

AISHWARYA TELECOM LIMITED

16th Annual Report

2010 – 2011

BOARD OF DIRECTORS

Mr. G. Rama Krishna Reddy

Chairman

Mrs. G. Amulya Reddy

Whole-time Director

Mr. Harish K Jain

Independent Director

Mr. G. Rama Manohar Reddy

Managing Director

Mr. D. Venkata Subbiah

Independent Director

Mr. M. Madhusudana Reddy

Independent Director

REGISTERED OFFICE :

Aishwarya Telecom Limited
 1-3-1026 & 1027, Singadikunta
 Kawadiguda
 Hyderabad – 500 080 (A.P.)

AUDITORS :

M/s. Ramana Reddy & Associates
 Chartered Accountants
 10-5-6/B, My Home Plaza
 Off: 103, II Floor, Masab Tank
 Hyderabad – 500 028 (A.P.)

BANKERS :

State Bank of Hyderabad
 Rajbhavan Road Branch
 H.No.6-3-1092, A Block
 1st Floor, Shanti Sikhara Complex
 Bella vista, Somajiguda
 Hyderabad- 500 082 (A.P.)

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NOTICE

NOTICE is hereby given that the 16th Annual General Meeting of M/s. Aishwarya Telecom Limited will be held as per the schedule given below to transact the following business :

Day and Date : Friday, September 23, 2011
Time : 11:30 AM
Venue : **Registered Office:**
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, 2011.
 - b) The Audited Profit and Loss Account for the year ended March 31, 2011
 - c) The Auditors' report, thereon; and
 - d) The Directors' report.
2. To declare dividend of 2% on paid up Equity Share Capital.
3. To appoint Director in place of Mr. G. Rama Krishna Reddy who retires by rotation and being eligible has offered himself for reappointment.
4. To appoint Director in place of Mr. D. Venkata Subbiah who retires by rotation and being eligible has offered himself for reappointment.
5. To re-appoint M/s. Ramana Reddy & Associates, Chartered Accountants, Hyderabad as auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :**6. EMPLOYEES STOCK OPTION SCHEME - 2011 :**

To consider and if thought fit, to pass, with or without modification, the following resolution as a special resolution :

“RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (“the Guidelines”) or any statutory modification(s) or re-enactment of the Act or the Guidelines, the provisions of any other applicable laws and regulations and Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) of any authorities and subject to any condition(s) and modification(s) as may be prescribed or imposed by such authorities while granting such approval(s), permission(s) and sanction(s) and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall include Compensation Committee of the Board) approval be and is hereby accorded to the Board/Committee of Directors to grant, offer and issue, in one or more tranches, to such permanent employees (including joining employees) of the Company whether working in India or out of India and directors of the company whether whole-time directors or otherwise (hereinafter collectively referred to as the “Employees”) who are eligible to participate as per the Guidelines and as may be decided by the Board/Committee, under a plan titled “AISHWARYA TELECOM LIMITED EMPLOYEES STOCK OPTION SCHEME - 2011” (hereinafter referred to as “the Scheme”) the salient features of which are detailed in the explanatory statement, such number of options which could rise to the issue of equity shares of the Company not exceeding 20,00,000 equity shares at such price and on such terms and conditions as may be determined by the Board/Committee in accordance with the Guidelines or any other applicable provisions as may be prevailing at that time.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect the Scheme on such terms and conditions as contained in the Explanatory Statement to this item in the notice and to make any modification(s), change(s), variation(s), alternation(s) or revision(s) in the terms and conditions of Scheme from time to time including but not limited to, amendment(s) with respect to vesting period and schedule, exercise price, exercise period, eligibility criteria or to suspend, withdraw, terminate or revise the Plan.

“Resolved further that the approval be and is hereby accorded for issue and allotment of equity shares equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company to the employees for their outstanding performance / contribution at the time of allotment of options / equity shares”.

“RESOLVED FURTHER THAT any new equity shares to be issued and allotted as aforesaid shall Rank pari passu inter se with the then existing equity shares of the Company in all respects.

“Resolved further that in case Aishwarya Telecom Limited’s equity share capital or its valuation is affected due to any corporate action like issue of bonus shares/rights issue, stock split, merger, restructuring or any such event happening subsequent to the Grant of option, the Board / Compensation Committee shall have the discretion to make appropriate amendments to the scheme, including changes in the number of options, the Exercise Price or floating a new Scheme / extending the applications of the existing scheme or any other fair and just mechanism including acceleration of Option, if deemed necessary, in accordance with Law, as deems fit, while striving to ensure that the rights of the employees are not adversely affected”.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the equity shares allotted under the Scheme on the Stock Exchanges where the shares of the Company are listed as per the provisions of the Listing Agreement with the Stock Exchanges concerned, the Guidelines and other applicable laws and regulations”.

