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**Annual Report  
2002 - 2003**

## AVANTEL SOFTECH LIMITED

### Board of Directors

Sri A.Venkateswara Rao	Chairman
Sri M.R. Subrahmanyam	Vice-Chairman (Upto 27-04-2003)
Sri A.Vidyasagar	Managing Director
Smt.A.Sarada	Director
Sri Dasaradha R Gude	Director
Sri V. Satish	Director
Maj. Gen. (Retd) S. Balakrishnan,VSM	Director
Sri K. B. K. Moorthi	Director

### 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

Plot No. 16, Sector – III ,  
Huda Techno Enclave, Madhapur,  
Opp. VSNL Building,  
Hyderabad- 500 081.

### Registrars & Share Transfer Agents

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

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## Notice



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Notice is hereby given that the Thirteenth Annual General Meeting of the members of the Company will be held on **Monday, 15<sup>th</sup> September, 2003 at 10.00 A.M** at the Registered Office of the company at Plot No.16, Huda Techno Enclave, Sector III, Opp. VSNL Building, Madhapur, Hyderabad – 500 081 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2003 and the Profit & Loss account for the financial year ended as on that date together with the report of Directors and Auditors thereon.
2. To appoint a Director in place of Sri A Venkateswara Rao, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Maj. Gen. (Retd.) S Balakrishnan, VSM, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government, consent of the members be and is hereby accorded for re-appointment of Sri A. Vidyasagar as the Managing Director of the company for another term of five years with effect from 23<sup>rd</sup> August, 2003 at a

remuneration of Rs. 50,000/- per month."

"FURTHER RESOLVED THAT Sri A.Vidyasagar be provided with a rent free accommodation by the Company".

"FURTHER RESOLVED THAT Smt. A Sarada, Director of the Company be and is hereby authorised to submit the necessary application to the Central Government for approval and to file necessary forms in this regard with the Registrar of Companies, Andhra Pradesh."

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

"RESOLVED THAT the Equity Shares of Company be de-listed from the dealings of The Hyderabad Stock Exchange Limited (Regional Stock Exchange) and The Bangalore Stock Exchange Limited, in accordance with the provisions of the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003 and relevant laws, rules, regulations and guidelines (including statutory modification(s) of re-enactment(s) thereof for the time being in force and as may be enacted hereafter and subject to such approvals, permissions and sanctions from such authorities for compliance with such conditions and modifications as may be necessary for this purpose."

"RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as "The Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by this resolution), be and is hereby authorised to seek Voluntary de-listing at such time as they may, in the absolute discretion, consider appropriate on the terms and conditions as may be stipulated and mutually agreed to, in the best interests of the Company, to take all necessary steps in this regard and to do all such acts,



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deeds, matters and things as it may deem necessary, proper or desirable and to settle any questions, doubts or issues that may arise in regard to de-listing of the Equity Shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient and for this purpose to delegate the authority and the duty vested in it by virtue hereof to Sri A. Vidyasagar, Managing Director or Smt. A. Sarada, Director, to do the various acts and things required to be done in this behalf."

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

"RESOLVED THAT pursuant to the provisions of Sections 78, 100 and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to the provisions of Article No. 15 of the Articles of Association of the Company and subject to the approval of Hon'ble High Court of Andhra Pradesh/ National Company Law Tribunal as constituted under section 10 FB of the Companies Act, 1956 and other Statutory Authorities, if any, consent of the members be and is hereby accorded that the accumulated losses of Rs. 1,74,93,161/- (Rupees One Crore seventy four lakhs ninty three thousand one hundred and sixty one only) and Capitalised Research & Development Expenditure of Rs. 1,62,42,137/- (Rupees One crore sixty two lakhs forty two thousand one hundred and thirty seven only) aggregating to Rs. 3,37,35,298/- (Rupees three crore thirty seven lakhs thirty five thousand two hundred and ninty eight only) as appearing in the books of accounts as on 1.4.2003 be set off against the Securities Premium Account of Rs. 7,11,54,000/- (Rupees seven crore eleven lakhs fifty four thousand only) appearing in the Books of Account as on the same date."

"FURTHER RESOLVED THAT the Board of Directors of the company be and are hereby

authorised to move a petition to Hon'ble High Court of Andhra Pradesh/ National Company Law Tribunal for an order confirming the aforesaid resolution and that Sri A. Vidya Sagar, Managing Director, be and is hereby authorised to sign and verify the petition to the Hon'ble High Court of Andhra Pradesh/ National Company Law Tribunal and to execute necessary documents and to do all other incidental acts, deeds and things as required for the aforesaid purpose".

