



ANNUAL REPORT 2011-12

EMPOWERING FUTURE WIRELESS TECHNOLOGY.

WORLD CLASS PRODUCTS AND SOLUTIONS.

LETTER FROM CMD

Dear Shareowners,

I am pleased to present the highlights of the spectacular performance of your company "Kavveri Telecom Products Limited" for the financial year 2011-12. Kavveri, in this challenging business environment, has been successful to chart a growth path in terms of topline and bottomline performances wherein the revenue for the year ended March 31, 2012 has increased by 47% to Rs. 454.28 Cr as compared to Rs. 308.70 Cr during the previous year. Net Profit during the year increased significantly by 26% to Rs. 48.08 Cr as compared to Rs. 38.25 Cr during the previous year. This was made possible due to the unstinted, committed and sincere efforts by the entire team at Kavveri to improve the shareholder value.



Your Company continues to place thrust on Research and Development enabling it to meet the requirements of the Wireless industry to gain further market share for its products in the new technology frontiers in Telecom, Defence and Space fields.

During the year, your company has acquired the telecom division of Ryma Telecoms in Spain which became part of the wholly owned subsidiary of your Company in Spain called Kavveri Telecom Espana, having its core competency to design, develop and manufacture multi-port unique Base Station Antennas, Rymex in Mexico having its core competency to manufacture Base Station Antennas. I am very pleased to inform you that in the first five months of operations of Kavveri Telecom Espana, Spain we have been able to run the operations profitably for the first time in 10 years of its existence. This acquisition gives us access for all Kavveri products to the markets in Europe and South America.

During July 2012, your company acquired the assets and business of Wireless Division of WPCS International Inc, USA (Nasdaq: WPCS) through its wholly owned subsidiary in USA called Kavveri Technologies Americas Inc (KTA). This key acquisition of Wireless Division of WPCS International Inc., in USA significantly enhances Kavveri's expansion and positioning in US market for projected growth in both the cellular and public safety market segments. The acquisition will provide Kavveri with a comprehensive range of wireless systems solutions including In-Building for Public Safety and Cellular Applications, Network Solutions, Mobile Data, Asset Tracking, Radio Systems, Video solutions, Wireless Infrastructure and Integrated Business Systems and will strive to grow organically as well as inorganically in all its spheres. Your company has also incorporated a wholly owned subsidiary in the name and style of "Kavveri Technologies Asia Pte. Ltd." at Singapore.

As part of its strategy to make India a global hub of manufacturing for all its overseas subsidiaries, your company during the year has set up an Export Oriented Unit (EOU) at Jigani, Bangalore.

Kavveri Telecom Infrastructure Ltd (KTIL) and the other overseas subsidiaries of your company continue to grow and are profitable. Your company continues to place thrust on its Overseas operations with the help of the subsidiaries and the step down subsidiaries to drive growth in these markets with newer products being introduced and new customers being acquired. Your company still continues to be in growth path by focusing on innovation and having valued customers globally. With this, I would like to thank our Customers, Suppliers, and Bankers for their continued support and also the entire team at Kavveri Group of Companies for their constant and dedicated efforts to achieve the vision of being "The best in Class Company of the world in the RF Products and Antennae field". I would specially like to thank all the shareholders for their support in taking this company to greater heights and glory.

Best regards,

C. SHIVAKUMAR REDDY
CHAIRMAN AND MANAGING DIRECTOR



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| Notice - as attached | |

VISION



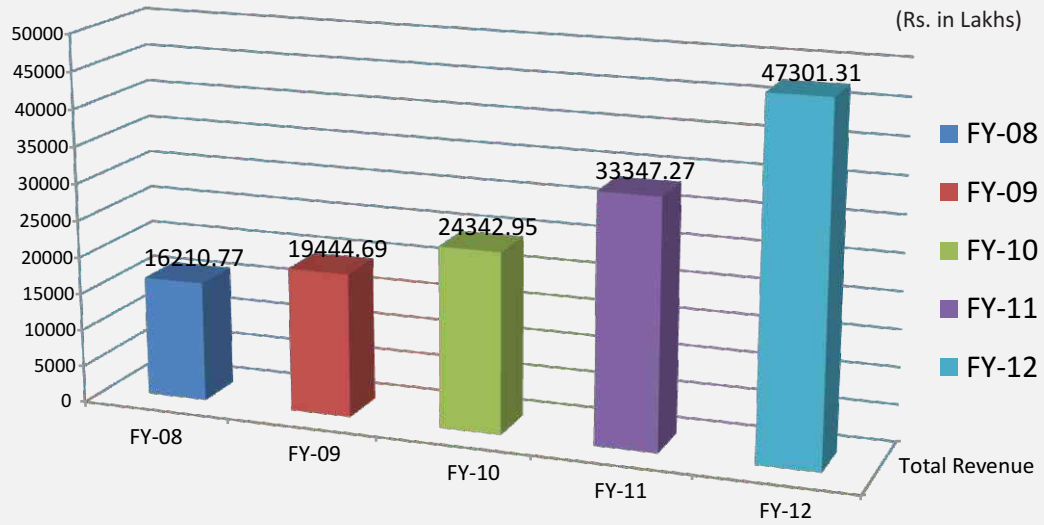
To be the best in class company of the world in the RF Products and Antennae Field

Decade at Glance

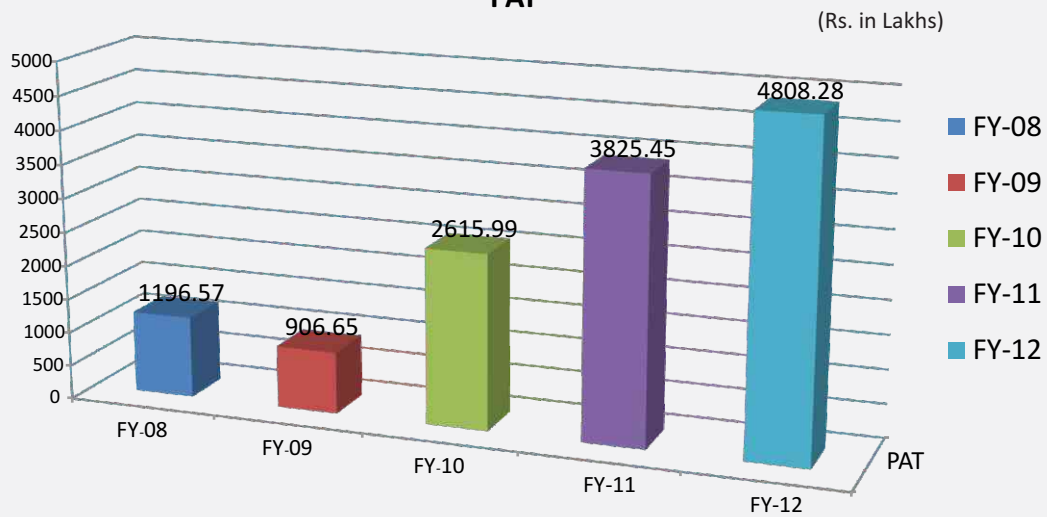
(Rs. in Lakhs)

| Particulars | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|------------------------------------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
| Total Revenue (incl. other income) | 2211.84 | 1974.16 | 2684.68 | 3554.15 | 5516.30 | 16210.77 | 19444.69 | 24342.95 | 33347.27 | 47301.31 |
| Operating Profit (PBDIT) | 246.30 | 143.84 | 228.64 | 418.25 | 834.43 | 2398.06 | 2742.28 | 5754.15 | 7121.99 | 8854.40 |
| Profit after tax | 51.49 | 45.04 | 120.27 | 273.43 | 459.32 | 1196.57 | 906.65 | 2615.99 | 3825.45 | 4808.28 |
| EPS (in Rs.) | 1.00 | 0.45 | 1.20 | 2.78 | 4.7 | 12.27 | 9.01 | 25.56 | 35.74 | 26.93 |
| Share Capital | 512.58 | 1006.08 | 1006.08 | 1006.08 | 1006.08 | 1006.08 | 1006.08 | 1006.08 | 1406.90 | 2012.43 |
| Reserves & Surplus | 137.85 | 1144.45 | 1207.37 | 1365.57 | 1674.94 | 2673.81 | 3466.51 | 9831.66 | 17728.65 | 28547.31 |
| Fixed Assets (Gross Block & CWIP) | 441.39 | 509.10 | 523.42 | 584.00 | 1272.69 | 2281.04 | 6157.80 | 12163.00 | 15788.51 | 25228.56 |
| Current Assets | 2240.49 | 2678.89 | 1696.03 | 2765.69 | 4892.23 | 11132.39 | 9792.80 | 23838.30 | 23214.36 | 33415.30 |
| Dividend declared | 12% | - | 5% | 10% | 10% | 20% | 10% | 20% | 15% | 40% |

Total Revenue

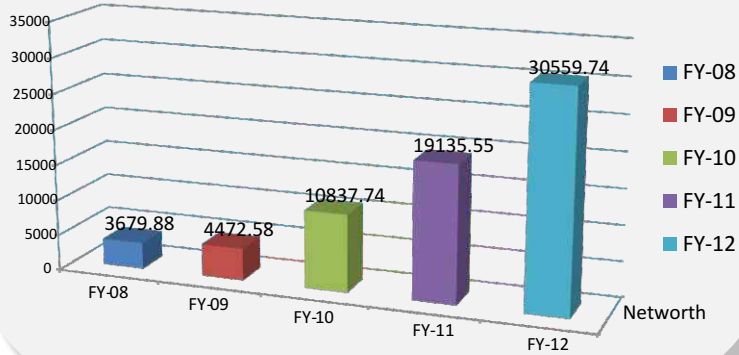


PAT

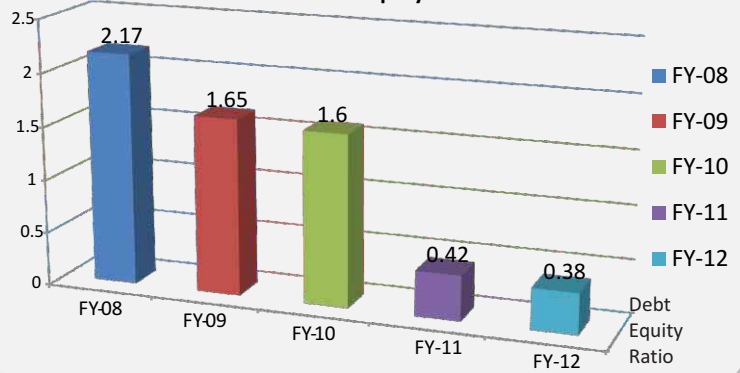


Networth

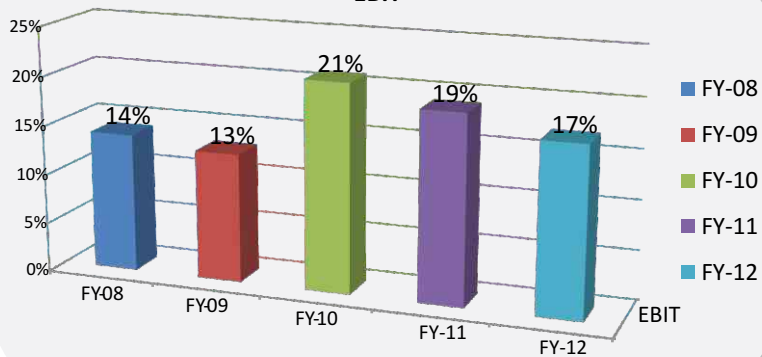
(Rs. in Lakhs)



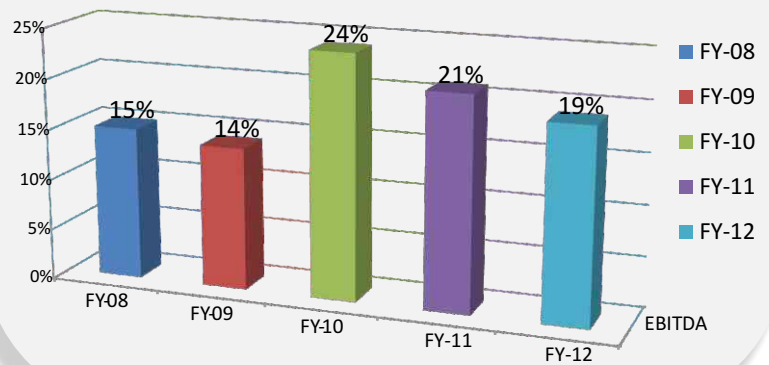
Debt Equity Ratio



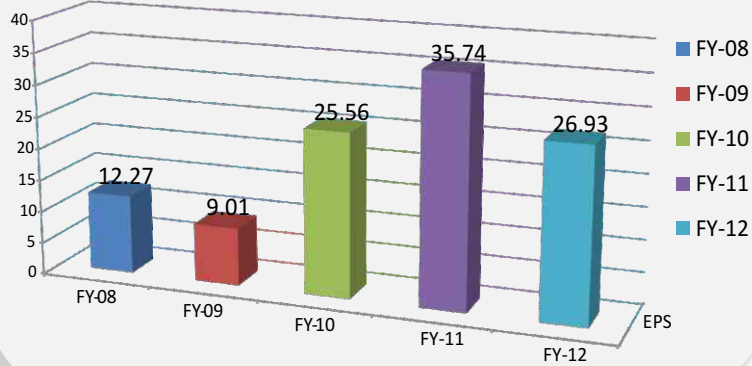
EBIT



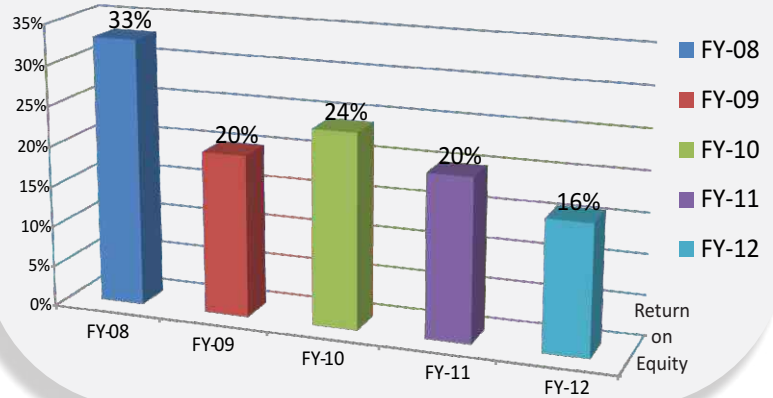
EBITDA



EPS



Return on Equity





BOARD OF DIRECTORS

COMPANY SECRETARY &
COMPLIANCE OFFICER

Mr. Sidharth C A

AUDITORS

M/s. S Janardhan and Associates
Chartered Accountants

- **Mr. C Shivakumar Reddy**
Chairman and Managing Director
- **Mrs. R H Kasturi**
Director (Operations)
- **Mr. L Nicholas**
Director (Research and Development)
- **Mr. L R Venugopal**
Independent Director
- **Mr. B S Shankarnarayan**
Independent Director
- **Mr. C V Jagadish**
Independent Director

