acquiring a new growth momentum across its businesses and markets. ATL has reported a sales turnover of Rs: 34.55 Crores for F Y 07-08 compared to Rs: 22 Crores for the previous year 06-07 Net profits of the Company are Rs: 5.4 Crores which has registered 55% jump from the previous year's net profit of Rs: 3 Crores.

HIGH END TECHNOLOGIES

ATL deals in hi-tech test & measuring equipments. The Company has its manufacturing facilities situated at two production units.

Aishwarya Telecom is ISO 9001:2000 Certified Company manufacturing Fibre Optic Test Equipments & Cable Fault Locators.

Currently, ATL manufactures products for Telephone Service Providers, Defence Sector, Railways,

Telecom equipment manufacturing companies and Cable TV Operators. ATL is planning to expand in to designing products for Defence Sector and Educational Sector also.

ATL is currently working on products for Telecom, Infrastructure, display for mobiles and sub contract manufacturing for defense labs to increase its Sales revenue for this FY.

ATL has developed RF Power meters based on the requirements from BSNL and received orders from Ericsson India and expecting good orders in this FY.

ATL has designed electronic markers for locating optical fibre cables and this was designed for export market and many business leads are under pipeline for this markers from Middle East & US.

ATL is focussing on mobile testers and hoping to get good orders in this FY from NORTEL, NOKIA,ERICSSON for the same.

ATL currently have more than 20TEC (Telecom Engineering Centre) approvals which are mandatory for supplying tenders floated by PSU Telecom operators and 5 more TEC approvals are in pipeline and with this achievement ATL is planning to have order booking of Rs:55 crores for this FY.

INDUSTRY SCENARIO

As tele-density in India is low and ATL's core business is in Telecom, there is ample scope to grow well for another few years. Other than Telecom sector ATL is also concentrating on Defense, Railways, and also on services and exports.

SWOT ANALYSIS

STRENGTHS

- We are the biggest company in manufacturing of test equipments in India having 15 TEC(Telecom Engineering Centre) approvals from (DOT) Department of Telecommunications.
- As our R&D and manufacturing costs are very less compared to competitors from US & Japan which is helping us to increase the market share in India YOY (Year on Year) without any price reduction
- We are also designing new products and recently introduced 1st Mobile tester (RF Power meter) which has good demand in the domestic market.

WEAKNESSES

As our R&D budget is small compared to MNC's with which we can't introduce more products and added to it technologies are complex and technology obsolescence is very high

OPPURTUNITIES

- The telecom market is growing exponentially and India is the fastest growing one.
- There are Six existing operators in India and another Six new operators are starting basic telephony and mobile services which results in huge investments in Test and Measuring (T&M) equipments by the new and existing basic and mobile telephone operators. This will increase our potential market in India for our products.
- The tele-density is 29% and it can increase upto 65% by 2012 and all the Companies in India which are in Telecom domain has plethora of opportunities to grow well in sales

THREATS

Margins of our Company are slightly affected due to import of Chinese products and due to Foreign Exchange fluctuations..

Mitigating Factors:

- Foreign Exchange fluctuations not only affect our Company but also other companies as well and the selling prices of the products will automatically increase by which we retain our margins.
- To meet Chinese import invasion we are improving technologies at lower cost
- To compete in pricing and getting technical approvals in India for Chinese products is difficult, hence they may not be competitors at PSU market, so no threat is expected.

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.

Mr. K. Arvind Reddy was appointed as an additional Director by the Board at its meeting held on 23-06-2008. According to the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956 the Company has received a notice from a Member signifying his intention to propose the appointment of Mr. K. Arvind Reddy as a director.

Mr. Harish K Jain was appointed as an additional Director by the Board at its meeting held on 30-07-2008. According to the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956 the Company has received a notice from a Member signifying his intention to propose the appointment of Mr. Harish K Jain as a director.

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, 2008, 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 2008 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 2007-08 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

	2007-08	2006-07
	Rs.	Rs.
Mr. G. Rama Manohar Reddy, Managing Director	12,00,000	3,90,000
Ms. G. Amulya Reddy, Whole time Director	8,40,000	2,10,000
Mr. G. Ramakrishna Reddy, Chairman	NIL	62,500
Total	20,40,000	6,62,500

REPORT ON CORPORATE GOVERNANCE

The information required in terms of clause 49 of the Listing Agreement is given in Corporate Governance Report annexed. to the Directors' Report

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) High 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

(Rupees in lakhs)

Particulars	Current Year 2007-08	Previous Year 2006-07
Total Foreign Exchange Outgo	1108.97	887.76
Total Foreign Exchange earned	30.68	32.76

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.

DECLARATION BY MANAGING DIRECTOR OF AFFIRMATION BY DIRECTORS AND SENIOR MANAGEMENT PERSONNEL OF COMPLIANCE WITH THE CODE OF CONDUCT :

To The Share holders

I, G. Rama Monohar Reddy, Managing Director of the company do hereby declare that the directors and the senior management of the company have exercised their authority and powers and discharged their duties and functions in accordance with the requirements of the code of conduct as prescribed by the company and have adhered to the provisions of the same.

