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**Annual Report
2000 - 2001**



The signs of a changing society are quite evident: increasing reliance on everyday objects with embedded intelligence; rise in demand for people with current skills and their global mobility; and the growing value of knowledge relative to other assets.

The direction in which the society is headed is clear: a world where knowledge is the prime resource for wealth generation. It is with this thought in mind that your company has decided to reposition itself around the idea "access to knowledge".

Our Mission : Access To Knowledge

This new line of thinking, we believe, will henceforth guide our every policy, procedure and process of business. The initiative taken will form the foundation on which the distinct divisions of the company- Communications, Software and Multimedia- will operate upon.

The communications division will be at the heart of the strategy and will provide the world with the needed network access products. The software wing will author solutions for both the wired and wireless environment to help diffuse knowledge at the right time on the right device. The multimedia and e-Learn division -the soul of the enterprise- will create education material to help people gain insights into the fundamentals of science in an engaging way. The purpose of such an endeavour being to equip people to learn continuously and apply knowledge for the changing needs of the society.

We at, Avantel Softech, are committed to enable an universal access to knowledge through unique and innovative ideas.

Please visit the 'about us' section on our web site www.avantelsoftech.com



Board of Directors

AVANTEL SOFTECH LIMITED

Sri A Venkateswara Rao	Chairman
Sri M R Subrahmanyam	Vice - Chairman
Sri A Vidyasagar	Managing Director
Smt A Sarada	Director
Sri Dasaradha R. Gude	Director
Dr R Srinivasan	Director
Sri V Satish	Director
Maj.Gen.(Retd.) S Balakrishnan, VSM	Additional Director
Sri P V Natarajan	Additional Director
Sri A Dayakar	Alternate Director to Sri Dasaradha R.Gude

Company Secretary

G Venkateswar Reddy

Contents

Auditors

M/s A. Madhusudana & Co.,
Chartered Accountants
Plot No.9, House No. 386,
Aparajita Colony, Ameerpet
Hyderabad - 500 016

Bankers

Canara Bank
I.F. Branch, S.P. Road
Secunderabad - 500 003

Registered Office & Works

200 - 202, B R T Enclave
Nacharam, Hyderabad - 500 076

Registrars & Share Transfer Agents

Karvy Consultants Ltd
46, Avenue 4, Street No.1
Banjara Hills,
Hyderabad - 500 034

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Notice

Notice is hereby given that the 11th Annual General Meeting of the members of Avantel Softech Limited will be held on **Monday, the 16th day of July, 2001 at 10.30 AM** at the Registered Office of the Company at 200-202, BRT Enclave, Nacharam, Hyderabad - 500 076, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2001 and the Profit & Loss Account for the year ended on that date and the Report of the Auditors and Directors thereon.
2. To declare dividend for the year ended 31st March, 2001.
3. To appoint a Director in place of Shri Dasaradha R.Gude, who retires by rotation and being eligible, offers himself for re-election.
4. To Appoint a Director in place of Dr.R.Srinivasan, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and to fix their remuneration by passing the following resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s A. Madhusudana & Co, Chartered Accountants, be and are hereby re-appointed as Auditors of the company, who shall hold office as Auditors from the conclusion of the 11th Annual General Meeting till the conclusion of the 12th Annual General Meeting at such remuneration as may be decided by the Board of Directors."

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to section 257 and other applicable provisions of the Companies Act, 1956, Maj. Gen.(Retd.)S.Balakrishnan, VSM, who was appointed as an Additional Director in the meeting of the Board of Directors held on 21st of December, 2000 and who holds office as such upto the date of Eleventh Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose Maj. Gen. (Retd.) S.Balakrishnan; VSM, as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, whose period of office shall be subject to retirement by rotation."

"FURTHER RESOLVED THAT pursuant to Section 314 (1) (a) and other applicable provisions of the Companies Act, if any, consent of the members of the company be and is hereby accorded that Maj. Gen. (Retd.) S.Balakrishnan, VSM, be paid an amount of Rs.15,000/- (Rupees fifteen thousand only) per month, as consultancy fee, with effect from 18th of May, 2001".

