Board of Directors:

Mr. G.Rama Manohar Reddy	-	Managing Director
Ms. G. Amulya Reddy	-	Director
Mr. G. Ramakrishna Reddy	-	Director

Company Secretary:

Mr. M. Chakrapani, A.C.S.

Registered Office:

3 C, Samrat Commercial Complex,
Opp. AG's Office, Saifabad, Khairatabad,
Hyderabad – 500 004 (AP)

Factory:

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

R & D Centre:

4 A, Samrat Commercial Complex,
Opp. AG's Office, Saifabad, Khairatabad,
Hyderabad – 500 004 (AP)

Bankers:

State Bank of Hyderabad
Bellavista Branch,
Rajbhavan Road, Somajiguda,
Hyderabad-500 082 (AP)

Statutory 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)

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NOTICE

NOTICE is hereby given that Eleventh Annual General Meeting of members of Aishwarya Telecom Limited will be held on Friday the 25th August, 2006 at 11.30 a.m. at the Registered Office of the Company at No. 3C, Samrat Commercial Complex, Opp. AG Office, Saifabad, Khairatabad, Hyderabad – 500004 Andhra Pradesh, India to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit & Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of, Ms. G. Amulya Reddy who retires by rotation and being eligible has offered herself for reappointment.
4. To appoint M/s. A.M. Reddy & Co., Chartered Accountants, Hyderabad who shall hold office from the conclusion of this Annual General Meeting till conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. ISSUE OF BONUS SHARES

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

"RESOLVED THAT pursuant to recommendations of the Board of Directors and Article 121 of the Articles of Association of the Company, the consent of the Shareholders be and is hereby accorded to capitalise a sum of Rs.88,84,000/- (Rupees Eighty Eight Lakh Eighty Four Thousand only) and such sum be set free for distribution among the holders of existing equity shares of the company, whose names appear in the Register of Members of the Company on 25th August, 2006 as an increase of the amount of share capital of the company held by each such member and not as income or in lieu of dividend credited as Rs.10/- each fully paid-up equity shares as bonus shares in the proportion of one new equity shares for every five existing fully paid equity shares held on 25th August, 2006.

RESOLVED FURTHER THAT the above proposal be subject to following terms and conditions:

(i) The new equity shares to be allotted as bonus shares will be allotted subject to the terms of the Memorandum & Articles of Association of the company.

(ii) The new equity shares shall rank *pari-passu* in all respects with and carry the same rights as the existing fully paid-up equity shares of the company and notwithstanding the date or dates of allotment thereof shall be entitled to participate in full in any dividend to be declared.

(iii) No letter of allotment will be issued by the company in respect of the new equity shares. However, the equity share certificates in respect thereof will be ready for delivery to the allottees within three months from the date of allotment thereof.

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(iv) That it is hereby recorded that subject to statutory limitation of dividend, if any, and provided cash resources are adequate and profits after taxation for the year are sufficient to cover the dividend plus transfers to reserves which may be required, it is the intention of the Board of Directors unless prevented by unforeseen circumstances to recommend the declaration of dividend of atleast Rs.1 per equity share on the share capital as increased by the proposed bonus issue in the financial year of the company immediately after the allotment of the said Bonus shares. This statement of intention is not a forecast.

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board/Committee of the Board be and is hereby authorised to do all such acts, deeds, matters and things whatsoever including settling any question, doubt or difficulty that may arise with regard to or in relation to the issue or allotment of the bonus shares".

6. INVESTMENT IN THE PROPOSED JOINT VENTURE COMPANY:

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 Section 372A and other applicable provisions if any, of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to invest by subscribing to Equity Shares of M/s. Aishwarya Futurtec Private Limited, a proposed Joint Venture Company between M/s. Aishwarya Telecom Limited and M/s. Futurtec OY, a Limited Liability Company incorporated under the laws of Finland upto a maximum amount of Rs.50 Lakhs, by way of funds generated from internal accruals of the company.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to take all decisions and to do all such acts, deeds and things as may be required to be done for investing the amount as approved by the company in this meeting.

