

BOARD OF DIRECTORS

Shri A. Venkateswara Rao

Chairman

Dr. A. Vidyasagar

Managing Director

Shri N. Divakar
Padmasri Awardee

Director (Technical)

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

Director

Shri K.B.K. Moorthi

Director

Shri M. Venkata Rao

Director

Shri M.L.N. Acharyulu

Director (till July 30, 2010)

GM- Admn & Company Secretary:

Shri T.V. Satish Babu

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

Statutory Auditors:

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

Bankers:

Canara Bank
Industrial Finance Branch
Kalanjali Building
Hyderabad

Share Transfers and Depository Registrars:

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

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NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the members of the Company will be held on **Tuesday, the 28th September, 2010** 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 2010 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 2009-10.
3. To appoint a Director in place of Shri K.B.K. Moorthi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri 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 modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309 and 311 read with section II of

part-II of Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactments thereof, for the time being in force, consent of the members of the Company be and is hereby accorded for the re-appointment of Dr. A. Vidyasagar, as Managing Director of the Company for another term of three years at a remuneration of Rs. 1,00,000/- (Rupees one lakh only) per month and a perquisite of rent free accommodation with effect from 1st April 2010, as approved by the Remuneration Committee."

"RESOLVED FURTHER THAT the above said remuneration be paid as minimum remuneration in the event of inadequacy of profits during the tenure"

7. 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, 309 and 311 read with section II of part-II of Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactments thereof, for the time being in force), consent of the members of the Company be and is hereby accorded for the re-appointment of Shri N. Divakar as Director (Technical) of the Company for another term of two years at a remuneration of Rs. 90,000/- (Rupees ninety thousand only) per month with effect from 1st November 2010, as approved by the Remuneration Committee:"

"RESOLVED FURTHER THAT the above said remuneration be paid as minimum remuneration in the event of inadequacy of profits during the tenure"

By Order of the Board

Place : Hyderabad
Date : 30.07.2010

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 21st September, 2010 to 28th September 2010 (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, 2010, 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 20th September 2010.
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 NECS/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 13th September, 2010.
 - b) Members holding shares in demat form are advised to inform/update their bank account particulars to their respective Depository Participant(s).
9. 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:

As the tenure of Dr. A. Vidyasagar, Managing Director of the Company, expiring on 31st March 2010, taking in to consideration his rich experience and contribution to the Company, the Board of Directors at their meeting held on 30th January 2010, subject to the approval of the members, re-appointed him for another term of three years at a remuneration of Rs. 1,00,000/- (Rupees one lakh only) per month and a perquisite of rent free accommodation, as approved by the Remuneration Committee.

Avantel Limited is technology driven Company engaged in the design, development and manufacturing of electronic, communication, satellite communication products/ services, software products & services development and research & development activities. During the period of last three years, there were no exports made by the Company. Similarly, there were foreign investments or collaborators to the Company, except NRI shareholdings.

The financial performance of the Company during the preceding three years has been in fluctuations due to adverse market conditions. The planned defence projects were not materialized due to government procedural delays. Further, the Company has spent considerable amount on R&D (New products), which gives good prospectus for the next two years. More focus given on Satellite communication segment, which have a good market potential for the upcoming years. However, the Company is having a good order booking with target sales for the year 2010-11 is 27 crores and expected profit would be around 10%.

As per the provisions of section 198, 269, 309 and 311 read with section II of part-II of 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 Dr. A. Vidyasagar is provided under additional information on Directors, seeking re-appointment.

None of the Directors, except Shri A. Venkateswara Rao and Dr. A. Vidyasagar is interested in the above resolution.

Item No 7:

Members may be aware that Shri N. Divakar has been appointed as Director (Technical) in the Nineteenth Annual General Meeting of the Company for a period of one year. The tenure of Shri Divakar is going to expire by 31st October 2010.

Considering his rich experience and contributions in the filed of Electronics and Communications, the Board of Directors in their meeting held on 30th July 2010 has re-appointed Shri N. Divakar as Director (Technical) of the Company for a period of two years w.e.f 01st November 2010 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, 309 and 311 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: 30.07.2010

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

Dr. A. Vidyasagar:

Dr. A Vidyasagar is an Engineering Master Graduate. He did his B.Tech from JNTU, Kakinada, Andhra Pradesh in the years 1977 to 1981 and also did his Master of Engineering from IIT, Kharagpur from 1981 to 1983. He also did Master of Business Administration from Osmania University, Hyderabad in the year 1989-1991. Dr. Sagar received Doctorate from JNTU, Hyderabad for his outstanding work on E- Learning.

Dr. Sagar promoted Avantel Ltd., in the year 1993. Avantel now has world-class infrastructure for design, manufacture and development of Wireless Products for Defence, Satellite Communications and Export Markets.

