

BOARD OF DIRECTORS

Shri A. Venkateswara Rao

Chairman

Dr. A. Vidyasagar

Managing Director

Shri N. Divakar

Director (Technical)

Maj. Gen (Retd.) S. Balakrishnan, VSM

Shri K.B.K. Moorthi

Shri M. Venkata Rao

Shri M.L.N. Acharyulu

GM- Admn & Company Secretary:

Shri T.V. Satish Babu

Statutory Auditors:

M/s. A. Madhusudana & Co.,
101, Doyen Chambers,
8-3-319/11/, Yellareddyguda,
Hyderabad-500073

Reportjunction.com

Share Transfers and Depository Registrars:

Karvy Computershare Private Limited
Plot No 17 to 24, Vittalrao Nagar
Madhapur, Hyderabad-500 081
Phones: 23420815-820

Bankers:

Canara Bank
Industrial Finance Branch
Kalanjali Building
Hyderabad

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

Plant:

Sy. No 227 & 229, Plot No 31, Phase-II, IDA,
Cherlapally, R.R. Dist., Hyderabad-500 051

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NOTICE

NOTICE is hereby given that the **Nineteenth Annual General Meeting** of the members of the Company will be held on Monday, the 14th September, 2009 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 2009 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 2008-09.
3. To appoint a Director in place of Shri A. Venkateswara Rao, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.
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 modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 198, 269 and 309 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, as amended from time to time, consent of the members of the Company be and is hereby accorded for the re-appointment of Shri N. Divakar, as Director (Technical) for a period of one year with effect from 1st November 2009, on a remuneration as detailed below, as approved by the Remuneration Committee:"

Per Month	Rs.
Basic	30000
Dearness Allowance	25000
House Rent Allowance	20000
Total	75000

(Rupees Seventy Five Thousand only)

By Order of the Board

Place : Hyderabad
Date : 30.07.2009

Dr. A. Vidyasagar
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. In accordance with Section 173 of the Companies Act, 1956, Explanatory Statement in respect of item of Special Business is annexed to the Notice of the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 08, 2009 to September 14, 2009 (both days inclusive) for the purpose of Annual General Meeting.
4. 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.
5. Dividend on equity shares, as recommended by the Board of Directors for the accounting year ended 31st March, 2009, 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 September 07, 2009.
6. 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.
7. Members are requested to bring their copy of the Annual Report to the meeting.
8. 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 at Karvy Computershare Private Limited, Plot No 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad-500 081, so as to reach them latest by August 31, 2009.
 - b) Members holding shares in demat form are advised to inform/update their bank account particulars to their respective Depository Participant(s).
- . A brief profile of the Directors, retiring by rotation, pursuant to Clause 49 of the Listing Agreement, is annexed to this notice.

EXPLANATORY STATEMENT

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

Item No. 6:

Members may be aware that Shri N. Divakar has been appointed as Director (Technical) in the Seventeenth Annual General Meeting of the Company for a period of three years, with effect from 01st November 2006. The tenure of Shri Divakar is going to expire by 31st October 2009.

Considering his rich experience and contributions in the field of Electronics and Communications, the Board of Directors in their meeting held on 30th July 2009 has re-appointed Shri N. Divakar as Director (Technical) of the Company for a period of one-year w.e.f 01st November 2009 at a remuneration, as approved by the Remuneration Committee of the Company, and subject to the approval of members.

As per the provisions of section 198, 269 and 309 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, as amended from time to time, the above appointment requires approval of the members, in the General Meeting, and hence, the resolution is commended for your approval. A brief resume of Shri Divakar is provided under additional information on Directors, seeking re-appointment.

None of the Directors, except Shri N. Divakar is interested in the above resolution.

By Order of the Board

Place: Hyderabad

Date: 30.07.2009

Dr. A. Vidyasagar

Managing Director



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

Shri A. Venkateswara Rao:

Shri Venkateswara Rao is a graduate, and is having vast experience of about 35 years in business development and administration in public sector organization. He had worked in various capacities, and retired as Divisional Manager in Life Insurance Corporation of India. Shri Rao is presently Chairman of the Company.

Maj. Gen. (Retd.) S. Balakrishnan, VSM:

Maj Gen S Balakrishnan, VSM is an engineering graduate of 1959 batch. Later, in 1977 he did his M.Tech with distinction. He has also done Ptsc from IAT, Pune with honours. He added PGDIE&M from JNTU, Hyderabad. He is also a fellow of the Indian Institute of Engineers (India).

Maj Gen S Balakrishnan, VSM belongs to the Corps of Electrical and Mechanical Engineers (EME) of the Indian Army and was responsible to maintain all equipments/systems like Wireless sets, Radars, Vehicles, Instruments and Armaments held by the Army.