For and on behalf of the Board of Directors,

Place: Hyderabad
Date: 30th July, 2008

(G. Ramakrishna Reddy)
Director

(G. Rama Manohar Reddy)
Managing Director

AISHWARYA TELECOM LIMITED

Annexure to Directors Report

REPORT ON CORPORATE GOVERNANCE (Pursuant to Clause 49 of Listing Agreement)
Company Philosophy on code of Governance

Corporate governance assumes a great deal of importance in the business life of Aishwarya Telecom. The driving forces of corporate governance at ATL are its core values Customer delight, Investor delight and the Pursuit of excellence. The Company's goal is to find creative and productive ways to delight its stake holders, i.e., Investors, Customers, Associates and Society, thereby fulfilling the role of a responsible corporate representative committed to best practices.

ATL believes that sound Corporate Governance practices provide an important framework to help the Board of Directors fulfill its responsibilities. The Board is elected by shareholders. It is responsible for setting strategic objectives to management and ensuring that stakeholders' long term interests are served. It does so by adhering to and enforcing the principles of sound corporate governance. Thus the management is responsible to establish and implement its policies, procedures and systems to enhance the long term value of the Company and delight all of its stakeholders.

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

ATL's current policy is to have an optimum combination of Executive and Non-Executive directors, to ensure the Board functions independently.

The Composition 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 five (5) independent directors, viz. Mr D Venkata Subbiah, Mr K Hari Krishna Reddy, Mr Venkataraman Krishnan, Mr. Arvind Reddy and Mr. Harish Jain 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 Eight (8) Directors, which includes one (1) Non-Executive Chairman, one (1) Managing Director, one (1) Whole Time Director and three (5) Independent Directors.

AISHWARYA TELECOM LIMITED

Number & Dates of the Meetings held during the year

During the Financial Year the Board has met fourteen times i.e: on 21st May 2007, 28th May 2007, 31st May 2007, 1st June 2007, 6th June 2007, 25th June 2007, 7th July 2007, 11th July 2007, 14th August 2007, 4th October 2007, 25th January 2008, 30th January 2008, 1st March 2008, 27th March 2008

Name of the Director	Category	No of Board Meetings held	No of Board Meetings attended	No of Directorships and Committee membership in other Companies	
				Directorships	Committee Memberships
Mr G Rama Krishna Reddy	Non Executive Director	14	14	-	-
Mr G Rama Manohar Reddy	Executive Director	14	14	-	-
Mrs G Amulya Reddy	Executive Director	14	14	-	-
Mr K Hari Krishna Reddy	Non Executive & Independent	14	11	0	-
Mr D Venkata Subbiah	Non Executive & Independent	14	14	1	-
Mr Venkataraman Krishnan	Non Executive & Independent	14	14	-	-

The composition of the Board of Directors is as under:

Name	Designation	Category
Mr G Rama Krishna Reddy	Chairman	Non Executive Director
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
Mr. K. Arvind Reddy	Director	Non Executive & Independent
Mr Harish Jain	Director	Non Executive & Independent

Mr G Rama Manohar Reddy, Managing Director

Mr G Rama Manohar Reddy, aged 44 years is the founder Director of the Company. Mr G Rama Manohar Reddy is an engineer of 1986 batch from Sri Venkateswara University with specialization in Electronics and Communications. He was appointed as Managing Director of the Company on July 1 1995 and holds the position till date. Besides day to day affairs of the Company, he also looks after the technical, production and marketing Departments of the Company. He is the Chairman of the Share Transfer Committee and Management Committee of the Company.

The Issuer Company has already formed the following Committees:

Details of the directors being appointed at the ensuing Annual General Meeting

A brief resume of the Directors being appointed or re-appointed is as follows:

Mr. K. Arvind Reddy:

Mr. Arvind Reddy has over fourteen years experience in the semiconductor industry working in leading technology companies in Silicon Valley, California. He has held senior management & technology leadership positions at Altera, Cirrus Logic, POEM, Silicon Storage Tech & Supertex with significant contributions in the areas of Analog/mixed-signal/RF design, Nanotechnology, Flash memory, Display drivers, Optical networking, Organic LEDs, Broadband VoIP, Semiconductor operations, Technology development etc. He is currently Vice President of Design & Technology at Innolia Technology Inc in California, USA. His current areas of work and interest are in new & emerging technologies at cell, chip, module & system levels and green/renewable energy. He received numerous awards/scholarships/ patents, served on IEEE Standards committees, chaired Conference sessions, and published several papers. He pursued B.Tech degree in Electronics and Communication Engineering at Indian Institute of Technology, Chennai and Masters & PhD in Electrical Engineering at MIT & Princeton University.

Mr. Harish Jain:

Mr Harish Jain is basically an Engineering Graduate in electronics and has done his masters in Industrial Engineering. He worked in various capacities and completed the Certification Program in Executive International Business of Georgetown University in 1994. He served for a four-year term on the Telecommunications Technical Advisory Committee (TETAC) of U. S. Department of Commerce as an Industry Member from 1986 to 1990. Since 1995 till date he is self employed Consultant in fiber optic communications technology helping a few U.S. companies in marketing their products in India and other countries and assisting some firms in India to source their needs in the U. S.

