



Annual Report 2011 - 2012

CEMILAC CERTIFICATION TO AVANTEL



MSS Handing over Ceremony held at Novotel, Hyderabad on 26th December, 2011,
with Dr. M M Pallam Raju, Union Minister of State Defence as chief guest.

Other dignitaries present from left to right are Dr. A Vidya Sagar, Managing Director Avantel,
Wg Cdr D G Reddy, Regional Director, DGAQA, Dr. K. Tamilmani, Chief Executive, CEMILAC, Maj Gen (Retd)
Dr. Rajinder Kumar Bagga, AVSM, Cdr Kishan K Pandey, VSM, Principle Director Naval Signals, and
Mr. Mark Beaumont, Director Enterprise Sourcing BOEING

BOARD OF DIRECTORS

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

Dr. A. Vidya Sagar

Shri N. Naveen

Shri Y. Kishore

Shri N. Divakar

Maj Gen (Retd) S S Mohanty

Shri M. Venkata Rao

Chairman

Managing Director

Director

Director

Director (Technical) *till 30th April, 2012*

Director *till 30th April, 2012*

Director *till 13th October, 2011*

Statutory Auditors:

M/s. Ramanatham & Rao.,

P.B.No:2102,

Flat #302, Kala Mansion,

Sarojini Devi Road,

Secunderabad-500003

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

Cost Auditor:

Mr. N.V.S. Kapardhi

Cost Accountant

SRT 148, S.R. Nagar,

Hyderabad - 500 038

Plant:

Sy. No 227 & 229, Plot No 31, Phase-II, IDA,

Cherlapally, R.R. Dist., Hyderabad-500 051

Phone: 040-27262999

Registrar & Share Transfer Agents:

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 Second Annual General Meeting of the members of the Company will be held on **Thursday, the 21st June, 2012**, 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, 2012, 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 2011-2012;
3. To appoint a Director in place of Sri. N. Naveen, who retires by rotation and being eligible, offers himself for re-appointment;

4. To appoint auditors and fix their remuneration by passing the following Resolution

"RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s Ramanatham & Rao., Chartered Accountants be and are hereby re-appointed as Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may be decided by the Board of Directors."

By Order of the Board

Place : Hyderabad
Date : 30.04.2012

ABBURI VIDYA SAGAR
Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy forms in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from **15th June, 2012, to 21st June, 2012, (both days inclusive)** for the purpose of Annual General Meeting.
3. 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.
4. Dividend on equity shares, as recommended by the Board of Directors, for the accounting year ended 31st March, 2012, 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 **14th June 2012**. 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.
5. 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.

6. Members are requested to bring their copy of the Annual Report to the meeting.
7. In accordance with the provisions of section 205C of the Companies Act, 1956, the un-claimed dividends pertaining to the financial years 2010-11, 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 so far these dividend amounts may please claim the same by approaching the Registrars 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
2010-11	01.11.2018

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.

8. Payment of dividend through NECS/ECS:

- a) Members holding shares in physical form are advised to submit their bank account details viz. bank name, branch address, 9 digit MICR Code of the branch, type of account and account number to the Registrars of the Company at Karvy Computershare Private Limited, Plot No 17 to

24, Vittalrao Nagar, Madhapur, Hyderabad-500 081, so as to reach them **latest by 9th June 2012.**

- b) Members holding shares in demat form are advised to inform/update their bank account particulars to their respective Depository Participant(s).
9. A brief profile of the Rotational Director, pursuant to Clause 49 of the Listing Agreement, is annexed to this notice.

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

Shri N. Naveen:

Shri Nandigam Naveen 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.