For the good work done by him, he received the Prestigious Awards, namely the Commendation of the Chief of Army Staff (Twice) and the distinguished Vishisht Seva Medal (VSM) from the President of India in 1993.

He has rich experience in Project Management of Electronic Warfare System (EW). He was responsible for the Technical Co-ordination in Defence Electronic Research Laboratory prior to taking up the Project Management Work.

Shri N. Divakar:

Shri Divakar did B.E. in Electrical Engineering, with distinction, from Regional Engineering College, Warangal in 1965 and M.E with distinction from Indian Institute of Science, Bangalore in 1967.

He joined DLRL in 1967 and retired as its Director in November 2003. Later he served DRDO as Emeritus Scientist up to August 2004. He was advisor to BEL & ECIL on EW systems from September 2004 to August 2006. His area of specialization is Servo systems for antennas and Electronic Warfare systems. During his professional career, he visited many countries across the globe.

He is a Fellow of the Institution of Electronics & Telecommunication Engineers, Fellow of Institution of Engineers (India) and also Fellow of Andhra Pradesh Akademi of Sciences.

He received many professional awards including,

- IETE-IRSI award in 1999.
- Scientist of the year award of DRDO in 2000.
- Best Alumnus award of REC, Warangal in 2001.
- Performance Excellence award of DRDO in 2002.
- DEMA Appreciation award in 2006.

He was also on the Board of Directors' of Electronic Corporation of India (ECIL) and Bharat Electronics Limited (BEL) from January 2001 to November 2004.

Government of India conferred on Shri Divakar with coveted "PADMASRI" award in the year 2004.

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Nineteenth Annual Report on the operations of your Company and the Audited Accounts for the financial year ended 31st March 2009, 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:

	(Rs. in Lakhs)	
Particulars	Current Year 2008-09	Previous Year 2007-08
Income	2760.27	2734.72
Expenses	2284.65	1984.37
Operating Profit	475.62	750.34
Depreciation	113.71	146.43
Financial expenses	21.06	20.20
Extraordinary Items	—	65.60
Profit before Tax	340.84	518.10
Excess provision relating to Earlier years	(8.59)	0.43
Provision for tax (Current & Deferred)	(87.59)	(216.57)
Profit after tax	244.67	301.96
Profit brought forward	295.74	184.20
Profit Available for Appropriation	540.40	486.16
Appropriations:		
Transferred to General Reserve	100.00	100.00
Proposed Dividend	58.83*	77.29
Corporate Dividend Tax	10.00	13.14
Balance carried to balance sheet	371.57	295.74
Earnings Per Share	4.75	5.86

I. DIVIDEND:

Your Directors have pleasure in recommending a dividend @ 12.50% for the financial year 2008-09, out of current year profits absorbing an amount of Rs. 58.83 Lakhs towards dividend & Rs. 10.00 Lakhs towards dividend distribution tax, subject to the approval of the

members of the Company in the ensuing Annual General Meeting.

* The dividend has been calculated on the effective share capital of the Company as on July 30, 2009, after extinguishment of 446243 shares bought back under buyback process.

MANAGEMENT DISCUSSION & 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. With 429.76 million telecom subscribers today, India now boasts of having the second largest telecom network in the world after China. Tele-density is rising steadily but had only reached 36.98, leaving significant potential for additional market expansion. The growth in the telecom sector will be driven by expanding mobile subscriber base, which has outperformed all other segments of the industry in terms of growth rate. Mobile telephone subscriber base is forecasted to grow, propelled by low call rates, increased level of infrastructure and technological advancements and is projected to reach around 800 Million users by the fiscal year 2014. (Source: Indian Telecom Analysis {2008-2012}). In the next 3-4 years \$ 20-25 billion is likely to be invested on network infrastructure by the industry in addition to sizeable investments in building wireless broadband infrastructure.

India ended March this year with 391.76 million mobile lines and nearly 38 million fixed lines. The growth of wireless services, in particular has been phenomenal at a compounded annual growth rate (CAGR) of 87.7% per annum. (Source: India telecom news) Indian Telecom Services industry grew at 20.7 percent to reach the revenue figure of Rs. 157,542 Crores for the year 2008-09. Total revenue for the Telecom Equipment Industry stood at Rs. 114,526 Crores, of which 64% was by carrier equipment, 23% by phones and 13% by enterprise equipments. (Source: Voice & Data)

B. DEFENCE OVERVIEW:

India will play an important role in South East Asian security scenario. Defence budget for FY 2009-

10 is approx Rs 1,41,000 cr, which has gone up by 34% from the previous year. India is expected to import defence equipment to the value of \$ 30 billion by 2012. Capital outlay is Rs 50000 cr in 2009 -10 towards acquisition of weapons, platforms such as aircrafts, ships, tanks and sensors. New defence procurement policy ensures 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 facilitate TOT arrangements in defence technology. (Source: MOD press release, Financial Express)

C. ACCOMPLISHMENTS:

Avantel has extended the application of the MSS to other areas like aircrafts, Torpedoes in addition to Submarines and strategic vehicles. The company is recognized by CEMILAC and DGQA for design, development and supply of defence products. The Company developed products for EW, Radar and satcom. Avantel has developed a number of products for defence sector by ensuring compliance to stringent defence standards. Recently Avantel is granted an industrial license for providing defence stores. With this, Avantel is well placed to execute a number of products / systems to defence sector.

