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AVANTEL SOFTECH LIMITED

Board of Directors

Sri A. Venkateswara Rao : Chairman
Dr. A. Vidyasagar : Managing Director
Sri N. Divakar : Director (Technical)
Smt. A. Sarada : Director (Accounts)
Sri M. Venkata Rao : Director
Sri K. B. K Moorthi : Director
Major Gen(Retd) S. Balakrishnan, VSM : Director
Sri M.L.N. Acharyulu : Director (w.e.f. 30.07.2008)

Dy. General Manager - F & A

Sri D. V. Chowdary

Company Secretary

Sri P. Satish

Auditors

M/s. A.Madhusudana & Co.,
Chartered Accountants
8-3-319/11, 101,Doyen Chambers,
Yellareddy Guda, Hyderabad – 500 083

Bankers

Canara Bank,
I.F.Branch, S.P.Road,
Secunderabad – 500 003.

Registered Office & Works

Plot No. 16, Sector –III,
Huda Techno Enclave, Madhapur,
Hyderabad – 500 081.

Registrars & Share Transfer Agents

Karvy Computer Share Pvt. Ltd,
46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad – 500 034.

Senior Management

Sri K. Ramesh – Vice President (Operations)
Sri P. Bala Bhaskara Rao – General Manager (R&D)
Col (Retd) J S Rajpal – General Manager (QA)
Sri J. Jagannatha Rao – General Manager (Marketing)



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NOTICE



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Notice is hereby given that the **Eighteenth Annual General Meeting** of the members of the Company will be held on Wednesday, 17th September, 2008 at 11.00 A.M. at the Registered office of the Company at Plot No: 16, Sector III, Huda Techno Enclave, 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, 2008 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 2007-2008
3. To appoint a Director in place of Sri K.B.K. Moorthi, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri. M. Venkata Rao, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration by passing the following Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s A. Madhusudana & Co., 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."

SPECIAL BUSINESS:

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

"RESOLVED THAT Sri M.L.N. Acharyulu, 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".

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

"RESOLVED THAT

- (a) pursuant to provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government the name of the Company be changed from '**AVANTEL SOFTECH LIMITED**' to '**AVANTEL LIMITED**' and
- (b) the name '**AVANTEL SOFTECH LIMITED**' wherever it occurs in the Memorandum and Articles of Association of the Company and other places be replaced with the new Name '**AVANTEL LIMITED**'.

BY ORDER OF THE BOARD
Sd/-

Place : Hyderabad
Date : 30.07.2008

Dr. A.Vidyasagar
Managing Director



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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 items of Special Business is annexed to the Notice of the Meeting.
3. The Register of Members and Share Transfer Books will remain closed from 10th September 2008 to 17th September, 2008 (both days inclusive) for the Annual General Meeting.
4. Members seeking any information with regard to accounts of the company are requested to send their queries so as to reach at least 7 days before the meeting, to enable the management to keep the information ready.
5. Dividend on Equity shares as recommended by the Directors for the accounting year ended 31st March, 2008 when declared at the meeting will be paid to the members whose names appear on the Register of Members of the Company as on 10th September, 2008.
6. Members are requested to notify immediately changes, if any, in their addresses to the company, quoting their folio number.
7. Members holding shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification of members at the meeting.
8. Members are requested to bring their copy of the Annual report to the meeting.
9. Payment of Dividend through 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 so as to reach them latest by 3rd September, 2008 at Karvy Computer Share Private Limited, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad – 50 034.
 - b) Members holding shares in demat form are advised to inform/update their bank account particulars to their respective depository participant(s).
10. A brief profile of the rotational Directors pursuant to Clause 49 of the Listing Agreement is annexed to this notice.



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EXPLANATORY STATEMENT

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

Item No. 6

Appointment of Sri M.L.N. Acharyulu as a Director:

Sri M.L.N. Acharyulu, was co-opted as an Additional Director on the Board of the Company with effect from 30th July, 2008. Brief resume is given at additional information on Directors retiring by rotation, annexed hereto.