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 judgment 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;

AISHWARYA TELECOM LIMITED

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.

The Audit committee meetings were held on 30th July 2007, 30th October 2007, 31st January 2008 and 30th April 2008

No of meetings during the year

<u>Name</u>	<u>Category</u>	<u>Designation</u>	<u>Held</u>	<u>Attended</u>
Mr K Hari Krishna Reddy	Independent Director	Chairman	4	4
Mr D Venkata Subbiah	Independent Director	Director	4	4
Mr G Rama Krishna Reddy	Non executive Director	Director	4	4

Remuneration Committee:

The Remuneration Committee was constituted on September 15, 2006, consisting 100 percent Independent and non-executive Directors, evaluates compensation and benefits for executive directors and frames policies and systems for Employees Stock option Plans, as approved by the members of the Company:

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.

Venue and time of the last three AGM's

Date	Venue	Time	No of special Resolutions
June 25, 2007	3C,Samrat Comml Complex Saifabad,Hyderabad-04	11:30 AM	One (1)
Aug 25, 2006	3C,Samrat Comml Complex Saifabad,Hyderabad-04	11:30 AM	Two(2)
May 27,2005	3C,Samrat Comml Complex Saifabad,Hyderabad-04	10:30 AM	None

Postal Ballot :

No special resolutions were required to be put through postal ballot last Year

Disclosures:

The company complied with all the regulations of the stock Exchanges, Securities and EXCHANGE Board of India and other statutory bodies regulating the capital markets. No stretchers or penalties were imposed on the company .Other transactions are adequately disclosed in the notes to Annual Accounts.

A) Disclosure on Materially significant related party transactions:

The company does not have any related party transactions, which may have potential conflict with the interest of the company. Other related party transactions have been reported. The register of contracts containing transactions in which Director are is placed, before the board regularly.

B) Case of Non- Compliances / penalties

There has been no instance of non-compliance by the Company related to capital markets. Hence, the question of imposition of penalties or strictures by SEBI or the Stock Exchanges is not applicable.

C) Risk Management

The company has been addressing various risks impacting the company.

D) Whistle Blower Policy

The company is in the process of development of suitable Whistle Blower Policy.

E) Compliance with mandatory requirements and adoption of non mandatory requirements of Clause 49

Certifications from M/s AM Reddy & Co, Auditors of the company and G Rama Manohar Reddy Managing Director confirming compliance with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement, are annexed.

F) MD Certification :

Managing Director of the Company has positively certified to the Board on the matters specified under listing agreement

AISHWARYA TELECOM LIMITED

The company has constituted Remuneration committee. A detail note on compensation/ remuneration is provided elsewhere in the report.

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)

Management Discussion & Analysis :

This information is set out in a separate section included in this annual report.

AISHWARYA TELECOM LIMITED

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

General shareholders information:

a) The AGM of the Company will be held on September 22, 2008 at 11:00AM at 1-3-1026 & 1027, Singadikunta, Kawadiguda, Hyderabad-500 080

b) Financial calendar for the year 2008-09(tentative)

Audited financial results for	First quarter	July 2008
	Second quarter	Oct 2008
	Third quarter	Jan 2009
	Fourth quarter	Apr 2009

c) Dates of book closure for AGM and final dividend for year 2007-08
September 20,2008 to
September 22,2008
(both days inclusive)

d) Registered office

1-3-1026 & 1027
Singadikunta
Kawadiguda
Hyderabad-80
Phone:(91-40) 2753 1324-28
Fax: (91-40) 2753 5423
Web site: www.aishwaryatelecom.com
Email: compsec@aishwaryatelecom.com

e) Listing details:

Particulars	Stock exchange(s)	Depositories	ISIN
Equity Shares	Bombay Stock Exchange Ltd	Central depository Services (India) Ltd (CDSL)	INE778I01016
		National Securities Depository Ltd (NSDL)	

f) Listing fee for the financial year 2008-09 has been paid to BSE, where the shares of the Company are listed

g) Stock Code BSE Code : **532975**

h) Registrar and transfer agents

Bigshare Services Pvt. Ltd.
E/2, Ansa Industrial Estate, Sakihivihar Road, Sakinaka, Andheri (E), Mumbai - 400 082.
Tel : 91-22-40430200, Fax : 91-22-28475207
Contact person : Mr. Ashok Shetty

AISHWARYA TELECOM LIMITED

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

The company has obtained a certificate from the Auditors of the Company regarding compliances of conditions of Corporate Governance as stipulated in the Listing Agreement with the Stock Exchanges. The said Corporate Governance is as under:

CERTIFICATE

To
The members of
AISHWARYA TELECOM LIMITED

We have examined the compliance of conditions of Corporate Governance by AISHWARYA TELECOM LIMITED, for the period of 12 months ended on 31st March 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges of India.