REGISTERED OFFICE

No. 31-36, I Main, II Stage
Arekere MICO Layout
Bannerghatta Road
Bangalore 560 076

LOCATION OF MANUFACTURING FACILITIES

- 1) Kavveri Telecom Products Ltd.
Plot No. 104/2, Suragajakkanahalli,
Kasaba Hobli, near Jigani,
Anekal Road, Bangalore 560 106.
- 2) P O Box 550 500, Van Buren Street,
Kempville, ON K0G1J0 Canada.
- 3) 7730, TransCanadienne RTE,
Saint Larent, Quebec, Canada H4T1A5
- 4) C/Brezo, 60 Arganda Del rey,
Madrid 28500 Spain
- 5) Prolong, Recursos Hidraulicos,
1 E Colonia la Loma, Tlalnepantla,
Edo de Mexico, MX – 54060 Mexico

BRANCH OFFICES IN INDIA

Mumbai
Pune
New Delhi
Kolkatta
Chennai
Hyderabad
Cochin

BANKERS

State Bank of India,
Specialized Commercial Branch, Bangalore

AXIS Bank Ltd.,
Jayanagar Branch Bangalore

REGISTRAR & SHARE TRANSFER AGENTS

Integrated Enterprises (India) Ltd
(Erstwhile Alpha Systems Pvt. Ltd.)
30, Ramana Residency, 4th Cross,
Sampige Road Bangalore 560 003

LISTING AND TRADING AT STOCK EXCHANGES

National Stock Exchange Ltd.
Bangalore Stock Exchange Ltd.
Bombay Stock Exchange Ltd.

BOARD COMMITTEES:**AUDIT COMMITTEE**

Mr. L R Venugopal, Chairman of the Committee
Mr. C V Jagadish, Member
Mr. B S Shankarnarayan, Member
Mr. C Shivakumar Reddy, Member

REMUNERATION COMMITTEE

Mr. L R Venugopal, Chairman of the Committee
Mr. C V Jagadish, Member
Mr. B S Shankarnarayan, Member

SHAREHOLDERS' AND INVESTORS'**GRIEVANCE COMMITTEE**

Mr. L R Venugopal, Chairman of the Committee
Mr. C V Jagadish, Member
Mr. B S Shankarnarayan, Member
Mr. C Shivakumar Reddy, Member

COMPENSATION COMMITTEE

Mr. L R Venugopal, Chairman of the Committee
Mr. C V Jagadish, Member
Mr. B S Shankarnarayan, Member
Mr. C Shivakumar Reddy, Member

SELECTION COMMITTEE

Mr. L R Venugopal, Chairman of the Committee
Mr. C V Jagadish, Member
Mr. B S Shankarnarayan, Member



ENRICHED VISION. GLOBAL APPROACH.

Smt. Rajupeta Hanumantha Reddy Kasturi started “Kaveri Microwave Components” (KMC) as a Proprietary concern during October 1991 for manufacture of Duplex Filters and subsequently started manufacturing products like Isolators, Circulators Power Combiners, Decominers, Low Noise Amplifiers, Attenuators, Dummy loads, Hybrid Transformers etc.

Incorporated on January 19, 1996, Kavveri Telecom Products Limited was started as a public limited company under the name and style of M/s Kaveri Telecoms Limited at Bangalore, Karnataka bearing registration number 08-19627 of 1996 to acquire the existing proprietary concern “Kaveri Microwave Components”(KMC) as a going concern dealing in the manufacture of professional grade microwave components for usage in Telecommunications, Defense and Space industry. The Company has received certificate of commencement of business on February 12, 1996.

Subsequently, the company changed its name to Kavveri Telecom Products Limited (KTPL) for better description of the products that the company manufactures. In 1997, KTPL went public and got listed in Bangalore, Hyderabad, Madras and Ahmedabad stock exchanges. Presently, the company shares are traded in Bombay Stock Exchange as 'B' group under Indo-next segment. The company is presently listed in National Stock Exchange (NSE) and Bangalore Stock Exchange (BgSE).

Reinforced expertise. International Reception.

KTPL is into design, development and manufacturing of wireless subsystem Products such as Antennas and RF products for telecom, defense and space applications in India and across four continents.

KTPL ventured into exports in 1993-94 and established a separate R&D Division in Bangalore to develop new products. The company's In-House R&D Centre has been recognized by the Ministry of Science and Technology since 1996.

KTPL's R&D Centre has developed many Radio frequency (RF) products like Antenna Coupler units for 2 and 4 channels, Tunable Band Pass Filters (for Defence), Limiters, Circulators, Duplex Filters, UHF, VHF and Microwave Application Antennas viz. Yagi and Omni-directional (VHF and UHF) and are approved by Telecom Engineering Centre, New Delhi. Components like Duplex Filters, Isolators, Power Combiners etc. are approved by DOT (QA), and Components Approval for Communication Technology (CACT-DOT). KTPL also received an international approval from "Federal communication commission" (FCC), North America for designing and developing In-building solution Repeaters for 4G Technology. Kavveri today has 50 patents and trade marks across the world.

KTPL continues to invest in the Research and Development of array of products for Telecom/ Defence/ Aerospace and In-Building Solutions (IBS). KTPL has one of the industry's leading product portfolios in terms of performance and features. The proprietary design technology further enhances the company's strength in the industry.

Today, KTPL is also one of the leading providers of wireless network coverage solutions inside buildings (IBS) in India and USA.

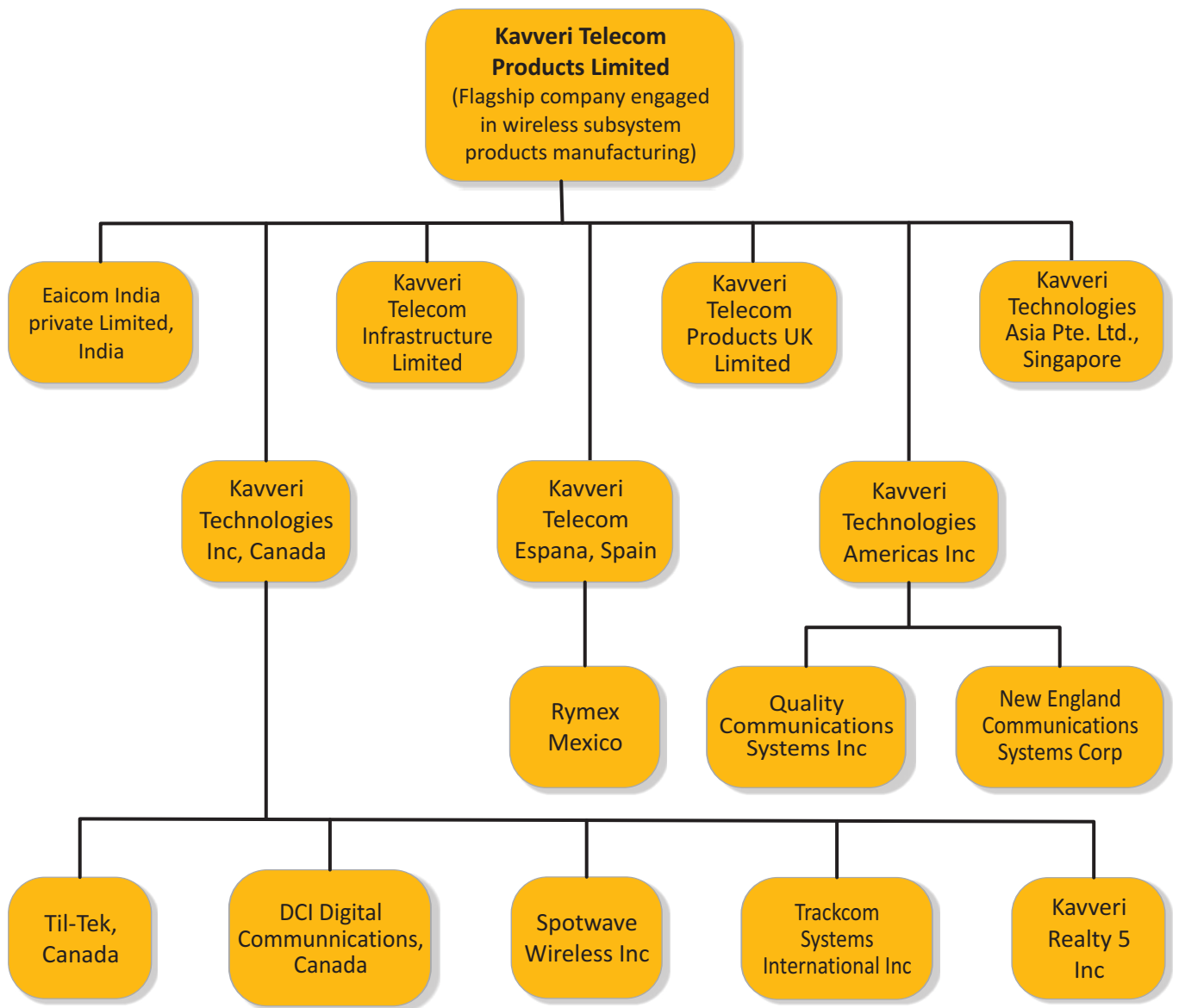
Unmatched Quality. Creating Impressions.

Kavveri also provides total Turnkey solutions for coverage and capacity enhancement requirements for GSM, CDMA, 2G, 3G, 4G, BWA carriers in India and are ready for all the future technological upgrades for over 10 years. Company's list of clients including wireless manufacturers like Alcatel-Lucent, Bharat Electronics Ltd, Ericsson, ITI, Motorola, Nokia Siemens Network, ZTE, Huawei, Aviat etc. and telecom operators like Verizon, Telefonica, America Movil, GoGo, Aircel, Airtel, Idea, MTNL, Reliance, Tata Tele, Vodafone, Rogers, Bell and Telus etc.

Global Expansion. Innovative Ventures.

Today, KTPL has acquired Eight Companies across Canada, USA, Spain and Mexico through its subsidiaries, Til-tek (in April 2006), DCI Digital Communications (in April 2007), Spotwave Wireless (in December 2007), Trackcom Systems International (in July 2009), Telecom Division of Ryma Telecom called Kavveri Telecom Espana (In November 2011), Rymex (In November 2011) Quality Communications Systems Inc and New England Communication Systems Corp. (In July 2012) . These acquisitions have positioned KTPL as a leading player in wireless subsystem Products and IBS providers in India and Abroad.

CORPORATE STRUCTURE



Kavveri Telecom Products Limited

It is a leading Telecom, Defence & Space Original Design Manufacturer listed in the Bangalore and National Stock Exchange of India, providing world-class, Antennas, RF products and solutions for the Telecom, Defence and Space Industries with a worldwide presence. Founded in 1991, Kavveri Telecom designs, develops, tests and manufactures a diverse range of wireless sub-system products, from concept to deployment.

Kavveri Telecom Infrastructure Limited (KTIL)

A subsidiary of Kavveri Telecom Products Limited is into the business of providing In-building solutions (IBS) as a Neutral Host Provider (NHP). The company provides customized carrier independent In-Building Solutions (IBS). These solutions enhance wireless coverage and capacity in non-accessible areas, spaces with a large footprint such as Hospitals, Hotels, Offices, Malls and high-rise buildings.

KTIL's custom installations i.e. IBS Antennas and backhaul links boost the mobile & WiFi coverage at strategic buildings like Hospitals, Large Malls, Corporate Offices, high-rise buildings, and work across GSM/CDMA/UMTS/WiFi /WiMAX /LTE networks.

TIL-TEK Antennae

It brings more than 25 years of expertise in design and manufacture of cost-effective, high quality Base Station and CPE Antennas in the frequencies of 600 MHz to 6 GHz for the applications in broadband, WiFi, WiMAX and Cellular Public Safety.

Leader in design and manufacturing of high performance Custom Antenna Solutions as well as research in new Antenna technologies for both the Government and the Industry.

DCI Digital Communications

Specializes in Radio Frequency Interference (RFI) mitigation products, which reduce interference problems in the 30 MHz to 6 GHz range. DCI manufactures VHF and UHF Bandpass Filters, Low pass Filters, WiFi Filters, Multiple-Window Filters, Combiners, Broadband Duplexers, Tower Top Amplifiers, CDMA Repeaters and offers unique 'off the shelf' products as well as custom solutions.