Pursuant to Section 260 of the Companies Act, 1956 read with the Articles of Association of the Company, Sri Acharyulu will hold office only up to the date of Eighteenth 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 Sri Acharyulu 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 Sri M.L.N. Acharyulu is concerned or interested in the resolution.

Item No. 7

The Company had adopted the name "Avantel Softech Limited" during December, 1998. At that time, the character of the Company's business was largely telecom software and hence the use of the term 'Softech' in the Company's name was warranted.

Since then, over the past ten years, the Company has made business in the fields of Telecom, Defence products along with the software. After a long

period of 15 years in the brand promotion, the company intends to reflect brand name as name of the Company. The Management is of the view that the name of the Company be changed to 'Avantel Limited' from the present name to reflect the Brand name of the Company.

The Board of Directors at its meeting held on 30th July, 2008 has approved this change of name subject to the approval of the members. The proposed name has also been confirmed as being available by the Registrar of Companies, Andhra Pradesh.

Pursuant to section 21 of the Companies Act, 1956, the change of name requires the members' approval by way of a Special Resolution and accordingly, approval of the members is being sought by way of this Special Resolution. The said section also requires an approval of the Central Government, the powers in respect of which have been, vide Notification GSR No. 507(E) dated 24-06-1985, delegated to the Registrar of Companies. Accordingly, after the members' approval, the Company shall apply to the Registrar of Companies, Andhra Pradesh for approval of the changed name.

The Board of Directors recommends the same for acceptance by the members.

None of the Directors is in any way concerned or interested in the said resolution.

BY ORDER OF THE BOARD

Sd/-

Place : Hyderabad

Date : 30.07.2008

Dr. A.Vidyasagar
Managing Director



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Additional information on Directors retiring by rotation and seeking re-appointment at the Annual General Meeting in terms of Clause 49 of the Listing Agreement**Sri K.B.K. Moorthi:**

Sri K.B.K.Moorthi is a Commerce Graduate and a Fellow Member of the Institute of Chartered Accountants of India.

He was employed with the Life Insurance Corporation of India (LIC) and held various senior management positions before he retired from LIC in 1995 as Regional Manager (Marketing) (Zonal Manager) from North Central Zone of LIC, Kanpur. He also represented LIC as Nominee Director in various companies during his tenure.

His expertise in the field of Accounting and Financial Management continue to be of immense benefit to the Company.

Sri. M. Venkata Rao:

Sri M. Venkata Rao has done his M.Tech in Systems Engineering with 1st rank in the University of Mysore and B.Tech in Industrial Engineering and is having 15 years of rich and varied experience at senior managerial level in private, public and government sectors in the IT & Communications domains, has contributed lot for the growth of his previous organizations with his innovative and market leading strategies. He has unique experience of working with start up organizations, building long lasting culture with highly agile teams to make them commercially successful in the International markets. He is instrumental in building award winning world class products in the International markets, establishing close relationships with Fortune 500 companies to deliver enterprise solutions for the verticals like Insurance, Retail, High Technology Sectors and so on.

Sri M.L.N.Acharyulu:

Sri Acharyulu did M.Tech in Electrical Engineering, Masters in Financial Management and also AICWA. Sri Acharyulu has got more than 25 years of experience and worked in different Industries. He worked for QualCore Logic Ltd, Hyderabad as Managing Director from May 1999 to June 2007, and is instrumental in establishing and ramping up QualCore's operations in Hyderabad. QualCore is one of the first few Companies, which has started VLSI Engineering Design in Hyderabad about a decade back.

Sri Acharyulu, as Managing Director, has been involved and associated with all activities of QualCore covering HR, Training, Finance, Admin, IT, Sales & Marketing, ODC Management, Program Management and Engineering. Prior to QualCore, he worked for Godavari Fertilizers and Chemicals Ltd, Secunderabad (1987-1999, left as Deputy General Manager), SICOM Ltd, Mumbai (1982-87, Senior Development Officer), Crompton Greaves Ltd, Mumbai (1980-81, Design Engineer).

