



# Annual Report 2010 - 2011



**BOARD OF DIRECTORS**

Shri A. Venkateswara Rao  
 Maj. Gen. (Retd.) Dr. Rajinder Kumar Bagga, AVSM  
 Dr. A. Vidyasagar  
 Shri N. Divakar  
*Padmasri Awardee*  
 Maj. Gen (Retd.) S. Balakrishnan, VSM  
 Shri M. Venkata Rao  
 Shri N. Naveen  
 Shri Y. Kishore  
 Shri K.B.K. Moorthi

Chairman *till 30th April 2011*  
 Chairman  
 Managing Director  
 Director (Technical)  
  
 Director  
 Director  
 Director *w.e.f 30th October.2010*  
 Director *w.e.f 30th April 2011.*  
 Director *till 07th July 2011*

**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,  
 Fax: 040-2311 2336

**Statutory Auditors:**

M/s. A. Madhusudana & Co.,  
 101, Doyen Chambers,  
 8-3-319/11/, Yellareddyguda,  
 Hyderabad-500 073

**Plant:**

Sy. No 227 & 229, Plot No 31, Phase-II, IDA,  
 Cherlapally, R.R. Dist., Hyderabad-500 051  
 Phone: 040-27262999

**Registrar & Share Transfer Agent:**

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](mailto:avl.cs@karvy.com) and register the same.

## NOTICE

**NOTICE** is hereby given that the Twenty First Annual General Meeting of the members of the Company will be held on **Thursday, the 25th August, 2011**, 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, 2011, 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 2010-11;
3. To appoint Maj. Gen. (Retd.). Dr. Rajinder Kumar Bagga, AVSM, as a Director liable to retire by rotation, in place of Shri A. Venkateswara Rao, who retires by rotation.
4. To appoint Shri N. Naveen, as a Director liable to retire by rotation, in place of Maj. Gen. (Retd.). S. Bala Krishnan, VSM, who retires by rotation.
5. To appoint M/s. Ramanatham & Rao, Chartered Accountants, Hyderabad, as Auditors in place of the retiring Statutory Auditors M/s. A. Madhusudana & Co.,

Chartered Accountants, to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company, on 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 an **ORDINARY RESOLUTION:**

**"RESOLVED THAT** Shri Y. Kishore, who was appointed as an Additional Director of the Company by the Board of Directors, and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice under section 257 in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

By Order of the Board

Place : Hyderabad  
Date : 07.07.2011

**T.V. Satish Babu**  
GM-Admn & Company Secretary

### 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 18th August, 2011, to 25th August, 2011, (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, 2011, 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 17th August 2011. 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.

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. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends for the financial years 1999-00 and 2000-01 to the Investor Education and Protection Fund (the IEPF) established by the Central Government.
9. In accordance with the provisions of section 205C of the Companies Act, 1956, the un-claimed dividends pertaining to the financial years 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 these dividend amounts so far may please claim the same by

approaching the Registrar & Share Transfer Agent 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

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.

#### 10. 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 **12th August 2011**.
  - b) Members holding shares in demat form are advised to inform/update their bank account particulars to their respective Depository Participant(s).
11. A brief profile of the new Directors, 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:

Shri Kishore Yalamanchili was co-opted as an Additional Director on the Board of the Company with effect from 30th April, 2011. Brief profile is annexed hereto.

Pursuant to Section 260 of the Companies Act, 1956, read with the Articles of Association of the Company, Shri Kishore will hold office only up to the date of Twenty First Annual General Meeting of the Company.

Your Company has received a notice in writing along with the deposit of Rs. 500/- from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Shri Kishore as a candidate for the office of Director.

The Board recommends the necessary resolution for your approval. None of the Directors of the Company except Shri Kishore is concerned or interested in the resolution.

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

**Shri N. Naveen:**

Shri Naveen Nandigam 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.

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

Maj. Gen. Dr. R.K. Bagga, AVSM, is the Advisor (Outreach Division) at International Institute of Information Technology Hyderabad, since July 2004. He is responsible for International Programs, Research by international and national collaborations for IIIT-H. Dr. Bagga was Professor and CMC Chair in the area of Information Technology and guided Research & Consultancy Assignments for Government and Corporate Sectors at Administrative Staff College of India (ASCI).

Dr. Bagga joined Army in 1958 and superannuated as Director- Computer and Information Centre & Associate Director, DRDL, Hyderabad, after 40 years in uniform. A product of National Defence Academy Kharakvasla, he obtained M Tech(CS) from IIT Kanpur, PhD from Osmania University and MA,LLB from Agra University, while in Service..

Maj. Gen. (Retd.) Dr. R.K. Bagga received the prestigious ATI VISHISHT SEVA MEDAL (AVSM) on 26th January, 1987,

for his contribution to Missile Programme of DRDO. He was honoured with CSI - FELLOWSHIP AWARD in 1998. He was an active Indian representative of International Federation of Information Processing (IFIP) from 1992-95. He was Chairman, Computer Society of India - Div VII (Data Security) from 2003-2005, Chairman Div V (Data Comm.) from 2001-2003 and Chairman Hyderabad Chapter. He has held the post of Chairman Hyderabad Section Institute of Electrical and Electronic Engineers (USA) and Chairman India Council IEEE, Computer Society (USA). His Areas of Interest include e-Security, e-Governance and Simulation. He is at present Chairman of the Company and also Chairman of CSI Special Interest Group on e-Governance.

He does not hold any shares of the Company.

**Shri Y. Kishore:**

Shri Kishore Yalamanchili is B.Tech in Electronics and Communication Engineering and also M.Tech in Controls and Instrumentation from IIT, Bombay.

Shri Kishore is having 26 years experience spanning all aspects of software products delivery - Presales, Consulting, Implementation, Engineering and Support to global customers. Currently, he is associated with SEEC Technologies Asia Pvt Ltd., Hyderabad, as a Sr. Vice President - Product Development.

Some of the notable achievements of Shri Kishore are successful in setting up of off-shore product development team for SEEC Composite Application Suite and in delivering quality products on time using offshore delivery model. He was also involved in setting up of software engineering practices, monitoring and improvement of quality processes.

He does not hold any shares of the Company.