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

"RESOLVED THAT pursuant to section 257 and other applicable provisions of the Companies Act, 1956, Sri P.V.Natarajan who was appointed as an Additional Director in the meeting of the Board of Directors held on 18th of May, 2001 and who holds office as such upto the date of Eleventh Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose Sri P.V.Natarajan as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, whose period of office shall be subject to retirement by rotation."



"FURTHER RESOLVED THAT pursuant to Section 314 (1) (a) and other applicable provisions of the Companies Act, if any, consent of the members of the company be and is hereby accorded that Sri P.V.Natarajan be paid an amount of Rs.15,000/- (Rupees fifteen thousand only) per month, as consultancy fee, with effect from 18th of May, 2001".

8. To consider and if thought fit, to pass, with or without modification(s) the following resolution as a **special resolution**:

"RESOLVED THAT in accordance with SEBI guidelines issued under SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 consent of the members of the company be and is hereby accorded for cancellation of the ESOP scheme introduced by the Board of Directors in pursuance of the Extra Ordinary General Meeting held on 24th of June, 2000 wherein 5,00,000 equity shares of Rs.10/- each of the company were issued and allotted to the 'Avantel Softech Limited-Employees Welfare Trust' at a premium of Rs.40.50 per share."

9. To consider and if thought fit, to pass, with or without modification(s) the following resolution as a **special resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 78 and 100 and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to the provisions of Article Nos.15 and 16 of the Articles of Association of the company and subject to the approval of the Hon'ble High Court of Andhra Pradesh, and other statutory authorities, if any, approval be and is hereby accorded for paying off of Rs.2,52,50,000/- (Rupees Two crore fifty two lakhs and fifty thousand only) to Avantel Softech Limited - Employees Welfare Trust for 5,00,000 equity shares of the face value of Rs.10/- each issued at a premium of Rs.40.50 per share and thereby reducing the paid up capital of the

company by Rs.50,00,000/- (Rupees fifty lakhs only) and securities premium account by Rs.2,02,50,000/- (Rupees Two crore Two lakh and fifty thousand only)."

"FURTHER RESOLVED that the Board of Directors of the company be and are hereby authorised to move a petition with the Hon'ble High Court of Andhra Pradesh for an order confirming the aforesaid resolution and that Sri A.Vidyasagar, Managing Director and/or Smt.A.Sarada, Director be and are hereby severally authorised to sign and verify the petition to the High Court of Andhra Pradesh, appoint Advocate, execute necessary documents and to do all other incidental acts, deeds and things as are required for the aforesaid purpose".

10. To consider and if thought fit, to pass the following resolution, with or without modification(s), as a **special resolution**:

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, consent of the members be and is hereby accorded to alter the Articles of Association by inserting Article No.24A after the existing Article No.24 of the Articles of Association, as follows:

"24A.FURTHER ISSUE OF SHARES:

A. Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

- (a) such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.



(b) such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, shall be deemed to have been declined.

(c) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.

PROVIDED THAT the Directors may decline, without assigning any reason, to allot any shares to any person in whose favour any member may renounce the shares offered to him.

(d) after expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

B. Notwithstanding anything contained in clause (A) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in sub-clause (a) of Clause (A) hereof) in any manner whatsoever:

(a) if a special resolution to that effect is passed by the company in General Meeting, (or)

(b) where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where

proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.

C. Nothing in sub-clause (c) of (A) hereof shall be deemed:

(a) to extend the time within which the offer should be accepted; or

(b) to authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

D. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company:

(i) to convert such debentures or loans into shares in the company; or

(ii) to subscribe for shares in the company (Whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(b) in the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the

Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans."

"RESOLVED FURTHER THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, consent of the members be and is hereby accorded to alter the Articles of Association by inserting Article No.67A after the existing Article No.67 of the Articles of Association, as follows:

67A. TERMS OF ISSUE OF DEBENTURE :

Any debentures, debentures-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the general meeting, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of share shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

11. To consider and if thought fit, to pass the following resolution, with or without modification(s), as a **special resolution**:

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, consent of the members be and is hereby accorded that the existing articles of the Articles of Association, with the serial numbers as mentioned below, be modified as follows:

7. SHARES AT THE DISPOSAL OF THE DIRECTORS:

Subject to the provisions of section 81 of the Act and these Articles, the shares in the capital of the company for the time being, shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of

them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or at a discount (subject to the compliance with the provisions of Section 79 of the Act) and at such time as they may from time to time think fit, and with the sanction of the company in the General Meeting give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part or any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid up shares. Provided that option or right to call of shares shall not be given to any person without the sanction of the company in the General Meeting.