Spotwave Wireless

Provides carrier-approved, Indoor Wireless Coverage solutions to maximize the coverage indoors. These simple, affordable, effective solutions are applicable to wireless carriers and enterprise customers.

Trackcom Systems International

Designs and manufactures complete set of active and passive RF elements required for the radio subsystem of wireless user equipments.

The products include RF Transceivers, Waveguide / Coaxial Filters and Diplexers, Flexible/ Semi flexible Waveguides, Tuneless Waveguides, E- plane Filters, Dividers, Couplers, Isolators, Channel Combiners and Adopters.

Rymsa Telecom (now known as Kavveri Telecom Espana)

Designs and manufactures multi-band, multi-port, carrier-independent Antenna systems for mobile telephony Base Stations. Rymsa thus improves wireless telecommunications through the constant development of high quality Antennas with optimum specifications. Rymsa had successfully integrated multiple frequency bands into a single Antenna with 12 connectors so as to go on a single pole.

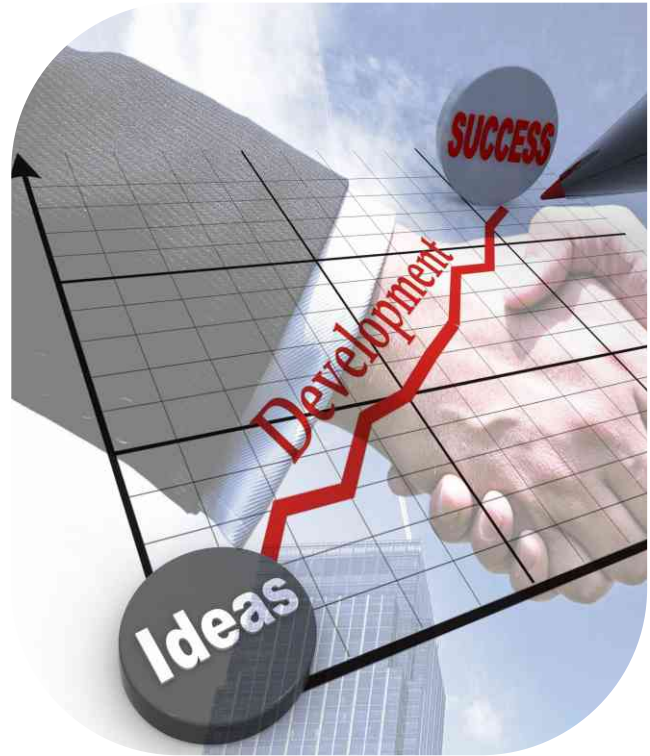
Quality Communications Systems Inc. &

New England Communications Systems Corp. (Erstwhile Wireless division of WPCS)

These companies are the recent acquisitions from Kavveri specializes in comprehensive range of wireless systems solutions including In-Building for Public Safety and Cellular Applications, Network Solutions, Mobile Data, Asset Tracking, Radio Systems, Video solutions, Wireless Infrastructure and Integrated Business Systems.

| Timeline | Milestones |
|------------------|--|
| 1996-1997 | Kavveri Incorporated on 19 Jan 1996 Receipt of Certificate for Commencement of Business-12.02.1996 Public issue for 31,00,000 equity shares, and subsequent listing with BgSE, Ahmedabad and Madras Stock Exchange. Ministry of Science and Technology (Govt of India) recognized R & D Center of Kavveri |
| 1997-1998 | ISO 9001 recognition from KPMG quality registrar for RF modules, Antennae system and MARR systems. |
| 1999-2000 | Development of new technology for manufacture of High Bit Rate Digital Subscriber Line Equipment. |
| 2002-2003 | Change of name of the Company from Kaveri Telecom Limited to Kavveri Telecom Products Limited. Megasonic Telecoms Pvt Ltd amalgamates with Kavveri Telecom Products Limited. |
| 2003-2004 | Receipt of approval to the scheme of amalgamation with Megasonic Telecoms Pvt Ltd effective from July 01, 2003 against purchase consideration of 47 equity shares of Rs. 10 each of Kavveri Telecom Products Limited for every 2 equity shares held in Megasonic Telecoms Pvt Limited. |
| 2004-2005 | Proposal for voluntary De-listing of shares of Kavveri from Hyderabad, Ahmedabad, and Madras Stock Exchange approved by Board of Directors. |
| 2005-2006 | Kavveri Technologies Inc., Canada incorporated as a subsidiary to Kavveri Telecom Products Limited |
| 2006-2007 | Shares of Kavveri Telecom Products Limited gets delisted from Hyderabad Stock Exchange. Acquisition of Til-tek Antennae Inc as a 100% subsidiary of Kavveri Technologies Inc, Canada being the 100% shareholder of the company. Incorporation of step down subsidiary by the name Kavveri Realty 5 Inc, Kavveri Technologies Inc. being the 100% shareholder of the company. |
| 2007-2008 | Draft of Employee Stock Option Scheme-2008 and approved by the Board of Directors. Listing of equity shares on National Stock Exchange from January 28, 2008. Acquisition of DCI Digital Communications Inc by Kavveri Technologies Inc. making it 100% subsidiary. Incorporation of step down subsidiary by the name Spotwave Wireless Limited, Kavveri Technologies Inc. being the 100% shareholder of the company. |
| 2008-2009 | Delisting of shares from ASE with effect from March 27, 2008 Delisting of shares from Madras Stock exchange with effect from October 15, 2008. Incorporation of Kavveri Telecom Infrastructure Limited in India as a Subsidiary to KTPL. |
| 2009-2010 | Incorporation of Subsidiary in UK by the name "KAVVERI TELECOM PRODUCTS UK LIMITED". Acquisition of Trackcom Systems International by Kavveri Technologies Inc making it a subsidiary. Best Small & Medium Enterprises Innovator of the year was awarded to the Company by YES BANK. |
| 2010-2011 | Ranked No. 22 in Business world's "India's Fastest Growing Companies" |
| 2011-2012 | Acquisition of telecom division of Rymsa Telecoms, Spain and subsequently renamed as Kavveri Telecom Espana. Acquisition of Rymex, Mexico Approval from RBI for investment by Foreign Institutional Investors upto 35% |

KEY ACHIEVEMENTS



- Largest manufacturer of Antennas & RF Products in India.
- Capacity for manufacturing RF Products and Antennas worth over Rs 1000 crores sales revenues per annum.
- First Indian private owned company to have Anechoic Chamber for testing the antenna parameters.
- First Indian Company to design, develop & manufacture Frequency Translating Repeaters.
- The Only Indian RF company to have global supply agreement with Nokia Siemens Network
- Only Indian Company exporting Antennas & RF Products to North America, Latin America and Europe.
- Company awarded as Deloitte Technology Fast 50 India 2011 winner.
- Approval from Federal Communication Commission for design and development of In-Building Solution Repeaters.
- Kavveri Telecom launched a 16dBi Array Antennas in AWS Band (1710-2155 Mhz) for the North American Market.
- Kavveri Telecom designs and develops Satellite Receivers for space applications.

PROFILES OF THE FOUNDERS



MR. C SHIVAKUMAR REDDY:

Mr. Reddy has been the driving force for Kavveri right from its inception. Graduated in Bachelor of Technology, B. Tech (Electronics & Communications) from Jawaharlal Nehru Technological University (JNTU), Hyderabad in the year 1984. He was one of the promoter directors of Kavveri Microwave Components Ltd., Hyderabad which started operations in 1988 and was instrumental in design, development and marketing of RF products till August 1991.

Subsequently, Mr. Reddy took charge of a new proprietary concern Kavveri Microwave Components as its Chief Executive Officer from 1991 to 1996. After the takeover of Kavveri Microwave components by Kavveri Telecoms Limited, Mr. Reddy continued as the Chief Executive Officer of the merged entity and was later appointed as Managing Director of Kavveri Telecoms Limited in 2002.

MRS. R H KASTURI:

Ms. Kasturi is a Bachelor of Engineering in Electronics & Communication from Bangalore University. She started M/s Kavveri Microwave Components as proprietary concern in 1991 and has been in-charge of administration activities of the firm. After the takeover of Kavveri Microwave Components by Kavveri Telecoms Limited in 1996, Ms. Kasturi was appointed as Director of Kavveri Telecoms Limited.

Ms. Kasturi is instrumental in successfully managing day to day HR and administration and operational activities of the company.



MS. C UMA REDDY:

Ms. Reddy comes with a vast experience of more than 23 years in managing the business of Telecom and other sector companies. A Bachelor of Arts, she was heading the marketing division of a leather products company prior to joining Kavveri in 1996

Ms. Reddy is instrumental in the growth of Kavveri & played an active role in evolving the organization into a transnational company. She has successfully implemented various initiatives and strategies, for the growth of the organization.

ABOUT KAVVERI

Kavveri Telecom Products Limited is a leading telecom wireless subsystem products manufacturer, providing world-class, hardware products and solutions for the Telecom, Defence & Aerospace segments.

Founded in 1991, Kavveri Telecom designs, develops, tests and manufactures a diverse range of Wireless Telecom products, from concept to deployment.

With over 500 R&D man-years of experience and over 20 years of high paced growth, Kavveri Telecom is uniquely positioned to offer an array of world-class products and solutions to meet product and sub-system requirements of Wireless Telecom equipment manufacturers, Carriers, Defence and Space clients. The Company enjoys the status of being the largest Indian transnational manufacturer of Antennas & RF products with overseas offices, distributed R&D, and foreign acquisitions resulting in market access spanning four continents and is committed to meet the expectations of its share holding community, clients, business partners and employees.

Kavveri spends over 6% of its revenues on Research and Design of cutting edge defence, space and telecom products and has a dedicated 30,000 Sq. ft. area of R&D center of excellence. Collectively all Kavveri subsidiaries and acquisitions worldwide and respective in-house R&D have designed and manufactured over 1600 well tested and proven Telecom, Defence and Space products which are currently being used in various applications. Today KAVVERI owns 50 patents in various RF related products and sub-system design & development in use by leading telecom carriers globally.

Spread over 150,000 Sq ft of cumulative built-up area of prime Industrial zone in Bangalore and with five well equipped production plants worldwide, Kavveri telecom is fully geared up to meet all Telecom and Defence communication manufacturing needs of clients across the globe. Kavveri production plants are self-contained with the latest assembly line manufacturing infrastructure and most advanced test and measuring equipments and has technological competence of the highest levels to achieve technologically challenging product designs in the field of Radio Frequency. Kavveri facility at Bangalore has the capacity of manufacturing Rf products and Antennas worth over Rs 1000 crores sales revenues per annum.



CLIENTELE

- Ericsson
- Bharat Electronics Ltd
- Alcatel-Lucent
- Airtel
- Motorola
- Huawei
- Nokia-Siemens Network
- ZTE
- Verizon
- Rogers
- Telus
- GOGO
- Telefonica
- AT&T
- Clear Wire
- Last Mile
- XM Radio
- Aviat Networks
- America Movil
- Telefonica
- Vodafone
- Idea Cellular
- Reliance Communications
- Aircel
- TTSL
- ISRO
- DRDO
- Airports Authority of India

RESEARCH & DEVELOPMENT



Research & Development of Kavveri was established in the year 1994. Our R&D is recognized by the department of scientific and industrial research, Ministry of Science & Technology, Government of India.

Our R & D is strong and robust with well layered systems and processes to maintain the standards in innovation and production that meets the demands of our clients who have found our products meeting their standards and our innovation practical and effective. Our R&D is equipped with latest technology for research and testing to ensure that our products meet international standards.

Our Distributed R&D across the globe is a 70 member strong team with dedicated area of 30,000 sq.ft. of R&D Center of Excellence. Our Company's R & D capabilities and understanding of demands of the telecom, defence and space industry have resulted in early stage development work with various global telecom, defense and space companies with the intention of procuring long term manufacturing contract and capitalizing on potential outsourcing of wireless subsystem products. Our R & D team periodically releases new and improvised products both in terms of design and costing, giving us an advantage over other competitors.