Dr. Sagar is a dedicated and committed personality with rich experience of more than 25 years in the telecommunications, software and satellite communication sectors. Following are few of his career achievements:

- Designed Circuits and Micro Electronic Modules for Fighter Aircrafts and Electronic Warfare Systems.
- Designed Communications Equipment for Ground-to-Air and Air-to-Air Communications in Fighter Aircrafts.
- Project Appraisal for Techno-Economic feasibility of Technology driven SMEs in the areas of Electronics, Telecom, Information Technology and Medical Services.
- Software Development and Project Management.

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.

KBK Moorthi

Shri Moorthi is a Commerce Graduate and a Fellow Member of the Institute of Chartered Accountant of India. He was employed with LIC of India 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 by LIC as Nominee Director in the past.

M. Venkata Rao:

Shri Venkata Rao is M.Tech in Systems Engineering with 1st rank in the University of Mysore and B.Tech in Industrial Engineering. He has joined Sify Technologies during August'2006 as Advisor Business Strategy, to streamline various Business Functions, introducing new products & services to the Enterprise Market.

Shri Rao has over 20 years of rich and varied experience at senior managerial level in private, public and government sectors in the IT, Internet & Communications domains. He has contributed lot for the growth of his previous organizations with his innovative and market leading strategies. He has unique experience of working with startup 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 technology products for the Global markets, establishing close relationships with Fortune 500 companies to deliver ICT solutions for the verticals like Insurance, Retail, High Technology Sectors, etc.

Prior to Sify, Shri Venkata Rao was associated with the following organizations:

- President & CEO at SoftPro Systems Ltd (During 2002-2006)
- President & Director-Operations at VisualSoft Technologies (During 1996-2001)
- Member Technical, at Software Technology Parks of India (During 1992-1996)

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Twentieth Annual Report on the operations of your Company and the Audited Accounts for the financial year ended 31st March 2010, 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 2009-10	Previous Year 2008-09
Income	2280.14	2760.27
Expenses	2011.57	2284.65
Operating Profit	268.57	475.62
Depreciation	123.35	113.71
Financial expenses	28.24	21.06
Profit Before Tax	116.98	340.84
Excess/(Short) provision relating to Earlier years	16.99	(8.59)
Provision for tax		
(Current & Deferred)	(10.55)	(87.59)
Profit After Tax	123.43	244.67
Profit brought forward	371.57	295.74
Profit Available for Appropriation	495.00	540.40
Appropriations:		
Transferred to General Reserve	30.00	100.00
Proposed Dividend	47.06	58.83
Corporate Dividend Tax	8.00	10.00
Balance carried to balance sheet	409.94	371.57
Earnings Per Share (EPS)		
- Basic	2.26	4.75
- Diluted	2.21	4.75

I. DIVIDEND:

Your Directors have pleasure in recommending a dividend @ 10% for the financial year 2009-10, out of current year profits absorbing an amount of Rs. 47.06

lakhs towards dividend & Rs. 8 lakhs towards dividend distribution tax, subject to the approval of the members of the Company in the ensuing Annual General Meeting.

2. MANAGEMENT DISCUSSION & ANALYSIS:

A. MACRO-ECONOMIC OVERVIEW:

This has been a difficult year for the Global economy with the European fiscal crisis coming right behind the US economic crisis. However this has also provided a platform for Indian economy to stand out in the world and be noted. The Indian GDP grew @ 8.30% as compared to 7.6% in 2009.

The Indian telecommunications industry is one of the fastest growing in the world. The number of telecom subscribers in the country reached 653.92 million as on May 2010, pushing the overall teledensity (telephones per 100 people) to 55.38. The wireless subscriber base has increased to 617.53 million. India ranks fourth in manufacturing telecom equipment in the Asia-Pacific region. The country has a 5.7 per cent share of the region's total telecom equipment production revenue of US\$ 180 billion in 2009. India now boasts of having the second largest telecom network in the world after China.

Indian Telecom companies obtained for high-speed mobile data licenses for 3G spectrum. There is no restriction on the technology companies to provide services for wireless broadband, be it WiMax or its rival LTE (long-term evolution) technology. LTE is a fourth generation technology with capabilities built on 3GPP standard, which has links with other networks, including 2G and 3G. The LTE specification provides downlink peak rates of at least 100 Mbps, an uplink of at least 50 Mbps and RAN round-trip times of less than 10 ms. LTE supports scalable carrier bandwidths, from 1.4 MHz to 20 MHz and supports both frequency division duplexing (FDD) and time division duplexing (TDD). LTE will also support seamless passing to cell towers with older network technology such as GSM, cdmaOne, UMTS, and CDMA2000. Thus Opportunity exists in

hardware for low cost equipment that can support LTE network.

