



Annual Report
2011 - 2012

CEMILAC CERTIFICATION TO AVANTEL



MSS Handing over Ceremony held at Novotel, Hyderabad on 26th December, 2011,
with Dr. M M Pallam Raju, Union Minister of State Defence as chief guest.

Other dignitaries present from left to right are Dr. A Vidya Sagar, Managing Director Avantel,
Wg Cdr D G Reddy, Regional Director, DGAQA, Dr. K. Tamilmani, Chief Executive, CEMILAC, Maj Gen (Retd)
Dr. Rajinder Kumar Bagga, AVSM, Cmde Kishan K Pandey, VSM, Principle Director Naval Signals, and
Mr. Mark Beaumont, Director Enterprise Sourcing BOEING

BOARD OF DIRECTORS

Maj Gen (Retd) Dr. Rajinder Kumar Bagga, AVSM

Dr. A. Vidya Sagar

Shri N. Naveen

Shri Y. Kishore

Shri N. Divakar

Maj Gen (Retd) S S Mohanty

Shri M. Venkata Rao

Chairman

Managing Director

Director

Director

Director (Technical) *till 30th April, 2012*

Director *till 30th April, 2012*

Director *till 13th October, 2011*

Statutory Auditors:

M/s. Ramanatham & Rao.,

P.B.No:2102,

Flat #302, Kala Mansion,

Sarojini Devi Road,

Secunderabad-500003

Registered Office:

Plot No 16, Sector-III, HUDA Techno Enclave,

Opp. K. Raheja IT Park, Madhapur,

Hyderabad-500 081

Phones: 040-2311 5050/51/52,

Fax: 040-2311 2336

Cost Auditor:

Mr. N.V.S. Kapardhi

Cost Accountant

SRT 148, S.R. Nagar,

Hyderabad - 500 038

Plant:

Sy. No 227 & 229, Plot No 31, Phase-II, IDA,

Cherlapally, R.R. Dist., Hyderabad-500 051

Phone: 040-27262999

Registrar & Share Transfer Agents:

Karvy Computershare Private Limited

Plot No 17 to 24, Vittalrao Nagar

Madhapur, Hyderabad-500 081

Phones: 040-44655000

Fax: 040-23420814

Email: einward.ris@karvy.com

Bankers:

Canara Bank

Industrial Finance Branch

Kalanjali Building

Hyderabad

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"Green Initiative in the Corporate Governance"- Paperless Communications:

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies through electronic mode. In accordance with the recent circular no. 17/2011 dated 21.04.2011 and circular no. 18/2011 dated 29.04.2011 issued by the Ministry, Companies can now send various notices and documents, including Annual Report, to its shareholders through electronic mode to the registered e- mail addresses of shareholders.

It is a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow shareholders to contribute towards a Greener Environment. Further it will ensure instant and definite receipt of the reports by you.

As it is proposed to send all future communications, including Notice of AGMs of the company, in electronic mode, we would request to all those shareholders, who have not given email IDs so far to kindly send their mail IDs to avl.cs@karvy.com and register the same.

NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the members of the Company will be held on **Thursday, the 21st June, 2012**, at 11.00 A.M. at the Registered Office of the Company at Plot No: 16, Sector III, Huda Techno Enclave, Opp. K. Raheja IT Park, Madhapur, Hyderabad- 500081, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2012, and the Profit and Loss Account for the financial year ended on that date and the Report of Directors and the Auditors thereon;
2. To declare Dividend for the Financial Year 2011-2012;
3. To appoint a Director in place of Sri. N. Naveen, who retires by rotation and being eligible, offers himself for re-appointment;

4. To appoint auditors and fix their remuneration by passing the following Resolution

"RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s Ramanatham & Rao., Chartered Accountants be and are hereby re-appointed as Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may be decided by the Board of Directors."

By Order of the Board

Place : Hyderabad
Date : 30.04.2012

ABBURI VIDYA SAGAR
Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy forms in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from **15th June, 2012, to 21st June, 2012, (both days inclusive)** for the purpose of Annual General Meeting.
3. Members seeking information with regard to accounts of the Company are requested to send their queries, if any, so as to reach at least seven (7) days before the meeting, to enable the management to keep the information ready.
4. Dividend on equity shares, as recommended by the Board of Directors, for the accounting year ended 31st March, 2012, when declared at the meeting, will be paid to the members whose names appear on the Register of Members of the Company as on closing business hours of **14th June 2012**. in respect of the shares held in dematerialized form, the dividend will be paid to members, whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.
5. Members having physical shares are requested to notify immediately changes, if any, in their addresses to the Company, duly quoting their folio number. However, members holding shares in demat mode are requested to approach their respective Depository Participants, for updating the change of address.

6. Members are requested to bring their copy of the Annual Report to the meeting.
7. In accordance with the provisions of section 205C of the Companies Act, 1956, the un-claimed dividends pertaining to the financial years 2010-11, 2009-10, 2008-09, 2007-08 and 2006-07 will be transferred to the 'Investor Education and Protection Fund' of the Central Government on the dates mentioned below. Those shareholders, who have not en-cashed so far these dividend amounts may please claim the same by approaching the Registrars for payment thereof:

Dividend period	Due date of transfer
2006-07	27.10.2014
2007-08	23.10.2015
2008-09	20.10.2016
2009-10	03.11.2017
2010-11	01.11.2018

In terms of provisions of section 205C of the Companies Act, 1956, no claims shall lie against the Company or the aforesaid Fund in respect of individual amounts, which remains unclaimed or unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

8. Payment of dividend through NECS/ECS:

- a) Members holding shares in physical form are advised to submit their bank account details viz. bank name, branch address, 9 digit MICR Code of the branch, type of account and account number to the Registrars of the Company at Karvy Computershare Private Limited, Plot No 17 to

24, Vittalrao Nagar, Madhapur, Hyderabad-500 081, so as to reach them **latest by 9th June 2012.**

- b) Members holding shares in demat form are advised to inform/update their bank account particulars to their respective Depository Participant(s).
9. A brief profile of the Rotational Director, pursuant to Clause 49 of the Listing Agreement, is annexed to this notice.

Brief Profile of Director seeking appointment at the Annual General Meeting in terms of Clause 49 of the Listing Agreement:

Shri N. Naveen:

Shri Nandigam Naveen is a fellow member of Institute of Chartered Accountants of India (ICAI) and has been in CA practice since 1990. In the year 1993, having a passionate interest in making a difference to the student community, he started DIGVIJAY Coaching Center at Hyderabad to provide professional coaching to students pursuing CA, CS, CWA courses in India.

Over the past 18 years, his committed passion with his team of faculties has produced more than 1000 CA, CS and CWA fully qualified professionals in India. Mr. Naveen balances his CA profession as well as his coaching assignments with each other.

He does not hold any shares of the Company.

By Order of the Board

Place : Hyderabad

Date : 30.04.2012

ABBURI VIDYA SAGAR

Managing Director

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Twenty Second Annual Report on the operations of your Company and the Audited Accounts for the financial year ended 31st March, 2012, together with the Auditors' Report thereon.

PERFORMANCE OF THE COMPANY:

Your Company's results for the year in comparison with the previous year are given below in a summarized format:

Particulars	(₹ in Lakhs)	
	Current Year 2011-12	Previous Year 2010-11
Income	2608.02	2234.60
Expenses	1974.59	1766.35
Operating Profit	633.43	468.25
Depreciation	119.33	114.68
Financial expenses	49.06	40.63
Profit Before Tax (PBT)	465.04	312.94
Provision for tax		
Current & Deferred	75.81	67.34
Profit After Tax (PAT)	389.23	245.60
Profit brought forward	498.22	409.94
Profit Available for Appropriation	887.45	655.54
Appropriations:		
Transferred to General Reserve	160.00	75.00
Proposed Dividend	89.66	70.60
Corporate Dividend Tax	14.54	11.72
Balance carried to balance sheet	623.25	498.22
Earnings Per Share (EPS)		
- Basic	8.68	5.22
- Diluted	8.68	5.22

I. DIVIDEND:

Your Directors have pleasure in recommending a dividend @ ₹ 2.00/- per share (20%) for the financial year 2011-12, out of current year profits absorbing an amount of ₹ 89.66 lakhs towards dividend & ₹14.54 lakhs towards dividend distribution tax, subject to the

approval of the members of the Company in the ensuing Annual General Meeting.

2. MANAGEMENT DISCUSSION & ANALYSIS:

A. MACRO-ECONOMIC OVERVIEW:

India is expected to grow at 6.1 per cent in calendar 2012, similar to the pace recorded in the fourth quarter of 2011, according to the Ernst & Young report. Growth should be picking up in H2, 2012, provided the global economy does not experience a further shock. Over the medium term, we expect a strong recovery in investment, which will help lift overall GDP growth over 9 per cent by 2014. India's domestic demand-driven growth model is acting as a catalyst for attracting foreign investments into the country. Although the ongoing global uncertainty may have prompted global investors to become more cautious, India's inherent advantages and proven resilience to counter-act macroeconomic challenges generally outweighs these concerns.

B. DEFENCE OVERVIEW:

The Indian defence industry has evolved and has been developing capabilities in land, naval and air systems. After the introduction of defence Offset Policy, India is gradually becoming a key outsourcing hub for the global defence industry

The Union Budget 2012 allocated ₹ 1.93 lakh crore (\$41 billion) for defence spending. It constitutes 1.90 per cent of GDP (estimated to be ₹ 101,59,884 crore). The increase in outlay was more than 17 per cent in India's defence expenditure for the last year's ₹ 1.64 lakh crore (\$36 billion). Out of total ₹ 1,93,407 crore allocated, ₹ 1,13,829 crore were for revenue (net) expenditure and ₹ 79,578 crore for capital expenditure, which includes modernization-related expenditure. The Budget allocation for defence in the Union Budget has to be seen not as proportion of the total outlay or ratio to the

GDP, but as per the security and defence requirements of the nation.

