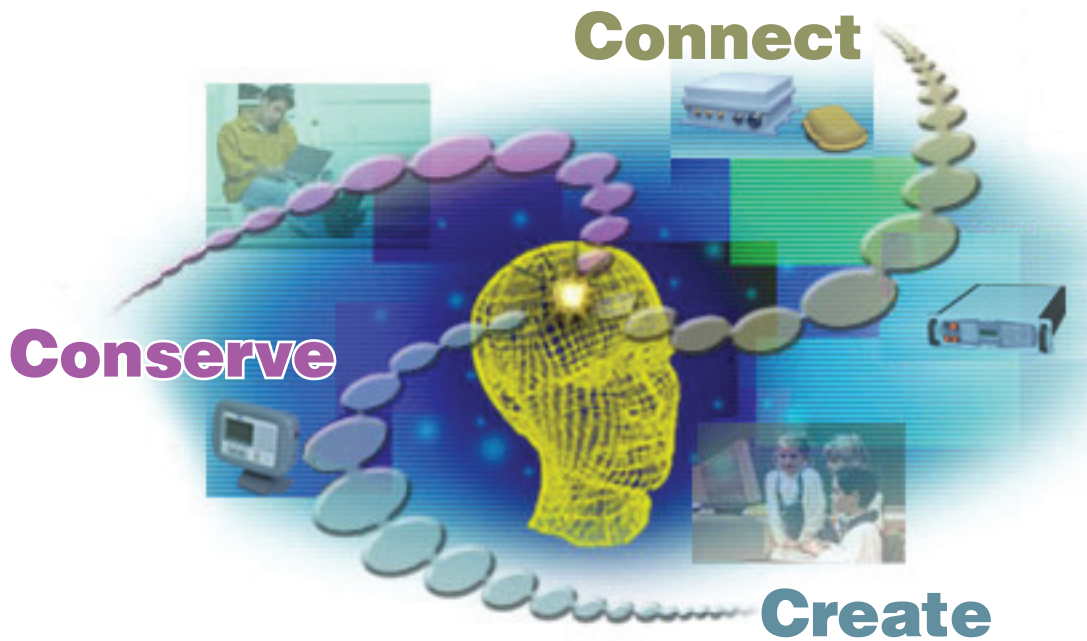


AS 9100B
ISO 9001:2008



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,
8-3-319/111, 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 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:

(Rs. in Lakhs)		
Particulars	Current Year 2010-11	Previous Year 2009-10
Income	2415.19	2280.14
Expenses	1946.94	2011.57
Operating Profit	468.25	268.57
Depreciation	114.68	123.35
Financial expenses	40.63	28.24
Profit Before Tax (PBT)	312.94	116.98
Excess/(Short) provision relating to earlier years	4.94	(16.99)
Provision for tax		
Current & Deferred	62.40	10.55
Profit After Tax (PAT)	245.60	123.43
Profit brought forward	409.94	371.57
Profit Available for Appropriation	655.54	495.00
Appropriations:		
Transferred to General Reserve	75.00	30.00
Proposed Dividend	70.60	47.06
Corporate Dividend Tax	11.72	8.00
Balance carried to balance sheet	498.22	409.94
Earnings Per Share (EPS)		
-Basic	5.32	2.26
-Diluted	5.32	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,