Registered Office:
#3C, Samrat Commercial Complex,
Opp. AG's Office, Saifabad,
Khairatabad, Hyderabad – 500004 (AP)

By order of the Board,

Sd/-

(G. Rama Manohar Reddy)
Managing Director

Place : Hyderabad
Date : 31.07.2006

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.**
2. Proxies in order to be effective, the proxy form duly completed and signed shall be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Members are requested to notify immediately any change in their address to the Company's Registered Office.

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EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.5: ISSUE OF BONUS SHARES

The present paid-up share capital of the company is Rs.4,44,20,000/- and free reserves as on 31st March, 2006 are Rs.2,27,83,132/- The Directors have pleasure in proposing the Issue of Bonus shares in the ratio of One new fully paid Bonus Equity Share for every ive existing equity shares. For this purpose, it is proposed to capitalise a sum of Rs. 88,84,000/- to be applied for the issue of 8,88,400 equity shares of Rs.10/- each on 25th August, 2006 fixed by the Board of Directors. The capitalisation will be done by withdrawing permissible amounts from the General Reserve Account and the Share Premium as mentioned in the Resolution. The said bonus shares will rank pari-passu in all respects with the existing 44,42,000 Equity Shares of Rs.10/- each of the Company from the date of allotment of which the date shall be 25th August, 2006. These shares will be entitled to participate in any dividend that may be declared in respect of any financial year beginning from 2006-07, but not barring unforeseen circumstances, your Directors intend to recommend the declaration and payment of a dividend of not less than Rs.1/- per equity share on the expanded capital for the year beginning from 2006-07.

The Directors of the Company may be deemed to be concerned or interested in this resolution to the extent of shares held by them and their relatives.

The Directors, therefore recommend the Special Resolution for the approval of the Shareholders.

Item No.6: INVESTMENT IN THE PROPOSED JOINT VENTURE COMPANY:

The Board of Directors of the Company during their business, have come across a product named Bridge Structural Health Monitoring System, a devise which is used in construction of Bridges for Railways, Roadways etc., manufactured by a foreign company called Futurtec OY, a Limited liability company incorporated under the laws of Finland..

During the negotiations the company found that this will generate good revenues for the company and was interested to take the distributorship of the product from M/s. Futurtec OY. After entering into an MOU for distributorship, the foreign counterpart has proposed a special purpose Joint Venture Company be formed under the laws of India with the scope of local manufacturing and design of products, jointly undertaking Turnkey Projects, Supply Services and Products for all sectors of the Indian and Export, infrastructure market segments such as but not limited to Bridges, Roads and Railways.

The foreign counterpart and Indian company have decided to invest initially in the Joint Venture Company a sum of Euros € - 15000/- each and later to increase as the business increases. Consequently, the company and the foreign counterpart has applied to the Registrar of Companies for availability of the name M/s. Aishwarya Futurtec Private Limited and got the approval for availability of the name. The proposed company has to be incorporated with the Registrar of Companies, Andhra Pradesh under the provisions of the Companies Act, 1956 in due course.

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The proposed Investment does not exceed the limits as stipulated under Section 372A of the Companies Act, 1956 or rules made thereunder.

The investments shall be provided from internal Accruals and/or such other mode as may be decided by the Board of Directors of the company from time to time.

The Directors accordingly, recommend the passing of this Special Resolution.

Directors may be deemed to be concerned or interested in the aforesaid resolution to the extent they are Directors in M/s. Aishwarya Futurtec Private Limited.