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

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

As required by the Guidance note issued by the Institute of Chartered Accountants of India, we have to state that the Company has certified that as on 31st March 2008 there were no investor grievances remaining unattended/pending for a period exceeding one month.

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

PLACE : HYDERABAD.
DATE : 30.07.2008

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

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

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, 2008 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;

AISHWARYA TELECOM LIMITED

- (v) On the basis of written representations received from the directors, as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (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 2008 and;
- (b) In the case of the Profit and Loss account, of the Profit for the year ended on that date.

PLACE : HYDERABAD.
DATE : 30.07.2008

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

**(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 there under 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 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 31st March, 2008 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 31.03.2008 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.

AISHWARYA TELECOM LIMITED

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 : 30.07.2008

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

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

AISHWARYA TELECOM LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2008

Particulars	Sche- dules	As at	
		31.03.08	31.03.07
		Rs.	Rs.
SOURCES OF FUNDS			
SHARE HOLDERS FUNDS:			
- Share Captial	A	66594000	54464250
- Reseruces & Surplus	B	125727511	38525616
LOAN FUNDS:			
- Secured Loans	C	33790363	34570425
- Unsecured Loans			
From Others		905000	0
TOTAL		<u>227016874</u>	<u>127560291</u>
APPLICATION OF FUNDS:			
Fixed Assets:			
- Gross Block	D	55843406	46056208
Less Depreciation Block		<u>18887446</u>	<u>12349753</u>
Net Block		36955960	33706455
Current Assets, Loans & Advances			
- Inventories	E	19043381	17963449
- Sundry Debtors		198248702	102823945
- Cash & Bank Balances		7948101	1388025
- Loans & Advances		<u>47679750</u>	<u>29338876</u>
		<u>272919934</u>	<u>151514295</u>
Less Current Liabilities & Provisions			
- Current Liabilities	F	60107227	36798012
- Provisions		<u>16762277</u>	<u>15438339</u>
		<u>76869504</u>	<u>52236351</u>
Net Current Assets		196050430	99277944
Deferred Tax Liability (Net)		-10883318	-6592753
Miscellaneous Expenditure		4893802	663645
(To the extent not written off or adjusted)			
- Deferred Revenue Expenditure		0	505000
TOTAL		<u>227016874</u>	<u>127560291</u>

NOTES ON ACCOUNTS

L

**VIDE OUR REPORT OF EVEN DATE
for A.M.REDDY & CO.**

CHARTERED ACCOUNTANTS

PLACE : HYDERABAD

DATE : 30.07.2008

(G. RAMA KRISHNA REDDY)

DIRECTOR

(CA. RAMANA REDDY A.V.)

PARTNER

FOR AND ON BEHALF OF THE BOARD

(G.RAMA MANOHAR REDDY)

MANAGING DIRECTOR

(C.N. BHAVANI PRASAD)

COMPANY SECRETARY

AISHWARYA TELECOM LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH' 2008

Particulars	Sche- dules	As at 31.03.08 Rs.	As at 31.03.07 Rs.
Particulars		Current Year Rs.	Previous Year Rs.
INCOME			
- Sales		345534443	220016065
- Increase in Stocks	G	832927	6373633
- Other Income		2807377	1234148
TOTAL		<u>349174747</u>	<u>227623846</u>
EXPENDITURE			
- Trade Purchases		173102047	134591192
- Manufacturing Expenses	H	51534089	7705275
- Payments & Benefits to Employees	I	12279457	8406195
- Administrative Expenses	J	27041171	22326104
- Financial Charges	K	9722433	6788242
- Depreciation		6537693	4695723
TOTAL		<u>280216890</u>	<u>184512731</u>
Net Profit for the year before tax		68957857	43111114
Less: Provision for Taxation			
- Current Tax		9583939	9257837
- Fringe Benefit Tax		216712	228262
- Deferred Tax		<u>4290565</u>	<u>3325742</u>
Profit after tax		<u>14091216</u>	<u>12811841</u>
Add: Balance Brought Forward		54866641	30299273
from previous year		<u>31075616</u>	<u>17350132</u>
Balance available for appropriation		<u>85942257</u>	<u>47649405</u>
Appropriation:			
- Transferred to General Reserve		1372000	3000000
- Proposed Dividend		5330986	4975040
- Income Tax on Distributed Profits		906001	697749
- Income Tax on Dividend (Previous Year)		147759	0
- Balance carried to Balance Sheet		<u>78185511</u>	<u>38976616</u>
TOTAL		<u>85942257</u>	<u>47649405</u>
NOTES ON ACCOUNTS	L		

**VIDE OUR REPORT OF EVEN DATE
for A.M.REDDY & CO.**

CHARTERED ACCOUNTANTS

PLACE : HYDERABAD

DATE : 30.07.2008

**(G. RAMA KRISHNA REDDY)
DIRECTOR**

**(CA. RAMANA REDDY A.V.)
PARTNER**

FOR AND ON BEHALF OF THE BOARD

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

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

AISHWARYA TELECOM LIMITED

SCHEDULES TO ACCOUNTS:

Particulars	Current Year Rs.	Previous Year Rs.
SCHEDULE - A		
SHARE CAPITAL :		
- Authorised 1,20,00,000 Equity Shares of Rs. 10/- each (Previous year 65,00,000 Equity Shares of Rs.10/- each)	<u>120000000</u>	<u>65000000</u>
- Issued, Subscribed & Paid - Up 66,59,400 Equity Shares of Rs.10/- each fully paid up (Previous Year 53,30,400 Equity Shares of Rs.10/- each fully paid up)	66594000	53304000
(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	<u>0</u>	<u>1160250</u>
TOTAL	<u>66594000</u>	<u>54464250</u>
SCHEDULE - B		
RESERVES & SURPLUS:		
General Reserve		
- Opening Balance	7450000	4450000
- Transferred during the year	<u>1372000</u>	<u>3000000</u>
	8822000	7450000
- Profit & Loss Account	78185511	38976616
Less: Capitalisation of profits for bonus shares issued 888400 equity shares of Rs.10/- each fully paid up	<u>0</u>	<u>7901000</u>
	78185511	31075616
- Securities Premium A/c	38720000	983000
Less: Amount utilized for issue of fully paid up bonus shares	<u>0</u>	<u>983000</u>
	<u>38720000</u>	<u>0</u>
TOTAL	<u>125727511</u>	<u>38525616</u>
SCHEDULE - C		
SECURED LOANS:		
- Cash Credit from SBH	23532795	20396901
- Short Term working capital loans from Banks & Financial Institutions	10158906	13935610
- Hire Purchase Loan	<u>98662</u>	<u>237914</u>
TOTAL	<u>33790363</u>	<u>34570425</u>

SCHEDULE - D

FIXED ASSETS:

Description of the Asset	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	Cost as at 1.4.07 Rs.	Additions During the year Rs.	Total As at 31.03.08 Rs.	As at 31.03.07 Rs.	For the Year Rs.	Total As at 31.03.08 Rs.	As at 31.03.08 Rs.	As at 31.03.07 Rs.
- Computers	2164197	271727	2435924	1479361	315492	1794853	641071	684836
- Furnitures & Fixtures	927491	173249	1100740	316454	114664	431118	669622	611037
- Optical Test Equipment	5879791	5512919	11392710	604412	1374327	1978739	9413971	5275379
- R & D Equipment	35174919	3433918	38608837	9064901	4457128	13522029	25086808	26110018
- Office Equipment	772526	395385	1167911	242425	147906	390331	777580	530101
- Vehicles	1137284	0	1137284	642200	128176	770376	366908	495084
TOTAL	46056208	9787198	55843406	12349753	6537693	18887446	36955960	33706455

AISHWARYA TELECOM LIMITED

Particulars	Rs.	Current Year Rs.	Rs.	Previous Year Rs.
SCHEDULE - E				
CURRENT ASSETS, LOANS & ADVANCES:				
Inventories				
- Raw Materials	3737365		3490360	
- Finished Goods	<u>15306016</u>		<u>14473089</u>	
		19043381		17963449
Sundry Debtors				
(Unsecured, Considered Good)				
- Outstanding more than 6 months	63595349		17287516	
- Others	<u>134653353</u>		<u>85536429</u>	
		198248702		102823945
Cash & Bank Balances				
- Cash on Hand	650476		626566	
- Balance with Scheduled Bank in Current Accounts	<u>7297625</u>		<u>761459</u>	
		7948101		1388025
Loans & Advances:				
- Margin Money	27003200		11670023	
- Deposits	14212491		11919767	
- Other Advances	2398625		681467	
- Advance to Suppliers	2125297		2341617	
- Tax Deducted at Source	295430		162623	
- Prepaid Expenses	88554		50758	
- Interest Receivable	1009353		332689	
- Advance Income Tax	0		1500000	
- Advance Fringe Benefit Tax	96800		196111	
- Income Tax (FY 2003-04)	450000		450000	
- Professional Tax Recoverable	<u>0</u>		<u>33821</u>	
		<u>47679750</u>		<u>29338876</u>
TOTAL		<u>272919934</u>		<u>151514295</u>

SCHEDULE - F
CURRENT LAIBILITIES & PROVISIONS

Current Liabilities:

- Outstanding dues of micro enterprises and small enterprises	0		0	
- Outstanding dues of creditors other than micro enterprises and small enterprises	58387736		36127350	
- Advances From Customers	<u>1719491</u>		<u>670662</u>	
		60107227		36798012