B. DEFENCE OVERVIEW:

India is becoming one of the largest military spenders in the world and catching worldwide attention, with the third-largest defense procurement budget in Asia. In 2010-11, USD 32.03 billion has been earmarked for national defense. Of this, USD 13.04 billion is to be spent on acquisitions for new weapons systems equipment and services. It is estimated that Indian defense procurement will rise to an estimated USD 42 billion by 2015 (including USD 19.20 billion for capital acquisitions). Thus, India is likely to spend nearly USD 100 billion on military procurement during the current five year plan (2007-12) and USD 120 billion in the next plan period (2012-17). There are greater opportunities for Indian defense industry to work with partnership or in collaboration with overseas companies. After the introduction of defence Offset Policy, India is gradually becoming a key outsourcing hub for the global defence industry

Major acquisitions:

The Indian Government has recognized India's expanding maritime responsibilities and interests necessitating enhancement in naval and coast guard force levels by 2 to 3 times. Indian Army acquisition includes purchases of artillery, tanks and vehicles, missiles and infantry. The major acquisitions of the Air Force include Fifth Generation Fighters, indigenous Tejas fighters, Advanced and Intermediate Jet Trainer aircrafts, Upgrades to 60 MiG 29 fighters/ Jaguars / Mirage aircrafts, Airborne Early Warning Aircraft, Aerostats and multi mode radars .

C. ACCOMPLISHMENTS:

- Awarded a contract from M/s Boeing, USA for supply of MSS System
- Developed Indigenous UHF system for Ship borne requirements.
- Developed IKW system in the frequency bands of HF, V/UHF & 500-1000MHz.

- Certified for AS 9100B (Aerospace quality standards).
- Signed Know-how agreement with Space Applications Centre, ISRO for MSS Type-D and Distress Alert Transmitter.
- Developed Asset tracking system for Ports.
- Developed Satellite based vessel tracking system for maritime security of the coastal line.
- Developed Satellite based information system for tracking and control office automation for Indian Railways.

D. OVERVIEW OF OPERATIONS:

During the year under review, our Company has achieved a turnover of Rs. 2269.05 lakhs as against Rs. 2727.99 lakhs for the previous year. The Company has earned a net profit before taxation of Rs. 116.98 lakhs as against Rs. 340.84 Lacks during the previous year.

E. OUTLOOK AND STRATEGY FOR CURRENT YEAR:

Avantel developed Mobile Satellite services based products and UHF Systems for various applications and is looking for growth in this segment by offering integrated solutions for airborne platforms. Our company also offers ECM systems to defense sector and is expecting orders from Defense PSUs. Promotion of GSM/GPRS based products into different segments like Telecom, Energy, Gas, Micro Finance and Ports. As part of diversification, Avantel would like to enter into energy sector, participating in renewable energy such as SPV systems.

F. INTERNAL CONTROL SYSTEMS:

The members are informed that the Company has been accredited with ISO 9001:2008 during the renewal and also AS 9100B certified (Aerospace Quality Management Systems-Requirements) under the scope "The design & development, manufacturing and servicing of Satellite Communication Products for Aerospace and Defense Applications."

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.

3. 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 2010 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.

4. 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.

5. 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 |

6. 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.

7. 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. A certificate from the Auditors of the Company regarding compliance of the conditions of the Corporate Governance, as stipulated under Clause 49 also forms part of this Annual Report.

The Ministry of Corporate Affairs has announced the Corporate Governance Voluntary Guidelines 2009. The preamble mentioned about good practices for adoption by the Companies, which are in addition to the existing ones and recommendatory in nature. Similarly, the Ministry has also issued the Corporate Social Responsibility Voluntary Guidelines 2009 duly mentioning CSR activities, which are purely voluntary in nature.

Your Company has reviewed the above Guidelines and ensured to adhere some of the practices, as these guidelines are Voluntary in nature.

In respect of the Voluntary Guidelines pertaining to the tenure of Shri. K.B.K. Moorthi and Maj. Gen (Retd). S. Balakrishnan, VSM, Independent Directors, whose tenure has exceeded six years, the Board of Directors considering their valuable guidance and contribution in various facets of the Company which are invaluable, decided to avail their services for some more time for better performance of the Company.

8. LISTING FEES:

The Company has paid the listing fees for the year 2010-11 to Bombay Stock Exchange Limited (BSE) in pursuance of the Listing Agreement.

9. 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. Confirmation from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

10. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, Shri K.B.K. Moorthi and Shri M. Venkata Rao, Directors of the Company will retire by rotation and being eligible, offer themselves for re-appointment.

The tenure of Dr. A. Vidyasagar, Managing Director was expired on 31st March 2010, and Board recommends for re-appointment of another three years. Necessary resolution is commended for the approval of members.

Similarly, the tenure of Shri N. Divakar, Director (Technical) will be expiring on 31st October 2010, and Board recommends for re-appointment of another two years. Necessary resolution is commended for the approval of members.

Further, due to preoccupations, Shri M.L.N. Acharyulu, Director, has submitted his resignation and the Board has approved the same in its meeting held on 30th July, 2010.

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 : 30.07.2010

A. Venkateswara Rao
Chairman