By Order of the Board

Place : Hyderabad
 Date : 30.04.2012

ABBURI VIDYA SAGAR
 Managing Director

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Twenty Second Annual Report on the operations of your Company and the Audited Accounts for the financial year ended 31st March, 2012, 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	(` in Lakhs)	
	Current Year 2011-12	Previous Year 2010-11
Income	2608.02	2234.60
Expenses	1974.59	1766.35
Operating Profit	633.43	468.25
Depreciation	119.33	114.68
Financial expenses	49.06	40.63
Profit Before Tax (PBT)	465.04	312.94
Provision for tax		
Current & Deferred	75.81	67.34
Profit After Tax (PAT)	389.23	245.60
Profit brought forward	498.22	409.94
Profit Available for Appropriation	887.45	655.54
Appropriations:		
Transferred to General Reserve	160.00	75.00
Proposed Dividend	89.66	70.60
Corporate Dividend Tax	14.54	11.72
Balance carried to balance sheet	623.25	498.22
Earnings Per Share (EPS)		
- Basic	8.68	5.22
- Diluted	8.68	5.22

I. DIVIDEND:

Your Directors have pleasure in recommending a dividend @ ₹ 2.00/- per share (20%) for the financial year 2011-12, out of current year profits absorbing an amount of ₹ 89.66 lakhs towards dividend & ₹14.54 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:

India is expected to grow at 6.1 per cent in calendar 2012, similar to the pace recorded in the fourth quarter of 2011, according to the Ernst & Young report. Growth should be picking up in H2, 2012, provided the global economy does not experience a further shock. Over the medium term, we expect a strong recovery in investment, which will help lift overall GDP growth over 9 per cent by 2014. India's domestic demand-driven growth model is acting as a catalyst for attracting foreign investments into the country. Although the ongoing global uncertainty may have prompted global investors to become more cautious, India's inherent advantages and proven resilience to counter-act macroeconomic challenges generally outweighs these concerns.

B. DEFENCE OVERVIEW:

The Indian defence industry has evolved and has been developing capabilities in land, naval and air systems. After the introduction of defence Offset Policy, India is gradually becoming a key outsourcing hub for the global defence industry

The Union Budget 2012 allocated ₹ 1.93 lakh crore (\$41 billion) for defence spending. It constitutes 1.90 per cent of GDP (estimated to be ₹ 101,59,884 crore). The increase in outlay was more than 17 per cent in India's defence expenditure for the last year's ₹ 1.64 lakh crore (\$36 billion). Out of total ₹ 1,93,407 crore allocated, ₹ 1,13,829 crore were for revenue (net) expenditure and ₹ 79,578 crore for capital expenditure, which includes modernization-related expenditure. The Budget allocation for defence in the Union Budget has to be seen not as proportion of the total outlay or ratio to the

GDP, but as per the security and defence requirements of the nation.

The continuous revisions of the Defence Equipment Procurement Procedures in the recent past suggest the intent of the Indian Government to streamline the procedures and make the system more transparent. The revised Defence Offset Guidelines (DOG) approved by the MoD's apex Defence Acquisitions Council (DAC) provides clarity to the offset policy by explicitly stating its objectives. Its threefold purpose is "to leverage capital acquisitions to develop Indian defence industry by (i) fostering development of internationally competitive enterprises, (ii) augmenting capacity for Research, Design and Development related to defence products and services and (iii) encourage development of synergistic sectors like civil aerospace and internal security."

C. ACCOMPLISHMENTS:

- Developed and delivered the Mobile Satellite Service (MSS) System to M/s. Boeing for the P-8I Maritime Reconnaissance Aircraft of the Indian Navy. The MSS equipment for the P-8I was produced in compliance with Boeing aerospace and Directorate General of Aeronautical Quality Assurance (DGAQA) standards and has been qualified by the Centre for Military Airworthiness and Certification (CEMILAC).
- Developed and implemented Satellite based Automatic Train Tracking System for Indian Railways
- Developed Satellite based Voice and Data Communication Terminals for Indian Navy.
- Developed and supplied ship borne Integrated Data Communication terminals for Indian Navy.
- Successfully demonstrated MSS terminals on MR Aircrafts of Indian Navy.

- Developed 30 MHz Transmit and Receive systems for NARL, ISRO.

D. OVERVIEW OF OPERATIONS:

During the year under review, your Company has achieved a turnover of ₹ 2608.02 lakhs as against ₹ 2234.60 lakhs for the previous year. The Company has earned a net profit before taxation of ₹ 465.04 lakhs as against ₹ 312.94 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, as well as Underwater Platforms. The Company is also developing Hybrid Automatic Identification Systems for Coastal Surveillance and also progressing on the development of satellite based Real Time Train Tracking Information System for the Indian Railways using MSS & GPRS.

F. INTERNAL CONTROL SYSTEMS:

The organization implements and maintains a Quality Management System (QMS) in accordance with the ISO 9001 : 2008 standard and latest version of AS 9100 C standard at both the locations - Production and R & D units. The scope of certification covers the Design & Development, manufacturing and servicing of Satellite and wireless communication products for Aerospace, Defense, Telecom and commercial applications. Periodical internal quality audits (IQA) and management review meetings (MRM) ensure implementation and improvement of the QMS.

In addition, the Company has appointed independent internal auditors to carry out the internal audit of accounts on a regular basis. The

internal audit is supplemented by external audit, and periodic review by the Management.

G. INDUSTRIAL RELATIONS:

Your Company has had harmonious relations throughout the year at all levels of the organization, and would endeavor to maintain this cordial relationship in the future. Your Directors wish to place on record their deep sense of appreciation for the valuable work done and cooperation extended by the employees at all levels.

3. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors hereby confirms that: -

- i. In the preparation of the annual accounts, the applicable Accounting Standards have been followed and there is no material departure.
- ii. Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012, 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 ₹ 60 lakhs or more per annum : NIL
- b. Particulars of employees employed for a part of the financial year with a salary of ₹ 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 be 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 in the last year and is presently constructing a certified Green Building. With respect to the constructions work, civil works for the building have been completed and interior, electrical and other miscellaneous works are in progress. The proposed building will be utilized to set up an exclusive facility for development and manufacturing of defense

electronics equipment, satellite communication products, IT products and naval systems. 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 Unit is likely to be operational in this financial year only.

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 2012-13 to Bombay Stock Exchange Limited (BSE) in pursuance of the Listing Agreement.

11. AUDITORS:

M/s. Ramanatham & Rao, Chartered Accountants, Statutory Auditors of the Company, retires at this ensuing Annual General Meeting and is eligible for re-appointment. Confirmation from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

12. COST AUDIT REPORT:

The Company was subjected to Cost Audit under Section 233B of the Companies Act, 1956 as per the Central Government Industry-wise General Order i.e. to conduct the audit of Cost accounting records maintained by the Company, in relation to telecommunication products, for the financial year ending on 31st March, 2012. Accordingly, the Company appointed Mr. N.V.S. Kapardhi, Cost Auditor to carry

out Cost Audit for the financial year 2011-12 and submit his report to the Central Government.

13. BUY BACK DURING THE YEAR:

Members are aware that the Board of Directors at their meeting held on 13th October, 2011 approved the Buy Back of Equity Shares of the Company which has been commenced with effect from 5th December, 2011 and the Company has closed the said Buy Back Offer w.e.f. 25th January, 2012 and the Company has bought back 2,09,413 Equity Shares of ₹ 10 each during the Buy Back Offer.

14. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, Shri N. Naveen Director of the Company will retire by rotation and being eligible, offer himself for re-appointment. During the Financial Year Shri. K.B.K. Moorthi, Shri. M. Venkata Rao resigned as Directors of the Company w.e.f. 13th October, 2011 and Maj. S.S. Mohanthy was appointed as Director of the Company w.e.f. 13th October, 2011. However, subsequent to the financial year Mr. N. Divakar, Whole Time Director and Maj. S.S. Mohanthy, Director have resigned from the Board w.e.f. 30th April, 2012.

15. 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.

For Avantel Limited

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

Place : Hyderabad

Date : 30.04.2012