By ORDER OF THE BOARD

Place : Hyderabad  
Date : 29-07-03

A. Vidyasagar  
Managing Director

#### NOTES :

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE 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.**
- An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the businesses under item no's 5,6 & 7 is annexed hereto.
- The Register of Members and Share Transfer Books will remain closed from 12-09-2003 to 15-09-2003 (both days inclusive) for the Annual General Meeting.
- Members seeking any information with regard to Accounts of the Company, are requested to send their queries so as to reach at least 7



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days before the meeting, to enable the management to keep the information ready.

5. Members are requested to notify immediately changes, if any, in their addresses to the Company, quoting their folio number.
6. Members holding shares in dematerialised form are requested to bring their Client ID and DPID numbers for easy identification of members at the meeting.
7. Shareholders are requested to bring their copy of the Annual Report to the Meeting.

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

##### **ITEM NO. 5**

Sri A. Vidyasagar was appointed as the Managing Director of the company on 23<sup>rd</sup> August, 1998 for a term of five years which was subsequently approved by the members in their Annual General Meeting. His tenure as the Managing Director of the company will expire on 22<sup>nd</sup> August, 2003. Taking into consideration his rich experience & valuable services and the efforts put in by him in the administration of the company, the Board of Directors re-appointed Sri A. Vidyasagar as Managing Director, for another term of 5 years in their meeting held on 29-07-03, with effect from 23<sup>rd</sup> August, 2003, subject to the approval of members and Central Government.

As the Company could not comply with Schedule XIII of the Companies Act, 1956, Central Government approval is required to be obtained for the re-appointment of Managing Director. Further, such re-appointment also requires approval of the members in their General Meeting and hence the resolution is commended for your approval.

None of the Directors, except Smt. A. Sarada, Sri A. Venkateswara Rao and Sri A. Vidyasagar is interested in the said resolution.

##### **ITEM NO. 6**

The Board Of Directors propose to de-list the equity shares of your company from The Hyderabad Stock Exchange Limited and The Bangalore Stock Exchange Limited as the shares of the company remain infrequently traded on these Stock Exchanges ever since trading permission was obtained.

With a view to reduce the avoidable expenditure, your Directors propose to de-list the securities of the Company from the said Stock Exchanges. Since your company will continue to remain listed on the The Stock Exchange, Mumbai, having nation wide terminal, de-listing from the said Stock Exchanges will not cause any liquidity problem to the members of the company.

De-listing of the Securities voluntarily from the Stock Exchanges is governed by the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003. As per these guidelines, in order to delist your securities from the Hyderabad Stock Exchange and Bangalore Stock Exchange, it is necessary to get the consent of members by passing Special Resolution in their General Meeting. Hence the resolution has been commended for your approval.

None of the Directors is interested in the said resolution except to the extent of the share capital held by them.

##### **ITEM NO. 7**

The Company has Accumulated Losses of Rs.1,74,93,161/- and Capitalised Research & Development Expenditure of Rs. 2,58,19,425/- and Rs 95,77,288/- as deferred tax liability thereon as on 1.04.2003. Further as per the Accounting Standards 26 which is applicable from





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1-04-2003 the above said R&D Expenditure is required to be amortised over a period not exceeding 10 years. However, the Audit Committee at their meeting held on 28<sup>th</sup> July, 2003 recommended for writing-off R&D Expenditure in the year of incurrence and consequently earlier Research & Development Expenditure amounting to Rs.1,62,42,137/- (Rs. 2,58,19,425/- less Rs. 95,77,288/-) which was capitalised, is to be written off during 2003-04.

In order to ensure that the Balance Sheet represents true and fair view of state of affairs of the Company and to meet International Accounting Standards, the Board of Directors recommended the write off the said accumulated losses of Rs. 1,74,93,161 and Capitalised Research and Development Expenditure of Rs. 1,62,42,137/- against the Securities Premium Account of Rs. 7,11,54,000/-.

As writing-off of accumulated losses and Capitalised Research & Development Expenditure against the Securities Premium Account amounts to reduction of Share Capital, attracting the provisions of Section 100 of the Companies Act, 1956, hence consent of members by passing a Special Resolution and the confirmation of Hon'ble High Court of Andhra Pradesh / National Company Law Tribunal, is required. The Board of Directors commend the resolution for your approval.

None of the Directors is interested in the said resolution except to the extent of share capital held by them.