28. LIMITATION OF TIME FOR ISSUE OF CERTIFICATES :

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares



held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of the several joint holders shall be sufficient delivery to all such holders.

32. ISSUE OF NEW CERTIFICATE IN PLACE OF ONE DEFACED, LOST OR DESTROYED:

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate that is lost or destroyed then upon proof thereof, to the satisfaction of the company and on execution of such indemnity as the company deems adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2 /- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above, the Directors shall comply with such Rules or Regulations or requirements of any Stock Exchange or the Rules made under the Companies Act, 1956 or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the company.

38. PAYMENT IN ANTICIPATION OF CALL MONEY MAY CARRY INTEREST:

The Directors may, if they think fit, subject to the provisions of Section 92 of the Companies Act, 1956 agree to and receive from any member

willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate as the member paying such sum in advance and the Directors agree upon, provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the company.

48. COMPANY'S LIEN ON SHARE/ DEBENTURES:

The Company shall have a first and paramount lien upon all the share/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such share/debentures. Unless otherwise agreed the registration of a transfer of shares/ debentures shall operate as a waiver of the company's lien if any, on such share/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.



58 c) NO FEE ON TRANSFER OR TRANSMISSION:

No fee shall be charged for registration of Transfer, Transmission, Probate, Succession Certificate and Letter of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

59. INSTRUMENT OF TRANSFER :

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

60. DIRECTORS MAY REFUSE TO REGISTER TRANSFER :

Subject to the provisions of Section 111A of the Companies Act, 1956 the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

144. UNPAID OR UNCLAIMED DIVIDEND :

Where the Company has declared a dividend

but which has not been paid or not been claimed or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid dividend account of AVANTEL SOFTECH LIMITED" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant had been posted.

The Company shall transfer any money transferred to the unpaid dividend account of the Company, which remains unpaid or unclaimed for a period of seven years from the date of such transfer, to the Investor Education and Protection Fund constituted u/s.205C of Companies Act, 1956. A claim to any money so transferred to the Fund shall not be entertained.

No unclaimed or unpaid dividend shall be forfeited by the board."

12. To consider and if thought fit, to pass the following resolution, with or without modification(s), as a **special resolution**:

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956 consent of the members be and is hereby accorded that the existing Article No.33 of Articles of Association be replaced with the following new article:

33. BUY BACK OF SHARES OF THE COMPANY

Subject to the provisions of Sections 77A, 77AA and 77B of the Companies Act, 1956, the Company has the power to purchase its own shares or other specified securities (hereinafter referred to as "buy back") out of (i) its free reserves; or (ii) the securities premium account;

or (iii) the proceeds of any shares or other specified securities;

Provided that no buy-back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities."

BY ORDER OF THE BOARD

Sd/-
G.Venkateswar Reddy
Company Secretary

Place : Hyderabad
Date : 18-05-2001

NOTES :-

1. A member entitled to attend and 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 items of Special Business is annexed to the Notice of the Meeting.
3. The Register of Members and share transfer books, for the purposes of payment of dividend

and Annual General Meeting will be closed from 10th of July, 2001 to 16th of July, 2001 (both days inclusive).

4. The dividend when sanctioned will be made payable within the stipulated statutory period of payment to those shareholders whose names appear as members in the books of the Company on 16th of July, 2001.
5. All documents referred to in the accompanying Notice are open for inspection at the registered office of the company on all working days between 11.00 A.M. TO 1.00 P.M. upto the date of Annual General Meeting.
6. Members seeking any information with regard to Accounts of the Company, are requested to send their queries so as to reach at least 7 days before the meeting, to enable the management to keep the information ready.
7. Members are requested to notify immediately changes, if any, in their addresses to the company quoting their folio number.
8. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendants at the meeting.
9. **Shareholders are requested to bring their copy of the Annual Report to the Meeting.**