

BOARD OF DIRECTORS

Shri A. Venkateswara Rao	Chairman
Dr. A. Vidyasagar	Managing Director
Shri N. Divakar <i>Padmasri Awardee</i>	Director (Technical)
Maj. Gen (Retd.) S. Balakrishnan, VSM	Director
Shri K.B.K. Moorthi	Director
Shri M. Venkata Rao	Director
Shri M.L.N. Acharyulu	Director (till July 30, 2010)

GM- Admn & Company Secretary:

Shri T.V. Satish Babu

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

Plant:

Sy. No 227 & 229, Plot No 31, Phase-II, IDA,
Cherlapally, R.R. Dist., Hyderabad-500 051

Statutory Auditors:

M/s. A. Madhusudana & Co.,
101, Doyen Chambers,
8-3-319/11/, Yellareddyguda,
Hyderabad-500073

Bankers:

Canara Bank
Industrial Finance Branch
Kalanjali Building
Hyderabad

Share Transfers and Depository Registrars:

Karvy Computershare Private Limited
Plot No 17 to 24, Vittalrao Nagar
Madhapur, Hyderabad-500 081
Phones: 23420815-820

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NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the members of the Company will be held on **Tuesday, the 28th September, 2010** 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 2010 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 2009-10.
3. To appoint a Director in place of Shri K.B.K. Moorthi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M. Venkata Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration by passing the following resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s A. Madhusudana & Co., 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."

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309 and 311 read with section II of

part-II of Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactments thereof, for the time being in force, consent of the members of the Company be and is hereby accorded for the re-appointment of Dr. A. Vidyasagar, as Managing Director of the Company for another term of three years at a remuneration of Rs. 1,00,000/- (Rupees one lakh only) per month and a perquisite of rent free accommodation with effect from 1st April 2010, as approved by the Remuneration Committee:"

"RESOLVED FURTHER THAT the above said remuneration be paid as minimum remuneration in the event of inadequacy of profits during the tenure"

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

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309 and 311 read with section II of part-II of Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactments thereof, for the time being in force), consent of the members of the Company be and is hereby accorded for the re-appointment of Shri N. Divakar as Director (Technical) of the Company for another term of two years at a remuneration of Rs. 90,000/- (Rupees ninety thousand only) per month with effect from 1st November 2010, as approved by the Remuneration Committee:"

"RESOLVED FURTHER THAT the above said remuneration be paid as minimum remuneration in the event of inadequacy of profits during the tenure"

By Order of the Board

Place : Hyderabad
Date : 30.07.2010

Dr. A. Vidyasagar
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. In accordance with Section 173 of the Companies Act, 1956, Explanatory Statement in respect of item of Special Business is annexed to the Notice of the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 21st September, 2010 to 28th September 2010 (both days inclusive) for the purpose of Annual General Meeting.
4. 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.
5. Dividend on equity shares, as recommended by the Board of Directors, for the accounting year ended 31st March, 2010, 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 20th September 2010.
6. 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.
7. Members are requested to bring their copy of the Annual Report to the meeting.
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 13th September, 2010.
 - 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 Directors, retiring by rotation, pursuant to Clause 49 of the Listing Agreement, is annexed to this notice.

EXPLANATORY STATEMENT

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

Item No. 6:

As the tenure of Dr. A. Vidyasagar, Managing Director of the Company, expiring on 31st March 2010, taking in to consideration his rich experience and contribution to the Company, the Board of Directors at their meeting held on 30th January 2010, subject to the approval of the members, re-appointed him for another term of three years at a remuneration of Rs. 1,00,000/- (Rupees one lakh only) per month and a perquisite of rent free accommodation, as approved by the Remuneration Committee.

Avantel Limited is technology driven Company engaged in the design, development and manufacturing of electronic, communication, satellite communication products/ services, software products & services development and research & development activities. During the period of last three years, there were no exports made by the Company. Similarly, there were foreign investments or collaborators to the Company, except NRI shareholdings.

The financial performance of the Company during the preceding three years has been in fluctuations due to adverse market conditions. The planned defence projects were not materialized due to government procedural delays. Further, the Company has spent considerable amount on R&D (New products), which gives good prospectus for the next two years. More focus given on Satellite communication segment, which have a good market potential for the upcoming years. However, the Company is having a good order booking with target sales for the year 2010-11 is 27 crores and expected profit would be around 10%.

As per the provisions of section 198, 269, 309 and 311 read with section II of part-II of Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, as amended from time to time, the above appointment requires approval of the members in the General Meeting, and hence, the resolution is commended for your approval. A brief resume

of Dr. A. Vidyasagar is provided under additional information on Directors, seeking re-appointment.

None of the Directors, except Shri A. Venkateswara Rao and Dr. A. Vidyasagar is interested in the above resolution.

Item No 7:

Members may be aware that Shri N. Divakar has been appointed as Director (Technical) in the Nineteenth Annual General Meeting of the Company for a period of one year. The tenure of Shri Divakar is going to expire by 31st October 2010.

Considering his rich experience and contributions in the filed of Electronics and Communications, the Board of Directors in their meeting held on 30th July 2010 has re-appointed Shri N. Divakar as Director (Technical) of the Company for a period of two years w.e.f 01st November 2010 at a remuneration, as approved by the Remuneration Committee of the Company, and subject to the approval of members.

As per the provisions of section 198, 269, 309 and 311 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, as amended from time to time, the above appointment requires approval of the members, in the General Meeting, and hence, the resolution is commended for your approval. A brief resume of Shri Divakar is provided under additional information on Directors, seeking re-appointment.

None of the Directors except Shri N. Divakar is interested in the above resolution.

By Order of the Board

Place: Hyderabad
Date: 30.07.2010

Dr. A. Vidyasagar
Managing Director

Additional information on Directors retiring by rotation and seeking re-appointment at the Annual General Meeting in terms of Clause 49 of the Listing Agreement

Dr. A. Vidyasagar:

Dr. A Vidyasagar is an Engineering Master Graduate. He did his B.Tech from JNTU, Kakinada, Andhra Pradesh in the years 1977 to 1981 and also did his Master of Engineering from IIT, Kharagpur from 1981 to 1983. He also did Master of Business Administration from Osmania University, Hyderabad in the year 1989-1991. Dr. Sagar received Doctorate from JNTU, Hyderabad for his outstanding work on E- Learning.

Dr. Sagar promoted Avantel Ltd., in the year 1993. Avantel now has world-class infrastructure for design, manufacture and development of Wireless Products for Defence, Satellite Communications and Export Markets.

Dr. Sagar is a dedicated and committed personality with rich experience of more than 25 years in the telecommunications, software and satellite communication sectors. Following are few of his career achievements:

- Designed Circuits and Micro Electronic Modules for Fighter Aircrafts and Electronic Warfare Systems.
- Designed Communications Equipment for Ground-to-Air and Air-to-Air Communications in Fighter Aircrafts.
- Project Appraisal for Techno-Economic feasibility of Technology driven SMEs in the areas of Electronics, Telecom, Information Technology and Medical Services.
- Software Development and Project Management.

N. Divakar:

Shri Divakar did B.E. in Electrical Engineering, with distinction, from Regional Engineering College, Warangal in 1965 and M.E with distinction from Indian Institute of Science, Bangalore in 1967.

He joined DLRL in 1967 and retired as its Director in November, 2003. Later he served DRDO as Emeritus Scientist up to August, 2004. He was advisor to BEL & ECIL on EW systems from September 2004 to August 2006. His area of specialization is Servo systems for antennas and Electronic Warfare systems. During his professional career, he visited many countries across the globe.