AISHWARYA TELECOM LIMITED

Particulars	Rs.	Current Year Rs.	Previous Year Rs.
Provisions :			
- For Taxation	9583939	9257837	
- For Fringe Benefit Tax	216712	228262	
- For Gratuity	724639	279451	
- For Dividend	5330986	4975040	
- For Tax on Distributed Profits	906001	697749	
	<u>16762277</u>	<u>15438339</u>	
	<u>76869504</u>	<u>52236351</u>	
SCHEDULE - G			
INCREASE/DECREASE IN STOCKS			
- Closing Stock			
Finished Goods	15306016	14473089	
Less : Opening Stock			
Finished Goods	<u>14473089</u>	<u>8099456</u>	
TOTAL	<u>832927</u>	<u>6373633</u>	
SCHEDULE - H			
MANUFACTURING EXPENSES:			
Raw Materials:			
- Opening Stock	3490360	2564866	
Add: Purchases	50992195	7809901	
	<u>54482555</u>	<u>10374767</u>	
Less: Closing Stock	<u>3737365</u>	<u>3490360</u>	
	50745190	6884407	
- Packing Material	505478	373709	
- Testing & Calibration Expenses	283421	321159	
- Excise Duty	0	126000	
TOTAL	<u>51534089</u>	<u>7705275</u>	
SCHEDULE - I			
PAYMENT & BENIFITS TO EMPLOYEES:			
- Salaries, Wages & Other	10951107	7468062	
Benefits to employees			
- Staff Welfare	826456	866522	
- Gratuity	501894	71611	
TOTAL	<u>12279457</u>	<u>8406195</u>	

AISHWARYA TELECOM LIMITED

Particulars	Current Year Rs.	Previous Year Rs.
SCHEDULE - J		
ADMINISTRATIVE & SELLING EXPENSES:		
- Rent, Rates & Taxes	1142847	1063550
- Office Electricity & Maintenance	482566	391656
- Conveyance	601655	546524
- Subscription, Books & Periodicals	73526	43650
- Postage & Telegrams	161814	142626
- Printing & Stationery	901514	655794
- Regn. Licence & Filing Fees	573053	574430
- Professional & Consultancy Charges	1289004	925614
- Professional Tax	7500	7500
- Insurance	215610	207237
- R&D Recurring Expenses	1783542	4610381
- Recruitment Charges	131249	107131
- Donations	67784	0
- Repairs & Maintenance	595159	281044
- Testing & Calibration Expenses	1378916	590398
- Telephone & Internet Expenses	983618	800707
- Directors Remuneration	2040000	662500
- Directors sitting fees	7500	0
- Travelling Expenses:		
Directors	739988	863984
Others	2527591	3257709
- Auditors Remuneration	224720	168540
- Foreign Exchange Fluctuation Loss	1415556	237703
- Misc. Expenses	31755	76453
- Royalty	130000	130000
- Advertisement Expenses	990192	559893
- Agency Commission	29780	43746
- Tender Expenses	144662	229761
- Business Promotion Expenses	32078	93327
- Discount on Sales	1762259	1043019
- Carriage Outwards	1025470	1370196
- Sales Tax	4127609	2641031
- Bad debts written off	1422654	0
TOTAL	<u>27041171</u>	<u>22326104</u>

Particulars	Current Year Rs.	Previous Year Rs.
-------------	------------------------	-------------------------

SCHEDULE - K

FINANCIAL CHARGES:

- Bank Interest on W.C.Loan	3752496	3023518
- Bank Interest on Short Term Loans	3103463	1189349
- Interest on Hire Purchase Loan	12467	22412
- Bank Charges	2158853	2044128
- Loan Processing Fees	660912	374160
- Interest on Income Tax	34242	134675
TOTAL	9722433	6788242

SCHEDULE 'L'

NOTES ON ACCOUNTS

1. Contingent Liabilities not provided for:

	Current Year Rs. Lakhs	Previous Year Rs. Lakhs
a. Bank Guarantees	191.08	85.07
b. Letter of Credit	230.02	347.69
c. Disputed Income Tax Liability	4.02	4.02
d. Disputed Sale Tax Liability	59.73	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 & 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.

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.

k) Provision, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in Notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

3. The company has set up an industrial undertakings at Yanam State of Pondicherry and Dehradun State of Jharkhand under Backward states. The company has also registered with Director of Industries and Commerce, as SSI Units. 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 for both the units. 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:

	2007-08	2006-07
	Rs.	Rs.
Managing Director	1200000	390000
Whole Time Director	840000	210000
Whole Time Director	0	62500
Director Sitting Fee	7500	0
TOTAL	2047500	662500

6. Auditors' Remuneration:

	2007-08	2006-07
	Rs.	Rs.
As Auditors	150000	100000
Tax Audit Fees	50000	50000
Service Tax	24720	18540
TOTAL	224720	168540

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. There are no separate reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17 – 'Segment Reporting', notified in the companies (Accounting Standards) Rules 2006.