By Order of the Board

Place : Hyderabad  
Date : 07.07.2011

**T.V. Satish Babu**  
GM-Admn & Company Secretary



## DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Twenty First Annual Report on the operations of your Company and the Audited Accounts for the financial year ended 31st March, 2011, 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 2010-11	Previous Year 2009-10
Income	<b>2415.19</b>	2280.14
Expenses	<b>1946.94</b>	2011.57
Operating Profit	<b>468.25</b>	268.57
Depreciation	<b>114.68</b>	123.35
Financial expenses	<b>40.63</b>	28.24
Profit Before Tax (PBT)	<b>312.94</b>	116.98
Excess/(Short) provision relating to earlier years	<b>4.94</b>	(16.99)
Provision for tax		
Current & Deferred	<b>62.40</b>	10.55
Profit After Tax (PAT)	<b>245.60</b>	123.43
Profit brought forward	<b>409.94</b>	371.57
Profit Available for Appropriation	<b>655.54</b>	495.00
<b>Appropriations:</b>		
Transferred to General Reserve	<b>75.00</b>	30.00
Proposed Dividend	<b>70.60</b>	47.06
Corporate Dividend Tax	<b>11.72</b>	8.00
Balance carried to balance sheet	<b>498.22</b>	409.94
Earnings Per Share (EPS)		
-Basic	<b>5.32</b>	2.26
-Diluted	<b>5.32</b>	2.21

### I. DIVIDEND:

Your Directors have pleasure in recommending a dividend @ Rs. 1.50/- per share (15%) for the financial year 2010-11, out of current year profits absorbing an amount of Rs. 70.60 lakhs towards dividend & Rs. 11.72

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:

The global economy is transitioning from the bounce-back phase of the recovery toward a period of slower, but more sustainable growth. Growth in most developing countries is increasingly running into capacity constraints, while in high-income and developing Europe and Central Asia growth is hampered by the concentrated nature of slack and ongoing restructuring. However this has also provided a platform for Indian economy to stand out in the world and be noted. Amid rising global commodity prices and high inflation, the Government is likely to scale down India's GDP growth projection for the financial year 2011-12 from 9% estimated in February 2011, compared to GDP growth rate of 8.5% in 2010-11. The Indian GDP for April 2011 has been 8.2%.

Indian Telecom Analysis says that the mobile telephony continues to fuel growth in the Indian telecom sector with mobile subscriber base projected to grow at a CAGR of around 6.6% during 2011-12 - 2014-15. Moreover, with the launch of 3G services, the country is expected to witness rapid surge in the broadband subscribers' base during the coming years. Tele-density in India has significantly improved during the past few years and has covered large portion of the country's population owing to the improving network infrastructure.

### B. DEFENCE OVERVIEW:

India's homeland security market is expanding rapidly and is promising to be lucrative for international investors. The country is projected to spend over \$10 billion on homeland security technology products and services for border protection, surveillance, intelligence, marine security and other critical security infrastructure needs. With the international spotlight on India's defence sector, it is imperative for the country to gear up homeland security finance and infrastructure.

Indian defense Budget estimate for 2011-12 has seen the defence budget going up by 11.6% to Rs 1,64,415 Crores from Rs 1,47,344 Crores last year. As per the Finance Minister's budget speech, the increase was to procure modern weapon systems and defence equipment, Rs 69,199 Crores has been allocated for capital expenditure.

The offset clause would be applicable for all procurement proposals, where indicative cost is Rs 300 Crores or more and the schemes are categorized as 'Buy (Global)' involving outright purchase from foreign / Indian vendors and 'Buy and Make with Transfer of Technology' ie Purchase from foreign vendors followed by licensed Production.

The list of eligible offsets now covers almost all aspects of Civil Aerospace, e.g. airframes, aero-engines, components, engineering, technical publications, flying and technical training, to name a few. For internal security, a wide range of weapons and services for counter-terrorist activities have been included. These changes introduced have a dual impact on the domestic sector as apart from broadening the scope of offset activities and increasing vendor participation, it will also encourage the building up of the domestic civil aviation sector with indigenous defence production capabilities for both internal security as well as the armed forces. On the flipside, it is likely that by including services such as "training" within the scope of offsets, foreign vendors may overprice the same affecting the benefit from offsets.

*Source: Frontier India | February 28th, 2011 | Category: General Indian Armed, Forces News, India Defence Online & Institute of Defence studies & analysis and from other defence publications.*

### C. ACCOMPLISHMENTS:

- Awarded a contract from M/s Antrix Corporation, Bangalore, for supply of UHF Transceiver Terminals and associated Interface units.
- Awarded a contract from M/s BEL, Hyderabad, IKW system in the frequency bands of HF, V/UHF & 500-1000MHz.
- Developed Vehicle Tracking and Health Monitoring System

- Developed AIS Satellite Transmitters for Space Applications Centre, ISRO.
- Developed MSS Type-D & Distress Alert Transmitter Based on Know-how from SAC, ISRO.
- Developed Satellite based Train Tracking and Information System for Indian Railways.
- Awarded a contract from NARL, ISRO, for Design & Development of Transmit/ Receive Systems for 30MHz Radar.
- Developed INSAT Transmission Systems for drifting buoys.

### D. OVERVIEW OF OPERATIONS:

During the year under review, your Company has achieved a turnover of Rs. 2415.19 lakhs as against Rs. 2280.14 lakhs for the previous year. The Company has earned a net profit before taxation of Rs. 312.94 lakhs as against Rs. 116.98 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, Underwater Platforms and Integrated Satellite Terminals for Indian Railways. Your Company also offers EW/ECM systems to defence sector and is expecting orders from PSUs. As part of diversification, your Company would like to offer GSM/GPRS based products in different verticals like Automotives, Energy and Marine Ports. The Company is also developing Integrated Automatic Identification Systems for Coastal Surveillance.

### F. FOCUS:

The Main focus for year 2011-12 should be innovative Solutions for existing Customers, based on our core strengths and new opportunities, including education and health services, using mobile devices and secure communications through Internet, particularly in rural areas in India,

**G. INTERNAL CONTROL SYSTEMS:**

The members are informed that the Company has been accredited with quality standards of ISO 9001:2008 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." Apart from this, the Company has adequate internal controls commensurate with the size and operations.

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.

**H. 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, 2011, 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 Rs.60 lakhs or more per annum NIL
- b. Particulars of employees employed for a part of the financial year with a salary of Rs.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 keep 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, and is presently constructing a certified Green Building. The proposed building will be utilized to set up an exclusive R&D Center and manufacturing facility for Aero Space sector. 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 Center will be operational in the next financial year.

## 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 2011-12 to Bombay Stock Exchange Limited (BSE) in pursuance of the Listing Agreement.

## 11. AUDITORS:

M/s. A. Madhusudana & Co., Chartered Accountants, Statutory Auditors of the Company, retires at this ensuing Annual General Meeting and expressed unwillingness for re-appointment due to pre-occupations. The Board also taken in to consideration the corporate governance voluntary guidelines and recommended M/s. Ramanatham & Rao. Chartered Accountants, for appointment as Statutory Auditors of the Company. Necessary confirmation has been received to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

## 12. DIRECTORS:

Shri A. Venkateswara Rao and Maj. Gen. (Retd.). S. Bala Krishnan, VSM, Rotational Directors, have decided not to seek re-appointment and retire at the present AGM. In their place, the Board has recommended Maj. Gen. (Retd.) Dr. R.K. Bagga, AVSM, and Shri N. Naveen as Directors liable to retire by rotation.