By Order Of the Board

Place: Hyderabad  
Date : 29.7.2003

A. Vidyasagar  
Managing Director

#### ADDITIONAL INFORMATION ON DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING (PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)

Sri A. Venkateshwara Rao is a graduate and is having rich experience of 34 years in business development and administration of LIC of India. He was Divisional Manager of LIC before joining Avantel. He is the Chairman of your Company and his experience in administration will definitely help the company.

Maj.Gen.(Retd) S.Balakrishnan, VSM has done his Bachelor in Engineering in 1959 from Madras University, Coimbatore. He has done Ptsc in Electronics from IAT, Pune in 1973. In 1976 he did PGDIE&M from JNTU, Hyderabad. In 1977 he completed M.Tech from JNTU, Hyderabad. He has got fellowship from the Institution of Engineers (India). He received awards namely Commendation Card, Distinguished Service Medal(Seva Medal). He has very rich experience in the fields of Electrical, Electronics and Mechanical. He worked in the Indian Army in the Corps of Electrical, Mechanical engineers, maintaining all equipment/systems like wireless set, radar, vehicles, instruments and armaments. He has experience in the areas of production commitment in DLRL, carrying technical co-ordination works of DLRL, project coordinator of a Naval Project. In the years 1992-95 he generated proposal for a major project required by the Army costing Rs 500 Crores and obtained Government sanction. In the years 1995-98 he worked as a full time director of a Private Company involved in the manufacture of power plants for DOT and BOS to the Solar Photovoltaic System. He has constant interaction with large PSUs like BEL, HAL, ECIL etc.

## Directors' Report



Dear Shareholders,

Your Directors present before you the 13<sup>th</sup> Annual Report together with the Audited Accounts for the financial year ended 31<sup>st</sup> March, 2003.

### 1. FINANCIAL HIGHLIGHTS

The profit and loss account presented to you gives the operational results for the year ended March 31<sup>st</sup>, 2003.

The operations during the year resulted in Profit of Rs. 18.04 Lakhs as compared to previous year loss of Rs.226.35 lakhs, as detailed below;

Paticulars	<b>Current Year 2002- 2003 (Rs. Lakhs)</b>	<b>Previous Year 2001-2002 (Rs. Lakhs)</b>
Sales	<b>635.25</b>	768.88
Income from Software Development	<b>26.80</b>	2.92
Other Income	<b>13.85</b>	17.19
<b>Total</b>	<b>675.90</b>	788.99
Manufacturing and Other Expenditure	<b>314.98</b>	575.39
Administrative and Other Expenditure	<b>219.42</b>	308.49
Depreciation	<b>67.58</b>	54.53
Financial Expenses	<b>55.88</b>	76.94
Profit/(loss) Before Tax	<b>18.04</b>	(226.35)
Provision for Tax	-	-
Provision for deferred Tax	<b>1.29</b>	51.65
Short provision relating to earlier years	<b>0.06</b>	1.38
Profit / (Loss) After Tax	<b>16.68</b>	(279.38)
Profit / (Loss) Brought forward	<b>(191.61)</b>	87.77
Balance carried to Balance Sheet	<b>(174.93)</b>	(191.61)
Earning Per Share	<b>0.32</b>	(5.05)

### 2. DIVIDEND

Your directors regret their inability to recommend any dividend for the financial year under review due to lack of distributable profits.

### 3. MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

#### A. MACRO-ECONOMIC OVERVIEW

Telecom Services Sector is the fastest growing sector and is expected to add 65 percent more subscribers on a yearly basis. The total number of cellular service subscribers in India increased to 10 million by December, 2002, which is a 92 percent increase over the previous year's subscribers base of 5.4 million. Hence, wireless solutions are driving the access market also and the total number of wireless lines installed is expected to overtake the total number of wirelines.

The future for sale of access equipment in India is very promising. The total market for access equipment is estimated to be about Rs. 9000 Crores and major share of it is for WLL, CDMA Equipment, GSM Network Equipment MLLN, DIJF cables DLC, Cor DECT, ADSL, LMDS are the major technologies deployed by the service Providers.

The network integration market in India is also an important growth area and is estimated to be about Rs. 2000 Crores. The most important market segments of the network integration are Banking and finance, Insurance, Government PSUs, Telecom Service Providers and IT-Enabled Services.

The Defence sector procurement from private sector has started and Government is also encouraging private sector industry to develop solutions to meet the requirements of Indian Defence Services



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## B. ACCOMPLISHMENTS

During the year under review, your company has developed products to meet the requirements of Indian Army. They are being evaluated by the customers and your company is confident that new products will be cleared by the customers. Your company is confident of getting orders from Defence PSUs, Army workshops and other Defence establishments. During the year under review, the company has developed wireless products for export market also which have been approved by the customer.