He is a Fellow of the Institution of Electronics & Telecommunication Engineers, Fellow of Institution of Engineers (India) and also Fellow of Andhra Pradesh Akademi of Sciences.

He received many professional awards including,

- IETE-IRSI award in 1999.
- Scientist of the year award of DRDO in 2000.

- Best Alumnus award of REC, Warangal in 2001.
- Performance Excellence award of DRDO in 2002.
- DEMA Appreciation award in 2006.

He was also on the Board of Directors' of Electronic Corporation of India (ECIL) and Bharat Electronics Limited (BEL) from January 2001 to November 2004.

Government of India conferred on Shri Divakar with coveted "PADMASRI" award in the year 2004.

KBK Moorthi

Shri Moorthi is a Commerce Graduate and a Fellow Member of the Institute of Chartered Accountant of India. He was employed with LIC of India and held various Senior Management positions before he retired from LIC in 1995 as Regional Manager (Marketing), Zonal Manager from North Central Zone of LIC, Kanpur. He also represented by LIC as Nominee Director in the past.

M. Venkata Rao:

Shri Venkata Rao is M.Tech in Systems Engineering with 1st rank in the University of Mysore and B.Tech in Industrial Engineering. He has joined Sify Technologies during August'2006 as Advisor Business Strategy, to streamline various Business Functions, introducing new products & services to the Enterprise Market.

Shri Rao has over 20 years of rich and varied experience at senior managerial level in private, public and government sectors in the IT, Internet & Communications domains. He has contributed lot for the growth of his previous organizations with his innovative and market leading strategies. He has unique experience of working with startup organizations, building long lasting culture with highly agile teams to make them commercially successful in the International markets. He is instrumental in building award winning world class technology products for the Global markets, establishing close relationships with Fortune 500 companies to deliver ICT solutions for the verticals like Insurance, Retail, High Technology Sectors, etc.

Prior to Sify, Shri Venkata Rao was associated with the following organizations:

- President & CEO at SoftPro Systems Ltd (During 2002-2006)
- President & Director-Operations at VisualSoft Technologies (During 1996-2001)
- Member Technical, at Software Technology Parks of India (During 1992-1996)

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Twentieth Annual Report on the operations of your Company and the Audited Accounts for the financial year ended 31st March 2010, 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	(Rs. in Lakhs)	
	Current Year 2009-10	Previous Year 2008-09
Income	2280.14	2760.27
Expenses	2011.57	2284.65
Operating Profit	268.57	475.62
Depreciation	123.35	113.71
Financial expenses	28.24	21.06
Profit Before Tax	116.98	340.84
Excess/(Short) provision relating to Earlier years	16.99	(8.59)
Provision for tax (Current & Deferred)	(10.55)	(87.59)
Profit After Tax	123.43	244.67
Profit brought forward	371.57	295.74
Profit Available for Appropriation	495.00	540.40
Appropriations:		
Transferred to General Reserve	30.00	100.00
Proposed Dividend	47.06	58.83
Corporate Dividend Tax	8.00	10.00
Balance carried to balance sheet	409.94	371.57
Earnings Per Share (EPS)		
- Basic	2.26	4.75
- Diluted	2.21	4.75

I. DIVIDEND:

Your Directors have pleasure in recommending a dividend @ 10% for the financial year 2009-10, out of current year profits absorbing an amount of Rs. 47.06

lakhs towards dividend & Rs. 8 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:

This has been a difficult year for the Global economy with the European fiscal crisis coming right behind the US economic crisis. However this has also provided a platform for Indian economy to stand out in the world and be noted. The Indian GDP grew @ 8.30% as compared to 7.6% in 2009.

The Indian telecommunications industry is one of the fastest growing in the world. The number of telecom subscribers in the country reached 653.92 million as on May 2010, pushing the overall teledensity (telephones per 100 people) to 55.38. The wireless subscriber base has increased to 617.53 million. India ranks fourth in manufacturing telecom equipment in the Asia-Pacific region. The country has a 5.7 per cent share of the region's total telecom equipment production revenue of US\$ 180 billion in 2009. India now boasts of having the second largest telecom network in the world after China.

Indian Telecom companies obtained for high-speed mobile data licenses for 3G spectrum. There is no restriction on the technology companies to provide services for wireless broadband, be it WiMax or its rival LTE (long-term evolution) technology. LTE is a fourth generation technology with capabilities built on 3GPP standard, which has links with other networks, including 2G and 3G. The LTE specification provides downlink peak rates of at least 100 Mbps, an uplink of at least 50 Mbps and RAN round-trip times of less than 10 ms. LTE supports scalable carrier bandwidths, from 1.4 MHz to 20 MHz and supports both frequency division duplexing (FDD) and time division duplexing (TDD). LTE will also support seamless passing to cell towers with older network technology such as GSM, cdmaOne, UMTS, and CDMA2000. Thus Opportunity exists in

hardware for low cost equipment that can support LTE network.

B. DEFENCE OVERVIEW:

India is becoming one of the largest military spenders in the world and catching worldwide attention, with the third-largest defense procurement budget in Asia. In 2010-11, USD 32.03 billion has been earmarked for national defense. Of this, USD13.04 billion is to be spent on acquisitions for new weapons systems equipment and services. It is estimated that Indian defense procurement will rise to an estimated USD 42 billion by 2015 (including USD 19.20 billion for capital acquisitions). Thus, India is likely to spend nearly USD 100 billion on military procurement during the current five year plan (2007-12) and USD 120 billion in the next plan period (2012-17). There are greater opportunities for Indian defense industry to work with partnership or in collaboration with overseas companies. After the introduction of defence Offset Policy, India is gradually becoming a key outsourcing hub for the global defence industry

Major acquisitions:

The Indian Government has recognized India's expanding maritime responsibilities and interests necessitating enhancement in naval and coast guard force levels by 2 to 3 times. Indian Army acquisition includes purchases of artillery, tanks and vehicles, missiles and infantry. The major acquisitions of the Air Force include Fifth Generation Fighters, indigenous Tejas fighters, Advanced and Intermediate Jet Trainer aircrafts, Upgrades to 60 MiG 29 fighters/ Jaguars / Mirage aircrafts, Airborne Early Warning Aircraft, Aerostats and multi mode radars .

C. ACCOMPLISHMENTS:

- Awarded a contract from M/s Boeing, USA for supply of MSS System
- Developed Indigenous UHF system for Ship borne requirements.
- Developed IKW system in the frequency bands of HF, V/UHF & 500-1000MHz.

- Certified for AS 9100B (Aerospace quality standards).
- Signed Know-how agreement with Space Applications Centre, ISRO for MSS Type-D and Distress Alert Transmitter.
- Developed Asset tracking system for Ports.
- Developed Satellite based vessel tracking system for maritime security of the coastal line.
- Developed Satellite based information system for tracking and control office automation for Indian Railways.

D. OVERVIEW OF OPERATIONS:

During the year under review, our Company has achieved a turnover of Rs. 2269.05 lakhs as against Rs. 2727.99 lakhs for the previous year. The Company has earned a net profit before taxation of Rs. 116.98 lakhs as against Rs. 340.84 Lacks during the previous year.

E. OUTLOOK AND STRATEGY FOR CURRENT YEAR:

Avantel developed Mobile Satellite services based products and UHF Systems for various applications and is looking for growth in this segment by offering integrated solutions for airborne platforms. Our company also offers ECM systems to defense sector and is expecting orders from Defense PSUs. Promotion of GSM/GPRS based products into different segments like Telecom, Energy, Gas, Micro Finance and Ports. As part of diversification, Avantel would like to enter into energy sector, participating in renewable energy such as SPV systems.