D. OVERVIEW OF OPERATIONS:

During the year under review, our company has achieved a turnover of Rs. 2727.99 Lakhs as against Rs. 2676.59 Lakhs for the previous year. The Company has earned a net profit before taxation of Rs. 340.84 Lakhs as against Rs. 518.10 Lakhs during the previous year.

E. OUTLOOK AND STRATEGY FOR CURRENT YEAR:

Avantel developed Mobile Satellite Service products for various applications and is looking forward to growth in this segment by offering integrated solutions. Our company also offers a diversified range of products to telecom sector and is expecting orders from telecom infrastructure companies. Further our company is bidding for contracts under the new defence

procurement policy. With growth in both telecom as well as defence sectors, Avantel is well positioned to leverage the technical capabilities and experience in these sectors.

F. INTERNAL CONTROL SYSTEMS:

The members are aware that the Company has been accredited with ISO 9001:2000, since 1997. Periodical internal quality audits and management review meetings ensure successful implementation of the Quality Management System. The ISO compliance Management Information System seamlessly integrates all the intra and inter- departmental activities of the organization, simultaneously ensuring data integrity and effective monitoring of the day-to-day operations. In addition, the Company has appointed independent internal auditors to carry out the internal audit 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.

2. 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 2009 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.

3. 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.

4. 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, 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

5. 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.

6. 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.

7. LISTING FEES:

The Company has paid the listing fees for the year 2009-10 to Bombay Stock Exchange Limited (BSE) in pursuance of the Listing Agreement.

8. AUDITORS:

M/s. A. Madhusudana & Co., Chartered Accountants, Statutory Auditors of the Company retires at this ensuing Annual General Meeting and is eligible for re-appointment.

9. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, Shri A. Venkateswara Rao and Maj. Gen. (Retd.) S. Balakrishnan, VSM, Directors retire by rotation and being eligible, offer themselves for re-appointment. Smt. Sarada, Director, had resigned w.e.f January 30, 2009.

Further, the tenure of Shri N. Divakar, Director (Technical) will be expiring on October 31, 2009, and Board recommends for re-appointment of another one year. Necessary resolution is commended for the approval of members.

10. BUYBACK OFFER:

Members are aware that pursuant to the Special Resolution passed, through Postal Ballots, the offer for buyback of equity shares of the Company has been commenced with effect from May 27, 2009. As on date, the Company has bought back 446243 equity shares from open market, which is 63.75% of total buyback size. As the Company has crossed the minimum of 60% of total size, and also in view of buying back considerably good numbers of shares, the Board has again reviewed the buyback offer and it is decided to close the same, with effect from August 4, 2009.

11. ACKNOWLEDGEMENT:

Your Directors express their sincere appreciation and gratitude to Canara Bank, Industrial Finance Branch, 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 : 30.07.2009

A. Venkateswara Rao
Chairman

Annexure - I to the Directors' Report

Information pursuant to Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy : Not applicable

B. Particulars with respect to absorption of Technology, Research and Development (R&D) specific areas, in which R & D was carried out by the Company:

- Satellite Communication products.
- Developed intelligent data device (IDD) and Hand held terminals using GPRS technologies.
- Developed MRPI System for Pre-Initiating the RCIEDs for Indian Army.
- Developed 1KW high power Broad Band power amplifiers for Electronic Warfare Systems.
- Developed IP Modulator for the EDUSAT network.
- Developed MCS & DCS Multi operator systems required for telecom service providers.

Benefits derived as a result of the above R & D:

The Company could offer indigenous & strategic solutions to Indian defence agencies including Indian navy and DRDO.

Future plan of Action:

The Company would like to develop Trans Receive Modules for Radar applications, Satellite Communication products for defence and civilian applications.

Expenditure on Research & Development:

	Rs. in Lakhs
Capital	11.61
Recurring	240.79
Total	252.40
Total R & D expenditure %	9.25 % of Turnover

C. Foreign Exchange Earnings and Outgo:

The foreign exchange earnings and outgo during the year under review are as follows:

Foreign exchange earnings	: Rs. NIL
Foreign exchange outgo	: Rs. 304.94 Lakhs