## C. OVERVIEW OF OPERATIONS

During the year under review, your company achieved a turnover of Rs. 662.05 Lakhs as against Rs 771.80 for the previous year and achieved a profit of Rs . 18.04 Lakhs as against loss of Rs. 226.35 Lakhs during the previous year. Your company has restructured and streamlined the operations to reduce the overhead and improve the profitability. The Salaries and Administration overheads have been reduced to Rs. 196.91 Lakhs as against Rs. 280.30 Lakhs in the previous year.

Your company has focused on supplies to Defence Sector and improved the profitability. The company is in the process of getting the required approvals for new products which are mostly import substitutes. The strategy to focus on technology intensive products with higher value addition should improve the profitability. Your company is also planning to enter network integration market and offer WAN (Wide Area Networks) solutions.

## D. PROJECT IMPLEMENTATION

The construction of building with a built-up area of approximately 20,300 sft has been completed and your Company has commenced its operation in the new premises from October, 2002.

## E. OUTLOOK AND STRATEGY FOR CURRENT YEAR

Your company has developed new products for the Defence Segment. Major orders are expected to be executed in this financial year after obtaining approvals for these products.

During the current financial year, the company will offer turnkey solutions in establishing Wide Area Networks. In the Software field the Company is developing Multi-Media based software and is likely to launch these products by middle of next year.

## F. INTERNAL CONTROL SYSTEMS

Your company adheres to stringent quality control parameters as laid down under the ISO 9001 standards and also has a selective team of internal quality auditors for successful implementation of ISO and MIS procedures, verification of data integrity, continuous monitoring and effecting overall improvement in quality.

~~You are aware the company has ISO 9001~~ accreditations for telecom division since 1997 and also ISO 9001 accreditation for its software division. The Company has adequate internal control systems commensurate with the size of its operations and for the purpose of exercising adequate controls on the day-to-day operations. In addition, it has appointed an independent internal auditor to carry out the internal audit on a regular basis.

## G. HUMAN RESOURCES/ INDUSTRIAL RELATIONS

Your company has had an excellent track record of very cordial industrial relations right from its inception. This year too industrial relations in the company were excellent.





#### 4. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, Board of Directors hereby confirm 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 judgements and estimates that are 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 ended 31st March, 2003 and of the Profit & Loss of the Company for that period.
- 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.

#### 5. DEPOSITS

The company has not accepted any deposits falling within the provisions of Sec.58A of the Companies Act, 1956 read with the Companies (Acceptance of the Deposits Rules), 1975 during the year under the review.

#### 6. PARTICULARS OF EMPLOYEES

The particulars of employees required to be given

under Sec 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of employees) Amendment Rules, 2000

Particulars of Employees who are in receipt of Rs. 24 Lakhs or more per annum. – NIL

Particulars of Employees employed for a part of the financial year with a salary of Rs. 2 Lakh or above per month - NIL

#### 7. CONSERVATION OF ENERGY

The details as required under Section 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.

#### 8. 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.

#### 9. AUDITORS

M/s A. Madhusudana & Co., Chartered Accountants, Auditors of the company retire at this ensuing Annual General Meeting and are eligible for re-appointment.

#### 10. AUDITORS' REPORT

Regarding item no. 6 of Auditors' Report relating to point No.7 of Schedule 21, since the Technology for which expenditure incurred under the head Technical Know-how was outdated, hence the balance amount was written off during the financial year.

## 11. DIRECTORS

Sri A.Venkateswara Rao and Maj. Gen. (Retd) S. Balakrishnan, VSM, Directors will retire by rotation at this meeting and being eligible for re-appointment, offer themselves for re-appointment.

Sri M.R. Subrahmanyam, Director & Vice-Chairman had resigned from the Board with effect from 27-4-2003 and Sri A. Dayakar, alternate Director had vacated his office with effect from 31-1-2003. The Board wishes to place on record its appreciation for their services rendered to your company by them.

## 12. ACKNOWLEDGEMENT

Your directors express their sincere appreciation and gratitude to M/s. Canara Bank, Technology Development Board for their continued support and to all Employees, Shareholders, Suppliers, Customers and various statutory authorities who have extended their immense support to the Company.

By Order of the Board

Place: Hyderabad  
Date: 29.07.2003

**A.Venkateswara Rao**  
Chairman