F. INTERNAL CONTROL SYSTEMS:

The members are informed that the Company has been accredited with ISO 9001:2008 during the renewal and also AS 9100B certified (Aerospace Quality Management Systems-Requirements) under the scope "The design & development, manufacturing and servicing of Satellite Communication Products for Aerospace and Defense Applications."

Periodical internal quality audits and management review meetings ensure successful implementation of the Quality Management System. The ISO compliance Management Information System seamlessly integrates all the intra and inter- departmental activities of the organization, simultaneously ensuring data integrity and effective monitoring of the day-to-day operations. In addition, the Company has appointed independent internal auditors to carry out the internal audit 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 2010 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, 2000.

- a. Particulars of employees who are in receipt of Rs.24 lakhs or more per annum NIL
- b. Particulars of employees employed for a part of the financial year with a salary of Rs.2 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. 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 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.

The Ministry of Corporate Affairs has announced the Corporate Governance Voluntary Guidelines 2009. The preamble mentioned about good practices for adoption by the Companies, which are in addition to the existing ones and recommendatory in nature. Similarly, the Ministry has also issued the Corporate Social Responsibility Voluntary Guidelines 2009 duly mentioning CSR activities, which are purely voluntary in nature.

Your Company has reviewed the above Guidelines and ensured to adhere some of the practices, as these guidelines are Voluntary in nature.

In respect of the Voluntary Guidelines pertaining to the tenure of Shri. K.B.K. Moorthi and Maj. Gen (Retd). S. Balakrishnan, VSM, Independent Directors, whose tenure has exceeded six years, the Board of Directors considering their valuable guidance and contribution in various facets of the Company which are invaluable, decided to avail their services for some more time for better performance of the Company

8. LISTING FEES:

The Company has paid the listing fees for the year 2010-11 to Bombay Stock Exchange Limited (BSE) in pursuance of the Listing Agreement.

9. AUDITORS:

M/s. A. Madhusudana & Co., 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.

10. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, Shri K.B.K. Moorthi and Shri M. Venkata Rao, Directors of the Company will retire by rotation and being eligible, offer themselves for re-appointment.

The tenure of Dr. A. Vidyasagar, Managing Director was expired on 31st March 2010, and Board recommends for re-appointment of another three years. Necessary resolution is commended for the approval of members.

Similarly, the tenure of Shri N. Divakar, Director (Technical) will be expiring on 31st October 2010, and Board recommends for re-appointment of another two years. Necessary resolution is commended for the approval of members.

Further, due to preoccupations, Shri M.L.N. Acharyulu, Director, has submitted his resignation and the Board has approved the same in its meeting held on 30th July, 2010.

11. ACKNOWLEDGEMENT:

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

By Order of the Board

Place: Hyderabad
Date : 30.07.2010

A. Venkateswara Rao
Chairman

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:

- MSS Transceivers for aircrafts, ships and submarines
- UHF radio for ships
- MSS data terminals for fishing vessels
- MSS terminals for Indian Railways
- GPRS/MSS based asset tracking products
- Developed ECM systems for Indian Army
- Developed 1 KW high power broadband power amplifiers for EW systems

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.

Future plan of Action:

The Company would like to develop Satellite based information system for Indian Railways, UHF radios for aircrafts and MSS systems for coastline security.

Expenditure on Research & Development:

	Rs. in Lakhs
Capital	7.65
Recurring	299.98
Total	307.63
Total R & D expenditure %	13.56% of Turnover

C. Foreign Exchange Earnings and Outgo:

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

Foreign exchange earnings	:	Rs. NIL
Foreign exchange outgo	:	Rs. 230.76 Lakhs

Annexure - II to the Directors' Report

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

I. 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 Promoter Executive Director

One Promoter Non-Executive Director

One Non-Promoter, Executive Director

Four Non-Promoter, Non-Executive and Independent Directors

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 four) attended during the year	Whether attended last AGM
Shri A. Venkateswara Rao	Promoter Non- Executive	Nil	Nil	4	Yes
Dr. A. Vidyasagar	Promoter Executive	1	Nil	4	Yes
Shri N. Divakar	Non-Promoter Executive	Nil	Nil	3	Yes
Maj Gen (Retd) S Balakrishnan, VSM	Non-Promoter Non- Executive	Nil	Nil	4	Yes
Shri K. B. K. Moorthi	Non-Promoter Non- Executive	Nil	Nil	4	Yes
Shri M. Venkata Rao	Non-Promoter Non- Executive	Nil	Nil	2	No
Shri M.L.N. Acharyulu*	Non-Promoter Non- Executive	1	Nil	2	No

*Resigned w.e.f. July 30, 2010

iii. Number of Board Meetings held during the financial year 2009-10, along with the dates:

During the financial year 2009-10, total four Board meetings were held, on following dates:

- 1) 30.04.2009
- 2) 30.07.2009
- 3) 30.10.2009
- 4) 30.01.2010

3. Audit Committee:

i. Brief description of terms of reference:

The Committee comprises of non-executive 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, includes 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. K.B.K. Moorthi	Non-Promoter Non-Executive Independent Director	Chairman	4
2.	Shri. A. Venkateswara Rao	Promoter Non-Executive Director	Member	4
3.	Maj Gen (Retd) S Balakrishnan, VSM	Non-Promoter Non- Executive Independent Director	Member	4
4	Shri M.L.N. Acharyulu*	Non-Promoter Non-Executive Independent Director	Member	2
5	Shri M. Venkata Rao**	Non-Promoter Non- Executive Independent Director	Member	0

* Till July 30, 2010

** w.e.f. April 29, 2010

iii. During the financial year 2009-10, the Audit committee met four times on the following dates:

- 1) 30.04.2009
- 2) 30.07.2009
- 3) 30.10.2009
- 4) 30.01.2010

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:

The Remuneration Committee consists of three Non-Executive Directors:

Shri K.B.K. Moorthi,	Chairman
Maj Gen (Retd) S Balakrishnan, VSM	Member
Shri M. Venkata Rao	Member

During the financial year 2009-10, the Remuneration Committee met two times on the following dates, to approve the remuneration payable to the Director (Technical) and Managing Director, respectively.

- 1) 30.07.2009
- 2) 30.01.2010

S.No.	Name of the Director	Category	Designation	No. of meetings attended, out of two
1.	Shri. K.B.K. Moorthi	Non-Promoter Non-Executive Independent Director	Chairman	2
2.	Maj Gen (Retd) S Balakrishnan, VSM	Non-Promoter Non- Executive Independent Director	Member	2
3	Shri M. Venkata Rao	Non-Promoter Non- Executive Independent Director	Member	0

iii. Details of remuneration to all the Directors:

- a) The aggregate of salary & perquisites paid for the year 2009-10 to the Executive Directors is as under:

Dr. A. Vidyasagar, Managing Director	:	Rs. 13,87,705/-
Shri N. Divakar, Director (Technical)	:	Rs. 10,75,000/-

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

Shri K.B.K. Moorhti	:	Rs. 67,500/-
Shri A. Venkateswara Rao	:	Rs. 90,000/-
Maj Gen (Retd) S Balakrishnan, VSM	:	Rs. 97,500/-
Shri M.L.N. Acharyulu	:	Rs. 30,000/-
Shri M. Venkata Rao	:	Rs. 0

5. Share Transfer and Investor Grievance Committee:**i. Composition of Committee:**

This Committee comprises the following Directors:

Shri A. Venkateswara Rao	:	Chairman
Dr. A. Vidyasagar	:	Member
Maj Gen (Retd) S. Balakrishnan, VSM	:	Member

ii. Name and designation of Compliance Officer:

Shri T.V. Satish Babu, General Manager- Admn & Company Secretary is the Compliance Officer. The Committee deals with investors' complaints regarding transfer/ transmission of shares, non-receipt of certificates, dividends, annual reports and such other matters and recommends measures for providing efficient services to investors.