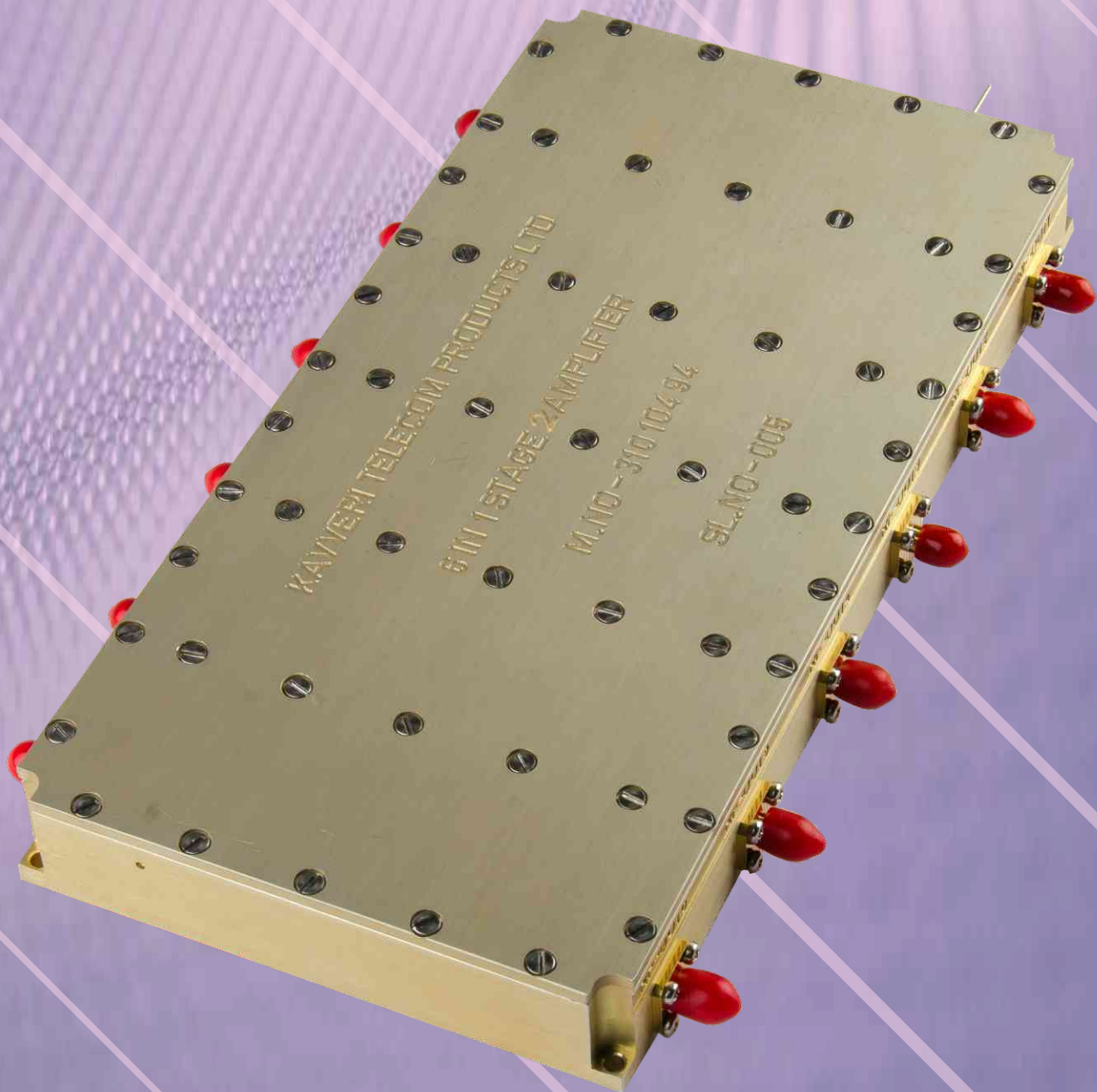
HF BITE SYSTEM





HF BITE SYSTEM

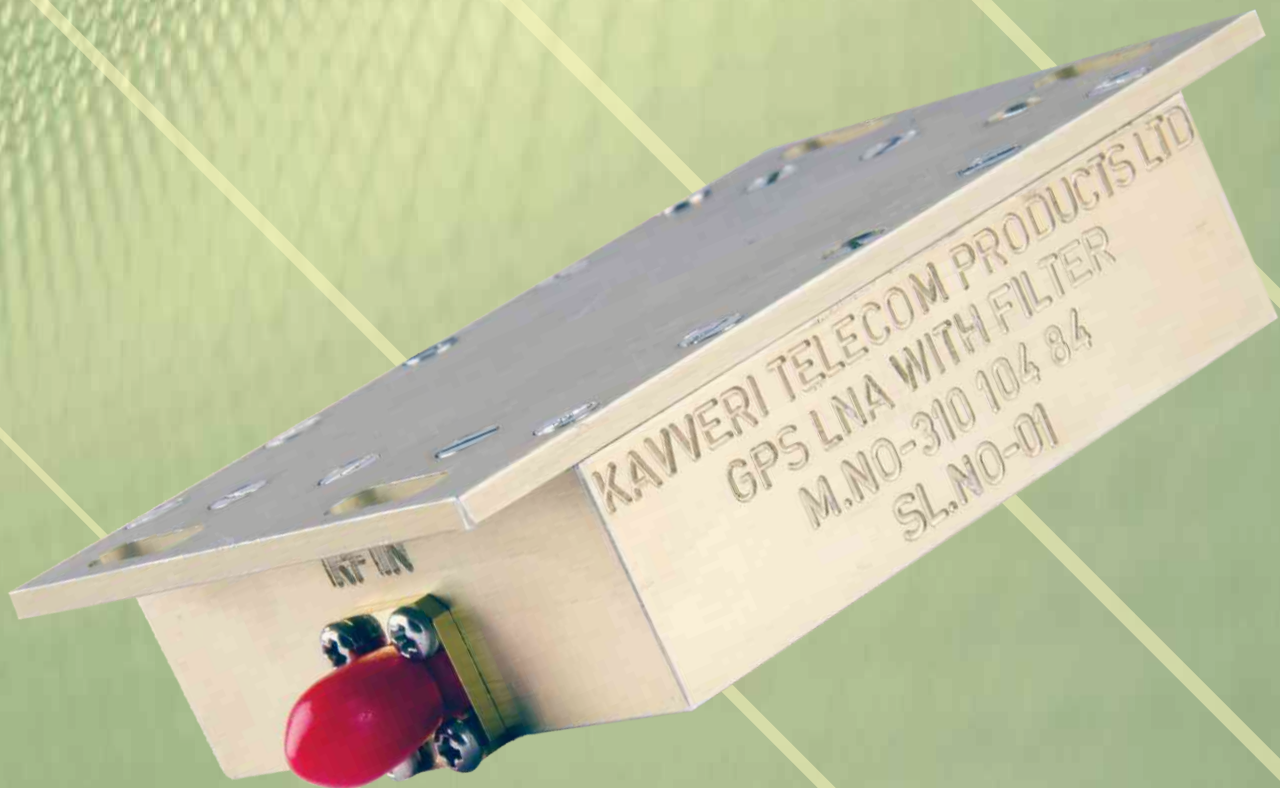
6 IN 1 AMPLIFIER





6 IN 1 AMPLIFIER

GPS LNA WITH FILTER





GPS LNA WITH FILTER

MOBILE ANTENNA (GPS/TETRA)

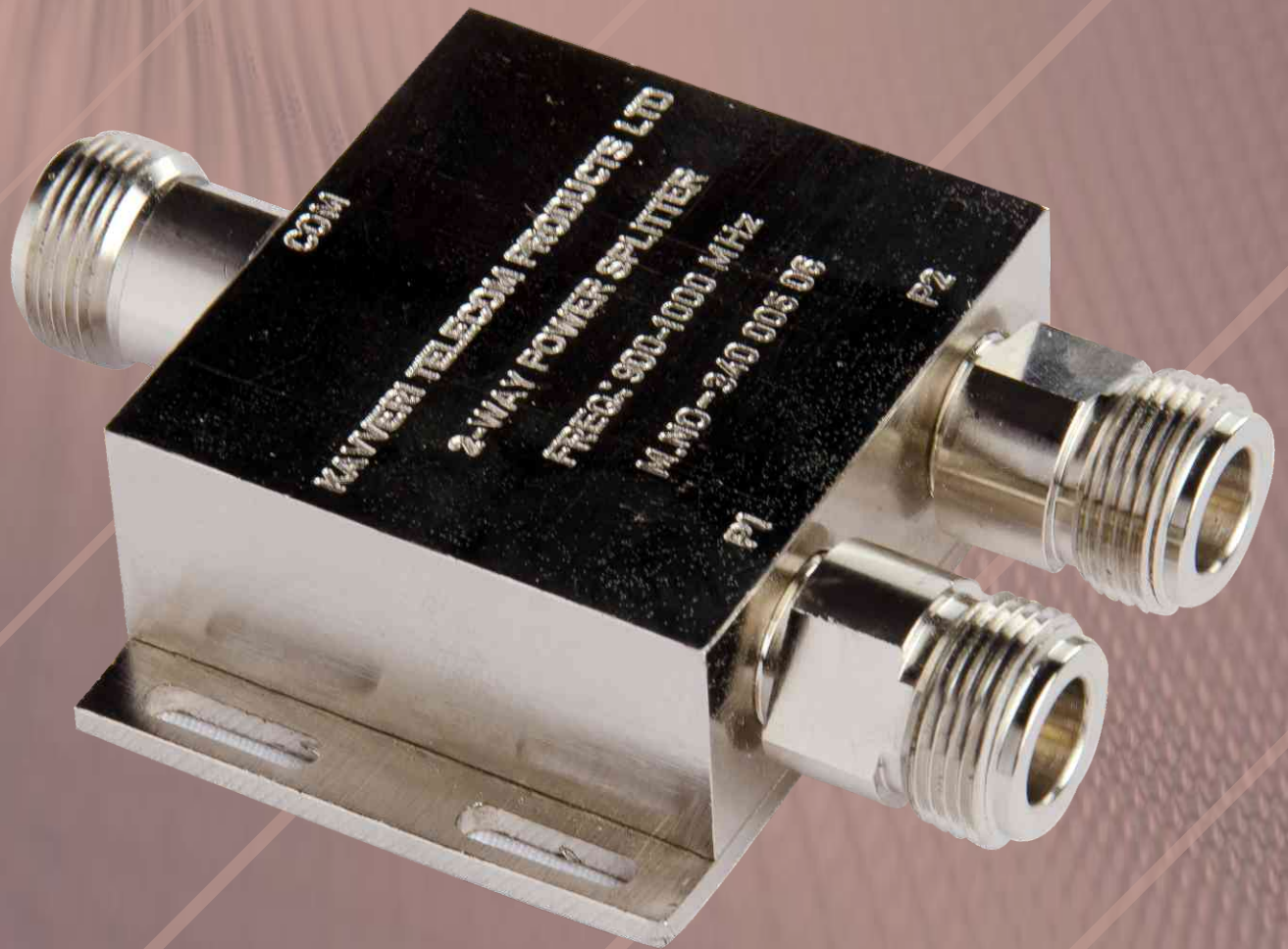




MOBILE ANTENNA (GPS/TETRA)

UP-DOWN CONVERTER





2 WAY POWER SPLITTER

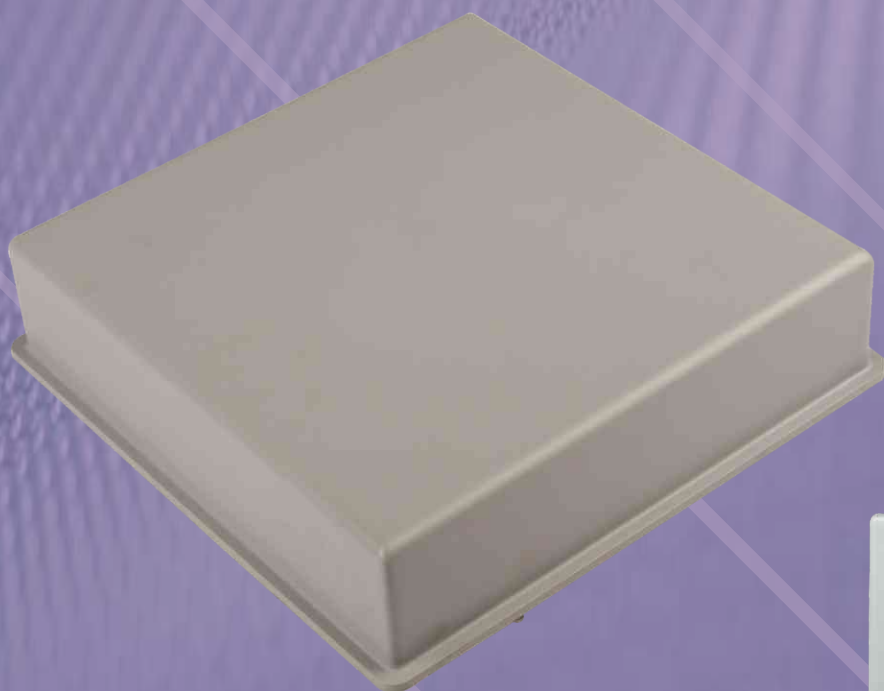
PCS PANEL ANTENNA





PCS PANEL ANTENNA

TRAIN ANTENNA (GSM RAILWAYS)





DIRECTORS' REPORT

To the members,

The Board of Directors take pleasure in presenting their Report along with the Audited Accounts of the Company for the year ended 31st March 2012.

FINANCIAL HIGHLIGHTS:

(Rs. in Lakhs)

| Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---------------------------------------|------------------|------------------|
| Net Sales & Other Incomes | 47301.31 | 33347.28 |
| Operating Profit | 8854.40 | 7121.99 |
| Interest | 1477.99 | 1251.82 |
| Profit before Depreciation | 7376.41 | 5870.17 |
| Depreciation | 918.50 | 717.41 |
| Profit Before Tax & Exceptional items | 6457.91 | 5152.76 |
| Exceptional Items | 26.66 | 43.82 |
| Profit Before Tax | 6431.25 | 5108.94 |
| Provision for Tax | 1419.12 | 1210.55 |
| Deferred Tax | 168.11 | 10.94 |
| Profit After Tax | 4844.02 | 3887.45 |
| Minority Interest | 35.75 | 62.01 |
| Profit for the period | 4808.27 | 3825.44 |

Results of Operation:

Your company has continued its growth and made a substantial improvement in its financial and operational performance. Our significant achievements:

- Total Revenue grew to Rs. 47301.31 lakhs as against Rs. 33347.28 lakhs in the corresponding previous financial year, which is an increase of 41.84%.
- Profit for the period grew to Rs. 4808.27 lakhs as against Rs. 3825.44 lakhs in the corresponding financial year, which is an increase of 25.69%.
- Earnings per shares; Rs. 26.93/- for the year 2011-12.

DIVIDEND

Your directors recommend a final dividend of Rs. 4/- per share (40% on par value of Rs. 10) fortifying the company's tradition of enabling shareholders to participate in its progressive performance. If approved by the shareholders at the ensuing Annual General Meeting, the dividend will be paid as per the applicable regulations.