AISHWARYA TELECOM LIMITED

10. Transactions with the Related Parties pursuant to Accounting Standard 18:

- i. List of Related Parties
- | | | |
|---|---|--|
| Subsidiary Company | : | NIL |
| Associate Companies / Firms
(including Companies / firms
Controlled by key management
Personnel / relatives who are sub-
Stantially interested) | : | NIL |
| Key Management Personnel | : | Mr. G. Rama Krishna Reddy,
Chairman
Mr. G. Rama Manohar Reddy,
Managing Director
Mrs. G. Amulya Reddy,
Whole Time Director |
- ii. Transactions with Related Parties
- | | | |
|---------------------------|--|-----------------|
| Remuneration to Directors | | Rs. 20,40,000/- |
| Sitting Fee | | Rs. 7,500/- |
- iii. Balance as at 31st March, 2008
- | | | |
|------------------------|--|-------------|
| Directors' Remunertion | | Rs.99,991/- |
|------------------------|--|-------------|

11. Earning per Share

The numerators and denominators used for calculation of EPS

	Year ended 31-03-08	Year ended 31-03-07
	Rs	Rs
a) Profit available to the Equity shareholders	54866641	30636553
b) No. of Equity shares	6659400	5330400
c) Nominal value of share	10	10
d) Diluted Earning per Share	9.75	—
e) Adjusted Earning per Share	—	5.75

12. Outstanding dues to Micro small and medium enterprises under the MSME development act, 2006 have been determined based on the information available with the company and the required disclosures are given below.

	2008	2007
Year ending march 31st	Rs.	Rs.
a) Principal amount remain unpaid	-	-
b) Interest Due there on	-	-
c) Interest paid by the company in terms of Section 16 of MSME development act, 2006 along with the amount of the re-payment made to the supplier beyond the appointed day during the year.		

d) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSME development Act,2006

e) Interest accrued and remaining unpaid

f) Further interest and remaining due and Payable even in the succeeding year units such date When the Interest dues as above are actually paid to the small enterprises.

13. 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. 42,90,565/- towards deferred tax liability in the year 2007-08. The major components of deferred tax assets and liabilities arising on account of timing differences in depreciation.

14. Cash Flow statement has been prepared under indirect method as per the Accounting Standard – 3” Cash Flow Statements

15. Sundry Debtors and Sundry Creditors are subject to confirmation with the respective parties.

16. Foreign Exchange Earnings & Out Go:

- Foreign Exchange Earnings	-	Rs. 30.68 lakhs
(Previous year Rs.32.76 lakhs)		
- Foreign Exchange Outgo	-	Rs.1108.97 lakhs
(Previous year – Rs. 887.76 lakhs)		

17. 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	2007-08		2006-07	
	Qty Nos.	Value Rs. Lakhs	Qty Nos.	Value Rs. Lakhs
IC	12830	155.24	1497	17.57
E. Prom	16873	52.31	2685	6.23
IC-74373	12322	76.40	2577	14.93
IC – 2864	19702	128.06	2492	13.85
Transformers	18247	5.66	9795	1.99
Micro Processors	24897	13.69	5016	1.33
PCB's	26928	16.70	3298	1.66
Batteries	7399	53.27	923	5.71
Others		6.12		5.57
		507.45		68.84

AISHWARYA TELECOM LIMITED

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

Opening Stock:

Particulars	2007-08		2006-07	
	Qty	Value	Qty	Value
	Nos.	Rs. Lakhs	Nos.	Rs. Lakhs
Low Insulation Cable Fault Locator	16	11.84	23	17.02
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	—	—
High Speed Data Circuit Tester	2	0.54	—	—
		62.80		62.08

Production:

Particulars	2007-08		2006-07	
	Qty	Value	Qty	Value
	Nos.	Rs. Lakhs	Nos.	Rs. Lakhs
Low Insulation Cable Fault Locator	20	—	98	—
Fault Master 111	182	—	33	—
Power Meter	84	—	27	—
Light Source	69	—	45	—
Optical Variable Attenuator	34	—	36	—
High Speed Data Circuit Tester	151	—	4	—
Optical Time Domain Reflectometer	163	—	—	—
Digital Communication Analyzer	7	—	—	—
Electronic Markers	12834	—	—	—

Sales:

Particulars	2007-08		2006-07	
	Qty	Value	Qty	Value
	Nos.	Rs. Lakhs	Nos.	Rs. Lakhs
Low Insulation Cable Fault Locator	32	132.50	105	55.60
Fault Master 111	187	74.80	25	21.88
Power	69	18.85	21	6.10
Light Source	77	80.08	48	43.69
Optical Variable Attenuator	34	60.5	35	42.33
High Speed Data Circuit Tester	148	60.35	2	1.41
Optical Time Domain Reflectometer	143	25.79	—	—
Digital Communication Analyzer	0	—	—	—
Electronic Markers	10996	87.97	—	—
		976.49		171.01*

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

Closing Stock:

Particulars	2007-08		2006-07	
	Qty Nos.	Value Rs. Lakhs	Qty Nos.	Value Rs. Lakhs
Low Insulation Cable Fault Locator	4	2.96	16	11.84
Fault Master 111	32	23.04	37	26.64
Power	54	10.26	39	7.41
Light Source	16	10.56	24	15.84
Optical Variable Attenuator	1	0.52	1	0.53
High Speed Data Circuit Tester	5	2.15	2	0.54
Optical Time Domain Reflectometer	20	21.80		
Digital Communication Analyzer	7	4.06	—	—
Electronic Markers	1838	7.35		
		82.70		62.80

Notes: Schedules and statement on accounting policies from 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 A.M.REDDY & CO.