All the complaints received from the investors were resolved, within reasonable time. Total 11 complaints were received from the investors during the year 2009-10, and all of them have been resolved expeditiously. There was no outstanding complaint as on 31st March 2010.

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

Year	AGM	Location	Date	Time
2008-09	AGM	Plot No 16, Sector-III, HUDA Techno Enclave, Madhapur, Hyderabad-500 081	14.09.09	11.00 AM
2007-08	AGM	— Do —	17.09.08	11.00 AM
2006-07	AGM	— Do —	21.09.07	11.00 AM

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

AGM Date	Description of Item
September 14, 2009	Re-appointment of Shri N. Divakar, Director (Technical), for another one year.
September 17, 2008	Change of name of the Company from Avantel Softech Limited to Avantel Limited
September 21, 2007	<ul style="list-style-type: none"> i. Re-appointment of Shri A. Vidyasagar, as Managing Director, for another three years ii. Appointment of Shri N. Divakar as Director (Technical) iii. Payment of commission to Non-Executive Directors iv. Alteration of Objects clause in the Memorandum of Association by inserting clauses

During the last three years, no Extra-ordinary General Meeting was conducted. During the year 2009-10, a Special Resolution has been passed through Postal Ballots for securing the approval of members for buyback of shares of the Company. Shri B.L. Chandrasekhar Sarma, Practicing Company Secretary, was the Scrutinizer for the postal ballot process.

The procedure adopted for the above process was as per the provisions laid down under Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, as amended. None of the businesses proposed to be transacted in the ensuing AGM require passing a resolution through Postal Ballot.

7. Disclosures:

- i. During 2009-10, 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 leading English and regional newspapers, as per the listing agreement. The Management Discussion & Analysis Report forms part of the Annual Report.

9. General Shareholder information:

- i. AGM: The Twentieth Annual General Meeting of the Company will be held on Tuesday, the 28th day of September, 2010, 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 21st September 2010 to 28th September 2010 (both days inclusive) for the purpose of ensuing Annual General Meeting.
- iv. Dividend Payment date: Directors have proposed a dividend 10% 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 Jeejebhay 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:

Month	BSE, Mumbai	
	High (Rs.)	Low (Rs.)
April,2009	43.45	37.55
May,2009	50.90	37.85
June,2009	53.20	47.00
July,2009	52.85	45.30
Aug,2009	63.50	47.00
Sep,2009	61.00	46.00
Oct,2009	72.35	48.50
Nov,2009	85.10	51.40
Dec,2009	62.00	52.40
Jan,2010	82.00	54.10
Feb,2010	73.00	60.50
Mar,2010	74.00	65.00

vii. Registrar and Share Transfer Agents:

Kary Computershare Private Ltd,
Plot No 17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad-500 081
Phones: 040-23420815-20

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 2010:**

S.No.	Particulars	No. of Shares held	% of shareholding
1	Indian Promoters	1533884	32.59
2	Banks/Mutual funds/ FII's	700	0.01
3	Private Corporate Bodies	549621	11.68
4	Indian Public	2421839	51.46
5	NRIs /OCBs	41938	0.89
6	Clearing Members	3182	0.07
7	Trusts	155309	3.30

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	Hindustan Candle Mfg. Company Pvt. Ltd	70286	1.49
2	Runner Marketing Pvt. Ltd	50000	1.06
3	Hawa Sarah Faisal	48300	1.03
4	Avantel Softech Ltd Employees Welfare Trust	155309	3.30
5	K. Satish	102359	2.17
6	K. Swapna	176974	3.76
7	N. Venkateswara Rao	48000	1.02
8	Vasudhaiva Kutumbkam Consultancy & Broking Pvt Ltd	47378	1.01

c) Distribution schedule as on 31st March 2010:

S.No.	Category	No. of Cases	% of cases	Amount (Rs.)	% of Amount
	From - To				
1	1 - 5000	4775	87.53	6707200	14.25
2	5001 - 10000	342	6.27	2882440	6.12
3	10001 - 20000	156	2.86	2433370	5.17
4	20001 - 30000	51	0.93	1332460	2.83
5	30001 - 40000	17	0.31	596290	1.27
6	40001 - 50000	26	0.48	1257980	2.67
7	50001 - 100000	36	0.66	2549900	5.42
8	100001 and above	52	0.95	29305090	62.27
	Total	5455	100	4706473	100

x. Dematerialization of shares and liquidity:

As on 31st March 2010, 97.73% (4600719 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: 040-23112336
 E-mail: satishbabu@avantel.in

DECLARATION BY CHAIRMAN OF THE COMPANY ON CODE OF CONDUCT:

I, A. Venkateswara Rao, 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 2010.

For Avantel Limited

Place: Hyderabad
 Date: 30-07-2010

A. Venkateswara Rao
 Chairman

CORPORATE SOCIAL RESPONSIBILITY:

At Avantel, Social Responsibility is an integral part of the value system and the core values, it cherish. 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, 2010 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 as 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 **A. MADHUSUDANA & Co.,**
Chartered Accountants
Firm Registration No.007405S

Place : Hyderabad.
Date : 30-07-2010

A.MADHUSUDANA RAO
PARTNER
Membership No.10433

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 2010, 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 : 30.07.2010

Dr. A. Vidyasagar
CEO & MD

T. Rama Rao
Sr. Manager (F&A) & CFO

AUDITORS' REPORT

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

We have audited the attached Balance sheet of M/S. AVANTEL LIMITED, as at 31st March, 2010, the Profit & Loss Account 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.

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 an opinion and we report that:

1. 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.
 2. 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 such books.
 3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account.
 4. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 5. On the basis of written representation received from the directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations furnished to us, the said accounts read together with the schedules and statement of accounting policies attached thereto 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:
 - i. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010,
 - ii. in the case of Profit and Loss Account of the Profit of the Company for the year ended on that date and
 - iii. in the case of Cash Flow Statement, the cash flow for the year ended on that date.
 7. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks, as we considered appropriate, we report hereunder on the matters specified in paragraphs 4 and 5 of the said order:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The fixed assets have been physically verified by the management. There is annual 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.
 - c) There was no substantial disposal of fixed assets during the year, which would affect the going concern of the Company.