SUBSIDIARIES

The company has following subsidiaries:

Direct subsidiaries:

M/s Kavveri Telecom Infrastructure Limited, India
M/s Eaicom India Private Limited, India
M/s Kavveri Technologies Inc., Canada
M/s Kavveri Telecom Products UK Limited, UK
M/s Kavveri Technologies Asia PTE. Limited, Singapore
M/s Kavveri Telecom Espana, Spain
M/s Kavveri Technologies Americas Inc., USA*

Step down subsidiaries: (i.e., subsidiaries of M/s Kavveri Technologies Inc., Canada)

M/s Til-Tek Antennae Inc,
M/s Spotwave Wireless Ltd,
M/s DCI Digital Communications Inc.,
M/s Kavveri Realty 5 Inc.,
M/s Trackcom Systems Inc.

M/s Rymex, Mexico is a step down subsidiary with majority stake held by M/s Kavveri Telecom Espana, Madrid, Spain.

*M/s Kavveri Technologies Americas Inc was incorporated during the first quarter of 2012-13 which has acquired the wireless division of WPCS International Inc, USA on 25. 07. 2012 and now functioning as two subsidiaries of Kavveri Technologies Americas Inc as below:

- 1) Quality Communications Systems Inc, Lakewood, New Jersey, USA
- 2) New England Communications Systems Corp., Hartford, Connecticut, USA

Pursuant to Ministry of Corporate Affairs Circular No. 2/2011 dated 08.02.2011, since the company is presenting consolidated financial statement of Holding and Subsidiary companies, the individual financial statements of the subsidiaries are not presented separately.

The consolidated financial statement has been prepared in strict compliance taking into account the applicable Accounting Standards, wherever applicable and Listing Agreement as prescribed by the Security and Exchange Board of India (SEBI). The company hereby undertakes that the annual accounts of the holding and subsidiary companies and other related information shall be made available to the shareholders seeking such information at any point of time. Annual accounts of the subsidiary companies are also kept for inspection at the head office (i.e., Registered Office) of the company for any shareholders interested to have a glance.

Preferential issue:

Pursuant to the approval of shareholders vide special resolution passed at the Extraordinary General Meeting held on 19.05.2012, the company is in its process of allotment of convertible warrants to its promoters and Non-promoter Directors to the extent of 16,40,000 warrants each convertible into one equity share at Rs. 170/- each.

EMPLOYEE STOCK OPTION PLAN

Employees Stock Option Scheme-2008 (ESOS-2008)

Under this scheme, a corpus of 5,00,000 options were created for grant to the eligible employees. Each option is convertible into one fully paid-up equity share of Rs. 10/- each. This scheme has been formulated in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999.

As per the scheme, a compensation committee is formed, which grants option to the eligible employees. The options are granted at face value of Rs. 10/- at par. The options granted vests over a period of 1 to 3 years and can be exercised over a period of 5 years from the date of vesting.

Details of ESOS:

| | | |
|----|---|-----------------|
| a) | Number of options granted; | 499,530 |
| b) | The pricing formula | At par Rs. 10/- |
| c) | options vested | 115,530 |
| d) | options exercised | 110,960 |
| e) | the total number of shares arising as a result of exercise of option | 110,960 |
| f) | options lapsed | 23,595 |
| g) | money realized by exercise of options | Rs. 1,109,600 |
| h) | total number of options in force | 388,570 |
| i) | employee wise details of options granted to | |
| | (i) senior managerial personnel | Nil |
| | (ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.* | |
| | (iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant. | |
| j) | diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with [Accounting Standard (AS) 20 'Earnings Per Share'] | Rs. 23.05 |
| k) | Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed: Impact on EPS. | NA |
| | Basic | |
| | Diluted | |
| l) | Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock | NA |

*Mr. Nicholas, Director – R & D (200,000 options granted)

Mr. M G Balaji, General Manager – Operations (153,000 options granted)

FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits during the year within the meaning of Section 58A of the Companies Act, 1956 and the Rules made there under.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the directors hereby confirm that:

- In preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- The Directors had selected such accounting policies and applied them consistently and 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 and of the profit or loss of the Company for that period.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- The Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Certificate of Compliance of Corporate Governance in terms of Clause 49 of the Listing Agreement is attached and forms part of this Report.

PARTICULARS OF EMPLOYEES

As required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out as Annexure to this report.

HUMAN RESOURCE MANAGEMENT

At Kavveri, the most important asset is its employees. Your company has created a favorable work culture that encourages ambition and innovation. Your company has set up a scalable recruitment and human resource management process to attract and retain talent.

DISCLOSURES

Disclosures in terms of Companies (Disclosure of Particulars in report of the Board of Directors) Rules, 1988 in respect of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo are attached and forms part of this Report.

PARTICULARS OF THE DIRECTORS SEEKING RE-APPOINTMENT

Mr. C V Jagadish and **Mr. L. Nicholas**, retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

The brief resume / details relating to Directors who are to be re-appointed are furnished in the Corporate Governance Report

AUDITORS

The Auditors M/s. S. Janardhan and Associates, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and their reappointment is sought under the ordinary business of the Notice of Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY

Your Company believes in addressing the needs of the underprivileged and is committed to serving them. Your Company aims to fulfill its social responsibilities by being actively involved in a variety of public service projects serving underprivileged groups. Your Company has also made donations to religious institutions.

SEPARATION OF OWNERSHIP FROM MANAGEMENT

The Chairman being executive, 3 out of 6 Directors on the Board of your company are non-executive and independent as per the requirements of Listing Agreement.

DISQUALIFICATION OF DIRECTORS

None of the Directors were disqualified in terms of Section 274(1) of the Companies Act 1956, during the year under review.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation and acknowledge with gratitude the support and co-operation extended by the customers, vendors, bankers, investors, shareholders and the media. We look forward to your continued support. Your Directors also thank employees at all levels for their contribution, and recognize and deeply value the dedication, co-operation and support which paved the way for our growth and success.

For and on behalf of the Board

Bangalore

Date: 5th September 2012

C. SHIVAKUMAR REDDY

Chairman and Managing Director

ANNEXURE TO DIRECTORS REPORT

Annexure – I

| Sl. No. | Name | Designation | Qualification | Age | Experience (Years) | Date of Commencement of Employment | Remuneration received – 2011-12 (in Rs.) | Previous employment |
|---------|-------------------------|----------------------------|---------------|-----|--------------------|------------------------------------|--|---------------------|
| 1. | Mr. C. Shivakumar Reddy | Chairman-managing director | B.Tech | 49 | 23 | 19.01.1996 | 18,984,498.00 | — |
| 2 | Mrs. R.H.Kasturi | Director-Operations | BE | 44 | 20 | 19.01.1996 | 18,984,498.00 | — |
| 3 | Mr. L Nicholas | Director – R & D | BE | 67 | 39 | 03.03.2003 | 3,372,280.00 | ISRO |

Annexure II

Disclosures of particulars pertaining to conservation of energy, Research and development expenditure and Foreign Exchange earnings and out go as required under Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

A. Conservation of Energy

The operations of the Company are not energy intensive. However, adequate measures have been taken to conserve and reduce the energy consumption.

B. Technology Absorption

Efforts made in Technology absorption : Form – B Enclosed

C. Particulars of Foreign Exchange Earnings and Outgo

| | |
|--|-------------------|
| CIF Value of imports | : Rs. 92,236,215 |
| Expenditure in foreign currency (travel) | : Rs. 1,696,677 |
| Technical Know-how/Research & Development Expenses | : Rs. 60,961,500 |
| Professional and Consultation Fees | : Rs. 151,140 |
| Maintenance Charges | : Rs. 2,352,972 |
| Foreign Exchange earned | : Rs. 722,348,267 |

FORM B

Specific areas in which Research and Development was carried out by Your company

The company has In-house Research and Development Centre which has been recognized by the Ministry of Science & Technology, Government of India since 1994. It carries out R&D in specific areas, design and development of various RF products and Antennas for Telecom, Defense and Space applications. Company invests in continuous up-gradation of R&D facilities to keep them cutting edge and state of the art. Our R & D is always focused on providing innovative benefits to our customers and other stakeholders by working both proactively (self driven research) and reactively (customer driven research).

R & D also carried out continuous improvements on various existing products achieving better productivity by design improvements and working with alternate input materials to reduce the cost without compromising on the quality of the products.

PRODUCTS DEVELOPED FOR DEFENSE AND SPACE:

1. Dual Module Stage-1 Amplifier (Freq: 300-350MHz).
2. Low Noise Amplifier Ku Band (Freq: 12-18GHz).
3. Power Amplifier Ku Band (Freq: 14-15GHz).
4. Power Amplifier KU Band (Freq: 16-17GHz).
5. Band Pass Filter (Freq: 145MHz).
6. Band Pass Filter (Freq: 410MHz).
7. Band Pass Filter (Freq: 460MHz).
8. Band Pass Filter (Freq: 510MHz).
9. Band Pass Filter (Freq: 560MHz).
10. Band Pass Filter (Freq: 610MHz).
11. Dual Band GSM Antenna, 12dBi, (Freq: 880-960MHz & 1710-1880MHz).
12. 5 dBi Omni Directional Antenna (900-960 MHz)
13. HF BITE System with Antennas
14. VHF/UHF BITE System with Antennas
15. GSM & DCS Band RF Unit
16. Waveguide Switch, Ka Band (Freq: 34.5 to 35.5GHz)
17. GPS LNA with Filter, L1 Band
18. Low Noise High Gain Amplifier, Freq: 435-440MHz
19. Broad beam Antenna 2.4GHz
20. Phased Array Antenna 900MHz
21. Guard Antenna 5 GHz

PRODUCTS DEVELOPED FOR TELECOM APPLICATION:

1. 2:2 Wideband Combiner
2. N:N power Combiner
3. 4: 1 Wideband Combiner
4. 4 Port BTS LTE Antenna
5. 5/8/10/12 dBi 145MHz Yagi Antenna
6. 5/9/12 dBi 400MHz Yagi Antenna
7. 9/12/16 dBi 900MHz Yagi Antenna
8. 400MHz Circular Polarized Yagi Antenna
9. 2/3 dBi Flat Indoor Omni Antenna
10. Dual Band Train Antenna
11. 11/16 dBi 1800MHz Panel Antenna
12. TETRA Band Omni Antenna with GPS
13. Wide Band IBS Panel Antenna
14. Tri-band LPD Antenna
15. Dual Slant Omni Antenna 3.4GHz
16. 900MHz High Gain Omni Antenna
17. TETRA Band Sector Antenna
18. GSM 900/1800/UMTS Tri-sector Antenna
19. GSM 900/1800/UMTS Dual Slant Omni Antenna
20. 750MHz and 2100MHz Panel Antenna

EXPENDITURE ON RESEARCH AND DEVELOPMENT

| Particulars | 2011-12 (in Rs.) | 2010-11 (in Rs.) |
|---|--------------------|--------------------|
| a) Capital | 73,512,558 | 49,820,120 |
| b) Recurring | 37,550,412 | 52,135,443 |
| Total | 111,062,970 | 101,955,563 |
| Total R & D expenditure as a percentage of Sales and Services | 3.32% | 3.99% |

Your company's Research and Development Team continues to develop new products, Innovate new processes for the existing ones and improve production facilities and processes. In future, thrust will continue to be on Quality as always, to identify ways to optimize costs and develop new products with focus on customer needs.

For and on behalf of the Board

Bangalore

Date: 5th September 2012

C. SHIVAKUMAR REDDY

Chairman and Managing Director

Annexure-III

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

**To The Members of
Kavveri Telecom Products Limited**

We have examined the compliance of conditions of corporate governance by KAVVERI TELECOM PRODUCTS LIMITED, for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S. Janardhan & Associates
Chartered Accountants

B. Anand
Partner

Bangalore, 30th May 2012

Membership No. : 29146

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company's philosophy on corporate governance envisages the attainment of corporate excellence by providing enhanced shareholders value and customer satisfaction. The company believes that governance process should ensure economic prosperity and long term value creation for the company and its shareholders by following well laid out principles of transparency, accountability and responsibility, investor protection, compliance with statutory laws and regulations. The Company also upholds the rights of its investors and other stakeholders to information on the performance of the Company.

I. BOARD OF DIRECTORS

A. Composition of Board:

The Board of Directors of the Company has an optimum combination of executive and non-executive directors. The Chairman and Managing Director along with two whole-time Directors are managing the day-to-day operations of the Company.

The Chairman of the Board is an Executive Director. There are three executive directors and three non-executive directors.

For the Financial Year ended 31st March 2012 there were 20 Board Meetings held, the dates of which are 26.04.2011, 20.05.2011, 30.05.2011, 02.06.2011, 09.06.2011, 11.07.2011, 22.07.2011, 02.08.2011, 06.09.2011, 20.09.2011, 14.10.2011, 17.10.2011, 19.10.2011, 08.11.2011, 09.12.2011, 26.12.2011, 08.02.2012, 24.02.2012, 09.03.2012, 22.03.2012,

Also the Board has passed resolutions by circulation 3 times – 12.04.2011, 24.10.2011 and 25.01.2012. All the circular resolutions were placed before immediately succeeding Board Meetings.