Shri N. Naveen and Maj. Gen. (Retd.) Dr. R.K. Bagga, AVSM, who are already on the Board as Additional Directors, and whose term is expiring at the ensuing Annual General Meeting, are proposed for appointment as Directors liable to retire by rotation, as mentioned above.

Shri Y. Kishore was inducted in to the Board as Additional Director of the Company and necessary resolution has been put forth for his continuation as Director, liable to retire by rotation.

In compliance with the Corporate Governance Voluntary Guidelines, Shri K.B.K. Moorthi, Director, has submitted resignation and the Board has approved the same in its meeting held on 07th July, 2011.

## 13. 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.

By order of the Board

**N. Naveen**  
Director

Place : Hyderabad  
Date : 07.07.2011

**Dr. A. Vidyasagar**  
Managing Director

## 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:

- MSS Transceivers for Aircrafts, Ships and Submarines
- UHF System for Ships and Aircrafts
- MSS Terminals for Fishing Vessels
- MSS Terminals for Indian Railways
- GPRS/MSS based Asset Tracking Products
- MSS Type-D & DAT
- Integrated MSS Transceivers, with dual polarization.

**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 is contemplating to develop the following systems:

- UHF system for aircrafts Integrated VHF/MSS Systems for Fishing Boats (Coastal Security and Surveillance Program)
- Software Defined Radios for Defense Vertical (Airborne, Marine, Land)
- Portable Medical Diagnostics System (PCR)

**Expenditure on Research & Development:**

	<b>Rs. in Lakhs</b>
Capital	63.32
Recurring	291.36
<b>Total</b>	<b>354.68</b>
Total R & D expenditure %	14.69% 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. 212.74 lakhs
Foreign exchange outgo	: Rs. 651.03 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 Non-Promoter Non-Executive and Independent Director as Chairman

One Promoter Executive Director

One Promoter Non-Executive Director

One Non-Promoter, Executive Director

Four 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. Vidyasagar and Shri A. Venkateswara Rao, outgoing Director, who are related to 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
Shri A. Venkateswara Rao <sup>1</sup>	Promoter Non- Executive	Nil	Nil	4	No
Dr. A. Vidyasagar	Promoter Executive	1	Nil	5	Yes
Shri N. Divakar	Non-Promoter Executive	Nil	Nil	4	Yes
Maj Gen (Retd) <sup>1</sup> S Balakrishnan, VSM	Non-Promoter Non- Executive	Nil	Nil	4	Yes
Shri K. B. K. Moorthi <sup>2</sup>	Non-Promoter Non- Executive	Nil	Nil	5	Yes
Shri M. Venkata Rao	Non-Promoter Non- Executive	Nil	Nil	0	No
Shri N. Naveen <sup>3</sup>	Non-Promoter Non- Executive	1	Nil	2	-
Maj. Gen. (Retd.). Dr. Rajinder Kumar Bagga, AVSM <sup>4</sup>	Non-Promoter Non- Executive	Nil	Nil	-	-
Shri Y. Kishore <sup>4</sup>	Non-Promoter Non- Executive	Nil	Nil	-	-

<sup>1</sup> Retires at the present AGM

<sup>2</sup> Resigned w.e.f 07th July 2011

<sup>3</sup> Inducted into the Board w.e.f 30th Oct. 2010

<sup>4</sup> inducted into the Board w.e.f 30th April 2011

**iii. Number of Board Meetings held during the financial year 2010-11, along with the dates:**

During the financial year 2010-11, total five Board meetings were held, as against minimum requirement of four. The details of Board meetings are as under:

- 1) 29.04.2010
- 2) 30.07.2010
- 3) 30.10.2010
- 4) 12.01.2011
- 5) 31.01.2011

**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. K.B.K. Moorthi <sup>1</sup>	Non-Promoter Non-Executive Independent Director	Chairman	4
2	Shri A. Venkateswara Rao <sup>1</sup>	Promoter Non-Executive Director	Member	3
3	Maj Gen (Retd) S Balakrishnan, VSM <sup>1</sup>	Non-Promoter Non- Executive Independent Director	Member	3
4	Shri N. Naveen <sup>2</sup>	Non- Promoter Non-Executive Independent Director	Chairman <sup>#</sup>	1
5	Shri M. Venkata Rao <sup>2</sup>	Non-Promoter Non- Executive Independent Director	Member	-
6	Shri Y. Kishore <sup>3</sup>	Non-Promoter Non- Executive Independent	Member	-
7	Maj. Gen. (Retd.). Dr. R.K. Bagga, AVSM <sup>3</sup>	Non-Promoter Non- Executive Independent Director	Member	-

<sup>1</sup> till 30th April, 2011

<sup>2</sup> w.e.f. 30th October 2010

<sup>3</sup> w.e.f. 30th April 2011

<sup>#</sup> w.e.f. 7th July 2011

**iii. During the financial year 2010-11, the Audit committee met four times on the following dates:**

- 1) 29.04.2010
- 2) 29.07.2010
- 3) 30.10.2010
- 4) 31.01.2011

#### 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:

During the financial year 2010-11, the Remuneration Committee met on 29th July, 2010, to approve the remuneration payable to the Director (Technical).

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

S.No.	Name of the Director	Category	Designation	Attendance
1.	Shri. K.B.K. Moorthi <sup>1</sup>	Non-Promoter Non-Executive Independent Director	Chairman	Yes
2.	Maj. Gen. (Retd.). Dr. R.K. Bagga, AVSM <sup>2</sup>	Non-Promoter Non-Executive Independent Director	Chairman	-
3.	Maj Gen (Retd) S Balakrishnan, VSM <sup>1</sup>	Non-Promoter Non- Executive Independent Director	Member	-
4.	Shri M. Venkata Rao <sup>1</sup>	Non-Promoter Non- Executive Independent Director	Member	Yes
5.	Shri N. Naveen <sup>2</sup>	Non-Promoter Non-Executive Independent Director	Member	-
6.	Shri Y. Kishore <sup>2</sup>	Non-Promoter Non-Executive Independent Director	Member	-

<sup>1</sup> till 30th January 2011

<sup>2</sup> w.e.f 30th April 2011

##### iii. Details of remuneration to all the Directors:

a) The aggregate of salary & perquisites paid for the year 2010-11 to the Executive Directors is as under:

Dr. A. Vidyasagar, Managing Director	:	Rs. 15,69,000/-
Shri N. Divakar, Director (Technical)	:	Rs. 9,75,000/-

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

Shri K.B.K. Moorthi	:	Rs. 75,000/-
Shri A. Venkateswara Rao	:	Rs. 75,000/-
Maj Gen (Retd) S Balakrishnan, VSM	:	Rs. 75,000/-
Shri N. Naveen	:	Rs. 22,500/-
Shri M. Venkata Rao	:	Rs. -



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

Shri A. Venkateswara Rao <sup>1</sup>	:	Chairman
Maj. Gen. (Retd.). Dr. R.K. Bagga, AVSM <sup>2</sup>	:	Chairman
Shri Y. Kishore <sup>2</sup>	:	Member
Dr. A. Vidyasagar	:	Member
Maj Gen (Retd) S. Balakrishnan, VSM <sup>1</sup>	:	Member

<sup>1</sup> till 29th April 2011

<sup>2</sup> w.e.f 30th April 2011

**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, and such other matters and recommends measures for providing efficient services to investors. Four meetings of the Grievances Committee were held during the year ended 31st March 2011.