- ii. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.
- b) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. As informed to us, the Company has neither granted nor taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956 and as such Clauses (iii) (a) to (iii) (d) are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures 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.
- v. a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) 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.
- vi. 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.
- vii. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii. According to the information and explanations given to us, maintenance of cost records prescribed under Section 209 (1) (d) of the Companies Act, 1956 has not been prescribed by the Central Government for the company.
- ix. a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Investor Education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, Investor Education and protection fund, income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2010 for a period of more than six months from the date they became payable
- c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- x. In our opinion, the company has no accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi. 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.
- xii. According to the information and explanations given to us and based on the documents and

- records produced to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv. In our opinion the company is not dealing in or trading in shares, securities debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by its associates or subsidiaries from banks or financial institutions.
- xvi. In our opinion, the Company not taken any term loans during the year.
- xvii. 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, 2010, we report that no funds raised on short-term basis have been used for long-term investment and vice versa.
- xviii. 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.
- xix. 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 Companies (Auditor's Report) order, 2003 are not applicable to the company.
- xx. 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 Companies (Auditor's Report) order, 2003 are not applicable to the company.
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

for **A. MADHUSUDANA & Co.,**
Chartered Accountants
Firm Registration No.007405S

A. MADHUSUDANA RAO
PARTNER
Membership No.10433

Place: Hyderabad
Date: 30-07-2010

BALANCE SHEET AS AT 31st MARCH, 2010

Particulars	Schedule	As at 31-03-2010		As at 31-03-2009	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS :					
1. Shareholders' Funds:					
a) Share Capital	1	47,070,730		51,533,160	
b) Reserves & Surplus	2	111,186,088		122,569,060	
			158,256,818		174,102,220
2. Loan Funds					
Unsecured Loans	3		–		1,384,424
3. Deferred Tax Liability			–		944,980
TOTAL			158,256,818		176,431,624
II. APPLICATION OF FUNDS:					
1. Fixed Assets					
a) Gross Block	4	134,875,323		129,645,277	
b) Less: Depreciation		79,461,325		66,953,862	
c) Net Block			55,413,998		62,691,415
2. Current Assets, Loans and Advances:					
a) Inventories	5	20,023,734		24,563,672	
b) Sundry Debtors	6	66,596,563		81,506,339	
c) Cash & Bank Balances	7	11,879,821		25,565,711	
d) Loans & Advances	8	35,788,092		49,176,055	
		134,288,210		180,811,778	
Less: Current Liabilities and Provisions	9				
a) Current Liabilities		12,635,196		15,914,146	
b) Provisions		18,810,194		51,157,423	
		31,445,390		67,071,569	
Net Current Assets			102,842,820		113,740,209
TOTAL			158,256,818		176,431,624
Significant Accounting Policies and Notes on Accounts	19				

As per our report of even date
 for **A.MADHUSUDANA & CO.,**
 Chartered Accountants
 Firm Registration No. 0074055

for and on behalf of the Board

A.MADHUSUDANA RAO
 Partner
 Membership No. 010433

Dr. A.VIDYASAGAR
 Managing Director

N. DIVAKAR
 Director

Place: Hyderabad
 Date: 30/07/2010

T.V. SATISH BABU
 GM - Admn & Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH,2010

Particulars	Schedule	Current Year		Previous Year	
		Rs.	Rs.	Rs.	Rs.
I. INCOME:					
Sales & Services less Returns			226,904,983		272,799,053
Other Income	10		1,108,441		3,227,464
Increase/(Decrease) in Stocks	11		(965,700)		(10,647,500)
TOTAL			22,70,47,724		26,53,79,017
II. EXPENDITURE:					
Material Consumed	12		94,828,428		116,161,118
Excise Duty & Service Tax			11,464,651		15,344,947
Manufacturing Expenses	13		16,154,097		19,232,248
R & D Expenses	14		29,998,318		24,078,942
Payments & Other benefits to Employees	15		31,170,796		26,944,161
Selling & Distribution Expenses	16		5,237,064		6,331,788
Administrative and other Expenses	17		11,337,603		9,724,508
Financial Expenses	18		2,823,881		2,105,678
Depreciation	4	13,128,908		12,165,432	
Less: Transfer from Revaluation Reserve		794,260		794,260	
Net Depreciation			12,334,648		11,371,172
TOTAL			21,53,49,486		23,12,94,561
PROFIT /(LOSS) BEFORE TAX			11,698,238		34,084,456
Less : Provision for Taxation:					
– Current Tax			2,000,000		10,000,000
– Deferred Tax			(944,980)		(154,089)
– Fringe Benefit Tax			–		300,000
			1,055,020		8,759,101
PROFIT AFTER TAX			10,643,218		25,325,355
Less/ (Add) : Short / (Excess) Provison relating to Earlier Years			(1699381)		858846
NET PROFIT FOR THE YEAR			12,342,599		24,466,509
Profit brought forward from previous year			37,157,303		29,573,717
Profit Available for Appropriations:			49,499,902		54,040,225
APPROPRIATIONS:					
Transferred to General Reserve			3,000,000		10,000,000
Proposed Dividend			4,706,473		5,883,091
Corporate Dividend Tax			799,865		999,831
Balance Carried to Balance Sheet.			40,993,564		37,157,303
TOTAL :			49,499,902		54,040,225
Earning Per Share (E.PS)					
– Basic			2.26		4.75
– Diluted			2.21		4.75
Significant Accounting Policies and Notes on Accounts	19				

As per our report of even date
for **A.MADHUSUDANA & CO.,**
Chartered Accountants
Firm Registration No. 0074055

for and on behalf of the Board

A.MADHUSUDANA RAO
Partner
Membership No. 010433

Dr. A.VIDYASAGAR
Managing Director

N. DIVAKAR
Director

Place: Hyderabad
Date: 30/07/2010

T.V. SATISH BABU
GM - Admn & Company Secretary

Schedules forming part of the Balance Sheet as at 31.03.2010 and Profit and Loss Account for the year ended as on that date

Particulars	As at 31-03-2010 Rs.	As at 31-03-2009 Rs.
SCHEDULE – 1		
SHARE CAPITAL		
Authorised Capital: 70,00,000 Equity Shares of Rs.10/- each	70,000,000	70,000,000
Issued, Subscribed and Paid Up Capital: 5142716 Equity Shares of Rs.10 each Out of the above 15,49,458 Shares are allotted as fully paid up by way of Bonus shares	51,527,160	51,527,160
Less: Buy back of 446243 Equity Shares of Rs.10/- each (Refer Note 3 of Notes on Accounts of Schedule 19)	(4,462,430)	–
Add: Forfieted Shares (Amount originally paid up)	6,000	6,000
TOTAL	47,070,730	51,533,160
SCHEDULE – 2		
RESERVES & SURPLUS		
a. Securities Premium Account	37,416,702	37,416,702
Less: Utilisation against premium on buy back of equity Shares at market value (Refer Note 3 of Notes on Accounts of Schedule 19)	17,424,973	–
Add: Forfieted Shares(Amount Originally Paid Up)	24,000	24,000
	20,015,729	37,440,702
b. General Reserve		
Opening Balance	29,790,653	19,790,653
Less: Transferred to Capital Redemption Reserve (Refer Note 3 of Notes on Accounts of Schedule 19)	4,462,430	–
Add: Transferred from Profit & Loss Account	3,000,000	10,000,000
	28,328,223	29,790,653
c. Capital Redemption Reserve	4,462,430	–
d. Revaluation Reserve:		
Land	6,266,454	6,266,454
Buildings	11,119,688	11,913,948
e. Balance in Profit & Loss account	40,993,564	37,157,303
TOTAL	111,186,088	122,569,060
SCHEDULE – 3		
UNSECURED LOANS:		
Sales Tax Deferment	–	1,384,424
TOTAL	–	1,384,424