The composition of the Board of Directors, the attendance of each Director in each Board Meeting and the last AGM and also membership on other company's Board or Committee of Board is as under:

| Sl. No. | Name of the Director | Category | Presence in last AGM | No. of Board Meetings attended | Directorship in other Companies | | | |
|---------|----------------------|----------------------|----------------------|--------------------------------|---------------------------------|---------|--------------------|------------------|
| | | | | | Public | Private | Committee Chairman | Committee Member |
| 1. | C Shivakumar Reddy | Chairman & MD | Yes | 19 | 1 | 3 | Nil | Nil |
| 2. | R H Kasturi | Director Operations | Yes | 19 | 1 | 4 | Nil | Nil |
| 3. | L Nicholas | Director R & D | Yes | 18 | Nil | Nil | Nil | Nil |
| 4. | L R Venugopal | Independent Director | Yes | 20 | 1 | 1 | Nil | Nil |
| 5. | B S Shankarnarayan | Independent Director | Yes | 20 | 2 | 2 | Nil | Nil |
| 6. | Jagadish C V | Independent Director | No | 1 | Nil | Nil | Nil | Nil |

B. There were no pecuniary relations or transactions between the non-executive Directors and the Company during the financial year 2011-12.

II. COMMITTEES OF THE BOARD:

The Board of Directors has constituted the following committees with adequate delegation of powers to discharge day to day affairs of the company as well as to meet the exigencies of the business of the company.

The Committees constituted by the Board as on date are:

1. Audit Committee:

The Board has set up an Audit Committee as per the provisions of part II of clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

Members of the committee are as follows:

| | |
|-------------------------------|---------------------------|
| Mr. L R Venugopal | Chairman of the Committee |
| Mr. Jagadish C V | Member |
| Mr. B S Shankarnarayan | Member |
| Mr. C Shivakumar Reddy | Member |

The Secretary of the Company also acts as Secretary to the Committee. The quorum for meeting of Audit Committee is two independent members present.

Terms of reference:

- Oversee the Company's financial reporting to ensure that the statements are correct, sufficient and credible.
- Recommending to the Board, appointment, re-appointment and removal of internal auditors and fixing their fees.
- Reviewing with the management and auditors the adequacy of internal control systems.
- Review of Management discussion and analysis of financial condition and results of operations.
- Review of significant related party transactions submitted by management.
- Reviewing the Internal Audit function.
- Investigating into activities within its terms of reference including seeking information from employees, taking outside legal opinion wherever deemed necessary.
- Reviewing financial and risk management policies.
- Ensuring legal and other statutory compliances.
- Ensuring compliance with the accounting standards.

The Audit Committee of the Board had met 4 times during the period under review and the meetings were held on 30.05.2011, 11.07.2011, 08.11.2011 and 07.02.2012. The details of attendance of members of the Audit Committee are as follows:

| Name of the Member | Status | No. of Meetings attended |
|------------------------|----------|--------------------------|
| Mr. L R Venugopal | Chairman | 4 |
| Mr. B S Shankarnarayan | Member | 4 |
| Mr. C Shivakumar Reddy | Member | 3 |
| Mr. Jagadish C V | Member | 0 |

2. Remuneration Committee:

Members of the committee are as follows:

| | |
|------------------------|---------------------------|
| Mr. L R Venugopal | Chairman of the Committee |
| Mr. Jagadish C V | Member |
| Mr. B S Shankarnarayan | Member |

Details of the remuneration paid to the Executive Directors during the year 2011-12 and the number of shares held by each director:

| Sl. No | Name | Designation | Remuneration received (in Rs.) | No of Shares held |
|--------|------------------------|---------------------------------|-----------------------------------|-------------------|
| 1. | Mr. C Shivakumar Reddy | Chairman & Managing Director | 18,984,498.00 | 2,356,704 |
| 2. | Mrs. R H Kasturi | Director- Operations | 18,984,498.00 | 2,363,769 |
| 3. | Mr. L Nicholas | Director R & D | 3,372,280.00 | 4,700 |

Terms of reference: To fix the remuneration payable to Managerial Personnel from time to time.

The Committee has met on 02.08.2011 during the year.

3. Shareholders /Investors Grievance Committee:

Members of the committee are as follows:

| | |
|------------------------|---------------------------|
| Mr. L R Venugopal | Chairman of the Committee |
| Mr. Jagadish C V | Member |
| Mr. B S Shankarnarayan | Member |
| Mr. C Shivakumar Reddy | Member |

Terms of reference:

Allotment, transfer, transmission and issue of share certificates including duplicate, split, sub-divide or consolidated certificates and to deal with all related matters.

To look into and redress shareholders/ investors grievances relating to transfer of shares, non-receipt of balance sheets, dividend warrants and such other matters that may be considered necessary in relation to shareholders and investors of the Company.

The Committee had met on 15.03.2012 during the year.

4. Compensation Committee:

Members of the Committee are as follows:

| | |
|------------------------|---------------------------|
| Mr. L R Venugopal | Chairman of the Committee |
| Mr. B S Shankarnarayan | Member |
| Mr. C Shivakumar Reddy | Member |
| Mr. C V Jagadish | Member |

Terms of Reference:

To administer ESOS / ESOP of the Company according to the ESOS Scheme as approved by the shareholders

Depository System:

The Shares of the Company can be dematerialized through either of the two Depositories in India - ISIN Code- INE 641C01019

The Company has signed agreements with both the Depositories in India namely M/s National Securities Depository Ltd. and M/s Central Depository Services (India) Ltd.

As on 31st March 2012 around 99.62% of the shares of the Company were dematerialized.

| Mode of Shareholding | No. of shares | % of total equity shares |
|----------------------|---------------|--------------------------|
| Physical Mode | 76,914 | 0.38 |
| Electronic Mode | 20,047,343 | 99.62 |

4. Selection Committee:

Members of the Committee are as follows:

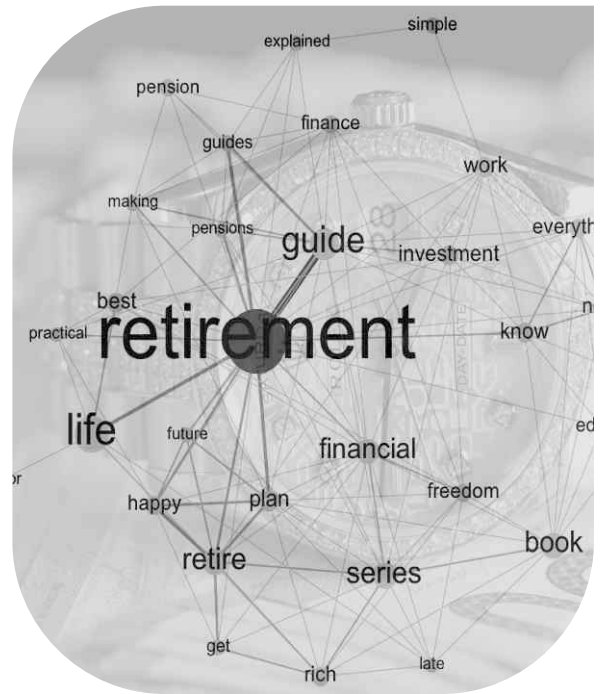
| | |
|------------------------|---------------------------|
| Mr. L R Venugopal | Chairman of the Committee |
| Mr. B S Shankarnarayan | Member |
| Mr. C V Jagadish | Member |

Terms of Reference:

To consider and recommend the Board of the Directors of the Company to appoint and/or reappoint a person on the board of the company.

DIRECTORS LIABLE TO RETIRE BY ROTATION

Mr. C V Jagadish and Mr. L. Nicholas retire by rotation as per Section 256 of the Companies Act, 1956 and being eligible offer themselves for re-appointment.



Brief Profile of Mr. C V Jagadish who retires by rotation and is eligible for re-appointment:

Mr. C V Jagadish has vast experience in the business development arena and semi conductor industry. Mr. C V Jagadish was the Vice President of the marketing and Business Development division of Systems on Silicon Manufacturing Company Pte. Ltd., (SSMC) before he was appointed as CEO of SSMC on December 15, 2006. Mr. C V Jagadish graduated with a Bachelor of Electronics and communication (1st Class Honors) from the National Institute of Engineering Mysore, India in 1979 and began his career as an Engineer with Indian Telephone Industries and National Semiconductors Singapore, before advancing to holding several key managerial positions in the private sectors. He was a Director with FEI Company of USA before embarking his career with SSMC, Singapore.

Mr. C V Jagadish does not hold any directorship in any other company. Mr. C V Jagadish does not hold any equity shares of the Company as on 31st March 2012.

Brief profile of Mr. L. Nicholas, who retires by rotation and is eligible for re-appointment:

Mr. L. Nicholas has a degree in Bachelor of Engineering (Electronics and Communications) from Bangalore University. He had joined Communication division of ISRO Satellite Centre, Department of Space Bangalore and served this organization for about 23 years. During the period he had been actively associated with design, development, training and qualification of various Onboard Satellite Antennas and ground based Antennas.

Major contributions at ISRO

- 1) Responsible for setting up Antenna test ranges both indoor (Anechoic Chamber) and outdoor test ranges.
- 2) Designed and developed shaped beam Antennas for Indian remote sensing satellites to transmit data in S-band and X-band.
- 3) As a project manager for antennas and passive systems of Indian remote sensing satellites, IRS-IC and IRS ID, he had been responsible for engineering wave guide plumbing and feed network at X-Band which went on board for the first time on Indian Satellite.

Since May 1997, he has been with Kavveri, heading its R & D. He has been responsible for design, development of various RF products and Antennas in Indian Satellite.

Awards:

- 1) Distinguished Achievement Award from Department of Space (DOS) for his contribution for the first Indian satellite "Aryabhata".
- 2) National Research and Development Corporations (NRDC) Independence Day award in the year 1995 for the design and development of Satellite hand held phone Antenna in UHF/L/S band.

Patents:

- 1) He holds a patent for triband satellite hand held phone Antenna (UHF/L/S band) registered at European Patent Agency. This Antenna was developed at ISRO on contract with INMARSAT – UK.

Technical publications:

He has about 16 papers published in foreign and Indian journals viz., IEEE, European microwave conference, Japan Microwave and Space Symposium etc.

Mr. L Nicholas does not hold directorship in any other company. Mr. L Nicholas holds 4700 equity shares of the company as on 31st March 2012.

Annual General Meetings:

The last three Annual General Meetings of the Company were held as under:

| Year | Venue | Date & Time |
|------|--|-----------------------|
| 2009 | Plot No. 9, I Main, II Stage, Arakere MICO Layout, Bannerghatta Road, Bangalore 560 076. | 30-09-2009 & 10.00 AM |
| 2010 | 31-36, 1st Main, 2nd Stage, Arakere MICO Layout, Bannerghatta Road, Bangalore 560 076. | 30-09-2010 & 10.00 AM |
| 2011 | 31-36, 1st Main, 2nd Stage, Arakere MICO Layout, Bannerghatta Road, Bangalore 560 076. | 30-09-2011 & 10.00 AM |

| AGM | Whether any special resolutions passed | Whether any special resolution passed last year through postal ballot | Whether any special resolution is proposed to be conducted through postal ballot | Procedure for Postal Ballot |
|------|--|---|--|-----------------------------|
| 2011 | No | No | No | NA |
| 2010 | No | No | No | NA |
| 2009 | No | No | No | NA |

Disclosures:

The Company has complied with the requirements of listing agreement/ regulations / guidelines / rules of the Stock Exchange / SEBI / other statutory authorities.

There has not been any non-compliance, penalties or strictures imposed by the Stock Exchange, SEBI or any other Statutory Authority, on any matter relating to Capital Markets during the last 3 years.

Means of Communication

The quarterly / half-yearly / annual / un-audited / audited financial results are sent to the Stock Exchanges immediately after they are approved by the Board of Directors.

The Results are published in the widely- circulated Business Standard a leading English edition. The Company does not send Half Yearly reports to the shareholders.

All official news release and financial results are communicated by the company through its corporate website www.kaveritelecoms.com

General Shareholders Information

| | | |
|----------------|---|---|
| AGM | : | Seventeenth Annual General Meeting |
| Date & time | : | 29.09.2012 10.00 a.m. |
| Venue | : | Plot No. 31-36, I Main, II Stage, Arakere MICO Layout, Bannerghatta Road, Bangalore 560 076 |
| Financial year | : | 1st April 2011 to 31st March 2012 |
| Book Closure | : | 21.09.2012 to 29.09.2012 (both days inclusive) |

Dividend Payment date : 5th October 2012

Listing and Trading on Stock Exchanges:

| Sl.No. | Name & Address of the Stock Exchange | Stock Code |
|--------|---|----------------------------------|
| 1. | National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai- 400 051 | KAVVERITEL |
| 2. | Bangalore Stock Exchange Ltd., Stock Exchange Towers, No. 51, 1st Cross, J C Road, Bangalore 560 027 | KAVERITELE |
| 3. | Bombay Stock Exchange Ltd., 25th Floor, P J Towers, Dalal Street, Mumbai 400 001 | 590041 (Group B) BSE Indonext |

The listing fee for the year 2012-13 has been paid to all the Stock Exchanges where the Company's shares are listed.

Share Transfer System

The Shareholders Committee of the Board of Directors of the Company are authorized to approve, allot, transfer, transmission of shares, consolidation, split of share certificates, issue of duplicate share certificates in lieu of misplaced/lost share certificates, renewal of share certificates, dematerialization/re-materialization of shares.

The Shareholders and Investors Grievances Committee meets as often as required (depending upon the share transfers received) to consider and approve all share related matters.

Transfers in Physical form are registered by our Registrar and Share Transfer Agents M/s Integrated Enterprises (India) Ltd (Erstwhile M/s Alpha Systems Private Ltd.) within 21 days of receipt of documents complete in all respects. Invalid Share Transfers are returned within 15 days of receipt.