CHARTERED ACCOUNTANTS

PLACE : HYDERABAD

DATE : 30.07.2008

(G. RAMA KRISHNA REDDY)
DIRECTOR

(CA. RAMANA REDDY A.V.)

PARTNER

FOR AND ON BEHALF OF THE BOARD

(G.RAMA MANOHAR REDDY)
MANAGING DIRECTOR

(C.N. BHAVANI PRASAD)

COMPANY SECRETARY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Current Year	Previous Year
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Loss (+/-)	68957857	43111114
Add: Adjustments for:		
Depreciation	6537693	4695723
Miscellaneous Expenses written off	505000	505000
Operating Loss before Working Capital	76000550	48311837
Adjustments for working capital charges:		
Inventories	-1079932	-7299127
Sundry Debtors	-95424757	-16699384
Loans & Advances	-18340874	-10747793
Current Liabilities	23029764	-11080513
Provisions	724639	71611
Cash generated from Operations Before Extra-Ordinary items	-15090610	2556631
Extraordinary items	-4230157	-663645
Taxes Paid	-10331607	-5494273
Net cash flow from operating activities (A)	-29652374	-3601287
 B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-9787198	-14936268
Net Cash Flow from investing Activities (B)	-9787198	-14936268
 C. CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in Share Application Money	-1160250	1160250
Increase in Share Capital	13290000	0
Securities Premium	38720000	0
Secured Loans	-780062	21859735
Un-secured Loans	905000	-900000
Dividend Paid	-4975040	-3154400
Net Cash Flow from Financing Activities (C)	45999648	18965585
 Net Increase in Cash and Cash Equivalents (A+B+C)	6560076	428030
Cash & Cash Equivalents at the beginning of the year	1388025	959995
Cash & Cash Equivalents at the end of the year	7948101	1388025

VIDE OUR REPORT OF EVEN DATE
for A.M.REDDY & CO.

CHARTERED ACCOUNTANTS

PLACE : HYDERABAD

DATE : 30.07.2008

(G. RAMA KRISHNA REDDY)
DIRECTOR

(CA. RAMANA REDDY A.V.)

PARTNER

FOR AND ON BEHALF OF THE BOARD

(G.RAMA MANOHAR REDDY)
MANAGING DIRECTOR

(C.N. BHAVANI PRASAD)

COMPANY SECRETARY

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

I. Registration Details

Registration No.20569 of 1995-96 State Code: 01

Balance Sheet

Date : 31.03.2008

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

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

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

Total Liabilities	227017	Total Assets	227017
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Sources of Funds:

Paid-up Capital	66594	Reserves & Surplus	125728
Secured Loans	33790	Unsecured Loans	905

Application of Funds:

Net Fixed Assets	36956	Investments	Nil
Net Current Assets	196050	Misc.Expenditure	4894
Accumulated Losses	Nil		

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

Turnover & Other Income	349175	Total Expenditure	280217
Profit/Loss Before Tax	68958	Profit/Loss after Tax	54867
Earning per Share in Rs.	9.75	Dividend	5331 Rate 5%

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 Equipment
---------------------	--

VIDE OUR REPORT OF EVEN DATE

for A.M.REDDY & CO.

CHARTERED ACCOUNTANTS

PLACE : HYDERABAD

DATE : 30.07.2008

(G. RAMA KRISHNA REDDY)
DIRECTOR

(CA. RAMANA REDDY A.V.)

PARTNER

FOR AND ON BEHALF OF THE BOARD

(G.RAMA MANOHAR REDDY)
MANAGING DIRECTOR

(C.N. BHAVANI PRASAD)

COMPANY SECRETARY

AISHWARYA TELECOM LIMITED

AISHWARYA TELECOM LIMITED

Regd office: 1-3-1026&1027, Singadikunta, Kawadiguda, Hyderabad 80

ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Joint shareholders may obtain additional Slip at the venue of the meeting

DP ID*

Master Folio No

Client ID*

No of shares

Name and address of the shareholder

I hereby record my presence at the 13th ANNUAL GENERAL MEETING of the Company held on Monday, 22nd September, 2008 at 11:00a.m at 1-3-1026 &1027, Singadikunta, Kawadiguda, Hyderabad 500 080.

*Applicable for investors holding shares in electronic form

Signature of Shareholder/proxy

PROXY FORM

Regd. Folio No.....

I/We.....Of.....being member / members of M/s.

AISHWARYA TELECOM LIMITED, Hyderabad hereby appoint

Mr./Ms.....of

..... or failing him

..... of

..... as my/our proxy to vote for me/us

on my/our behalf at the Annual General Meeting of the Company at 11.00 AM on Monday the 22nd September, 2008 and at every adjournment thereof.

Signed thisday of....., 2008

Please affix
1 Rupee
Revenue
Stamp

Signature

- Note: 1. **PROXY NEED NOT BE A MEMBER.**
2. Proxy Form, complete in all respects, should reach the Regd. Office of the Company on or not later than 48 hours before the time for holding of the Meeting.