**SCHEDULE: 4
FIXED ASSETS**

Sl. No.	Description of the Asset	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As on 01.04.2009	Additions	Deletions	As on 31.03.2010	Up to 31.03.2009	For the Period	Deletions	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
A.											
1.	Land	11,434,200	-	-	11,434,200	-	-	-	-	11,434,200	11,434,200
2.	Building	40,835,047	-	-	40,835,047	10,817,471	1,994,340	-	12,811,811	28,023,236	30,017,576
3.	Furniture & Fixtures	2,597,757	357,717	-	2,955,474	1,043,658	435,709	-	1,479,367	1,476,107	1,554,099
4.	Plant & Machinery, Testing and Assembling Equipment	19,352,629	3,778,322	-	23,130,951	12,144,583	4,269,434	-	16,414,017	6,716,934	7,208,046
5.	Computers	10,514,642	807,771	-	11,322,413	9,679,799	721,085	-	10,400,884	921,529	834,843
6.	Vehicles	3,868,800	255,572	1,050,634	3,073,738	2,191,858	629,672	621,444	2,200,086	873,652	1,676,942
7.	Office & Miscellaneous Equipment	3,587,237	224,347	-	3,811,584	3,033,342	257,506	-	3,290,848	520,736	553,895
8.	Lease Hold Building	2,465,475	92,065	-	2,557,540	107,132	506,907	-	614,039	1,943,501	2,358,343
	Sub Total	94,655,787	5,515,794	1,050,634	99,120,947	39,017,843	8,814,654	621,444	47,211,052	51,909,895	55,637,944
B.											
1.	R & D Equipment	34,989,490	764,886	-	35,754,376	27,936,019	4,314,254	-	32,250,273	3,504,103	7,053,471
	TOTAL Rs.	129,645,277	6,280,680	1,050,634	134,875,323	66,953,862	13,128,908	621,444	79,461,325	55,413,998	62,691,415

Schedules (Contd.)

Particulars	As at 31-03-2010 Rs.	As at 31-03-2009 Rs.
SCHEDULE – 5		
INVENTORIES		
(At cost or market value whichever is Lower as certified by management)		
a. Raw Materials:		
i. Indigenous	2,772,477	6,274,356
ii. Imported	704,565	1,579,206
b. Stock in process	14,886,800	15,852,500
c. Consumables & Others	1,659,893	857,610
TOTAL	20,023,734	24,563,672
SCHEDULE – 6		
SUNDRY DEBTORS		
(Unsecured, Considered good)		
a. Outstanding for a period exceeding six months	215,042	7,377,394
b. Others	66,381,521	74,128,945
TOTAL	66,596,563	81,506,339
SCHEDULE – 7		
CASH & BANK BALANCES		
a. Cash on hand	14,041	6,282
b. Cash at Bank with Scheduled Banks:		
i. In Current Account	8,793,533	1,866,312
ii. In Dividend account	462,247	315,567
iii. In Margin Money/Deposit Accounts	2,610,000	23,377,550
TOTAL	11,879,821	25,565,711
SCHEDULE – 8		
LOANS & ADVANCES :		
(Unsecured, considered good, recoverable in Cash or in kind for value to be received)		
Deposits recoverable	738,960	3,407,988
Advances to Suppliers	1,334,358	545,673
Advance for Purchase of Land	16,442,735	–
Advance payment of Income Tax	13,746,923	42,642,117
Prepaid expenses	1,108,975	402,828
Accrued Interest / Income	1,684,086	1,202,710
Balance with Excise Department	420,047	502,857
Other advances Recoverable	312,008	471,882
TOTAL	35,788,092	49,176,055

Schedules (Contd.)

Particulars	As at 31-03-2010 Rs.	As at 31-03-2009 Rs.
SCHEDULE – 9		
CURRENT LIABILITIES AND PROVISIONS		
A) CURRENT LIABILITIES :		
Liabilities for :		
Capital Expenditure	–	8,832
Purchases	6,114,833	8,868,746
Expenses	2,076,210	2,060,519
Statutory Dues	2,544,069	2,500,236
Provision for Warranty Expenses	1,900,084	2,475,813
TOTAL	12,635,196	15,914,146
B) PROVISIONS :		
Gratuity	1,003,856	1,399,500
For Taxation	12,300,000	42,875,000
For Proposed Dividend	4,706,473	5,883,091
For Corporate Dividend Tax	799,865	999,831
TOTAL	18,810,194	51,157,423

Schedules (Contd.)

Particulars	For the year ended 31-03-2010 Rs.	For the year ended 31-03-2009 Rs.
SCHEDULE – 10		
OTHER INCOME		
Interest receipts (TDS Rs.221031)	764,371	2,702,781
Fluctuation in Foreign Currency	166,929	–
Miscellaneous Receipts	71,300	389,685
Profit on sale of Fixed assets	105,840	134,998
TOTAL	1,108,441	3,227,464
SCHEDULE – 11		
INCREASE/(DECREASE) IN CLOSING STOCKS		
Opening Stock:		
Opening Stock:		
Stock in process	15,852,500	26,500,000
	<u>15,852,500</u>	<u>26,500,000</u>
Less: Closing Stock		
Stock in process	14,886,800	15,852,500
	<u>14,886,800</u>	<u>15,852,500</u>
Increase/(Decrease) in closing stock :	(965,700)	(10,647,500)
SCHEDULE – 12		
MATERIAL CONSUMED		
A) INDIGENOUS :		
Opening Stock	6,274,356	3,364,393
Add: Purchases	68,463,263	80,253,435
	<u>74,737,619</u>	<u>83,617,828</u>
Less: Closing Stock	2,772,477	6,274,356
TOTAL A	71,965,142	77,343,472
B) IMPORTED :		
Opening Stock	1,579,206	3,630,717
Add: Purchases	21,988,645	36,766,135
	<u>23,567,851</u>	<u>40,396,852</u>
Less: Closing Stock	704,565	1,579,206
Total B :	22,863,286	38,817,646
TOTAL (A+B)	94,828,428	116,161,118

Schedules (Contd.)

Particulars	For the year ended	For the year ended
	31-03-2010	31-03-2009
	Rs.	Rs.
SCHEDULE – 13		
MANUFACTURING EXPENSES :		
Jobwork charges	5,244,489	11,887,563
Man Power Hire Charges	7,341,192	3,984,388
Power & Fuel	1,562,200	1,291,090
Consumables	444,059	274,739
Freight Inward	187,508	175,312
Repairs & Maintenance of Plant & Machinery	1,224,313	1,137,114
Testing Charges	113,836	482,042
Installation & Commissioning	36,500	–
TOTAL	16,154,097	19,232,248
SCHEDULE – 14		
R & D EXPENSES :		
Materials:		
Opening Stock	857,610	–
Add: Purchases	8,896,518	4,819,567
	9,754,128	4,819,567
Less: Closing Stock	1,659,893	857,610
Material Consumed	8,094,235	3,961,957
Salaries	17,347,304	19,271,496
Consumables	205,480	–
Repairs & Maintenance	370,768	56,180
Professional & Consultancy Charges	1,512,036	–
Testing and Certification Charges	438,308	196,677
Travelling & Conveyance	863,720	429,059
Technology Transfer Fees	850,000	–
Other Expenses	316,467	163,573
TOTAL	29,998,318	24,078,942
SCHEDULE – 15		
PAYMENTS & OTHER BENEFITS TO EMPLOYEES		
Salaries	27,508,988	21,950,362
Directors Remuneration	2,462,705	3,103,307
Bonus	247,020	315,827
Exgratia & Gratuity	77,008	736,318
Staff Welfare	700,626	615,500
Training & Recruitment	174,449	222,847
TOTAL	31,170,796	26,944,161

Schedules (Contd.)