Market Price Data:

Monthly High, Low and Trading volumes for the F.Y. 2011-12 in Bombay Stock Exchange is as follows:

| Month | Open | High | Low | Close | No. of Shares | No. of Trades | Total Turnover (in Rs.) | Spread | |
|--------|--------|--------|--------|--------|---------------|---------------|-------------------------|--------|--------|
| | | | | | | | | H-L | C-O |
| Apr 11 | 118.50 | 142.75 | 117.00 | 125.55 | 17,20,664 | 8115 | 22,20,63,316 | 25.75 | 7.05 |
| May 11 | 126.45 | 137.35 | 120.50 | 128.00 | 21,54,238 | 16,920 | 27,47,60,625 | 16.85 | 1.55 |
| Jun 11 | 129.00 | 176.95 | 128.05 | 156.95 | 28,98,106 | 21,445 | 42,17,87,299 | 48.90 | 27.95 |
| Jul 11 | 164.50 | 190.00 | 146.00 | 149.05 | 14,49,006 | 8,583 | 22,87,13,298 | 44.00 | -15.45 |
| Aug 11 | 161.05 | 171.00 | 118.00 | 129.35 | 9,52,056 | 7,715 | 12,97,41,880 | 53.00 | -31.70 |
| Sep 11 | 130.10 | 161.00 | 127.00 | 135.25 | 8,16,538 | 10,174 | 11,06,22,238 | 34.00 | 5.15 |
| Oct 11 | 135.00 | 165.00 | 130.00 | 140.70 | 7,12,793 | 7,659 | 9,75,07,188 | 35.00 | 5.70 |
| Nov 11 | 140.10 | 150.00 | 122.45 | 135.05 | 7,31,917 | 5,813 | 9,85,14,234 | 27.55 | -5.05 |
| Dec 11 | 147.50 | 147.50 | 123.00 | 128.65 | 11,45,207 | 8,998 | 14,95,97,080 | 24.50 | -18.85 |
| Jan 12 | 129.25 | 154.00 | 122.85 | 144.25 | 13,37,358 | 13,587 | 17,90,11,670 | 31.15 | 15.00 |
| Feb 12 | 164.00 | 181.00 | 143.00 | 164.25 | 11,39,529 | 13,139 | 18,10,38,649 | 38.00 | 0.25 |
| Mar 12 | 165.50 | 191.00 | 156.75 | 166.10 | 14,12,422 | 9,342 | 22,95,07,666 | 34.25 | 0.60 |

Monthly High, Low and Trading volumes for the F.Y. 2011-12 in National Stock Exchange is as follows:

| Month | Open | High | Low | Last Traded | Close | Total Traded Qty. | Turnover (in Rs. Lakhs) |
|---------|--------|--------|--------|-------------|--------|-------------------|-------------------------|
| Apr 11 | 127.95 | 129.00 | 124.20 | 124.50 | 124.80 | 122797 | 154.39 |
| May 11 | 126.00 | 129.00 | 124.95 | 128.00 | 127.85 | 87039 | 111.12 |
| June 11 | 153.55 | 158.00 | 153.50 | 157.20 | 157.30 | 65044 | 101.55 |
| July 11 | 151.00 | 151.00 | 146.50 | 148.65 | 148.60 | 59489 | 88.38 |
| Aug 11 | 124.00 | 130.00 | 124.00 | 128.00 | 128.25 | 32611 | 41.85 |
| Sept 11 | 139.00 | 142.35 | 134.10 | 134.70 | 135.00 | 31404 | 42.79 |
| Oct 11 | 141.50 | 143.30 | 139.65 | 140.00 | 140.05 | 58545 | 82.65 |
| Nov 11 | 133.00 | 134.90 | 131.00 | 134.85 | 134.60 | 35874 | 47.74 |
| Dec 11 | 126.20 | 129.55 | 126.20 | 128.50 | 128.20 | 86305 | 111.39 |
| Jan 12 | 140.00 | 144.85 | 139.30 | 144.75 | 143.85 | 109723 | 155.99 |
| Feb 12 | 164.00 | 167.00 | 162.00 | 163.75 | 163.90 | 41488 | 68.60 |
| Mar 12 | 158.60 | 171.95 | 156.90 | 164.00 | 166.55 | 51678 | 84.22 |

Shareholding Pattern as on 30th June 2012

1(a) Statement showing Shareholding pattern.

| Partly paid-up shares :- | No of partly paid-up shares | As a % of total no. of partly paid-up shares | As a % of total no. of shares of the Company |
|---|------------------------------|---|--|
| Held by promoter/promoter group | - | - | - |
| Held by Public | - | - | - |
| Total(D) | - | - | - |
| Outstanding convertible securities :- | No of outstanding securities | As a % of total no. of outstanding convertible securities | As a % of total no. of shares of the company, assuming full conversion of the convertible securities |
| Held by promoter/promoter group | - | - | - |
| Held by Public | - | - | - |
| Total(E) | - | - | - |
| Warrants :- | No of warrants | As a % of total no. of warrants | As a % of total no. of shares of the Company, assuming full conversion of warrants |
| Held by promoter/promoter group | - | - | - |
| Held by Public | - | - | - |
| Total(F) | - | - | - |
| Total paid-up capital of the company, assuming full conversion of warrants and convertible securities (A+B+C)+(D+E+F) | 20,124,260 | - | 100.00 |

Shareholding Pattern as on 30th June 2012

| Category Code | Category of Shareholders | Total Number of share holders | Total Number of Shares | Number of shares held in dematerialized form | Total share holdings as a % of total number of shares | | Shares pledged or otherwise encumbered | |
|---------------|--|-------------------------------|------------------------|--|---|-------------------|--|--------------------------------------|
| | | | | | As a % of (A+B)1 | As a % of (A+B+C) | Number of shares | As a percentage (IX=(VIII)/(I V)*100 |
| (I) | (II) | (III) | (IV) | (V) | (VI) | (VII) | (VIII) | (IX=(VIII)/(I V)*100 |
| (A) | Shareholding of Promoter and Promoter Group[2] | | | | | | | |
| (1) | Indian | | | | | | | |
| (a) | Individuals/ Hindu Undivided Family | 3 | 6,470,573 | 6,470,573 | 32.15 | 32.15 | 2,166,000 | 33.47 |
| (b) | Central Government/ State Government(s) | - | - | - | - | - | - | - |
| © | Bodies Corporate | - | - | - | - | - | - | - |
| (d) | Financial Institutions/ Banks | - | - | - | - | - | - | - |
| (e) | Any Other (specify) | - | - | - | - | - | - | - |
| | Sub-Total (A)(1) | 3 | 6,470,573 | 6,470,573 | 32.15 | 32.15 | 2,166,000 | 33.47 |
| (2) | Foreign | | | | | | | |
| (a) | Individuals (Non-Resident Individuals/ Foreign Individuals) | - | - | - | - | - | - | - |
| (b) | Bodies Corporate | - | - | - | - | - | - | - |
| © | Institutions | - | - | - | - | - | - | - |
| (d) | Qualified Foreign Investor | - | - | - | - | - | - | - |
| (e) | Any Other (specify) | - | - | - | - | - | - | - |
| | Sub-Total (A)(2) | 0 | 0 | 0 | 0.00 | 0.00 | - | - |
| | Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2) | 3 | 6,470,573 | 6,470,573 | 32.15 | 32.15 | 2,166,000 | 33.47 |
| (B) | Public shareholding[3] | | | | | | | |
| (1) | Institutions | | | | | | | |
| (a) | Mutual Funds/ UTI | - | - | - | - | - | - | - |
| (b) | Financial Institutions/ Banks | - | - | - | - | - | - | - |
| © | Central Government/ State Government(s) | - | - | - | - | - | - | - |
| (d) | Venture Capital Funds | - | - | - | - | - | - | - |
| (e) | Insurance Companies | 3 | 1,887,021 | 1,887,021 | 9.38 | 9.38 | | |
| (f) | Foreign Institutional Investors | 7 | 2,704,173 | 2,704,173 | 13.44 | 13.44 | | |
| (g) | Foreign Venture Capital Investors | 1 | 987,500 | 987,500 | 4.91 | 4.91 | | |
| (h) | Qualified Foreign Investor | - | - | - | - | - | | |
| (i) | Any Other (specify) | - | - | - | - | - | | |
| | Sub-Total (B)(1) | 11 | 5,578,694 | 5,578,694 | 27.72 | 27.72 | | |
| (2) | Non-institutions | | | | | | | |
| (a) | Bodies Corporate | 186 | 2,470,232 | 2,470,231 | 12.27 | 12.27 | | |
| (b) | Individuals - | | | | | | | |
| | i. Individual shareholders holding nominal share capital up to Rs. 1 lakh. | 4,945 | 1,705,445 | 1,629,599 | 8.47 | 8.47 | | |
| | ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh. | 36 | 3,377,835 | 3,377,835 | 16.78 | 16.78 | | |
| © | Qualified Foreign Investor | | | | | | | |
| (d) | Any Other (specify) | | | | | | | |
| | NRI | 98 | 224,059 | 224,059 | 1.11 | 1.11 | | |
| | Clearing Member | 79 | 297,422 | 297,422 | 1.48 | 1.48 | | |
| | Sub-Total (B)(2) | 5,344 | 8,074,993 | 7,999,146 | 40.13 | 40.13 | | |
| | Total Public Shareholding (B)= (B)(1)+(B)(2) | 5,355 | 13,653,687 | 13,577,840 | 67.85 | 67.85 | | |
| | TOTAL (A)+(B) | 5,358 | 20,124,260 | 20,048,413 | 100.00 | 100.00 | 2,166,000 | 10.76 |
| © | Shares held by Custodians and against which Depository Receipts have been issued | | | | | | | |
| 1 | Promoter and Promoter Group | - | - | - | - | - | - | - |
| 2 | Public | - | - | - | - | - | - | - |
| | Sub-Total © | - | - | - | - | - | - | - |
| | GRAND TOTAL (A)+(B)+© | 5,358 | 20,124,260 | 20,048,413 | 100.00 | 100.00 | 2,166,000 | 10.76 |

Name and Designation of the Compliance Officer:

Mr. Sidharth C A : Company Secretary
Telephone No : 080-41215999/60/61
Fax : 080-41215966
E-mail : companysecretary@kaveritelecoms.com
complianceofficer@kaveritelecoms.com

Registrar and Share Transfer Agents

M/s Integrated Enterprises (India) Ltd
No 12, Ramanuja Plaza, Ground Floor,
5th Cross, Malleswaram,
Bangalore - 560 003
Ph: 080- 23446386
Fax: 080-23461470
Email: bglmalles@iepindia.com

Manufacturing Facility

- 1) Kavveri Telecom Products Ltd.
Plot No. 104, Suragajakkanahalli,
Kasaba Hobli, near Jigani,
Anekal Road Bangalore 560 106
- 2) P O Box 550 500, Van Buren Street,
Kempville, ON K0G1J0 Canada.
- 3) 7730, TransCanadienne RTE,
Saint Larent, Quebec, Canada H4T1A5
- 4) C/Brezo, 60 Arganda Del rey,
Madrid 28500 Spain
- 5) Prolong, Recursos Hidraulicos,
1 E Colonia la Loma, Tlalnepantla,
Edo de Mexico, MX – 54060 Mexico

MANAGING DIRECTOR CERTIFICATION ON CORPORATE GOVERNANCE

I, C Shivakumar Reddy, Managing Director of Kavveri Telecom Products Limited, to the best of my knowledge and belief, certify that:

1. I have reviewed the balance sheet and profit and loss account (standalone and consolidated), and all its schedules and notes on accounts, as well as the cash flow statements and the directors' report;
2. Based on my knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;
3. Based on my knowledge and information, the financial statements and other financial information included in this report present in all material respects are a true and fair view of the company's affairs, the financial condition, results of operations and cash flows of the company as of and for the periods presented in this report and are in compliance with the existing accounting standards and / or applicable laws and regulations;
4. To the best of my knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violation to the company's code of conduct;
5. I am responsible for establishing and maintaining disclosure controls, procedures and internal controls over financial reporting for the company, and we have:
 - a) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - b) Evaluated the effectiveness of the company's disclosure, controls and procedures; and
 - c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting
6. We have disclosed based on our most recent evaluation, wherever applicable, to the company's auditors and the audit committee of the company's Board of Directors (and persons performing the equivalent functions)
 - a) All deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data, and have identified for the company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
 - b) Significant changes in internal controls during the year covered by this report;
 - c) All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
 - d) Instances of significant fraud of which we are aware, that involves management or other employees who have a significant role in the company's internal controls system;

7. In the event of any materially significant misstatements or omissions, we will return to the company that part of any bonus or incentive or equity-based compensation, which was inflated on account of such errors, as decided by the audit committee;
8. I affirm that we have not denied any personnel, access to the audit committee of the company (in respect of matters involving alleged misconduct) and we have provided protection to 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and
9. I further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Bangalore

Date: 5th September 2012

C SHIVAKUMAR REDDY
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

PROFILE:

Kavveri Telecom Products Limited is a leading telecom wireless subsystem products manufacturer, providing world-class, hardware products and solutions for the Telecom, Defence & Aerospace segments.

Founded in 1991, Kavveri Telecom designs, develops, tests and manufactures a diverse range of wireless Telecom products, from concept to deployment. With over 500 R&D man-years of experience and over 20 years of high paced growth, Kavveri Telecom is uniquely positioned to offer an array of world-class products and solutions to meet product and sub-system requirements of Telecom manufacturers, Carriers, Defence and Space clients. The Company enjoys the status of being the largest Indian transnational manufacturer of Antennas & RF products with overseas offices, distributed R&D, and foreign acquisitions resulting in market access spanning four continents and is committed to meet the expectations of its share holding community, clients, business partners and employees.