DIRECTORS' REPORT



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Dear Members,

Your Directors present before you the 18th Annual Report together with the Audited Accounts for the financial year ended 31st March, 2008.

1. FINANCIAL HIGHLIGHTS:

The profit and loss account presented to you gives the operational results for the year ended March 31st 2008.

The operations during the year resulted in profit before tax of Rs. 518.10 Lakhs as compared to previous year profit of Rs. 323.92 lakhs, as detailed below:

| Particulars | Current Year 2007-2008 (Rs. in Lakhs) | Previous Year 2006-2007 (Rs. in Lakhs) |
|--|---|--|
| Income | 2734.72 | 2626.19 |
| Expenses | 1984.38 | 2113.99 |
| Operating Profit | 750.34 | 512.20 |
| Depreciation | 146.43 | 109.75 |
| Financial expenses | 20.20 | 78.53 |
| Extraordinary Items | 65.61 | — |
| Profit before Tax | 518.10 | 323.92 |
| Excess provision relating to Earlier years | 0.43 | — |
| Provision for tax (Current & Deferred) | (216.57) | (110.15) |
| Profit after tax | 301.96 | 213.77 |
| Profit brought forward | 184.20 | 130.71 |
| Profit Available for Appropriation | 486.16 | 344.48 |
| Appropriations: | | |
| Transferred to | | |
| General Reserve | 100.00 | 100.00 |
| Proposed Dividend | 77.29 | 51.53 |
| Corporate Dividend Tax | 13.14 | 8.75 |
| Balance carried to balance sheet | 295.73 | 184.20 |
| Earning per share (Basic & Diluted) | 5.85 | 4.15 |

2. DIVIDEND:

Your directors are pleased to recommend dividend @ 15% for the financial year

2007-08 out of current year profits absorbing an amount of Rs.77.29 Lakhs towards Dividend & Rs.13.14 Lakhs towards dividend distribution tax subject to the approval of the members of the Company in the ensuing Annual General Meeting.

3. MANAGEMENT DISCUSSIONS & ANALYSIS REPORT:

A. MACRO-ECONOMIC OVERVIEW:

The Telecom sector continued to register significant growth during the year and has emerged as one of the key sectors responsible for india's resurgent economic growth. The growth of wireless services, in particular has been phenomenal at a compounded annual growth rate (CAGR) of 87.7% Per Annum. Efforts are also being made under the universal service obligation fund (USOF) to promote support for increasing wireless network in rural and remote areas.

The tele-density increased from 12.7% in 2006 to 23.9% in 2007. Rural Tele-density has increased to 7.9% with 63.68 million rural telecom customers whereas urban tele-density was 60.04%. The Government has approved a scheme for facilitating establishment of 1 Lakh broadband internet enabled customer service centers in the rural areas in the public – private partnership mode.

Majority of the fortune 500 and global 2000 corporations are sourcing IT – ITES from India. India is rapidly becoming an R&D hub. A taskforce has been constituted to promote the growth of electronics IT Hardware Manufacturing Industry (Source- Economic Survey).

Telecom:

Indian telecom sector has been recognized as the fifth largest in the world and the second largest among the emerging economies of Asia. India is set to become one of the early



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adopters of new wireless technologies such as 3G / HSPA, CDMA EVDO and WiMax. By adding an 8mm monthly subscribers, India will move to the second position by 2010, surpassing the US. In coming 3-4 years \$ 20-25 bn is likely to be invested on network infrastructure by the industry in addition to sizeable investments in building wireless broadband infrastructure. Timely and adequate allocation of spectrum will be the most crucial factor determining the future of new technologies in India. By 2010 India would hopefully complete its transition into digital switching and transmission, VOIP broadband, and 3G. Telecom will be the springboard of the future expansion of IT heralding into an information society. ICT will spread among the masses and will spur innovation, entrepreneurship, and growth.