All the complaints received from the investors were resolved, within reasonable time. Total 5 complaints were received from the investors during the year 2010-11, and all of them have been resolved expeditiously. There was no outstanding complaint as on 31st March 2011.

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

Year	AGM	Location	Date	Time
2009-10	AGM	Plot No 16, Sector-III, HUDA Techno Enclave, Madhapur, Hyderabad-500 081	28.09.10	11.00 AM
2008-09	AGM	— Do —	14.09.09	11.00 AM
2007-08	AGM	— Do —	17.09.08	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. Vidyasagar, 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.
September 17, 2008	Change of name of the Company from Avantel Softech Limited to Avantel Limited

During the last three years, no Extra-ordinary General Meeting was conducted. During the year 2010-11, a Special Resolution has been passed through Postal Ballots for securing the approval of members for amendment of objects clause of Memorandum of Association of the Company. Shri P.S. Rao, Practicing Company Secretary was the Scrutinizer for 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 Resolutions by Postal Ballot) Rules, 2001, as amended.

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 2010-11, 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](http://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 First Annual General Meeting of the Company will be held on **Thursday the 25th day of August, 2011**, at 11.00 AM at the Registered Office of the Company at Plot No: 16, Sector III, HUDA Techno Enclave, Madhapur, Opp. K. Raheja 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 18th August, 2011, to 25th August, 2011, (both days inclusive) for the purpose of ensuing Annual General Meeting.
- iv. **Dividend Payment date:** Directors have proposed a dividend 15% 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:** (Source: BSE Website)

Month	BSE, Mumbai	
	High (Rs.)	Low (Rs.)
April, 2010	69.50	59.00
May, 2010	79.45	59.00
June, 2010	74.00	63.75
July, 2010	84.90	67.00
August, 2010	76.80	64.45
September, 2010	72.40	63.00
October, 2010	75.00	63.30
November, 2010	76.80	52.25
December, 2010	64.90	48.10
January, 2011	60.00	45.65
February, 2011	56.00	41.00
March, 2011	62.90	47.50

**vii. Registrar and Share Transfer Agents:**

Karvy Computershare Private Ltd,  
Plot No 17 to 24, Vittalrao Nagar,  
Madhapur, Hyderabad-500 081  
Phones: 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, 2011:**

S.No.	Particulars	No. of Shares held	% of shareholding
1	Company Promoters	1474478	31.33
2	HUF	118375	2.52
3	Bodies Corporates	588476	12.50
4	Resident Individuals	2326868	49.44
5	Non-Resident Indians	40734	0.87
6	Clearing Members	2233	0.05
7	Trust	155309	3.30
	<b>Total</b>	<b>4706473</b>	<b>100.00</b>

**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	Vidyasagar Abburi	796720	16.93
2	K. Swapna	277048	5.89
3	Sarada Abburi	237396	5.04
4	Venkateswara Rao Abburi	236620	5.03
5	Avantel Ltd Employees Welfare Trust*	155309	3.30
6	K. Satish	102359	2.17
7	Sailaja Abburi	96930	2.06
8	Hindustan Candle Mfg. Company Pvt. Ltd	70286	1.49
9	Siddhatha Sagar Abburi	65844	1.40
10	Zen Securities Ltd., BSE Clients A/c	56108	1.19
11	Runner Marketing Pvt. Ltd	50000	1.06
12	Nagendra Babu Nagabhyrava	48000	1.02
13	Vasudhaiva Kutumbkam Consultancy & Broking Pvt Ltd	47378	1.01
	<b>Total</b>	<b>2239998</b>	<b>47.59</b>

\*In compliance with MCA circular, in June 2011, the shares in Trust account have been transferred in the name of Trustees, to hold on behalf of Trust.

**c) Distribution schedule as on 31st March 2011:**

S.No.	Category	No. of Cases	% of cases	Amount (Rs.)	% of Amount
	From - To				
1	1 - 5000	4394	86.98	6087090	12.93
2	5001 - 10000	321	6.35	2697170	5.73
3	10001 - 20000	144	2.85	2217690	4.71
4	20001 - 30000	57	1.13	1473180	3.13
5	30001 - 40000	22	0.44	788960	1.68
6	40001 - 50000	25	0.49	1198070	2.55
7	50001 - 100000	37	0.73	2677950	5.69
8	100001 and above	52	1.03	29924620	63.58
	<b>Total</b>	<b>5052</b>	<b>100.00</b>	<b>47064730</b>	<b>100.00</b>

**x. Dematerialization of shares and liquidity:**

As on 31st March, 2011, 97.81% (4604729 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: sathishbabu@avantel.in & info@avantel.in

By order of the Board

Place : Hyderabad  
 Date : 07.07.2011

**N. Naveen**  
 Director

**Dr. A. Vidyasagar**  
 Managing Director

**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, 2011.

For Avantel Limited

Place: Hyderabad  
 Date: 30.04.2011

**Maj. Gen. (Retd.). Dr. R.K. Bagga, AVSM**  
 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.

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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, 2011, 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 **A. MADHUSUDANA & Co.,**  
Chartered Accountants  
Firm Registration No.0074055

Place : Hyderabad.  
Date : 07-07-2011

**A.MADHUSUDANA RAO**  
PARTNER  
Membership No. 010433

## **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 2011, 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 : 07.07.2011

**Dr. A. Vidyasagar**  
CEO & MD

**M.S.S. Prasad**  
GM-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, 2011, 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, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 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, 2011,
  - 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, 2011 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, 2011, we report that the 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.0074055

**A. MADHUSUDANA RAO**  
PARTNER  
Membership No.10433

Place: Hyderabad  
Date: 07-07-2011

## BALANCE SHEET AS AT 31st MARCH, 2011

Particulars	Schedule	As at 31-03-2011		As at 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS :</b>					
1. Shareholders' Funds:					
a) Share Capital	1	<b>47,070,730</b>		47,070,730	
b) Reserves & Surplus	2	<b>126,719,843</b>		111,186,088	
2. Loan Funds			<b>173,790,573</b>		158,256,818
Secured Loans	3		<b>23,060,294</b>		–
<b>TOTAL</b>			<b>196,850,867</b>		158,256,818
<b>II. APPLICATION OF FUNDS:</b>					
1. Fixed Assets					
a) Gross Block	4	<b>169,980,908</b>		134,875,323	
b) Less: Depreciation		<b>80,317,470</b>		79,461,325	
c) Net Block			<b>89,663,438</b>		55,413,998
2. Current Assets, Loans and Advances:					
a) Inventories	5	<b>39,662,021</b>		20,023,734	
b) Sundry Debtors	6	<b>85,433,904</b>		66,596,563	
c) Cash & Bank Balances	7	<b>6,479,815</b>		11,879,821	
d) Loans & Advances	8	<b>22,730,224</b>		35,788,092	
			<b>154,305,964</b>		134,288,210
Less: Current Liabilities and Provisions	9				
a) Current Liabilities		<b>19,169,406</b>		12,635,196	
b) Provisions		<b>27,949,129</b>		18,810,194	
		<b>47,118,535</b>		31,445,390	
Net Current Assets			<b>107,187,429</b>		102,842,820
<b>TOTAL</b>			<b>196,850,867</b>		158,256,818
Significant Accounting Policies and Notes on Accounts	20				

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. NAVEEN**  
 Director

Place: Hyderabad  
 Date: 07.07.2011

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

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

Particulars	Schedule	As at 31-03-2011		As at 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
<b>I. INCOME:</b>					
Sales & Services less Returns	10		240,670,493		226,904,983
Other Income	11		848,183		1,108,441
Increase/(Decrease) in Stocks	12		8,361,682		(965,700)
<b>TOTAL</b>			<b>249,880,358</b>		<b>2,27,047,724</b>
<b>II. EXPENDITURE:</b>					
Material Consumed	13		82,537,068		94,828,428
Excise Duty & Service Tax			18,058,127		11,464,651
Manufacturing Expenses	14		16,700,956		16,154,097
R & D Expenses	15		29,135,951		29,998,318
Payments & Other benefits to Employees	16		34,142,937		31,170,796
Selling & Distribution Expenses	17		9,526,725		5,237,064
Administrative and other Expenses	18		12,952,797		11,337,603
Financial Expenses	19		4,063,137		2,823,881
Depreciation	4	12,262,777		13,128,908	
Less: Transfer from Revaluation Reserve		794,260		794,260	
Net Depreciation			11,468,517		12,334,648
<b>TOTAL</b>			<b>218,586,215</b>		<b>215,349,486</b>
Profit Before Tax			31,294,143		11,698,238
Less : Provision for Taxation:					
--- Current Tax (MAT)		6,240,000		2,000,000	
--- Deferred Tax		-	6,240,000	(944,980)	1,055,020
<b>PROFIT AFTER TAX</b>			<b>25,054,143</b>		<b>10,643,218</b>
Less(Add) : Short / ( Excess) provision relating to earlier years			493,888		(1,699,381)
			24,560,255		12,342,599
Profit brought forward from previous year			40,993,564		37,157,303
Profit available for appropriations			65,553,819		49,499,902
<b>APPROPRIATIONS:</b>					
Transfer to General Reserve			7,500,000		3,000,000
Proposed Dividend			7,059,710		4,706,473
Corporate Dividend Tax			1,172,530		799,865
Balance carried to Balance Sheet			49,821,579		40,993,564
<b>TOTAL</b>			<b>65,553,819</b>		<b>49,499,902</b>
Earning per Share (E.PS)					
– Basic			5.32		2.26
– Diluted			5.32		2.21
Significant Accounting Policies and Notes on Accounts	20				

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. NAVEEN**  
Director

Place: Hyderabad  
Date: 07.07.2011

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

## Schedules forming part of the Balance Sheet as at 31.03.2011 and Profit and Loss Account for the year ended as on that date

Particulars	As at 31-03-2011 Rs.	As at 31-03-2010 Rs.
<b>SCHEDULE – I</b>		
<b>SHARE CAPITAL</b>		
Authorised Capital: 70,00,000 Equity Shares of Rs.10/- each	<b>70,000,000</b>	70,000,000
Issued, Subscribed and Paid Up Capital: 4706473 Equity Shares of Rs10/- each fully paid up (5152716 Equity Shares of Rs.10 each fully paid up) Out of the above 15,49,458 Shares are allotted as fully paid up by way of Bonus shares)	<b>47,064,730</b>	51,527,160
Less: Buy back of 446243 Equity shares of Rs10/- each	–	(4,462,430)
Add: Forfieted Shares (Amount originally paid up)	<b>6,000</b>	6,000
<b>TOTAL</b>	<b>47,070,730</b>	47,070,730
<b>SCHEDULE – 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
a. Securities Premium Account	<b>19,991,729</b>	37,416,702
Less: Adjusted against Buyback Premium	–	17,424,973
	<b>19,991,729</b>	19,991,729
Add: Forfieted Shares( Amount Originally Paid Up)	<b>24,000</b>	24,000
	<b>20,015,729</b>	20,015,729
b. General Reserve		
Opening Balance	<b>28,328,223</b>	29,790,653
Less: Adjusted against Buyback Premium	–	4,462,430
	<b>28,328,223</b>	25,328,223
Add: Transferred from Profit & Loss Account	<b>7,500,000</b>	3,000,000
	<b>35,828,223</b>	28,328,223
c. Capital Redemption Reserve	<b>4,462,430</b>	4,462,430
d. Revaluation Reserve:		
Land	<b>6,266,454</b>	6,266,454
Buildings	<b>10,325,428</b>	11,119,688
e. Balance in Profit & Loss account	<b>49,821,579</b>	40,993,564
<b>TOTAL</b>	<b>126,719,843</b>	111,186,088
<b>SCHEDULE – 3</b>		
<b>UNSECURED LOANS:</b>		
Canara Bank OCC A/c	<b>23,060,294</b>	–
<b>TOTAL</b>	<b>23,060,294</b>	–

**SCHEDULE: 4  
FIXED ASSETS**

Sl. No.	Description of the Asset	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As on 01.04.2010	Additions	Deletions	As on 31.03.2011	Up to 31.03.2010	For the Period	Deletions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
<b>A.</b>											
1	Land	11,434,200	24,043,022	-	35,477,222	-	-	-	-	35,477,222	11,434,200
2	Building	40,835,047	-	-	40,835,047	12,811,811	2,041,752	-	14,853,563	25,981,484	28,023,236
3	Furniture & Fixtures	2,955,474	342,113	-	3,297,587	1,479,367	456,644	-	1,936,010	1,361,577	1,476,107
4	Plant & Machinery Testing & Assembling	23,130,951	7,467,458	3,431,594	27,166,815	16,414,017	3,902,038	3,329,709	16,986,346	10,180,469	6,716,934
5	Computers	11,322,413	2,431,801	-	13,754,214	10,400,884	878,184	-	11,279,068	2,475,146	921,529
6	Office Equipment	3,811,584	749,480	148,900	4,412,164	3,290,848	358,673	148,895	3,500,626	911,538	520,736
7	Vehicles	3,073,738	1,927,144	1,047,456	3,953,426	2,200,086	731,853	1,047,454	1,884,485	2,068,941	873,652
8	Lease Hold Building	2,557,540	-	-	2,557,540	614,039	511,508	-	1,125,547	1,431,993	1943,501
9	Capital Work In Progress	-	3,320,864	-	3,320,864	-	-	-	-	3,320,864	-
	<b>Sub Total</b>	99,120,947	40,281,882	4,627,950	134,774,879	47,211,052	8,880,652	4,526,058	51,565,647	83,209,232	51,909,895
<b>B.</b>											
1	R & D Equipment	35,754,376	6,332,230	6,880,577	35,206,029	32,250,273	3,382,125	6,880,575	28,751,823	6,454,206	3,504,103
	<b>TOTAL</b>	134,875,323	46,614,112	11,508,527	169,980,908	79,461,325	12,262,777	11,406,632	80,317,470	89,663,438	55,413,998

## Schedules (Contd.)

Particulars	As at 31-03-2011 Rs.	As at 31-03-2010 Rs.
<b>SCHEDULE – 5</b>		
<b>INVENTORIES</b>		
(At cost or market value whichever is Lower as certified by management)		
a. Raw Materials:		
i. Indigenous	6,300,302	2,772,477
ii. Imported	7,739,564	704,565
b. Stock in process	23,248,482	14,886,800
c. Consumables & Others	2,373,673	1,659,893
<b>TOTAL</b>	<b>39,662,021</b>	<b>20,023,734</b>
<b>SCHEDULE – 6</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, Considered good)		
a. Outstanding for a period exceeding six months	8,439,469	215,042
b. Others	76,994,435	66,381,521
<b>TOTAL</b>	<b>85,433,904</b>	<b>66,596,563</b>
<b>SCHEDULE – 7</b>		
<b>CASH &amp; BANK BALANCES</b>		
a. Cash on hand	50,327	14,041
b. Cash at Bank with Scheduled Banks:		
i. In Current Account	2,632,112	8,793,533
ii. In Dividend account	455,433	462,247
iii. In Margin Money/Deposit Accounts	2,306,550	2,610,000
iv) Cheques on hand	1,035,393	–
<b>TOTAL</b>	<b>6,479,815</b>	<b>11,879,821</b>
<b>SCHEDULE – 8</b>		
<b>LOANS &amp; ADVANCES :</b>		
(Unsecured, considered good, recoverable in Cash or in kind for value to be received)		
Deposits recoverable	757,197	738,960
Advances to Suppliers	736,847	1,334,358
Advance payment of Income Tax	14,905,798	13,746,923
Prepaid Expenses	1,546,894	1,108,975
Accrued Interest/Income	81,286	1,684,086
Balance with Excise Department	1,057,336	420,047
Other advances Recoverable	404,916	312,008
Advance for Capital Works/Land	3,239,950	16,442,735
<b>TOTAL</b>	<b>22,730,224</b>	<b>35,788,092</b>

**Schedules (Contd.)**

Particulars	As at 31-03-2011 Rs.	As at 31-03-2010 Rs.
<b>SCHEDULE – 9</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
A) CURRENT LIABILITIES :		
Liabilities for :		
Sundry Creditors for purchases	5,717,211	6,114,833
Liabilities for Expenses	2,557,759	2,076,210
Statutory Dues	4,323,509	2,544,069
Provision for Warranty Expenses	1,889,000	1,900,084
Advances received from Customers	4,631,527	–
Creditors for capital expenses	50,400	–
<b>TOTAL</b>	<b>19,169,406</b>	<b>12,635,196</b>
B) PROVISIONS :		
Gratuity/Bonus	1,176,889	1,003,856
For Taxation	18,540,000	12,300,000
For Proposed Dividend	7,059,710	4,706,473
For Corporate Dividend Tax	1,172,530	799,865
<b>TOTAL</b>	<b>27,949,129</b>	<b>18,810,194</b>

## Schedules (Contd.)

Particulars	For the year ended 31-03-2011 Rs.	For the year ended 31-03-2010 Rs.
<b>SCHEDULE – 10</b>		
<b>A. SALES</b>		
Domestic Sales	210,105,342	216,349,083
Export Sales	14,561,543	–
<b>TOTAL (A)</b>	<b>224,666,884</b>	<b>216,349,083</b>
<b>B. SERVICES</b>		
Domestic	9,291,109	10,555,900
Export	6,712,500	–
<b>TOTAL (B)</b>	<b>16,003,609</b>	<b>10,555,900</b>
<b>TOTAL (A+B)</b>	<b>240,670,493</b>	<b>226,904,983</b>
<b>SCHEDULE – 11</b>		
<b>OTHER INCOME</b>		
Interest receipts	510,963	764,371
Fluctuation in Foreign Currency	4,365	166,929
Miscellaneous Receipts	52,255	71,300
Profit on sale of Fixed assets	280,600	105,840
<b>TOTAL</b>	<b>848,183</b>	<b>1,108,441</b>
<b>SCHEDULE – 12</b>		
<b>INCREASE/(DECREASE) IN CLOSING STOCKS</b>		
Opening Stock:		
Opening Stock:		
Stock in process	14,886,800	15,852,500
	<b>14,886,800</b>	<b>15,852,500</b>
Less: Closing Stock		
Stock in process	23,248,482	14,886,800
<b>Increase/(Decrease) in closing stock :</b>	<b>8,361,682</b>	<b>(965,700)</b>
<b>SCHEDULE – 13</b>		
<b>MATERIAL CONSUMED</b>		
<b>A) INDIGENOUS :</b>		
Opening Stock	2,772,477	6,274,356
Add: Purchases	42,396,727	68,463,263
	45,169,204	74,737,619
Less: Closing Stock	6,300,302	2,772,477
<b>TOTAL (A)</b>	<b>38,868,902</b>	<b>71,965,142</b>
<b>B) IMPORTED</b>		
Opening Stock	704,565	1,579,206
Add: Purchases	50,703,165	21,988,645
	51,407,730	23,567,851
Less: Closing Stock	7,739,564	704,565
<b>TOTAL (B)</b>	<b>43,668,166</b>	<b>22,863,286</b>
<b>TOTAL (A+B)</b>	<b>82,537,068</b>	<b>94,828,428</b>



**Schedules (Contd.)**

Particulars	For the year ended	For the year ended
	31-03-2011	31-03-2010
	Rs.	Rs.
<b>SCHEDULE – 14</b>		
<b>MANUFACTURING EXPENSES :</b>		
Jobwork charges	5,540,776	5,244,489
Power & Fuel	1,779,256	1,562,200
Consumables	668,328	444,059
Freight Inward	82,812	187,508
Repairs & Maintenance of Plant & Machinery	1,626,299	1,224,313
Testing Charges	1,352,309	113,836
Man Power Hire Charges	5,518,318	7,341,192
Installation & Commissioning Charges	132,858	36,500
<b>TOTAL</b>	<b>16,700,956</b>	<b>16,154,097</b>
<b>SCHEDULE – 15</b>		
<b>R &amp; D EXPENSES :</b>		
Opening Stock	1,659,893	857,610
Purchases	8,980,467	8,896,518
	<b>10,640,360</b>	<b>9,754,128</b>
Closing Stock	2,373,673	1,659,893
Material Consumed	8,266,687	8,094,235
R & D Salaries	16,922,370	17,347,304
Consumables	196,246	205,480
Repairs and maintenance	716,174	370,768
Professional and Consultancy Charges	776,239	1,512,036
Testing Charges	940,864	438,308
Travelling and Conveyance	825,551	863,720
Technology Transfer Fees	–	850,000
Other Expenses	491,820	316,467
<b>TOTAL</b>	<b>29,135,951</b>	<b>29,998,318</b>
<b>SCHEDULE – 16</b>		
<b>PAYMENTS &amp; OTHER BENEFITS TO EMPLOYEES</b>		
Salaries	29,387,036	27,508,988
Directors Remuneration	2,544,000	2,462,705
Bonus	295,766	247,020
Exgratia & Gratuity	760,728	77,008
Staff Welfare	968,506	700,626
Training & Recruitment	186,901	174,449
<b>TOTAL</b>	<b>34,142,937</b>	<b>31,170,796</b>

## Schedules (Contd.)

Particulars	For the year ended	For the year ended
	31-03-2011	31-03-2010
	Rs.	Rs.
<b>SCHEDULE – 17</b>		
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>		
Freight Outward	521,288	966,004
Packing Materials	255,450	531,615
Royalty	6,068	52,667
Marketing Expenses	970,566	638,583
Travelling Expenses	1,518,754	1,670,762
Late Delivery charges	4,075,682	357,322
Business Promotion Expenses	559,861	384,572
Warranty Expenses	953,324	–
CSD Expenses	647,759	79,088
Discount paid	17,973	556,451
<b>TOTAL</b>	<b>9,526,725</b>	<b>5,237,064</b>
<b>SCHEDULE – 18</b>		
<b>ADMINISTRATIVE &amp; OTHER EXPENSES :</b>		
Rent, Fees, Taxes and Licences	1,263,679	1,347,577
Advertisement Expenses	123,301	61,453
Insurance	1,303,378	567,773
Postage & Telephones	909,005	875,128
Printing & Stationary	567,831	446,444
Payments to Auditors	197,500	158,000
Professional & Consultancy Charges	1,541,154	1,708,388
Travelling & Conveyance	593,445	539,255
Secretarial Expenses	342,592	191,445
Buy Back Expenses	–	1,123,847
Business Development Expenses	144,000	–
Books & Periodicals	36,580	114,386
Office Maintenance	266,813	353,461
Repairs and Maintenance:		
--- Vehicles	726,326	897,383
--- Computers	88,299	126,199
--- Furniture & Others	941,593	426,904
--- Buildings	973,894	977,130
General Expenses	11,126	53,527
Watch & Ward	736,640	675,740
Donations	1,050,883	335,810
Sitting Fee	247,500	285,000
Expenses pertaining to previous year	187,937	72,753
Fluctuation in Foreign Currency	699,322	–
<b>TOTAL</b>	<b>12,952,797</b>	<b>11,337,603</b>
<b>SCHEDULE – 19</b>		
<b>FINANCIAL EXPENSES</b>		
Interest	2,820,956	1,571,325
Bank charges	1,242,181	1,252,556
<b>TOTAL</b>	<b>4,063,137</b>	<b>2,823,881</b>

**SCHEDULE: 20****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. 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.

**10. 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.

**11. 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.

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

**II. NOTES FORMING PART OF ACCOUNTS:**

	As at 31.03.2011	As at 31.03.2010
<b>1. Contingent Liabilities not Provided for:</b>		
a. In respect of Guarantees issued by bankers	1,71,46,888	1,10,56,308
b. Letter of Credits	NIL	34,10,232

**2. Capital Commitments:**

Estimated value of contracts remaining to be executed on capital account to the extent not provided for Rs.4,10,11,560/- (previous year : Nil.)

**3. 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.

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)	
	2010-11	2009-10
<b>Projected benefit Obligation at the beginning of the year</b>	<b>29,53,073</b>	30,62,327
Current Service cost	<b>3,03,835</b>	4,51,500
Interest Cost	<b>2,36,246</b>	2,44,986
Actuarial (Gain)/Loss	<b>3,17,204</b>	(5,22,615)
Benefits Paid	<b>(6,82,970)</b>	(2,83,125)
<b>Projected benefit Obligation at the end of the year</b>	<b>31,27,388</b>	29,53,073
<b>Amount recognized in the balance sheet</b>		
Projected benefit obligation at the end of the year	<b>31,27,388</b>	29,53,073
Fair value of plan assets at the end of the year	<b>19,50,499</b>	19,49,217
<b>Funded status of the plans-asset/(liability) recognized in the balance sheet</b>	<b>(11,76,889)</b>	(10,03,856)
<b>Cost for the period:</b>		
Current service cost	<b>3,03,835</b>	4,51,500
Interest cost	<b>2,36,246</b>	2,44,986
Expected return on plan asset	<b>(1,74,722)</b>	(1,49,953)
Net actuarial (gain)/loss recognized in the period	<b>3,17,204</b>	(5,22,615)
<b>Net cost recognized in Profit &amp; Loss Account</b>	<b>6,82,563</b>	23,918
<b>Assumptions:</b>		
Discount rate	<b>8%</b>	8%
Estimated rate of return on plan assets	<b>9%</b>	8%
Expected rate of salary increase	<b>4%</b>	4%

**Defined contribution plans:**

In respect of defined contribution plans (Provident Fund), an amount of Rs. 7,68,030/- (PY Rs. 7,47,912/-) 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.92.91 Lakhs 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. Secured Loans : 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.
11. 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 Rs. 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.
12. 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	%	2010-2011	%	2009-2010
Indigenous	47.09	<b>38868902</b>	75.89	7,19,65,142
Imported	52.91	<b>43668166</b>	24.11	2,28,63,286
<b>TOTAL</b>	100.00	<b>82537068</b>	100.00	9,48,28,428

**c) VALUE OF IMPORTS: CALCULATED IN CIF VALUE:**

Particulars	2010-2011	2009-2010
Raw Materials	<b>5,31,49,575</b>	2,30,75,929
Capital Equipment	<b>1,18,75,894</b>	NIL
<b>TOTAL</b>	<b>6,50,25,469</b>	2,30,75,929

**d) EXPENDITURE IN FOREIGN CURRENCY:**

Particulars	2010-2011	2009-2010
Purchases	<b>6,50,25,469</b>	2,30,75,929
Traveling	<b>77,902</b>	-
<b>TOTAL</b>	<b>6,51,03,371</b>	2,30,75,929

**e) EARNINGS IN FOREIGN EXCHANGE:**

F.O.B Value of Exports :	2010-2011	2009-2010
	Rs.	Rs.
Sales	<b>1,45,61,543</b>	NIL
Services	<b>67,12,500</b>	NIL

- 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.

**13. EARNING PER SHARE:**

(Amount in Rupees)

Particulars			2010-11	2009-10
a)	Profit/(Loss) after Tax	Rs	25,054,143	1,06,43,218
b)	The weighted average number of ordinary shares for			
	– Basic EPS	Nos	47,06,473	47,06,473
	– Diluted EPS	Nos	47,06,473	48,06,240
c)	The nominal value per Ordinary Share	Rs	10	10
d)	Earnings per Share			
	– Basic	Rs	5.32	2.26
	– Diluted	Rs	5.32	2.21

**14. 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	2010-2011	2009-2010
Dr. A.Vidyasagar	Remuneration	12,00,000	13,87,705
Mr. N.Divakar	Remuneration	9,75,000	10,75,000
Mrs. A.Sarada	Rent	3,69,000	1,50,000

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

**15. Remuneration to Auditors:**

Particulars	2010-2011	2009-2010
a. Audit fee	1,50,000	1,50,000
b. For certification, Taxation & Other matters	47,500	24,274

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

17. 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. NAVEEN**

Director

Place: Hyderabad

Date: 07.07.2011

**T.V. SATISH BABU**

GM - Admn & Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

Particulars	For the year ended 31st March, 2011		For the year ended 31st March, 2010	
	Rs.	Rs.	Rs.	Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>				
<b>Net Profit Before Tax</b>		<b>31,294,143</b>		<b>11,698,238</b>
Adjustments for:				
Depreciation	<b>11,468,517</b>		12,334,648	
Interest Expense	<b>2,820,956</b>		1,571,325	
Miscellaneous Receipts	<b>(52,255)</b>		(71,300)	
Bad debts written off	–		–	
Profit on sale of fixed assets	<b>(280,600)</b>		(105,810)	
Loss on sale of fixed assets	–		–	
Exchange fluctuations	<b>(4,365)</b>		(166,929)	
Interest received	<b>(510,963)</b>		(764,371)	
Buy Back Expenses	–		1,123,847	
		<b>13,441,290</b>		<b>13,921,409</b>
<b>Operating Profit Before . Working Capital Changes</b>		<b>44,735,433</b>		<b>25,619,647</b>
(Increase)/decrease in Sundry Debtors	<b>(18,837,341)</b>		14,909,776	
(Increase)/decrease in Inventory	<b>(19,638,287)</b>		4,539,938	
Exchange fluctuations	<b>4,365</b>		166,929	
(Increase)/decrease in Loans & Advances	<b>12,563,980</b>		935,504	
Increase/(decrease) in Current Liabilities	<b>6,707,243</b>	<b>(19,200,040)</b>	(3,674,594)	<b>16,877,553</b>
<b>Net Cash generated from Operations</b>		<b>25,535,393</b>		<b>42,497,200</b>
Interest Paid		<b>(2,820,956)</b>		<b>(1,571,325)</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>22,714,437</b>		<b>40,925,875</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Purchase of Fixed Assets	<b>(43,293,248)</b>		(6,280,680)	
Sale of Fixed Assets	<b>382,495</b>		535,000	
Advance for Capital works/land	–		(16,442,735)	
Capital Work in progress	<b>(3,320,864)</b>		–	
Purchase of Land	–		–	
Interest Received	<b>510,963</b>		764,371	
Miscellaneous Receipts	<b>52,255</b>		71,300	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(45,668,399)</b>		<b>(21,352,744)</b>



**CASH FLOW (Contd.)**

Particulars	For the year ended 31st March, 2011		For the year ended 31st March, 2010	
	Rs.	Rs.	Rs.	Rs.
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Increase in Secured Loans	23,060,294		–	
Inter-corporate, Public Deposits & Unsecured loans repaid	–		(1,384,424)	
Buy back of Shares & Expenses	–		(23,011,250)	
Dividends Paid	(5,506,338)		(6,882,922)	
Income Tax paid	–		(1,980,425)	
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>17,553,956</b>		<b>(33,259,021)</b>
<b>D. NET INCREASE/(DECREASE) IN CASH EQUIVALENTS</b>		<b>(5,400,006)</b>		<b>(13,685,889)</b>
Cash and Cash Equivalents at the beginning of the year		<b>11,879,821</b>		<b>25,565,711</b>
Cash and Cash Equivalents at the end of the year		<b>6,479,815</b>		<b>11,879,821</b>

**CERTIFICATE**

We have examined the above cash flow statement of Avantel Limited for the year ended 31st March, 2011. 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 2011.

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. NAVEEN**  
Director

Place: Hyderabad  
Date: 07.07.2011

**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
--	--	---	---	---	---	---	---	---	---

 State Code 

0	1
---	---

 Balance Sheet Date 

3	1	-	0	3	-	2	0	1	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	9	6	8	5	1
---	---	---	---	---	---

 Total Assets 

1	9	6	8	5	1
---	---	---	---	---	---

#### Sources of Funds

 Paid-up Capital 

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

#### Application of Funds

 Net Fixed Assets 

	8	9	6	6	4
--	---	---	---	---	---

 Reserves & Surplus 

1	2	6	7	2	0
---	---	---	---	---	---

 Investments 

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

 Secured Loans 

	2	3	0	6	0
--	---	---	---	---	---

 Net Current Assets 

1	0	7	1	8	7
---	---	---	---	---	---

 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	4	1	5	1	9
---	---	---	---	---	---

 Total Expenditure 

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

 Profit Before Tax 

	3	1	2	9	4
--	---	---	---	---	---

 Profit After Tax 

	2	5	0	5	4
--	---	---	---	---	---

 Earnings per Share in Rs. 

		5	.	3	2
--	--	---	---	---	---

 Divident (%) 

1	5	.	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. NAVEEN**  
 Director

 Place: Hyderabad  
 Date: 07.07.2011

**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 21st Annual General Meeting of the company, to be held on Thursday the 25th August, 2011 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 \_\_\_\_\_ 2011

(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 21st Annual General Meeting of the Company held on Thursday the 25th August, 2011 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











**AVANTEL LIMITED**

Regd. & Corporate Office  
Plot No. 16, Sector-III, HUDA Techno Enclave,  
Opp. K. Raheja IT Park, Madhapur,  
Hyderabad - 500 081,  
Tel : +91-40-2311 5050/51/52,  
Fax : +91-40-2311 2336  
E-mail : [info@avantel.in](mailto:info@avantel.in), [www.avantel.in](http://www.avantel.in)