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

7. GRANT OF OPTIONS TO THE EMPLOYEES OF SUBSIDIARY AND STEP DOWN SUBSIDIARY COMPANY UNDER EMPLOYEE STOCK OPTIONS SCHEME - 2011 :

To consider and if thought fit, to pass, with or without modification, the following resolution as a special resolution:

“RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (“the Guidelines”) or any statutory modification(s) or re-enactment of the Act or the Guidelines, the provisions of any other applicable laws and regulations and Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) of any authorities and subject to any condition(s) and modification(s) as may be prescribed or imposed by such authorities while granting such approval(s), permission(s) and sanction(s) and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall include Compensation Committee of the Board) approval be and is hereby accorded to the Board/Committee of Directors to extend the benefits of the “EMPLOYEES STOCK OPTION SCHEME - 2011” referred to in the resolution under item No.6 in this Notice and duly passed at this meeting, also to such permanent employees (including joining employees) of the subsidiary companies including step down subsidiary companies whether working in India or out of India and directors of the company whether whole-time directors or otherwise, as may be decided by the Board and / or Committee or such other persons, as may from time to time, be allowed under prevailing laws and regulations on such terms and conditions as may be decided by the Board”,

“Resolved further that the approval be and is hereby accorded for issue and allotment of equity shares equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company to the employees for their outstanding performance / contribution at the time of allotment of options / equity shares”.

“Resolved further that in case Aishwarya Telecom Limited’s equity share capital or its valuation is affected due to any corporate action like issue of bonus shares/rights issue, stock split, merger, restructuring or any such event happening subsequent to the Grant of option, the Board / Compensation Committee shall have the discretion to make appropriate amendments to the scheme, including changes in the number of options, the Exercise Price or floating a new Scheme / extending the applications of the existing scheme or any other fair and just mechanism including acceleration of Option, if deemed necessary, in accordance with Law, as deems fit, while striving to ensure that the rights of the employees are not adversely affected”.

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

8. CHANGE IN NAME OF THE COMPANY :

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

“RESOLVED THAT pursuant to the provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956, subject to the approval of the shareholders in the general meeting, availability of name and with the approval of the Central Government, the consent of the Board of Directors of the Company be and is hereby accorded for changing the name of the Company from M/s. Aishwarya Telecom Limited to M/s. Aishwarya Technologies Limited or such other name as may be approved by the Registrar of Companies, in this behalf”

“RESOVLED FURTHER THAT Mr. G. Rama Manohar Reddy, Managing Director of the Company be and is hereby authorized to do all such acts, deeds and things necessary in this behalf including filing of all the relevant forms with the office of Registrar of Companies.”

9. 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 01.12.2010 to Rs. 2,50,000 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.”

10. 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 a **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 01.12.2010 to Rs. 1,75,000 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.”

Explanatory Statement

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

Item nos.6 and 7

The main objective of this scheme 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 Employees Stock Option Scheme 2011(The Scheme) will be administered by the Compensation Committee of the Board in terms of the Employee Stock Option Guidelines.

A Special Resolution was also passed for issuing/ granting of options to the employees of the subsidiary and step down subsidiary of AISHWARYA TELECOM LIMITED. The Compensation Committee will formulate inter alia the detailed terms and conditions of the Scheme including:

The tranches within which the options are to be granted in accordance with the Eligibility Criteria. The terms and conditions subject to which the options granted would vest in the respective employees. The terms and conditions subject to which the options vested would be exercised by the employees. The right of the employees to Exercise all the options vested in him at one time or at various points of time within the Exercise Period; Conditions under which the options vested in the employees may lapse. The procedure for making fair and reasonable adjustment to the number of options and exercise price in case of any corporate actions, such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the compensation committee:

1. The number and the price of options shall be adjusted in a manner such that total value of the options remains the same after the corporate action. For this purpose global best practice in this area including the procedures followed by the derivative markets in India and abroad shall be considered.
2. The Vesting Period and the life of the options shall be left unaltered as far as possible to protect the rights of the Option holders.
3. The procedure for cashless exercise of options, if any.
4. Obtaining permission from and making periodic reports to regulatory authorities, as may be required and ensuring compliance with all rules and SEBI ESOP Guidelines applicable to the "AISHWARYA TELECOM LIMITED EMPLOYEES STOCK OPTION SCHEME - 2011"; framing suitable policies and systems to ensure that there is no violation by any person of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations,1992, Securities and Exchange Board of India(Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and any statutory modifications and re-enactments thereof.
5. Framing appropriate procedure for granting, vesting and exercising of options.