Defence Overview:

India will play an important role in South East Asian security scenario. Defence budget for FY 2008-09 is approx Rs 1,06,000 cr, up by 10% from the previous year. India will spend on an average \$ 30 bn per annum ie Rs. 1,20,000 cr/annum upto 2012. Capital outlay is Rs 4800cr in 2008-09 towards acquisition of weapons, platforms such as aircrafts, ships, tanks and sensors. New defence procurement policy, is expected to ensure greater participation of public and private indigenous industry in defence purchases. Present offset clause of 30% on all import orders exceeding Rs 300cr is expected to be modified for better TOT arrangements in defence technology.

Avantel has developed a number of products for defence sector by ensuring compliance to stringent defence standards. Some of the contracts are routed through PSU's like BEL, ECIL. Some more are directly delivered to Navy & Army. Avantel has applied for industrial license for providing defence stores. The license is expected to be issued shortly.

With this Avantel will be well placed to execute a number of products / systems to defence sector.

B: ACCOMPLISHMENTS:

Avantel has extended the application of the MSS to other areas like submarines and strategic vehicles for vehicle tracking. The company is recognized by CEMILAC and DGQA for design, development and supply of defence products. The Company successfully tied up with Indian and foreign suppliers for supply of high end transmit and receive modules for EW and Radars projects.

C. OVERVIEW OF OPERATIONS:

During the year under review, your company has achieved a turnover of Rs. 2676.59 lakhs against Rs. 2604.41 lakhs for the previous year. Your company earned a net profit before taxation of Rs. 518.10 Lakhs against Rs. 323.92 lakhs during the previous year.

D. OUTLOOK AND STRATEGY FOR CURRENT YEAR:

Avantel developed Mobile Satellite Service products for various applications and is looking forwards growth in this segment by offering integrated solutions. Your company also offers a diversified range of products to telecom sector and is expecting orders from telecom infrastructure companies. Further your company is bidding for contracts under offset program under the new defence procurement policy. So with growth in both telecom as well as defence sectors Avantel is well positioned to leverage its technical capabilities and experience in these sectors.

E. INTERNAL CONTROL SYSTEMS:

You are aware that the company is ISO 9001:2000 accredited since 1997. Periodical internal quality audits and management review meetings ensure successful



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implementation of the quality management system. The ISO compliant management information system seamlessly integrates all the intra and inter- departmental activities of the organisation simultaneously ensuring data integrity and effective monitoring of the day-to-day operations. In addition, it has appointed an independent internal auditor to carry out the internal audit on a regular basis.

F. HUMAN RESOURCES/ INDUSTRIAL RELATIONS:

Avantel Firmly believes that its strength lies in its people contributing in a conducive environment for generation of new ideas and participative management. The vision of the management is communicated to all the levels of the organization.

As on 30.06.07 Avantel has qualified and dedicated team of 130 professionals. The training programmes and workshops ensure that the people at Avantel improve their technical, professional and soft skills on a continuous basis.

4. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, 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 at the end of the financial year ended 31st March, 2008 and of the Profit 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:

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.

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.

- a. Particulars of employees who are in receipt of Rs.24 lakhs or more per annum NIL
- b. 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 & 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.

8. CORPORATE GOVERNANCE:

Attention of the members is drawn to Annexure-II to this report dealing with the



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practices of corporate governance being followed by the company.

9. LISTING FEES:

The Company paid the Listing Fees for the year 2008-09 to Bombay Stock Exchange Limited in pursuance of the Listing Agreement.

10. AUDITORS:

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

11. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, Sri K.B.K.Moorthi and Sri. M. Venkata Rao, Directors retire by rotation and being eligible for re-appointment, offer themselves for re-appointment. Sri M.L.N. Acharyulu was appointed as an Additional Director on the

Board on July 30, 2008 and seek election at the forthcoming Annual General Meeting.

12. ACKNOWLEDGEMENT:

Your directors express their sincere appreciation and gratitude to Canara Bank, 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

Sd/-

A.VENKATESWARA RAO

Chairman

Place : Hyderabad

Date : 30.07.2008