Particulars	For the year ended	For the year ended
	31-03-2010	31-03-2009
	Rs.	Rs.
SCHEDULE – 16		
SELLING & DISTRIBUTION EXPENSES		
Freight Outward	966,004	276,536
Packing Materials	531,615	435,175
Royalty	52,667	200,000
Marketing Expenses	717,671	1,643,473
Travelling Expenses	1,670,762	1,652,155
Late Delivery charges	357,322	75,629
Business Promotion Expenses	384,572	400,540
Warranty Expenses	–	1,648,280
Discount Paid	556,451	–
TOTAL	5,237,064	6,331,788
SCHEDULE – 17		
ADMINISTRATIVE & OTHER EXPENSES :		
Rent, Fees, Taxes and Licences	1,347,577	993,816
Advertisement Expenses	61,453	187,127
Insurance	567,773	309,339
Postage & Telephones	875,128	1,053,146
Printing & Stationary	446,444	372,592
Payments to Auditors	158,000	191,294
Professional & Consultancy Charges	1,708,388	1,067,382
Travelling & Conveyance	539,255	303,384
Secretarial Expenses	191,445	181,215
Buy Back Expenses	1,123,847	–
Books & Periodicals	114,386	81,266
Office Maintenance	353,461	194,151
Repairs and Maintenance:		
– Vehicles	897,383	860,622
– Computers	126,199	387,519
– Furniture & Others	426,904	661,474
– Buildings	977,130	643,885
General Expenses	53,527	76,687
Watch & Ward	675,740	436,422
Donations	335,810	910,000
Sitting Fee	285,000	195,000
Expenses pertaining to previous year	72,754	556,319
Fluctuation in Foreign Currency	–	61,868
TOTAL	11,337,603	9,724,508
SCHEDULE – 18		
FINANCIAL EXPENSES		
Interest	1,571,325	926,943
Bank charges	1,252,556	1,178,735
TOTAL	2,823,881	2,105,678

SCHEDULE: 19**I. SIGNIFICANT ACCOUNTING POLICIES:****1. Basis of Accounting:**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles (GAAP) and in compliance with the Accounting Standards referred to in Section 211 (3C) and other requirements of the Companies Act, 1956.

2. Fixed Assets:

- a) Fixed Assets are stated at cost.
- b) The Company capitalises all costs relating to acquisition and installation of fixed assets.

3. Depreciation:

Depreciation on all assets is provided on the "Straight Line Method" in accordance with the provisions of Section 205 of the Companies Act, 1956.

4. Inventories:

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

- Raw Materials, Packing materials, Stores & Spares: - On FIFO basis.
- Work-in-process: At cost of inputs plus overheads up to the stage of completion

5. Revenue Recognition:

Sales are inclusive of excise duty and exclusive of Sales Tax.

6. Foreign Currency transactions:

- i) Export sales are initially accounted at the exchange rate prevailing on the date of documentation/invoicing and the same is adjusted with the difference in the rate of exchange arising on actual receipt of proceeds in foreign exchange.
- ii) Export receivables and payables in foreign currency are converted at the rate of exchange ruling on the date of Balance Sheet.

7. Research & Development:

The Company follows Accounting Standard -26, "Accounting for Intangibles" for Research & Development expenditure and accordingly, all expenses incurred for Research & Development will be charged to revenue. Capital Expenditure incurred during the year on Research & Development was shown as addition to Fixed Assets.

8. 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.

9. 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.

10. 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.

11. All Contingent liabilities are indicated by way of note and will be paid/provided on crystallisation.

II. NOTES FORMING PART OF ACCOUNTS:

	As at 31.03.2010	As at 31.03.2009
1. Contingent Liabilities not Provided for:		
a. Estimated amount of contracts remaining to be executed on capital account and not Provided for	NIL	2,64,000
b. In respect of Guarantees issued by bankers	1,10,56,308	1,65,31,585
c. Letter of Credits	34,10,232	NIL

2. Depreciation on Fixed Assets:

The Fixed Assets are depreciated on estimated useful life of assets on the following basis.

Buildings	–	20 Years
Computers	–	3 Years
Furniture & Fixtures	–	5 Years
Plant & Machinery	–	4 Years
Vehicles	–	4 Years

Capital Expenditure incurred on leasehold building will be amortized over a period of 5 years i.e the tenure of the lease.

The Fixed Assets Costing Rs. 5,000/- or less acquired during the year were depreciated at 100%. Depreciation has been provided on addition to fixed assets on pro-rata basis for the period for which the assets are put to use.

3. Pursuant to the Board of Directors approval for buy back of equity shares under section 77A of the Companies Act, 1956, the Company has bought back 4,46,243 equity shares of Rs.10/ each through open market transactions for an aggregate amount of Rs.2,18,87,403 by utilizing Share premium account. The Capital Redemption Reserve has been created out of the amount transferred from General Reserve for Rs.44,62,430 being the nominal value of shares bought back in terms of Section 77AA of the Companies Act, 1956.
4. Balances of Sundry Debtors, Sundry Creditors, and Loans and Advances are subject to confirmation.
5. 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.
6. 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	(Amount in Rupees)	
	2009-10	2008-09
Projected benefit Obligation at the beginning of the year	30,62,327	25,35,865
Current Service cost	4,51,500	3,96,724
Interest Cost	2,44,986	2,02,869
Actuarial (Gain)/Loss	(5,22,615)	(2,62,44)
Benefits Paid	(2,83,125)	(4,68,87)
Projected benefit Obligation at the end of the year	29,53,073	30,62,327
Amount recognized in the balance sheet		
Projected benefit obligation at the end of the year	29,53,073	30,62,327
Fair value of plan assets at the end of the year	19,49,217	16,62,827
Funded status of the plans-asset/(liability) recognized in the balance sheet	(10,03,856)	(13,99,500)
Cost for the period:		
Current service cost	4,51,500	3,96,724
Interest cost	2,44,986	202,869
Expected return on plan asset	(1,49,953)	(1,11,747)
Net actuarial (gain)/loss recognized in the period	(5,22,615)	(26,244)
Net cost recognized in Profit & Loss Account	23,918	461,602
Assumptions:		
Discount rate	8.00%	8.00%
Estimated rate of return on plan assets	8.00%	8.00%
Expected rate of salary increase	4.00%	4.00%

Defined contribution plans:

In respect of defined contribution plans (Provident Fund), an amount of Rs.7,47,912/-(PY Rs. 7,60,823) has been recognized in the Profit & Loss Account during the period.

7. The Company operations relate to manufacture of telecom products and rendering related customer support/ other services. During the year, Sales includes Rs.1.06 crores earned from rendering customer support / other services.
8. In terms of Accounting Standard (AS-22) on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, there is net deferred tax asset as on 31-03-2010. Based on general prudence, the Company has not recognized the said deferred tax while preparing the accounts for the current year.
9. Sundry Creditors includes Rs. 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.
10. Additional information required by Para 3,4C and 4B of part II of Schedule VI to the Companies Act, 1956.

a) CAPACITY & PRODUCTION:

1. Licensed Capacity : Not Applicable
2. Installed Capacity : Since the plant can be used for manufacturing of various electronic products it is not practicable to specify the installed capacities in relation to various products.

b) CONSUMPTION OF RAW MATERIALS:

Raw Material	%	2009-2010	%	2008-2009
Indigenous	75.89	7,19,65,142	66.58	7,73,43,472
Imported	24.11	2,28,63,286	33.42	3,88,17,646
TOTAL	100.00	9,48,28,428	100.00	11,61,61,118

c) VALUE OF IMPORTS: CALCULATED IN CIF VALUE:

Particulars	2009-2010	2008-2009
Raw Materials	2,30,75,929	3,04,41,570
Capital Equipment	NIL	NIL
TOTAL	2,30,75,929	3,04,41,570

d) EXPENDITURE IN FOREIGN CURRENCY:

Particulars	2009-2010	2008-2009
Purchases	2,30,75,929	3,04,41,570
Traveling	-	52,468
TOTAL	2,30,75,929	3,04,94,038

e) EARNINGS IN FOREIGN EXCHANGE:

There are no Foreign Exchange earnings during the year

- f) As the material consumed and items produced heterogeneous in nature, type and quality and numerous in quantity, it is not possible to give quantitative details of actual production, material consumption and closing stock-in-trade.