SALIENT FEATURES OF AISHWARYA TELECOM LIMITED EMPLOYEES STOCK OPTION SCHEME - 2011 :

(a) The total number of options to be granted :-

The total number of options that may in the aggregate, be granted shall be up to 23,60,000 (3,60,000 options are old and 20,00,000 options are new) options that shall be converted into 2,39,23,942 fully paid up equity shares of the face value Rs.5 each of the Company. Any vested option(s) that lapse due to non-exercise or unvested option(s) that do not vest due to any reasons whatsoever would be available for re-grant at a future date.

(b) Identification of classes of employees entitled to participate in EMPLOYEES STOCK OPTIONS SCHEME- 2011

Persons who are “permanent employees” of the Company, subsidiary company and step down subsidiary company including joining employees, 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 based on annual appraisal process.

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, other than the manner specified in the Scheme.

(c) Requirement of vesting, period of vesting including maximum period within which options shall be vested :

- i) Continuation of employment is the requirement for vesting of Options.
- ii) There shall be a minimum period of one year between the grant of options and vesting of options.
- iii) Vesting of options will commence after a period of 1 year from the date of grant, and may extend up to 5 years from the date of grant.
- iv) 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.

(d) Exercise price or pricing formula :

The exercise price for the purpose of grant of options shall be the price as defined in the SEBI Guidelines/ Regulations on the date of grant of options or the price equal to the closing price of the equity shares a day prior to the date of the meeting of the Board of Directors or Compensation Committee, in which the options are granted, on the Stock Exchanges where the equity shares of the company are listed and traded with highest trading volume on the said date or such other price as decided by the ESOP compensation committee which shall not be less than the face value of the equity share of the company.

(e) Exercise Period and the process of Exercise :

The Exercise Period has been defined in the EMPLOYEES STOCK OPTIONS SCHEME- 2011 as the period of 4 years from the date of Vesting of the options, within which period the Option Grantee should exercise the options vested in him. The options will be exercisable by the option grantee(s) by a written application to the Company to exercise the options in such manner and on execution of such documents, as may be prescribed by the compensation committee from time to time.

(f) Appraisal process of determining the eligibility of employees to the ESOP, 2011 :

The Company has a formal performance appraisal system established wherein the performance of the employee is assessed each year on the basis of various parameters. The appraisal process is reviewed at regular intervals. In determining the number of options to be granted, the Compensation Committee shall consider the following :

1. Performance of the employee
2. Position, seniority and responsibilities of the employee

3. Nature & value of the eligible employee's services & accomplishments, whether direct or indirect, to the company.
4. The employee's present and potential contribution to the success of the company or its Subsidiary or Holding Company.
5. Gap in compensation package as per market, if any.
6. Such other factors as the compensation committee may deem relevant

(g) Maximum number of options to be issued per employee and in the aggregate :

- i) The maximum number of options granted to Eligible Employees will depend upon the Rank/ designation of the employee as on the date of grant of options.
- ii) The ESOP Committee shall decide on the number of options to be granted to each Employee within the limit.

(h) Accounting Policies :

The company will conform to the accounting policies specified in Clause 13.1 of the ESOP Guidelines and/or such other guidelines as may be applicable from time to time.

(i) Method of Valuation :

The Company shall use the intrinsic value method prescribed under the ESOP Guidelines to value its options. In case the company calculates the employees compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Director's Report and also the impact of this difference on profits and on EPS of the company shall be disclosed in the Director's Report. The Company shall disclose in its Directors' Report, the difference between the employee compensation cost computed using the intrinsic method of valuation of options and the employee compensation cost that shall have been recognized if it had used the fair value of the options and also the impact of this difference on profits and the EPS (Earning Per Share) of the Company.

Resolution :

Your Directors recommend the resolution as set out in Item Nos. 6 and 7 for the approval of the members as Special Resolutions. None of the Directors is concerned or interested in the resolution apart from the Directors of the Company who may be deemed to be interested in this resolution to the extent of their entitlement of shares under the Scheme.

Item 8 :

The Board of directors of the company felt a need to change the name of the company with a view to better reflect activities of the business of the company and has approved the change of name of the company from M/s. Aishwarya Telecom Limited to M/s. Aishwarya Technologies Limited and accordingly decided to amend the Memorandum and Articles of Association subject to the approval of the members of the company.

Pursuant to the provisions of section 21 of the Companies Act, 1956 Change of name of company requires approval of members. Hence, approval of the members is, therefore, sought in terms of the said sections.

Your directors recommend the Resolution as set out in the item no.8 of the Notice for the approval of the shareholders as Special Resolution.

None of the directors of the company is in any way concerned or interested in the resolution.