The continuous revisions of the Defence Equipment Procurement Procedures in the recent past suggest the intent of the Indian Government to streamline the procedures and make the system more transparent. The revised Defence Offset Guidelines (DOG) approved by the MoD's apex Defence Acquisitions Council (DAC) provides clarity to the offset policy by explicitly stating its objectives. Its threefold purpose is "to leverage capital acquisitions to develop Indian defence industry by (i) fostering development of internationally competitive enterprises, (ii) augmenting capacity for Research, Design and Development related to defence products and services and (iii) encourage development of synergistic sectors like civil aerospace and internal security."

C. ACCOMPLISHMENTS:

- Developed and delivered the Mobile Satellite Service (MSS) System to M/s. Boeing for the P-8I Maritime Reconnaissance Aircraft of the Indian Navy. The MSS equipment for the P-8I was produced in compliance with Boeing aerospace and Directorate General of Aeronautical Quality Assurance (DGAQA) standards and has been qualified by the Centre for Military Airworthiness and Certification (CEMILAC).
- Developed and implemented Satellite based Automatic Train Tracking System for Indian Railways
- Developed Satellite based Voice and Data Communication Terminals for Indian Navy.
- Developed and supplied ship borne Integrated Data Communication terminals for Indian Navy.
- Successfully demonstrated MSS terminals on MR Aircrafts of Indian Navy.

- Developed 30 MHz Transmit and Receive systems for NARL, ISRO.

D. OVERVIEW OF OPERATIONS:

During the year under review, your Company has achieved a turnover of ₹ 2608.02 lakhs as against ₹ 2234.60 lakhs for the previous year. The Company has earned a net profit before taxation of ₹ 465.04 lakhs as against ₹ 312.94 lakhs during the previous year.

E. OUTLOOK AND STRATEGY FOR CURRENT YEAR:

Your Company has developed Mobile Satellite Services based products and UHF Systems and continue to offer solutions for various applications and is looking for growth in this segment by offering integrated solutions for Airborne, as well as Underwater Platforms. The Company is also developing Hybrid Automatic Identification Systems for Coastal Surveillance and also progressing on the development of satellite based Real Time Train Tracking Information System for the Indian Railways using MSS & GPRS.

F. INTERNAL CONTROL SYSTEMS:

The organization implements and maintains a Quality Management System (QMS) in accordance with the ISO 9001 : 2008 standard and latest version of AS 9100 C standard at both the locations - Production and R & D units. The scope of certification covers the Design & Development, manufacturing and servicing of Satellite and wireless communication products for Aerospace, Defense, Telecom and commercial applications. Periodical internal quality audits (IQA) and management review meetings (MRM) ensure implementation and improvement of the QMS.

In addition, the Company has appointed independent internal auditors to carry out the internal audit of accounts on a regular basis. The

internal audit is supplemented by external audit, and periodic review by the Management.

G. INDUSTRIAL RELATIONS:

Your Company has had harmonious relations throughout the year at all levels of the organization, and would endeavor to maintain this cordial relationship in the future. Your Directors wish to place on record their deep sense of appreciation for the valuable work done and cooperation extended by the employees at all levels.

3. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors hereby confirms that: -

- i. In the preparation of the annual accounts, the applicable Accounting Standards have been followed and there is no material departure.
- ii. Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012, and of the Profit of the Company for the year ended on that date.
- iii. Proper and sufficient care has been taken 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 frauds and other irregularities.
- iv. Annual accounts have been prepared on a 'going concern' basis.

4. DEPOSITS:

During the year, the Company has not accepted any deposits covered under the provisions of Sec. 58A of the Companies Act, 1956, read with Companies (Acceptance of the Deposit Rules), 1975.

5. PARTICULARS OF EMPLOYEES:

The particulars of employees, which are required to be given under Sec 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Amendment Rules, 2011:

- a. Particulars of employees who are in receipt of ₹ 60 lakhs or more per annum : NIL
- b. Particulars of employees employed for a part of the financial year with a salary of ₹ 5 lakh or above per month : NIL

6. CONSERVATION OF ENERGY & FOREIGN EXCHANGE INFLOW AND OUTFLOW:

The details, as required under Sec 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure-I.

7. TECHNOLOGY, PATENTS, R&D AND INNOVATION:

Your Company has submitted five applications to the Patent office, Government of India, for grant of Patents under different R&D inventions. All are published in the Patents Journal and are waiting for further examination in chronological order of applications filed. The members will be informed of the grant of patents as and when they happen.

8. NEW UNIT AT VISAKHAPATNAM:

The Company is presently having Research & Development (R&D) facility, at Hyderabad, which is recognized by DSIR, Govt. of India. With a view to establish a new unit, the Company has acquired 0.93 acre of land at Gambheeram Industrial Park, Visakhapatnam, Andhra Pradesh in the last year and is presently constructing a certified Green Building. With respect to the constructions work, civil works for the building have been completed and interior, electrical and other miscellaneous works are in progress. The proposed building will be utilized to set up an exclusive facility for development and manufacturing of defense

electronics equipment, satellite communication products, IT products and naval systems. Apart from providing employment opportunities for about 150 engineering professionals, the Center will develop import substitution products in strategic electronics for Indian Defense Services. The Unit is likely to be operational in this financial year only.

9. CORPORATE GOVERNANCE:

Attention of the members is drawn to Annexure-II to this Report dealing with the practices of Corporate Governance, being followed by the Company. A certificate from the Statutory Auditors of the Company regarding compliance of the conditions of the Corporate Governance, as stipulated under Clause 49, also forms part of this Annual Report.

10. LISTING FEES:

The Company has paid the listing fees for the year 2012-13 to Bombay Stock Exchange Limited (BSE) in pursuance of the Listing Agreement.

11. AUDITORS:

M/s. Ramanatham & Rao, Chartered Accountants, Statutory Auditors of the Company, retires at this ensuing Annual General Meeting and is eligible for re-appointment. Confirmation from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

12. COST AUDIT REPORT:

The Company was subjected to Cost Audit under Section 233B of the Companies Act, 1956 as per the Central Government Industry-wise General Order i.e. to conduct the audit of Cost accounting records maintained by the Company, in relation to telecommunication products, for the financial year ending on 31st March, 2012. Accordingly, the Company appointed Mr. N.V.S. Kapardhi, Cost Auditor to carry

out Cost Audit for the financial year 2011-12 and submit his report to the Central Government.

13. BUY BACK DURING THE YEAR:

Members are aware that the Board of Directors at their meeting held on 13th October, 2011 approved the Buy Back of Equity Shares of the Company which has been commenced with effect from 5th December, 2011 and the Company has closed the said Buy Back Offer w.e.f. 25th January, 2012 and the Company has bought back 2,09,413 Equity Shares of ₹ 10 each during the Buy Back Offer.

14. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, Shri N. Naveen Director of the Company will retire by rotation and being eligible, offer himself for re-appointment. During the Financial Year Shri. K.B.K. Moorthi, Shri. M. Venkata Rao resigned as Directors of the Company w.e.f. 13th October, 2011 and Maj. S.S. Mohanthy was appointed as Director of the Company w.e.f. 13th October, 2011. However, subsequent to the financial year Mr. N. Divakar, Whole Time Director and Maj. S.S. Mohanthy, Director have resigned from the Board w.e.f. 30th April, 2012.

15. ACKNOWLEDGEMENT:

Your Directors express their sincere appreciation and gratitude to Canara Bank, Industrial Finance Branch, Hyderabad, for their continued support and to all employees, shareholders, suppliers, customers and various statutory authorities, who have extended their immense support to the Company.

For Avantel Limited

Maj Gen (Retd) Dr. Rajinder Kumar Bagga, AVSM
Chairman

Place : Hyderabad

Date : 30.04.2012

Annexure - I to the Directors' Report

Information pursuant to 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.

A. Conservation of Energy : Not applicable

B. Particulars with respect to absorption of Technology, Research and Development (R&D) specific areas, in which R & D was carried out by the Company:

Some of the important product details:

- Integrated MSS Transceivers for Aircrafts
- UHF Radio System for Ships and Aircrafts
- Automatic Train Tracking system for Indian Railways
- 30 MHz Transmit/Receive modules

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

The Company could offer indigenous, customized strategic solutions to Indian defense services including Indian Navy, Indian Coast Guard and Indian Army.

ii. Future plan of Action:

The Company is designing and developing the following systems:

- Digital Radios for Naval Aircrafts
- MSS Terminals for Fishing Vessels
- AIS Transponders for Fishing Vessels.
- Software Defined Radios for Defense applications.
- Real Time Train Tracking Information System for Indian Railways

iii. Expenditure on Research & Development:

	₹ in Lakhs
Capital	38.02
Recurring	492.31
Total	530.33
Total R & D expenditure % of Turnover	20.33

C. Foreign Exchange Earnings and Outgo:

The foreign exchange earnings and outgo during the year under review are as follows:

Foreign exchange earnings	: ₹ 958.08 lakhs
Foreign exchange outgo	: ₹ 349.48 lakhs

Annexure - II to the Directors' Report

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

1. Company's Philosophy on Code of Governance

Your Company believes in providing highest transparency, and ethical values in Corporate Governance. It endeavors to fulfill the Code of Corporate Governance by taking into consideration the interests of shareholders, employees, lenders and customers. The Company will strive for the adherence to the Corporate Governance philosophy and contribute to the betterment of all stakeholders along with the betterment of the Company. The Company has also adopted Code of Conduct for the Board of Directors and other Senior Level Management, which has been posted on the Company's Website.

2. Board of Directors:

i. Composition:

The Board of Directors of the Company consists of:

One Non-Promoter Non-Executive and Independent Director as Chairman

One Promoter Executive Director

One Promoter Non Executive Director

One Non Promoter Executive Director

Five Non-Promoter, Non-Executive and Independent Directors

No Director is related to any other Director on the Board in terms of the definition of 'relative' given under the Companies Act, 1956, except Dr. A. Vidya Sagar and Shri A. Ventateswara Rao, who was retired at the previous AGM related to the each other as son and father.

ii. Attendance of each Director and other details:

Name of the Director	Category	No of Directorships in other Boards	No. of Memberships/ Chairmanships of other Companies Committees	No. of Board meetings (out of five) attended during the year	Whether attended last AGM
Maj Gen (Retd). Dr. Rajinder Kumar Bagga, AVSM	Non-Promoter Non- Executive	Nil	Nil	2	Yes
Dr. A. Vidya Sagar	Promoter Executive	1	Nil	5	Yes
Shri N. Naveen	Non-Promoter Non- Executive	1	Nil	5	Yes
Shri Y. Kishore	Non-Promoter Non- Executive	Nil	Nil	4	Yes
Shri N. Divakar*	Non-Promoter Executive	Nil	Nil	5	Yes
Shri. S.S. Mohanty*	Non-Promoter Non- Executive	Nil	Nil	1	-
Shri M. Venkata Rao**	Non-Promoter Non- Executive	Nil	Nil	0	No
Shri A. Venkateswara Rao***	Promoter Non - Executive	Nil	Nil	0	No
Maj Gen (Retd) S Balakrishnan, VSM ***	Non Promoter Non Executive	Nil	Nil	3	No

* Resigned w.e.f 30.04.2012

** Resigned w.e.f 13.10.2011

*** Retired at the AGM held on 25.08.2011

iii. Number of Board Meetings held during the financial year 2011-12, along with the dates:

During the financial year 2011-12, total Five Board meetings were held, as against minimum requirement of four. The details of Board meetings are as under:

- 1) 30.04.2011
- 2) 07.07.2011
- 3) 29.07.2011
- 4) 13.10.2011
- 5) 31.01.2012

3. Audit Committee:

i. Brief description of terms of reference:

The Committee comprises of non-executive independent Directors and has been formed to monitor and provide effective supervision of the financial control and reporting process. The terms of reference of the Committee covers the matters specified for Audit Committee under Clause 49 of the Listing agreement as well as section 292A of the Companies Act, 1956. This inter- alia, include review of the financial reporting process, internal audit process, adequacy of internal control systems, management audit and risk management policies and also recommend appointment of the statutory auditors and their remuneration. Company Secretary is the Secretary of the Committee.

ii. Composition: Chairman, members & attendance:

The constitution of Audit Committee and attendance is as follows:

S.No.	Name of the Director	Category	Designation	No. of meetings attended, out of four
1	Shri N. Naveen	Non- Promoter Non-Executive Independent Director	Chairman	5
2	Shri Y. Kishore	Non-Promoter Non- Executive Independent Director	Member	4
3	Maj Gen (Retd). Dr. R K Bagga, AVSM	Non-Promoter Non- Executive Independent Director	Member	2
4	Shri K.B.K. Moorthi*	Non-Promoter Non Executive Independent Director	Chairman#	1
5	Maj Gen (Retd) S Balakrishnan, VSM *	Non-Promoter Non Executive Independent Director	Member	1
6	Shri M. Venkata Rao*	Non-Promoter Non- Executive Independent Director	Member	-

* till 13th October 2011

till 30th April, 2011

iii. During the financial year 2011-12, the Audit committee met Five times on the following dates:

- 1) 30.04.2011
- 2) 07.07.2011
- 3) 29.07.2011
- 4) 13.10.2011
- 5) 31.01.2012

4. Remuneration Committee:

i. Brief description of terms of reference:

The Company does not remunerate the Non-Executive Directors of the Company except for the payment of sitting fees for attending such meetings of the Board or Committees thereof. Remuneration of the Executive Directors is recommended by the Remuneration Committee to the Board and approved by the shareholders.

ii. Composition of Committee and attendance:

No Remuneration Committee Meeting was held during the financial year 2011-12.

The Remuneration Committee consists of the following Non-Executive Independent Directors:

S.No.	Name of the Director	Category	Designation	Attendance
1.	Maj Gen (Retd) Dr. R K Bagga, AVSM	Non-Promoter Non-Executive Independent Director	Chairman	-
2.	Shri N. Naveen	Non-Promoter Non-Executive Independent Director	Member	-
3.	Shri Y. Kishore	Non-Promoter Non-Executive Independent Director	Member	-

iii. Details of remuneration to all the Directors:

a) The aggregate of salary & perquisites paid for the year 2011-12 to the Executive Directors is as under:

Dr. A. Vidya Sagar , Managing Director	:	₹ 15,89,025/-
Shri N. Divakar, Director (Technical)	:	₹ 10,80,000/-

b) The aggregate of sitting fees paid to the Non-Executive Directors is as under:

Shri K.B.K. Moorhti	:	₹ 15,000/-
Maj Gen (Retd) S Balakrishnan, VSM	:	₹ 37,500/-
Shri N. Naveen	:	₹ 75,000/-
Maj. Gen. S.S. Mohanty	:	₹ 7,500/-
Shri. Y.Kishore	:	₹ 75,000/-
Maj Gen Rajinder Kumar Bagga	:	₹ 45,000/-

5. Share Transfer and Investor Grievance Committee:

i. Composition of Committee:

This Committee comprises the following Directors:

Maj Gen (Retd) Dr. R K Bagga, AVSM	:	Chairman
Shri Y. Kishore	:	Member
Dr. A. Vidya Sagar	:	Member

ii. Name and designation of Compliance Officer:

Shri M S S Prasad, General Manager (Finance & Accounts) is the Compliance Officer w.e.f. 30th April, 2012. The Committee deals with investors' complaints regarding transfer/ transmission of shares, non-receipt of certificates, dividends and such other matters and recommends measures for providing efficient services to investors. Eight meetings of the Committee were held during the year ended 31st March 2012.

All the complaints received from the investors were resolved, within reasonable time. Total 6 complaints were received from the investors during the year 2011-12, and all of them have been resolved expeditiously. There was no outstanding complaint as on 31st March 2012.

6. General Body Meetings:

i) The location and time of the last three Annual General Meetings are as follows:

Year	AGM	Location	Date	Time
2010-11	AGM	Plot No 16, Sector-III, HUDA Techno Enclave, Madhapur, Hyderabad-500 081	25.08.11	11.00 AM
2009-10	AGM	— Do —	28.09.10	11.00 AM
2008-09	AGM	— Do —	14.09.09	11.00 AM

ii) Special Resolutions passed in the last three Annual General Meetings:

AGM Date	Description of Item
September 28, 2010	i) Re-appointment of Dr. A. Vidya Sagar , Managing Director, for another three years; ii) Re-appointment of Shri N. Divakar, Director (Technical), for another two years.
September 14, 2009	Re-appointment of Shri N. Divakar, Director (Technical), for another one year.

During the last three years, no Extra-ordinary General Meeting was conducted.

None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a Special Resolution through Postal Ballots.

7. Disclosures:

- i. During 2011-12, there were no materially significant related party transactions i.e transactions of the Company of material nature with its Promoters, the Directors, or the Management, their subsidiaries or relative etc that may have potential conflict with the interests of Company, at large.
- ii. There has not been any non-compliance by the Company, and no penalty or strictures have been imposed on the Company by Stock Exchange or SEBI or any Statutory Authority on any matter related to capital market.
- iii. The Board has set up a Remuneration Committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Executive Directors and any compensation payment. The Committee comprises of three Directors, all of whom Non-Executive Directors. The Chairman of the Committee is an Independent Director.

8. Means of Communication:

The Company's website www.avantel.in hosts the quarterly, half-yearly and yearly financial results for the easy accessibility of the investors. The Company publishes the periodical financial results in Financial Express/ Business Standard and Andhra Bhoomi / Andhra Prabha newspapers. The Management Discussion & Analysis Report forms part of the Annual Report.

9. General Shareholder information:

- i. **AGM:** The Twenty Second Annual General Meeting of the Company will be held on **Thursday the 21st day of June, 2012**, at 11.00 AM at the Registered Office of the Company at Plot No: 16, Sector III, HUDA Techno Enclave, Madhapur, Opp. K. Raheka IT Park, Hyderabad - 500 081.
- ii. **Financial Calendar:** The Company follows April to March as its financial year. The financial results are declared, as per the provisions of Listing Agreement.
- iii. **Date of Book Closure:** The Share Transfer Books of the Company shall remain closed from 15th June, 2012, to 21st June, 2012, (both days inclusive) for the purpose of ensuing Annual General Meeting.
- iv. **Dividend Payment date:** Directors have proposed a dividend ₹ 2.00 per share (20%), and if declared at the AGM, will be paid within thirty days of AGM.
- v. **Listing on Stock Exchange & Stock Code:** The Company's shares are listed at Bombay Stock Exchange Limited (BSE), 1st Floor, New Trading Ring, Phiroze Jeebhay Towers, Dalal Street, Mumbai. Scrip Code is 532406.
Demat ISIN Numbers in NSDL & CDSL INE005B01019
- vi. **Market price Data:** High, Low during each month in last Financial Year: *(Source: BSE Website)*

Month	BSE, Mumbai	
	High (₹)	Low (₹)
April, 2011	68.00	57.00
May, 2011	63.80	52.30
June, 2011	63.50	53.05
July, 2011	69.50	60.10
August, 2011	64.00	47.25
September, 2011	55.00	47.55
October, 2011	63.00	48.00
November, 2011	60.00	52.10
December, 2011	65.80	53.15
January, 2012	65.95	57.00
February, 2012	74.95	64.00
March, 2012	69.40	62.65

vii. Registrar and Share Transfer Agents:

Karyy Computershare Private Ltd,
 Plot No 17 to 24, Vittalrao Nagar,
 Madhapur, Hyderabad-500 081
 Phone: 040-44655188

viii. Share Transfer System;

Transfer of securities in physical form, if any, are registered and, duly transferred share certificates will be dispatched within thirty days from the date of receipt, provided the documents are in order.

With regard to the shares in Demat mode, the procedure adopted is as per the provisions of Depositories Act, 1996.

ix. Distribution of holding:**a) Share Holding Pattern as on 31st March, 2012:**

S.No.	Particulars	No. of Shares held	% of shareholding
1	Company Promoters	1517312	33.85
2	Bodies Corporates	465307	10.38
3	Resident Individuals	2453502	54.73
4	Non-Resident Indians	46566	1.04
5	Clearing Members	313	0.00
	Total	4483000	100.00

b) Details of entities/persons holding more than 1% of share capital of the Company:

S.No.	Particulars	No. of Shares held	% of shareholding
1	Vidya Sagar Abburi	796720	17.77
2	K. Swapna	282048	6.29
3	Sarada Abburi	237396	5.30
4	Venkateswara Rao Abburi	236620	5.28
5	Bala Bhaskar Rao Peddi*	155309	3.46
6	Siddhatha Sagar Abburi	108678	2.42
7	K. Satish	102759	2.29
8	Sailaja Abburi	96930	2.16
9	Hindustan Candle Mfg. Company Pvt. Ltd	70286	1.57
10	Runner Marketing Pvt. Ltd	50000	1.12
12	Nagendra Babu Nagabhyrava	48000	1.07
13	Vasudhaiva Kutumbkam Consultancy & Broking Pvt Ltd	47378	1.06
14	Bilkis Zubair Hawa	46700	1.04
	Total	2278824	50.83

* Avantel Limited Employees Welfare Trustee.

c) Distribution of Shareholding as on 31st March 2012:

S.No.	Category (Shares)	No. of Holders	% of Holders	No. of Shares	% of Equity
1	1 - 500	4211	87.37	574960	12.83
2	501 - 1000	294	6.10	248145	5.54
3	1001 - 2000	145	3.01	225121	5.02
4	2001 - 3000	45	0.93	118368	2.64
5	3001 - 4000	24	0.50	85006	1.90
6	4001 - 5000	22	0.46	107279	2.39
7	5001 - 10000	35	0.73	261839	5.84
8	10001 and above	44	0.91	2862282	63.85
	Total	4820	100.00	4483000	100.00

x. Dematerialization of shares and liquidity:

As on 31st March, 2012, 97.75% (4383456 equity shares) of paid up capital has been dematerialized.

The Company has not issued any GDRs/ ADRs/ Warrants or any convertible instruments.

Plant Location:

Avantel Limited
 Sy. No 227 & 229, Plot No 31,
 Phase-II, IDA, Cherlapally, Ranga Reddy District,
 Hyderabad-500 051

Address for correspondence:

Avantel Limited
 Plot No: 16, Sector- III, HUDA Techno Enclave,
 Madhapur, Opp. K. Raheja IT Park, Hyderabad - 500 081.
 Ph: 040 - 2311 5050/51/52
 Fax: 040-2311 2336, E-mail: & info@avantel.in

For Avantel Limited

Place : Hyderabad
 Date : 30.04.2012

Maj Gen (Retd) Dr. Rajinder Kumar Bagga, AVSM
 Chairman

DECLARATION BY CHAIRMAN OF THE COMPANY ON CODE OF CONDUCT:

I, Rajinder Kumar Bagga, Chairman of Avantel Limited, hereby confirm pursuant to Clause 49(1)(D) of the Listing Agreement that:

- The Board of Directors of Avantel Limited has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has also been posted in the Company's website viz www.avantel.in
- All the Board Members and Senior Management personnel have affirmed their compliance with the said Code of Conduct for the year ended 31st March, 2012.

For Avantel Limited

Place : Hyderabad
 Date : 30.04.2012

Maj Gen (Retd) Dr. Rajinder Kumar Bagga, AVSM
 Chairman

CORPORATE SOCIAL RESPONSIBILITY:

At Avantel, social responsibility is an integral part of the value system and the core values. The Company participates through various Non-Governmental Organizations (NGOs) in construction and running of homes for orphans, children from poor families, and special children, who are physically & mentally challenged. Avantel is committed to conservation of natural environment through promotion of environment friendly green technologies.

To
The Members
AVANTEL LIMITED,
Hyderabad. (A.P)

We have examined the compliance of the conditions of Corporate Governance by Avantel Limited for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

for **RAMANATHAM & RAO,**
CHARTERED ACCOUNTANTS
Firm Registration No.2934S

(K. SREENIVASAN)
PARTNER
Membership No.206421

Place : Hyderabad
Date : 30.04.2012

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATE

We have reviewed the financial statements, read with the cash flow statement of Avantel Limited for the year ended 31st March 2012, and that to the best of our knowledge and belief, we state that:

1.
 - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
 - ii) These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or in violation of the Company'
3. We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
4. We have indicated to the Auditors and Audit Committee
 - i) Significant changes in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements, and
 - ii) Instances of significant of fraud of which we have become aware and the involvement therein, if any, of the Management or an employee.

Place : Hyderabad
Date : 30.04.2012

Dr. A. Vidya Sagar
CEO & MD

M.S.S. Prasad
CFO-GM-F&A

AUDITORS' REPORT

To
The Members
AVANTEL LIMITED,
Hyderabad. (A.P)

1. We have audited the attached balance sheet of M/S. AVANTEL LIMITED, as at 31st March, 2012, the statement of profit and loss and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 (the Order) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956;
 - v) On the basis of written representation received from the directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of balance sheet, of the state of affairs of the company as at 31st March, 2012;
 - b) in the case of statement of profit and loss of the profit of the company for the year ended on that date; and
 - c) in the case of cash flow statement, the cash flow of the company for the year ended on that date.

for **RAMANATHAM & RAO,**
Chartered Accountants
Firm Registration No.0029345

(CA K SREENIVASAN)
Partner
ICAI Membership No. 206421

Place : Hyderabad
Date : 30th April, 2012

Annexure to the Auditors' Report

The Annexure referred to in paragraph 3 of our report to the members of Avantel Limited for the year ended 31st March, 2012

- 1.1 The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.2 The fixed assets have been physically verified by the management. There is a regular programme of verification of fixed assets, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies have been noticed on such verification.
- 1.3 There was no substantial disposal of fixed assets during the year, which would affect the going concern of the company.
- 2.1 The inventory has been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.
- 2.2 The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3.1 In our opinion and according to the information and explanations given to us, the company has neither granted nor taken any loans, secured or unsecured, from companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii)(a) to (iii)(g) of the Order are not applicable.
- 4.1 In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
- 5.1 According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, there were no transactions exceeding the value of rupees five lakhs made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956.
- 6.1 The Company has not accepted any deposits from the public. Hence the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, do not apply to this Company.
- 7.1 In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- 8.1 We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the company's products to which the said rules are made applicable, and are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records since the same will be carried out by the cost auditors with a view to determine whether they are accurate.
- 9.1 The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Investor Education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- 9.2 According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, Investor Education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess were in arrears, as at 31st March, 2012 for a period of more than six months from the date they became payable.
- 9.3 According to the information and explanation given to us, there are no disputed dues in respect of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess.

- 10.1 In our opinion, the company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- 11.1 In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, bank or debenture holders. There is no overdue amount at the end of the year.
- 12.1 According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13.1 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 Order are not applicable to the company.
- 14.1 According to the information and explanations given to us, the company is not dealing in or trading in shares, securities debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the company.
- 15.1 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16.1 The Company did not have any term loans outstanding during the year.
- 17.1 On the basis of information received from the management and on an overall examination of the balance sheet of the company as at 31st March, 2012, we report that no funds raised on short-term basis have been used for long-term investment.
- 18.1 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 Companies Act, 1956.
- 19.1 According to the information and explanations given to us, during the period covered by our audit report, the company had not issued any debentures. Accordingly, the provisions of clause 4(xix) of the Order are not applicable to the company.
- 20.1 According to the information and explanations given to us, during the period covered by our audit report, the company had not raised money by public issue. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the company.
- 21.1 According to the information and explanations given to us, no material fraud on or by the company has been noticed or reported during the course of our audit.

for **RAMANATHAM & RAO,**
Chartered Accountants
Firm Registration No.002934S

(CA K SREENIVASAN)
Partner
ICAI Membership No. 206421

Place : Hyderabad
Date : 30th April, 2012

BALANCE SHEET AS AT 31st MARCH, 2012

Particulars	Note No.	31st March, 2012 ₹	31st March, 2011 ₹
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	2.1	44,836,000	47,070,730
(b) Reserves and Surplus	2.2	142,344,012	126,719,843
(c) Money received against share warrants		-	-
(2) Share application money pending allotment			
(3) Non-Current Liabilities			
(a) Long-term borrowings		-	-
(b) Deferred tax liabilities (Net)		-	-
(c) Other Long term liabilities		-	-
(d) Long-term provisions	2.3	1,665,685	1,176,889
(4) Current Liabilities			
(a) Short-term borrowings	2.4	26,118,001	23,060,294
(b) Trade payables	2.5	6,360,974	5,717,211
(c) Other current liabilities	2.6	10,172,306	9,079,288
(d) Short-term provisions	2.7	21,242,303	18,845,147
Total		252,739,281	231,669,402
II. Assets			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	2.8	87,603,139	86,342,574
(ii) Intangible assets		-	-
(iii) Capital work-in-progress	2.8	25,825,410	3,320,864
(iv) Intangible assets under development		-	-
(b) Non-current investments		-	-
(c) Deferred tax assets (net)	2.9	1,731,180	-
(d) Long term loans and advances		-	-
(e) Other non-current assets	2.10	1,687,194	1,515,397
(2) Current assets			
(a) Current investments		-	-
(b) Inventories	2.11	46,998,854	39,662,021
(c) Trade receivables	2.12	71,356,432	85,433,904
(d) Cash and cash equivalents	2.13(a)	1,981,585	4,173,265
(e) Other Bank Balances	2.13(b)	1,783,250	1,548,350
(f) Short-term loans and advances	2.14	13,772,237	9,673,027
(f) Other current assets		-	-
Total		252,739,281	231,669,402
III. Significant Accounting Policies & Notes on Accounts	I & 2		

Per our report of even date
 for **RAMANATHAM & RAO**
 Chartered Accountants
 Firm Registration No. 002934S

for and on behalf of Avantel Limited

(CA K SREENIVASAN)
 Partner
 ICAI Membership No. 206421

Dr. A. VIDYA SAGAR
 Managing Director

N. NAVEEN
 Director

Place: Hyderabad
 Date: 30th April, 2012

MANJUNATH R HEGDE
 Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDING MARCH 31, 2012

Particulars	Note No.	31st March, 2012 ₹	31st March, 2011 ₹
I. Revenue from operations	2.15	260,138,294	222,612,367
II. Other Income	2.16	663,714	848,183
III. Total Revenue (I + II)		260,802,008	223,460,550
IV. Expenses:			
Cost of materials consumed	2.17	65,190,060	82,537,068
Purchase of Stock-in-Trade		-	-
Changes in inventory of finished goods, work-in-progress and Stock-in-Trade	2.18	(4,914,726)	(8,361,682)
Employee benefit expenses	2.19	39,030,095	34,142,937
Manufacturing Expenses	2.20	14,410,611	16,700,956
Research and Development Expenses	2.21	49,231,033	29,135,951
Selling and Distribution Expenses	2.22	13,244,881	9,769,985
Financial costs	2.23	4,906,141	4,063,137
Depreciation and amortization expenses	2.24	11,933,329	11,468,517
Other Expenses	2.25	21,061,632	12,521,601
Prior Period Expenditure	2.26	204,656	187,937
Total Expenses		214,297,712	192,166,407
V. Profit before exceptional and extraordinary items and tax (III - IV)		46,504,296	31,294,143
VI. Exceptional Items		-	-
VII. Profit before exceptional items and tax (V - VI)		46,504,296	31,294,143
VIII. Extraordinary Items		-	-
IX. Profit before tax (VII - VIII)		46,504,296	31,294,143
X. Tax expense:			
(1) Current tax		9,311,886	6,733,888
(2) Deferred tax		(1,731,180)	-
XI. Profit/(Loss) for the period from continuing operations (IX - X)		38,923,590	24,560,255
XII. Profit/(Loss) from discontinuing operations		-	-
XIII. Tax expense of discounting operations		-	-
XIV. Profit/(Loss) from Discontinuing operations (XII - XIII)		-	-
XV. Profit/(Loss) for the period (XI + XIV)		38,923,590	24,560,255
XVI. Earning per equity share:			
(1) Basic		8.68	5.22
(2) Diluted		8.68	5.22
Significant Accounting Policies & Notes on Accounts	I & 2		

Per our report of even date
for **RAMANATHAM & RAO**
Chartered Accountants
Firm Registration No. 0029345

for and on behalf of Avantel Limited

(CA K SREENIVASAN)
Partner
ICAI Membership No. 206421

Dr. A. VIDYA SAGAR
Managing Director

N. NAVEEN
Director

Place: Hyderabad
Date: 30th April, 2012

MANJUNATH R HEGDE
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Particulars	31st March, 2012 ₹	31st March, 2011 ₹
A. Cash flows from operating activities		
Profit before taxation	46,504,296	31,294,143
Adjustments for:		
Depreciation & Amortisation	11,933,329	11,468,517
Interest expense	3,849,386	2,820,956
Miscellaneous Receipts	(273,466)	(56,620)
Profit on sale of Fixed Assts	-	(280,600)
Interst Income	(390,248)	(510,963)
Buy Back Expenses	1,856,595	-
Operating Profit before Working Capital Changes	63,479,892	44,735,433
Working capital changes:		
(Increase)/Decrease in trade receivables	14,077,472	(18,837,341)
(Increase)/Decrease in inventories	(7,336,833)	(19,638,287)
(Increase)/Decrease in other non-current assets	(171,797)	78,263
(Increase)/Decrease in loans and advances	(5,017,624)	12,582,217
Increase/(Decrease) in long term liabilities/provisions	488,796	173,033
Increase/(Decrease) in trade payables	643,763	(397,622)
Increase/(Decrease) in other short term liabilities/provisions	(1,762,122)	6,931,832
Cash generated from operations	64,401,547	25,627,528
Income taxes paid	(5,328,472)	-
Net cash from operating activities	Total (A) 59,073,075	25,627,528
B. Cash flows from investing activities		
Purchase of Fixed Assets	(13,988,154)	(43,293,248)
Sale of Fixed Assets	-	382,495
Increase in Capital Work in Progress	(22,504,546)	(3,320,864)
Interest Received	390,248	510,963
Miscellaneous Receipts	273,466	56,620
Net cash used in investing activities	Total (B) (35,828,986)	(45,664,034)
C. Cash flows from financing activities		
Increase in Short Term Borrowings	3,057,707	23,060,294
Buyback of Shares & Expenses	(16,176,950)	-
Interest paid	(3,849,386)	(2,820,956)
Dividend Paid, including Dividend Tax	(8,232,240)	(5,506,338)
Net cash used in financing activities	Total (C) (25,200,869)	14,733,000
D. Net Increase/(Decrease) in Cash & Cash Equivalents (A)+(B)+(C)	(1,956,780)	(5,303,506)
Cash and cash equivalents at beginning of the year	5,721,615	11,025,121
Cash and cash equivalents at end of the year	3,764,835	5,721,615

Per our report of even date
 for **RAMANATHAM & RAO**
 Chartered Accountants
 Firm Registration No. 002934S

for and on behalf of Avantel Limited

(CA K SREENIVASAN)
 Partner
 ICAI Membership No. 206421

Dr. A. VIDYA SAGAR
 Managing Director

N. NAVEEN
 Director

Place: Hyderabad
 Date: 30th April, 2012

MANJUNATH R HEGDE
 Company Secretary

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS**Corporate Information:**

Avantel Limited is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed in one stock exchange in India. The company is engaged in manufacturing of Telecom Products and rendering related customer support/other services. The company caters to both domestic and international markets. The company is having in-house Research & Development (R & D) facility at Hyderabad.

I. SIGNIFICANT ACCOUNTING POLICIES:**a) Basis of Accounting:**

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 and the relevant Provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under historical conversion.

b) Use of Estimates:

The preparation of Financial Statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

c) Fixed Assets:

Fixed Assets are stated at cost, less accumulated depreciation and impairment if any. Direct costs are capitalized until fixed assets are ready for use. Capital Work in Progress comprises of cost of fixed assets that are not yet ready for their intended use at the reporting date.

d) Depreciation:

Depreciation on all assets is provided on the "Straight Line Method" over the useful lives of the assets estimated by the Management. Depreciation for assets purchased/sold during the period is proportionately charged. Individual low cost assets (acquired for ₹5,000/- or less) are depreciated at 100 % in the year of acquisition/ purchase. The Management estimates the useful lives for fixed assets as follows:

(i)	Buildings	--	20 Years
(ii)	Computers	--	3 Years
(iii)	Furniture & Fixtures	--	5 Years
(iv)	Plant & Machinery	--	4 Years
(v)	Vehicles	--	4 Years
(vi)	Capital Expenditure incurred on leasehold building will be amortized over a period of 5 years i.e., the tenure of the lease.		

e) Inventories:

Inventories are valued at lower of cost or net realizable value. Basis of determination of cost remain as follows:

- (i) Raw Materials, Packing materials, Stores & Spares: - On FIFO basis.
- (ii) Work-in-process: At cost of inputs plus overheads up to the stage of completion.
- (iii) Finished goods are valued at lower of cost or net realizable value.

f) Revenue recognition:

Revenue is recognized to the extent that is possible that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Sale of Goods:

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer on delivery of the goods. The Company collects sales taxes and value added taxes (VAT) on behalf of the Government and therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

(ii) Income from Services:

Revenues from maintenance contracts are recognized pro-rata over the period of the contract as and when services are rendered.

(iii) Interest:

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

g) Foreign Currency transactions:

Initial recognition:

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

Conversion:

Foreign currency monetary items are reported at the rate prevailing on the balance sheet date.

Exchange Differences:

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

h) Research & Development:

All expenses incurred for Research & Development are charged to revenue as incurred. Capital Expenditure incurred during the year on Research & Development is shown as additions to Fixed Assets.

i) Retirement Benefits:

Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, performance incentives, etc., are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the employee renders the related service.

Post Employment benefits:

(i) Defined Contribution Plans:

Payments made to a defined contribution plan such as provident Fund are charged as an expense in the Profit and Loss Account as they fall due.

(ii) Defined Benefit Plans:

Company's liability towards gratuity to past employees is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight-line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognized immediately in the statement of profit and loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government Securities where the currency and terms of the Government Securities are consistent with the currency and estimate terms of the defined benefit obligations.

j) Impairment of Assets:

The Management assesses using external and internal sources whether there is any indication that an asset may be impaired. Impairment of an asset occurs where the carrying value exceeds the present value of cash flow expected to arise from the continuing use of the asset and its eventual disposal. The provision for impairment loss is made when recoverable amount of the asset is lower than the carrying amount.

k) Taxes on Income:

Tax on Income for the Current period is determined on the basis of taxable income and tax credits computed in accordance with the Provisions of the Income Tax Act, 1961 and based on expected outcome of assessments/appeals.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as on the Balance Sheet date.

Deferred Tax assets are recognized and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

l) Segment Accounting:

The company is considered to be a single segment company engaged in the manufacture of telecom products and providing related customer support services. Consequently, the company has in its primary segment only one reportable business segment as prescribed in Accounting Standard 17 (AS-17) "Segment Reporting" issued by ICAI.

m) Provisions :

A provision is recognized if, as a result of past event, the company has a present legal obligation that can be estimated reliably, and it is possible that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of the economic benefits required to settle the obligation at the reporting date.

Warranty Provisions:

Provisions for Warranty related costs are recognized when the product is sold or service is provided. Provision is based on historical experience. The estimate of such warranty related costs is revised annually.

n) Contingent Liabilities & Contingent Assets:

Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. A contingent asset is neither recognized nor disclosed in the financial statements.

o) Cash and Cash equivalents :

Cash and Cash equivalents for the purpose of Cash flow statement comprise of Cash in Hand, Cash at Bank, Cheques in hand and Short Term Margin Money/ deposits with original maturity of less than one year.

p) Cash Flow Statement:

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non -cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

q) Earning per Share:

Basic earning per share is computed by dividing the net profit after tax by weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

2. NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2012

The Financial Statements have been prepared in the format prescribed by the Revised Schedule VI to the Companies Act, 1956. Previous year figures have been recast / restated to confirm to the classification of the current year. Amounts in the financial statements are presented in Rupees. All the figures have been rounded to nearest rupee.

Note No.	31st March, 2012 ₹	31st March, 2011 ₹
2.1 SHARE CAPITAL		
Equity Share Capital		
Authorised Share capital		
70,00,000 Equity Shares of ₹ 10/- each	70,000,000	70,000,000
Issued, subscribed & fully paid share capital	47,064,730	47,064,730
47,06,473 Equity Shares of ₹10/- each fully paid		
Less: Buy back of 2,23,473 shares of ₹ 10/- each	2,234,730	-
Add: Forfeited shares (Amount originally paid up)	6,000	6,000
Total	44,836,000	47,070,730

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period.

	31st March, 2012	31st March, 2011
Equity Shares:		
At the beginning of the period		
No. of shares	4,706,473	4,706,473
Amount in ₹	47,064,730	47,064,730
Issued during the period		
No. of shares	-	-
Amount in ₹	-	-
Less: Buy back of shares		
No. of shares	223,473	-
Amount in ₹	2,234,730	-
Outstanding at the end of the period		
No. of shares	4,483,000	4,706,473
Amount in ₹	44,830,000	47,064,730

b) Terms/rights attached to equity Shares.

The company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

For the year ended 31st March, 2012, an amount of ₹ 2.00 per equity share was recommended by the board as dividend to the shareholders of the Company. (31st March, 2011: ₹ 1.50).

Notes on Accounts (Contd.)

- c) **Aggregate number of shares bought back during the period of five years immediately preceding the reporting date:**

	2011-12	2010-11	2009-10	2008-09	2007-08
No. of Equity Shares bought back by the company During the year	223,473	-	446,243	-	-
Aggregate Number of Equity Shares bought back by the company	669,716	446,243	446,243	-	-

- d) **Details of Shareholders holding more than 5% shares in the company:**

Name of the Shareholder	31-03-2012		31-03-2011	
	No of Shares Held	% of Holding	No of Shares Held	% of Holding
1. Sri Abburi Vidya Sagar	796,720	17.77	796,720	16.93
2. Smt K Swapna	282,048	6.22	277,048	5.89
4. Smt. Abburi Sarada	237,390	5.30	237,390	5.04
3. Sri Abburi Venkateswara Rao	236,620	5.25	236,620	5.03

Notes on Accounts (Contd.)

Note No.	31st March, 2012 ₹	31st March, 2011 ₹
2.2 RESERVES AND SURPLUS		
a) Capital Redemption Reserves		
Opening Balance	4,462,430	4,462,430
Add: Current Year Transfer	2,234,730	-
Less: Written Back in Currnt Year	-	-
Closing Balance	<u>6,697,160</u>	<u>4,462,430</u>
b) Securities Premium Reserves		
Opening Balance	19,991,729	19,991,729
Add: Forefietted Shares (Amount originally paid up)	24,000	24,000
Add: Current Year Transfer	-	-
Less: Adjusted against Buyback of Share Premium	12,085,625	-
Closing Balance	<u>7,930,104</u>	<u>20,015,729</u>
c) Revaluation Reserves		
Opening Balance	16,591,882	17,386,142
Add: Current Year Transfer	-	-
Less: Written Back in Currnt Year	(794,260)	(794,260)
Closing Balance	<u>15,797,622</u>	<u>16,591,882</u>
d) General Reserve		
Opening Balance	35,828,223	28,328,223
Add: Current Year Transfer	16,000,000	7,500,000
Less: Adjusted against Buyback of Shares	2,234,730	-
Less: Written Back in Currnt Year	-	-
Closing Balance	<u>49,593,493</u>	<u>35,828,223</u>
e) Surplus		
Opening Balance	49,821,579	40,993,564
Profit for the year	38,923,590	24,560,255
Less: Appropriations		
i) Transfer to General Reserve	(16,000,000)	(7,500,000)
ii) Proposed Final Equity Dividend	(8,966,000)	(7,059,710)
iii) Tax On Proposed Dividend	(1,453,536)	(1,172,530)
Closing Balance	<u>62,325,633</u>	<u>49,821,579</u>
Total	<u>142,344,012</u>	<u>126,719,843</u>
2.3 LONG-TERM PROVISIONS		
Provision for employee benefits	<u>1,665,685</u>	<u>1,176,889</u>
Total	<u>1,665,685</u>	<u>1,176,889</u>

Notes on Accounts (Contd.)

Note No.	31st March, 2012 ₹	31st March, 2011 ₹
2.4 SHORT-TEMS BORROWINGS		
Secured Loans Payable on Demand from Banks		
Canara Bank OCC	26,118,001	23,060,294
(Open Cash Credit and other working capital facilities from Canara Bank are secured by Hypothecation against first charge on Stocks and Books Debts of the Company and Collateral Security of land and Buildings situated at Plot No. 16, Huda Techno Enclave, Madhapur and hypothecation of Plant and Machinery and other fixed assets of the Company and personal Guarantee of the Managing Director of the Company)		
Total	26,118,001	23,060,294
2.5 TRADE PAYABLES		
Trade Payables-due to Micro, Small & Medium Enterprises	-	-
Trade Payables-Others	6,360,974	5,717,211
Total	6,360,974	5,717,211
2.6 OTHER CURRENT LIABILITIES		
Unpaid dividends	679,430	550,269
Other payables		
Sundry Creditors - Capital Goods	348,500	50,400
Liabilities for Expenses	1,964,849	1,958,092
Advance from Customers	4,356,527	4,631,527
Provisions for Warranty Expenses	2,823,000	1,889,000
Total	10,172,306	9,079,288
2.7 SHORT-TERM PROVISIONS		
Provision for employee benefits		
Salary & Reimbursements	509,921	1,168,195
Contributions	102,372	80,508
Others		
Provision for Statutory Liabilities	905,474	3,124,204
Provision for Taxation	9,305,000	6,240,000
Provision for Dividend	8,966,000	7,059,710
Provision for Dividend Tax	1,453,536	1,172,530
Total	21,242,303	18,845,147

Notes on Accounts (Contd.)

Note No. 2.8 TANGIBLE FIXED ASSETS

Sl. No.	Description of the Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Balance as at 01.04.2011	Additional Acquired during the year	(Disposals)	Balance as at 31.03.2012	Balance as at 01.04.2011	Depreciation charged for the year	On Disposals	Balance as at 31.03.2012	Balance as at 31.03.2012	Balance as at 31.03.2011
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
A.											
1	Land	35,477,222	-	-	35,477,222	-	-	-	-	-	35,477,222
2	Buildings										
a)	Freehold	40,835,047	-	-	40,835,047	14,853,563	1,978,865	-	16,832,428	24,002,619	25,981,484
b)	Leaseld	2,557,540	-	-	2,557,540	1,125,547	495,821	-	1,621,368	936,172	1,431,993
3	Furniture & Fixtures	3,297,587	180,254	-	3,477,841	1,936,010	514,090	-	2,450,100	1,027,741	1,361,577
4	Paint, Machinery, Assemble & Testing	27,166,815	8,240,538	(784,670)	34,622,683	16,986,346	4,737,729	(784,670)	20,939,405	13,683,278	10,180,469
5	Computers	13,754,214	1,528,384	-	15,282,598	11,279,068	1,341,044	-	12,620,112	2,662,486	2,475,146
6	Office Equipments	4,412,164	236,599	-	4,648,763	3,500,626	361,678	-	3,862,304	786,459	911,538
7	Vehicles	3,953,426	-	-	3,953,426	1,884,485	772,593	-	2,657,078	1,296,348	2,069,941
8	R & D Equipments	35,206,029	3,802,379	(2,316,488)	36,691,920	28,751,823	2,525,769	(2,316,488)	28,961,104	7,730,816	6,454,206
	Total	166,660,042	13,988,154	(3,101,158)	177,547,038	80,317,468	12,727,589	(3,101,158)	89,943,899	87,603,139	86,342,574
	31-03-2011	134,875,323	43,293,248	(11,508,527)	166,660,044	79,461,325	12,262,777	(11,406,632)	80,317,470	86,342,574	55,413,998
B.	Capital Work In Progress	3,320,864	22,504,546	-	25,825,410	-	-	-	-	25,825,410	3,320,864
	Total	3,320,864	22,504,546	-	25,825,410	-	-	-	-	25,825,410	3,320,864
	31-03-2011	-	3,320,864	-	3,320,864	-	-	-	-	3,320,864	-

Notes on Accounts (Contd.)

Note No.	31st March, 2012 ₹	31st March, 2011 ₹
2.9 DEFERRED TAX ASSET (NET)		
Fixed Assets	207,680	-
Employee Benefits	607,580	-
Others	915,920	-
Total	1,731,180	-
2.10 OTHER NON-CURRENT ASSETS		
a) Long Term Deposits		
In Morgen Money/ Deposit A/c with original maturity of more than one year	889,600	758,200
b) Others:		
Deposits Recoverable	797,594	757,197
Total	1,687,194	1,515,397
2.11 INVENTORIES		
Raw materials		
a) Indigenous	11,592,121	6,300,302
b) Imported	4,826,869	7,739,564
Raw materials - R & D	2,416,656	2,373,673
Work in progress	28,163,208	23,248,482
Total	46,998,854	39,662,021
2.12 TRADE RECEIVABLES		
Unsecured, considered good		
Trade Receivables Outstanding for a period exceeding six months from the date they are due for payment	15,876,028	8,439,469
Other Trade Receivables	55,480,404	76,994,435
Total	71,356,432	85,433,904

Notes on Accounts (Contd.)

Note No.	31st March, 2012 ₹	31st March, 2011 ₹
2.13 CASH AND CASH EQUIVALENTS		
a) cash and cash equivalents:		
Balances with banks:		
a) in Current Accounts	1,249,739	2,537,276
b) in unpaid dividend account	679,430	550,269
c) Cheques/Drafts on hand	-	1,035,393
Cash on hand	52,416	50,327
Sub-Total	1,981,585	4,173,265
b) Other Bank Balances:		
Current:		
Margin Money Deposit A/c with original maturity of less than One Year	1,783,250	1,548,350
Sub-Total	1,783,250	1,548,350
Total	3,764,835	5,721,615
2.14 SHORT TERM LOANS AND ADVANCES		
Unsecured, considered good, receivable in cash or in kind for value to be received		
a) Advance Income Tax	2,568,537	2,605,798
b) Prepaid Expenditure	1,232,246	1,546,894
c) Balance with Excise Departments	902,754	1,057,336
d) Advance for Capital Works / Land	3,105,510	3,239,950
e) Accrued Interest / Income	109,351	81,286
f) Advance to Suppliers	4,236,974	736,847
g) Other Advances	1,616,865	404,916
Total	13,772,237	9,673,027
2.15 REVENUE FROM OPERATIONS:		
a) Revenue from - Sale of products		
Domestic	153,082,156	210,105,342
Export	95,807,584	14,561,543
Sub-Total	248,889,740	224,666,885
b) Revenue from - Sale of Services		
Domestic	19,494,122	9,291,109
Export	-	6,712,500
Sub-Total	19,494,122	16,003,609
c) Other operating revenues		
Scrap Sales	79,214	-
Sub-Total	79,214	-
Sub-Total (a)+(b)+(c)	268,463,076	240,670,494
d) Less: Excise Duty & Service Tax	8,324,782	18,058,127
Total	260,138,294	222,612,367

Notes on Accounts (Contd.)

Note No.	31st March, 2012 ₹	31st March, 2011 ₹
2.16 OTHER INCOME		
Interest income	390,248	510,963
Profit on Sale of Fixed Assets	-	280,600
Miscellaneous Receipts	273,466	56,620
Total	663,714	848,183
2.17 COST OF RAW MATERIALS AND COMPONENTS CONSUMED		
a) Indigenous:		
i) Inventory at the beginning of the Year	6,300,302	2,772,477
ii) Add: Purchases	42,499,620	42,396,727
	48,799,922	45,169,204
iii) Less: Inventory at the end of the Year	11,592,121	6,300,302
iv) Cost of Raw Materials consumed	37,207,801	38,868,902
b) Imported:		
i) Inventory at the Beginning of the Year	7,739,564	704,565
ii) Add: Purchases	25,069,564	50,703,165
	32,809,128	51,407,730
iii) Less: Inventory at the End of the Year	4,826,869	7,739,564
iv) Cost of Raw Materials Consumed	27,982,259	43,668,166
Total (a+b)	65,190,060	82,537,068
2.18 (INCREASE)/DECREASE IN INVENTORIES		
Inventories at the Beginning of the Year		
Work in Progress	23,248,482	14,886,800
	23,248,482	14,886,800
Inventories at the End of the Year		
Work in Progress	28,163,208	23,248,482
	28,163,208	23,248,482
(Increase)/Decrease	(4,914,726)	(8,361,682)

As the items of raw materials procured and consumed and items of finished goods produced are heterogeneous in nature, type and quality and numerous in quantity, it is not possible to give full details of material consumed, raw materials purchased and closing stock of inventory as required under para 5 (ii) & 5 (iii) of the general instructions for preparation of the statement of profit and loss as per the revised schedule VI of the Companies Act, 1956.

Notes on Accounts (Contd.)

Note No.	31st March, 2012 ₹	31st March, 2011 ₹
2.19 EMPLOYEE BENEFIT EXPENSES		
Salaries and wages	32,052,712	28,748,640
Directors Remuneration	2,669,025	2,544,000
Bonus	207,679	295,766
Exgratia & Gratuity	1,613,796	760,728
Training & Recruitment	600,997	186,901
Contribution to provident and other funds	650,627	638,396
Staff welfare expenses	1,235,259	968,506
Total	39,030,095	34,142,937
2.20 MANUFACTURING EXPENSES		
Manpower Hire Charges	5,422,743	5,518,318
Jobwork Charges	4,005,195	5,540,776
Power and fuel	2,166,349	1,779,256
Consumption of stores and spare parts	603,085	668,328
Fright Inwards	100,624	82,812
Repairs & Maintenance - Plant & Machinery	950,648	1,626,299
Testing Charges	390,167	1,352,309
Installation & Commissioning Charges	771,800	132,858
Total	14,410,611	16,700,956
2.21 RESEARCH AND DEVELOPMENT EXPENDITURE		
Opening Stock	2,373,673	1,659,893
Purchases	14,639,780	8,980,467
	17,013,453	10,640,360
Closing Stock	2,416,656	2,373,673
Materials Consumed	14,596,797	8,266,687
Jobwork Charges	2,494,305	-
Salaries and other benefits to employees	21,752,166	16,689,495
Contributions to Provident Fund & Other Funds	351,785	232,875
Consumables	257,153	196,246
Repairs & Maintenance - Plant & Machinery	1,432,632	716,174
Professional & Consultancy	2,337,585	776,239
Testing Charges	3,328,230	940,864
Travelling & Conveyance	2,438,733	825,551
Other Expenses	241,647	491,820
Total	49,231,033	29,135,951

Notes on Accounts (Contd.)

Note No.	31st March, 2012 ₹	31st March, 2011 ₹
2.22 SELLING & DISTRIBUTION EXPENDITURE		
Fright Outwards	749,033	521,288
Packing Materials	522,434	255,450
Advertisement & Business Promotion	2,598,999	1,797,728
Travelling Expenses	1,665,396	1,518,754
Late Delivery Charges	1,889,265	4,075,682
Warranty Expenses	4,334,939	953,324
CSD Expenses	1,484,815	647,759
Total	13,244,881	9,769,985
2.23 FINANCE COSTS		
Interest expenses	3,849,386	2,820,956
Bank Charges	1,056,755	1,242,181
Total	4,906,141	4,063,137
2.24 DEPRECIATION AND AMORTISATION EXPENSES:		
Depreciation on Tangable Assets	12,727,589	12,262,777
Less: Recoupment from Revaluation Reserve	(794,260)	(794,260)
Total	11,933,329	11,468,517
2.25 OTHER EXPENDITURE		
Repairs & Maintenance:		
Buildings	2,321,665	973,894
Vehicles	696,785	726,326
Others	1,058,950	1,029,892
Rates & Taxes	590,533	560,921
Rent	774,400	702,758
Insurance	744,724	1,303,378
Postage & Telephones	1,137,954	909,005
Printing & Stationery	732,735	567,831
Auditors Remuneration:		
As Auditor	150,000	150,000
For Certification	47,758	47,500
Professional & Consultancy	1,129,325	1,541,154
Travelling & Conveyance	3,160,171	593,445
Secretarial Expenses	274,002	342,592
Buyback of shares expenses	1,856,595	-
Watch & Ward	840,632	736,640
Directors Sitting Fee	255,000	247,500
Exchange Fluctuations	3,808,836	699,322
Miscellaneous Expenditure	1,481,567	1,389,443
Sub-Total	21,061,632	12,521,601
Total (a+b+c+d)	97,948,157	68,128,493

Notes on Accounts (Contd.)

Note No.	31st March, 2012 ₹	31st March, 2011 ₹
2.26 PRIOR PERIOD EXPENSES		
Prior Period Expenses	204,656	187,937
Total	204,656	187,937
2.27 CURRENT TAX		
<p>Current Tax represents the Minimum Alternative Tax (MAT) payable by the company on the book profits of for the year. However, the company is not recognising the MAT credit entitlement determined under section 115JAA(2A) of the Income Tax Act, 1961 during the current year and earlier years as possibility of paying the Income Tax under the normal provisions of the Income Tax Act, 1961 in future is uncertain because the company claims weighted deduction under section 35(2AB) of the Income Tax Act, 1961.</p>		
2.28 CONTINGENT LIABILITIES AND COMMITMENTS		
(to the extent not provided for)		
a) Contingent liabilities		
Claims against the company not acknowledged as debt		
(i) Guarantees	17,245,815	17,146,888
(ii) Letter of Credit	2,815,911	-
Sub Total	20,061,726	17,146,888
b) Commitments		
Estimated amount of contracts unexecuted on capital account	23,000,000	41,011,560
Sub Total	23,000,000	41,011,560
Total (a+b)	43,061,726	58,158,448

Notes on Accounts (Contd.)

2.29 EMPLOYEE RETIREMENT BENEFITS:

Gratuity:

The Company has established a trust viz. Avantel Employees Group Gratuity Trust vide the trust deed dated 28th day of January 2002. The Trust has entered into a scheme of insurance with the Life Insurance Corporation of India to cover gratuity liability payable by the company and the premium payable thereof are provided by contributions made by the company to the trust, specifically, for insuring the gratuity benefits. The scheme provided for death-cum-retirement gratuity to the eligible employees of the company as defined in the rules of the scheme. The accrued liability of the company in respect of gratuity payable is covered in the manner aforesaid. Effective April 1, 2007, the Company has adopted the Accounting Standard 15 (Revised 2005) on "Employee Benefits" issued by the Institute of Chartered Accountants of India.

Defined Benefit Plans:

The following table sets forth the status of the Gratuity plan of the company and the amount recognized in the Balance Sheet.

Particulars	2011-12 ₹	2010-11 ₹
Projected benefit Obligation at the beginning of the year	31,27,388	29,53,073
Current Service cost	4,50,342	3,03,835
Interest Cost	2,50,191	2,36,246
Actuarial (Gain)/Loss	16,85,784	3,17,204
Benefits Paid	(12,91,570)	(6,82,970)
Projected benefit Obligation at the end of the year	31,27,388	31,27,388
Amount recognized in the balance sheet		
Projected benefit obligation at the end of the year	42,22,135	31,27,388
Fair value of plan assets at the end of the year	15,56,450	19,50,499
Funded status of the plans-asset/(liability) recognized in the balance sheet	(26,65,685)	(11,76,889)
Cost for the period:		
Current service cost	4,50,342	3,03,835
Interest cost	2,50,191	2,36,246
Expected return on plan asset	-	(1,74,722)
Net actuarial (gain)/loss recognized in the period	16,85,784	(3,17,204)
Net cost recognized in Profit & Loss Account	23,86,317	6,82,563
Assumptions: -		
Discount rate	8%	8%
Estimated rate of return on plan assets	9%	9%
Expected rate of salary increase	7%	4%

Defined Contribution Plans:

In respect of defined contribution plans (Provident Fund), an amount of ₹ 8,33,800/- (Previous Year- ₹ 7,68,030/-) has been recognized in the Profit & Loss Account during the period.

2.30 CONSUMPTION OF RAW MATERIALS:

Raw Material	%	2011-12 ₹	%	2010-11 ₹
Indigenous	57.08	3,72,07,801	47.09	3,88,68,902
Imported	42.92	2,79,82,259	52.91	4,36,68,166
TOTAL	100	6,51,90,060	100	8,25,37,068

Notes on Accounts (Contd.)

Note No.	31st March, 2012 ₹	31st March, 2011 ₹
2.31 VALUE OF IMPORTS (CALCULATED IN CIF VALUE)		
Materials	2,96,52,638	5,31,49,575
Capital Equipment	49,12,627	1,18,75,894
Total	3,45,65,265	6,50,25,469
2.32 EXPENDITURE IN FOREIGN CURRENCY		
Purchases (Imports)	3,45,65,265	6,50,25,469
Foreign Travel	3,82,805	77,902
Total	3,49,48,070	6,51,03,371
2.33 EARNINGS IN FOREIGN CURRENCY (FOB VALUE OF EXPORTS)		
Sales	9,58,07,584	1,45,61,543
Services	-	67,12,500
2.34 EARNINGS PER SHARE		
a) Profit/(Loss) after Tax	₹ 38,923,590	24,560,255
b) The weighted average number of ordinary shares for		
Basic EPS	Nos 4,483,000	4,706,473
Diluted EPS	Nos 4,483,000	4,706,473
c) The nominal value per Ordinary Share	₹ 10	10
d) Earnings per Share	in ₹	
Basic	8.68	5.22
Diluted	8.68	5.22

Notes on Accounts (Contd.)**2.35 RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD - 18:****a) List of Related Parties**

Parties with whom the company has entered into transactions during the year/where control exists

i) Key Management Personnel

Dr. Abburi Vidya Sagar

Mr. N. Divakar

ii) Relative of Key Management Personnel

Mrs. Abburi Sarada

b) Transaction with Related Parties

Particulars	Nature of Transaction	2011-2012	2010-2011
Dr. Abburi Vidya Sagar	Remuneration	12,00,000	12,00,000
Mr. N. Divakar	Remuneration	10,80,000	9,75,000
Mrs. Abburi Sarada	Rent	3,89,025	3,69,000

Note: Related party relationships have been identified by the management and relied upon by the auditors.

2.36 M/s. APIIC Limited has allotted 3763.59 Sq .Mts (0.93 Acres) of land situated at Industrial park, Gambheeram, Visakhapatnam to the Company for a total sale consideration of ₹ 89,38,526/- vide Agreement for Sale dated 26th May, 2010 for setting up of a factory for Design, Development and Manufacture of its products. As per the terms and conditions of the sanction, ownership of the land will be transferred in favour of the Company only after implementation of the unit.

2.37 Sundry Creditors includes ₹ NIL due to Small Scale & Ancillary undertakings. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The above information has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

2.38 In the opinion of the Board of Directors and to the best of their knowledge and belief, the value on realization of Current Assets, Loans and Advances in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet.

2.39 Balances of Sundry Debtors, Sundry Creditors, and Loans and Advances are subject to confirmation.

Per our report of even date
for **RAMANATHAM & RAO**
Chartered Accountants
Firm Registration No. 002934S

(CA K SREENIVASAN)
Partner
ICAI Membership No. 206421

Place: Hyderabad
Date: 30th April, 2012

for and on behalf of Avantel Limited

Dr. A. VIDYA SAGAR
Managing Director

N. NAVEEN
Director

MANJUNATH R HEGDE
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No:

		0	1	-	1	1	3	3	4
--	--	---	---	---	---	---	---	---	---

 State Code

0	1
---	---

Balance Sheet Date

3	1	-	0	3	-	2	0	1	2
---	---	---	---	---	---	---	---	---	---

II. Capital Raised during the year (₹ in '000)

Public Issue

		N	I	L
--	--	---	---	---

 Right Issue

		N	I	L
--	--	---	---	---

Bonus Issue

		N	I	L
--	--	---	---	---

 Private Placement

		N	I	L
--	--	---	---	---

Share Application Money

		N	I	L
--	--	---	---	---

III. Position of Mobilisation and deployment of Funds: (Amount in ₹ in '000)

Total Liabilities and shareholders funds

2	5	2	7	3	9
---	---	---	---	---	---

 Total Assets

2	5	2	7	3	9
---	---	---	---	---	---

Sources of Funds

Paid-up Capital

	4	4	8	3	6
--	---	---	---	---	---

Share Application Money

			N	I	L
--	--	--	---	---	---

Reserves & Surplus

1	4	2	3	4	4
---	---	---	---	---	---

Secured Loans

	2	6	1	1	8
--	---	---	---	---	---

Unsecured Loan

			N	I	L
--	--	--	---	---	---

Non-current Liabilities

		1	6	6	6
--	--	---	---	---	---

Current Liabilities

	3	7	7	7	5
--	---	---	---	---	---

Application of Funds

Net Fixed Assets

	8	7	6	0	3
--	---	---	---	---	---

Capital work-in-progress

	2	5	8	2	5
--	---	---	---	---	---

Other Non-current Assets

		1	6	8	7
--	--	---	---	---	---

Deffered tax Asset

		1	7	3	1
--	--	---	---	---	---

Current Assets

1	3	5	8	9	3
---	---	---	---	---	---

IV. Performance of the Company (₹ in '000)

Turnover (including other income)

2	6	0	1	3	8
---	---	---	---	---	---

 Total Expenditure

2	1	3	6	3	4
---	---	---	---	---	---

Profit/(loss) during the year

	4	6	5	0	4
--	---	---	---	---	---

 Profit After Tax

	3	8	9	2	4
--	---	---	---	---	---

Earnings per Share in ₹

		8	.	6	8
--	--	---	---	---	---

 Divident (%)

			2	0	%
--	--	--	---	---	---

V. Generic Names of Three Principle Products / Services of the company

Product Description Item Code

1. RF / Microwave Products

		8	5	2	9
--	--	---	---	---	---

2. Telecom Products

		8	5	1	7
--	--	---	---	---	---

3. Satcom Products

		8	5	2	9
--	--	---	---	---	---

Per our report of even date
for **RAMANATHAM & RAO**
Chartered Accountants
Firm Registration No. 002934S

for and on behalf of Avantel Limited

(CA K SREENIVASAN)
Partner
ICAI Membership No. 206421

Dr. A. VIDYA SAGAR
Managing Director

N. NAVEEN
Director

Place: Hyderabad
Date: 30th April, 2012

MANJUNATH R HEGDE
Company Secretary



AVANTEL LIMITED

Regd. Office Plot No. 16, Sector III, HUDA Techno Enclave, Opp. K. Raheja IT Park, Madhapur, Hyderabad - 81.

PROXY FORM

I/We _____
_____ of _____

_____ a member of _____

AVANTEL LIMITED hereby appoint _____ of _____

_____ or failing him _____

_____ of _____

as my/our proxy to attend and vote for me/us and on my/our behalf of the 22nd Annual General Meeting of the company, to be held on Thursday, the 21st June, 2012 at 11.00 a.m. at the Registered Office of the company at Plot No. 16, Sector III, HUDA Techno Enclave, Opp. K. Raheja IT Park, Madhapur, Hyderabad - 500 081 and any adjournment hereof.

Signed this _____ day of _____ 2012 (AFFIX REVENUE STAMP HERE)

Member's Folio No. / DP ID & Client ID : _____

No. of Shares Held : _____

Note:
The proxy must be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting.



AVANTEL LIMITED

Regd. Office Plot No. 16, Sector III, HUDA Techno Enclave, Opp. K. Raheja IT Park, Madhapur, Hyderabad - 81.

ATTENDANCE SLIP

I hereby record my presence at the 22nd Annual General Meeting of the Company held on Thursday the 21st June, 2012 at 11.00 a.m. at the Registered Office of the Company at Plot No. 16, Sector III, HUDA Techno Enclave, Opp. K. Raheja IT Park, Madhapur, Hyderabad - 500 081.

Name of the Attending Shareholder _____
(In Block Letters)

Name of the Proxy _____
(To be filled in if the Proxy attends instead of the Shareholder)

SIGNATURE OF THE SHAREHOLDER / PROXY

Member's Folio No. / DP ID & Client ID : _____

No. of Shares Held : _____

Note :
Shareholders/proxy holders are requested to bring the Attendance Slips with them, duly completed

PRODUCT HANDOVER CEREMONY



MSS System (TRE_P and Antenna Units) being handed over to
Mr. Mark Beaumont, Director Enterprises Sourcing and
Dr. Binoy Varughese, Program Manager of M/S BOEING USA,
In the presence of Principle Director Naval Signals,
Cmde Kishan K Pandey, VSM, Indian Navy.



AVANTEL LIMITED

Regd. & Corporate Office
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