11. EARNING PER SHARE:

		(Amount in Rupees)	
Particulars		2009-10	2008-09
a)	Profit/(Loss) after Tax	Rs 1,06,43,218	2,53,25,355
b)	The weighted average number of ordinary shares for		
	– Basic EPS	Nos 47,06,473	51,52,716
	– Diluted EPS	Nos 48,06,240	51,52,716
c)	The nominal value per Ordinary Share	Rs 10	10
d)	Earnings per Share		
	– Basic	Rs 2.26	4.75
	– Diluted	Rs 2.21	4.75

12. Related Party Disclosure as per Accounting Standard (AS)-18:**A) List of Related Parties**

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

1. Key Management Personnel

Dr. A.Vidyasagar

Mr. N.Divakar

2. Relative of Key Management Personnel

Mrs. A.Sarada

B) Transaction with Related Parties

(Amount in Rupees)

	Nature of Transaction	2009-2010	2008-2009
Dr. A.Vidyasagar	Remuneration	13,87,705	15,04,920
Mr. N.Divakar	Remuneration	10,75,000	12,00,000
Mrs. A.Sarada	Remuneration	–	4,99,193
	Rent	1,50,000	–

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

13. Remuneration to Auditors:

Particulars	2009-2010	2008-2009
a. Audit fee	1,50,000	1,50,000
b. For certification, Taxation & Other matters	24,274	41,294

14. Previous year figures have been rearranged and regrouped wherever necessary to facilitate the comparison.

15. Figures have been rounded off to nearest rupee.

As per our report of even date
for **A.MADHUSUDANA & CO.,**
Chartered Accountants
Firm Registration No. 007405S

for and on behalf of the Board

A.MADHUSUDANA RAO
Partner
Membership No. 010433

Dr. A.VIDYASAGAR
Managing Director

N. DIVAKAR
Director

Place: Hyderabad
Date: 30/07/2010

T.V. SATISH BABU
GM - Admn & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

Particulars	For the year ended 31st March, 2010		For the year ended 31st March, 2009	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit Before Tax		11,698,238		34,084,456
Adjustments for:				
Depreciation	12,334,648		11,371,172	
Interest expense	1,571,325		926,943	
Miscellaneous Receipts	(71,300)		(389,685)	
Profit on sale of fixed assets	(105,810)		(134,998)	
Exchange fluctuations	(166,929)		61,868	
Interest received	(764,371)		(2,702,781)	
Buy Back Expenses	1,123,847	13,921,409	–	9,132,519
Operating Profit Before Working Capital Changes		25,619,647		43,216,975
(Increase)/decrease in Sundry Debtors	14,909,776		(14,239,444)	
(Increase)/decrease in Inventory	4,539,938		8,959,092	
Exchange fluctuations	166,929		(61,868)	
(Increase)/decrease in Loans & Advances	935,504		(19,997,064)	
Increase/(decrease) in Current Liabilities	(3,674,594)	16,877,553	(3,438,755)	(28,778,039)
Net Cash generated from Operations		42,497,200		14,438,936
Interest Paid		(1,571,325)		(926,943)
NET CASH FROM OPERATING ACTIVITIES		40,925,875		13,511,993
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets	(6,280,680)		(9,318,600)	
Sale of Fixed Assets	535,000		135,000	
Advance for purchase of Land	(16,442,735)		–	
Interest Received	764,371		2,702,781	
Miscellaneous Receipts	71,300		389,685	
NET CASH USED IN INVESTING ACTIVITIES		(21,352,744)		(6,091,134)

CASH FLOW (Contd.)

Particulars	For the year ended 31st March, 2010		For the year ended 31st March, 2009	
	Rs.	Rs.	Rs.	Rs.
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Inter-corporate, Public Deposits & Unsecured loans raised	-		80,464	
Inter-corporate, Public Deposits & Unsecured loans repaid	(1,384,424)		-	
Buy back of Shares & Expenses	(23,011,250)		-	
Dividends Paid	(6,882,922)		(9,042,630)	
Income Tax paid	(1,980,425)		(2,008,846)	
NET CASH USED IN FINANCING ACTIVITIES		(33,259,021)		(10,971,012)
D. NET INCREASE/(DECREASE)				
IN CASH EQUIVALENTS		(13,685,889)		(3,550,153)
Cash and Cash Equivalents at the beginning of the year		25,565,711		29,115,864
Cash and Cash Equivalents at the end of the year		11,879,821		25,565,711

CERTIFICATE

We have examined the above cash flow statement of Avantel Limited for the year ended 31st March, 2010. The statement has been prepared with the corresponding audited Profit and Loss Account and Balance Sheet of the company for the year ended 31st March 2010

for **A.MADHUSUDANA & CO.,**
Chartered Accountants
Firm Registration No. 007405S

for and on behalf of the Board

A.MADHUSUDANA RAO
Partner
Membership No. 010433

Dr. A.VIDYASAGAR
Managing Director

N. DIVAKAR
Director

Place: Hyderabad
Date: 30/07/2010

T.V. SATISH BABU
GM - Admn & Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No:

		0	1	-	1	1	3	3	4
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 Balance Sheet Date

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

State Code

0	1
---	---

II. Capital Raised during the year (Rs.'000)

Public Issue

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

Right Issue

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

Bonus Issue

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

Private Placement

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

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

Total Liabilities

1	5	8	2	5	7
---	---	---	---	---	---

Total Assets

1	5	8	2	5	7
---	---	---	---	---	---

Sources of Funds

Paid-up Capital

	4	7	0	7	1
--	---	---	---	---	---

Application of Funds

Net Fixed Assets

	5	5	4	1	4
--	---	---	---	---	---

Reserves & Surplus

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

Investments

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

Secured Loans

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

Net Current Assets

1	0	2	8	4	3
---	---	---	---	---	---

Unsecured Loans

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

Misc. Expenditure

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

Deferred Tax Liability

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

IV. Performance of the Company (Rs.'000)

Turnover

2	2	7	0	4	8
---	---	---	---	---	---

Total Expenditure

2	1	5	3	5	0
---	---	---	---	---	---

Profit Before Tax

	1	1	6	9	8
--	---	---	---	---	---

Profit After Tax

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

Earnings per Share in Rs.

		2	.	2	6
--	--	---	---	---	---

Dividend (%)

1	0	.	0	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
--	--	---	---	---	---

for **A.MADHUSUDANA & CO.,**
 Chartered Accountants
 Firm Registration No. 007405S

for and on behalf of the Board

A.MADHUSUDANA RAO
 Partner
 Membership No. 010433

Dr. A.VIDYASAGAR
 Managing Director

N. DIVAKAR
 Director

Place: Hyderabad
 Date: 30/07/2010

T.V. SATISH BABU
 GM - Admn & 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 20th Annual General Meeting of the company, to be held on Tuesday the 28th September, 2010 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 _____ 2010

(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 20th Annual General Meeting of the Company held on Tuesday the 28th September, 2010 at 11.00a.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

Notes:
