



AISHWARYA TELECOM LIMITED
THIRTEEN ANNUAL REPORT
2007 - 2008

Board of Directors:

G. Ramakrishna Reddy
Chairman

Mr. G.Rama Manohar Reddy
Managing Director

G. Amulya Reddy
Whole-time Director

Mr. K. Hari Krishna Reddy
Director

Mr. D. Venkata Subbiah
Director

Mr. V. Krishnan
Director

Mr. Harish K Jain
Director

Mr. K Arvind Reddy
Director

Company Secretary
C N Bhavani Prasad, A.C.S.

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

Auditors:
M/s. AM Reddy & Co.,
Chartered Accountants
10-5-6/B, My Home Plaza,
Off: 103, II Floor, Masab Tank,
Hyderabad – 500 028 (AP)

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

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

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

Bankers: State Bank of Hyderabad

<u>Contents</u>	<u>Page No.</u>
Notice	1
Directors' Report	9
Auditor's Report	24
Balance Sheet	29
Profit & Loss Account	30
Schedules A to L	31

NOTICE

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

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

ORDINARY BUSINESS:

1. To receive, consider and adopt
 - a) The audited Balance sheet as at March 31,2008
 - b) The audited Profit and Loss Account for the year ended on that date
 - c) The auditors' report, thereon; and
 - d) The directors' report
2. To declare dividend of 5% on Equity share capital.
3. To appoint a Director in place of, Mr. G. Rama Krishna Reddy who retires by rotation and being eligible has offered himself for reappointment.
4. To appoint M/s. A.M. Reddy & Co., Chartered Accountants, Hyderabad as auditors of the Company who shall hold office from the conclusion of this Meeting till conclusion of the next Annual General Meeting and to fix their remuneration.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. ESOS Scheme – 2008

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

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

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

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

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

AISHWARYA TELECOM LIMITED

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

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

Place : Hyderabad

Date : 30-07-2008

Notes

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

AISHWARYA TELECOM LIMITED

ANNEXURE TO THE RESOLUTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item No. 8

ESOP Scheme

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

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

1. Total Options to be allocated

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

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

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

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

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

3. Requirements of vesting and period of vesting

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

4. Exercise Price of Options

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

5. Exercise Period and the Process of Exercise

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

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

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

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

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

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

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

8. Accounting methods / policies

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

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