Registered Office:
#3C, Samrat Commercial Complex,
Opp.AG's Office, Saifabad,
Khairatabad, Hyderabad – 500004 (AP)

By order of the Board,

Sd/-

(G. Rama Manohar Reddy)
Managing Director

Place: Hyderabad.
Date: 31st July, 2006

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DIRECTORS' REPORT

To

The Members of
AISHWARYA TELECOM LIMITED,

Your Directors have pleasure in presenting their ELEVENTH Annual Report together with the Audited Accounts for the year ended 31st March 2006.

REVIEW OF OPERATIONS

Your Company's performance during the year under review was encouraging mainly due to the increase in Trading Activities of the company.

During the year under review, your company has recorded a Profit After Tax (PAT) of Rs.**2.35** Crores (previous year Rs.1.17 Crores)

During the year under review, your company has achieved a Turnover of Rs. **16.65** Crores when compared to the previous year turnover of Rs. 7.83 Crores

FINANCIAL RESULTS

(Rupees in Thousands)

Particulars		Current Year 2005-06		Previous Year 2004-05
Income from operations				
Sales	166504		78281	
Increase in stocks	4530		622	
Other Income	410	171444	449	79352
Expenditure				
a) Trade Purchases		100374		36085
b) Manufacturing Expenses		9301		8414
c) Payment & Benefits to Employees		7075		6379
d) Administrative Expenses		17458		11498
Financial Charges		3236		2213
Depreciation		2975		1885
Net Profit for the year before tax		31323		12877
Provision for Taxation		7785		1142
Profit After Tax		23538		11735
Add: Balance brought from previous year		13055		3857
Balance available for appropriation		36593		15592
Appropriations:				
Transfer to General Reserve		2500		1000
Proposed Dividend		3154		1360
Income Tax on Distributed Profits		442		178
Balance Carried to Balance Sheet		30493		13054
Earnings per share		7.48		8.63
No. of Equity Shares		4442000		1360000

Your company's operations during the year witnessed a steady growth in the Telecom Testing Equipment Market. The performance has been excellent also due to Quality products, Excellent after sales services, Quick deliveries, Quick Calibration Services, and good marketing strategies.

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Your company's performance on the Trading front is on a progressive platform even under the stiff competitive environment prevailing amongst the International Telecom equipment Players.

FUTURE PROSPECTS

Your company is targeting to introduce high end technologies, such as OTDR (MAINFRAME), ETHERNET TRAFFIC ANALYZERS, NETWORK SYNCHRONISATION PRODUCTS, in the coming two years. Your company is proposing to provide Quality Audit services to all mobile operators, to whom Quality Assessment and validation is mandatory as per TRAI norms. In light of the above developments the company is proposing for IPO projecting the project cost Rs.2600.00 Lakhs (Approx.) for Capital equipment, R&D, production, Quality Audit Services, land & building and working capital requirements.

A Joint Venture company with Futurtec OY, shall be incorporated in the name & style M/s. Aishwarya Futurtec Pvt. Ltd., to manufacture and promote Bridge Structural Health Monitoring System for rail and road infrastructure projects. This new company will be a subsidiary company to Aishwarya Telecom Ltd. Similarly, your company is looking for JVS with many other foreign companies with sophisticated technology to produce telecom products for domestic market at prices much lower than imported products due to saving in custom duty, zero excise duty and lower labour costs.

With the above developments, your Board of Directors are confident that your company would be in a position to increase its performance doubled in the forthcoming year. The Company has also taken certain initiatives towards reducing the cost of existing term and small personal loans, which would also help in enabling the company to utilise the funds effectively.

The company is eligible under Book-Building Process for going into the securities market for additional funds through Initial Public Offer during the current year under review.

DIRECTORS

Pursuant to Section 255 and 256 of the Companies Act, 1956, Ms. G. Amulya Reddy, Director retires by rotation and being eligible has offered herself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

(i) that in the preparation of the accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for the year under review;

(iii) that the Directors have taken proper and sufficient care 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 fraud and other irregularities;

(iv) that the Directors have prepared the accounts for the financial year ended 31st March 2006 on a 'Going Concern' basis.

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