FINANCIAL OVERVIEW:

Financial year 2011-12 has seen a tremendous growth with our net sales increased by 47% to Rs. 454.28 Crores as compared to Rs 308.70 Crores in the previous financial year 2010-11. Our profit after tax increased by 26% to Rs. 48.08 Crores when compared to Rs. 38.25 Crores. in the previous year FY 2010-11, The growth during the last two quarters of the financial year was supported by our new acquisition of telecom division of RYMSA TELECOMS, SPAIN and MEXICO in November 2011 opening up European and Latin American markets to the company.

For the financial year 2012-13, the company has acquired the wireless division of WPCS International Inc, USA subsequently renaming the division as Quality communications Systems Inc, Lakewood, New Jersey, USA and New England Communications systems Corp., Hartford, Connecticut, USA. These acquisitions should pave way for Kavveri to expand its base across USA leading to further increase in revenue and profits.

DEVELOPMENTS AND EXPANSIONS:

Telecom Applications:

The growth of Cellular Industry is rapid with the present subscriber base of approximately 900 million. Company's RF products and Antennas are the requirements for the cellular industry to have their network roll out to increase the subscriber base and revenues by maximizing the existing capacity utilization of the operators.

To enable seamless connectivity to the targeted subscribers, TRAI has projected need of additional 330,000 cell sites. This would provide strong thrust to the wireless telecom sub-system product manufacturing companies like Kavveri.

The advent of 4G should spur the requirement of Kavveri products more in India and abroad. Your Company's Infrastructure and products are already 4G ready. Having a positive forecast of the regulations to be introduced in the telecom industry, your company forecasts enormous opportunity in 4G with readily available infrastructure and products.

Defense and Space Applications:

Your Company has been pursuing various opportunities in defense and space segments and it has worked on the prototypes of these products. Your Company has designed, developed and delivered some of these products to defense and space establishments.

Some of the prototypes have been approved by the defense and space industry and these are expected to generate huge revenues in the coming years. Your Company has received a very positive response from the Defense and Space segments and has been entrusted with the design developments of various RF products and Antennas for Defense and Space applications.

Your company is planning to foray into the international markets for defence & space and actively looking for opportunities of both organic and inorganic expansion in this segment.

In building Solutions:

Your Company's subsidiary "Kavveri Telecom Infrastructure Limited" (KTIL) is providing coverage solutions to the wireless network carriers for a positive

customer experience. KTIL is the collaborator with the mobile operators in the IBS sphere by enhancing the quality and coverage of the signal. Selling quality service has become an increasingly important step to prevent attrition of the installed customer base. KTIL acts as a Neutral Host Provider to multiple operators. Neutral Host Provider is an entity that designs, deploys and maintains systems on a common platform to benefit upto 8 operators simultaneously via a single distribution backbone. It saves opex and capex for the operators.

Your company's unique solutions takes care of 2G, 3G, 4G, Mobile television, WiFi, BWA and CDMA and all the future Technology upgrades for another 10 years. Currently, KTIL has deployed its services in 125 buildings in India and the projected demand will increase this to 3000 buildings in next 5 years.

Your company's new acquisitions Quality communications Systems Inc and New England Communications systems Corp. will further open up new markets in the field of In building solutions in US markets and also an opportunity for Kavveri to bring US technology to India in the fields of Public Safety and Cellular Applications, Network Solutions, Mobile Data, Asset Tracking, Radio Systems, Video solutions, Wireless Infrastructure and Integrated Business Systems.

PRODUCT WISE PERFORMANCE:

Antennas & RF Products:

Your Company during the year has sold large quantity of RF Products & Antennas for GSM, CDMA, 2G, 3G and LTE Carriers across the globe.

The Antennas supplied were Yagi Antenna, Omni Antenna, Patch Panel Antenna, Multi-port antennas and Base Station Antenna. Base Station antennas are the first critical component of wireless infrastructure. They capture wireless signals from the users' handsets, delivers the radio frequency (RF) signal from the base station radio back to the handset and sends signals to operators base stations.

With all operators heading towards tapping the rural market for data, the new technology of Wimax plays a major contributor. Your company has ready to offer solutions to meet these vast requirements in terms of Wimax Antennas, GPS Systems etc.

The RF Products supplied during the year were TMA, TMB, filters, combiners, splitters, couplers etc. RF Products & Antennas are having reasonable margins. Your company has started supplying RF subsystems components for mission critical applications of defence and aerospace segments.

In-building Solutions:

Your Company during the year has been able to establish itself as a major player in in-building solutions with GSM, CDMA, 2G and 3G Carriers like Vodafone, Airtel, Idea, Reliance & Tata Tele Services. Your Company sees growing opportunities going forward in In-building solutions with reasonable margins.

Your Company has formed a new subsidiary to meet this growing demand for In-building solutions. This subsidiary caters to Build, Operate, & Lease model projects which are a welcome relief to the operators as they give them a good value addition to their markets in addition to savings in Capex and Opex. This subsidiary is ready with solutions for 4G, mobile television, WiFi and BWA. The added subsidiaries in the US will further enhance the potential and opportunities for Kavveri in in-building solutions area.

Outlook:

The products your company manufactures are all in high growth segments. The outlook for your company's products in wireless Telecom world-wide is very encouraging with the growing network roll out action plans of various operators to meet the demands of the subscribers. Telecommunication is the backbone of a flourishing economy. Your Company's entry into defense and space segments will allow it to tap the huge potential over a longer period. Your Company sees In-building solutions as huge growth opportunities for the next 3-4 years as IBS Infrastructure is mandatory for large building in many countries and will be soon in India.

Opportunities and Threats:

Your Company has designed and developed various RF Products and Antennas for 3G, 4G & other Wireless Technologies. Some of them are approved and some of them are in the process of approval. Your Company sees great opportunities for these products. Your Company is also tapping the opportunities for its products in defense and space applications. Also, your company is pursuing the opportunities for its products in the Canadian, Latin American European & US Markets.

Capacity Expansion

Your company has shifted its manufacturing facility to Jigani, about 25 km away from Bangalore under one roof. This new facility, comprising of 3 floors built on the company's own land, is approximately 1,50,000 square foot in area- the largest facility in India for RF Products. We started operations in this facility from the end of February 2009. We plan to dedicate one of the floors for contract manufacturing and are under discussions with some firms for the same.

We are also planning for tie-ups with partners for manufacturing in India and will also manufacture items for our overseas subsidiaries. We have also started a dedicated EOU in this facility.

OUR INFRASTRUCTURE:

R&D infrastructure:

The infrastructure in terms of equipments and tools available with your R&D is as follows;

1. Network Analyzers upto 20GHz
2. Spectrum Analyzers upto 26.6GHz
3. Signal Generators
4. Oscilloscopes
5. PIM Analyzer 900
6. PIM Analyzer 1800
7. RF Communication test set
8. PIM Analyzer 1900
9. Anechoic chamber for Antenna testing
10. Satimo Star Lab for Base Station Antenna testing
11. Environmental Chamber
12. Vibration test table
13. Bump and shock table
14. Wideband Amplifiers

Software Tools in R&D:

1. Advanced design software (ADS) for 2D circuit and EM Simulation
2. CST Microwave studio for 3D EM simulation, Time domain
3. WIPL-D 3D EM simulation frequency domain
4. Auto CAD Inventor – Mechanical 3D design tool
5. Solidworks – Mechanical 2D design tool
6. AutoCAD – Mechanical 2D design tool
7. EDWIN 2000 – PCB design tool

Infrastructure at the manufacturing plant at Jigani

1. Backup power of 180KVA
2. Sewage treatment plant
3. Microwave antenna reflector hydraulic press
4. Cable cutting and stripping machine
5. Network analyzers
6. Antenna Tester
7. ROHS Soldering stations
8. Semi automatic assembly lines
9. Machine shop
10. Painting shop
11. Passive Inter-modulation testing facility (PIM)
12. Near Field measuring test Set up
13. Environment test facility.

AWARDS:

Your company was awarded as Deloitte Technology Fast 50 India 2011 winner. This would not have been possible without your support and encouragement.

Risks and Concern:

Our business faces risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, results of operations or financial conditions could suffer and the trading price of our shares could decline.

We rely upon a few customers for the majority of our revenues and the loss of any one of these customers or rescheduling of orders from any of these customers would have material adverse effect on our business, results of operations and financial condition.

Our success is tied to the growth of the wireless services communications market and our future revenue growth is dependent on the expected increase in the size of the market.

Internal Control Systems and their adequacy:

KTPL has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against any loss and all the transactions are authorized, recorded and reported correctly.

The internal control system is designed to ensure that the financial and other records are reliable for preparing final statements and maintaining accountability of assets. The system is also supplemented by reviews undertaken by the management and the Audit Committee of the findings and recommendations of the internal audit.

Major Developments in Human Resources / Industrial Relations Front:

Human Resources are the center of focus at KTPL. They are the driving force behind the accelerated growth of the Company. KTPL provides constant training and development to ensure both personnel and technical enhancement. Several new initiatives in terms of new HR policies, benefits to employees, new recruitments have taken Kavveri into a higher growth path. The employer and employee relationship has been cordial and the directors wish to place on record their appreciation for the contribution of all the employees towards the growth of the company.



AUDITORS' REPORT

To

The Members of Kavveri Telecom Products Limited

1. We have audited the attached Balance Sheet of M/s Kavveri Telecom Products Limited as at 31st March, 2012, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 (as amended) issued by Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books;

- c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account and returns;
- d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act,1956 to the extent applicable.
- e. On the basis of written representations received from the Directors, as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act,1956; and
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act,1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - I) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March,2012;
 - ii) in the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For S. Janardhan & Associates

Chartered Accountants

B. Anand

Partner

Membership No. : 29146

Firm Registration No:-005310S

Place: Bangalore,
Date: May 30, 2012

ANNEXURE TO AUDITOR'S REPORT OF M/s KAVVERI TELECOM PRODUCTS LIMITED

Referred to in Paragraph 3 of our report of even date

1. a. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b. The Company has a regular programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management during the year and we are informed that no material discrepancies were noticed on such verification.
c. In our opinion, there was no substantial disposal of fixed assets by the Company during the year.
2. a. The management has conducted physical verification of inventory at reasonable intervals during the year.
b. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
c. The Company has maintained proper records of inventory and as explained to us, no material discrepancies were noticed on physical verification of inventory as compared to the book records.
3. a. As informed, the Company has granted unsecured loan to five companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1,135.14 Million and the year-end balance was Rs. 891.86 Million. However, the Company has not granted any loan, secured or unsecured, to firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
b. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which such loans have been granted are not prima facie prejudicial to the interest of the Company.
- c. The receipt of the principal amount and interest are in accordance with the terms and conditions of such granted loan.
- d. There are no overdue amounts due from such parties.
- e. The company has not taken any loan secured/ unsecured from firms. However in respect of unsecured loans taken from two parties and one company covered in the register maintained under section 301 of the Companies Act, 1956, the maximum amount involved was Rs. 48.25 Million and the year-end balance was Rs.Nil.
- f. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which such loans have been taken are not prima facie prejudicial to the interest of the Company.
- g. As the loans taken were repaid before the end of the year, the clause relating to the repayment is not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business with regard to the purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5. a. In our opinion and according the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under section 301 of the Companies Act, 1956.
b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing

market prices at the relevant time except that reasonableness could not be ascertained where comparable quotations are not available having regard to the specialized nature of some of the transactions of the Company.

6. The Company has not accepted any deposits from the public and hence provisions of para (vi) of the said order (as amended) are not applicable.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. We have broadly reviewed the books of account relating to material, labour and other items of cost maintained by the company, pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, and we are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. a. According to the information and explanations given to us and books and records produced by the company and examined by us, in our opinion, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess wherever applicable and other material statutory dues have been generally regularly deposited with the appropriate authorities. However we have observed delays in remittance of Income Tax, Dividend Tax.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and cess were in arrears as at 31st March 2012 for a period more than six months from the date they became applicable.
- c. According to the information and explanations given to us, there are no dues of Income tax, Sales tax Wealth tax, Service tax, Customs Duty, Excise duty, and cess which have fallen due on or before 31st March 2012 and not been deposited with appropriate authorities on account of any dispute except for the following:

| Name of the Statute | Nature of dues | Amount (Rs. in Lakhs) | Period to which amount relates | Forum where dispute is pending |
|--|--|-----------------------|--------------------------------|--|
| Central Excise | Availment of cenvat credit (Including Penalty) | 5035.8 | February 2007 to March 2009 | CESTAT Bangalore |
| However, the authorities have granted stay of the above, on payment of Rs. 2 .15 crore within specific period. | | | | |
| Central Excise | Irregular availment of Cenvat Credit (Including Penalty) | 33.2 | 2010-2011 | Commissioner of Customs and Central Excise (Appeals) Bangalore |
| Sales Tax | Rate of tax levied | 63.2 | 2007-08 to 2009-10 | Joint Commissioner of Commercial Taxes(Appeals) Bangalore |
| Income Tax | Disallowance of certain claims and deductions | 514.1 | 01.04.2008 to 31.03.2009 | Commissioner of Income Tax Appeals-I Bangalore |

10. The company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks. The company has no debenture holders.

12. In our opinion and according to the information and explanations given to us, the Company has not granted any loan or advance, on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments except those investments, which are held as investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
15. According to the information and explanations given to us, the Company has given guarantees for loans taken from banks by a subsidiary company and prima facie, the terms and conditions on which such guarantees have been extended are not prejudicial to the interest of the Company.
16. According to the information and explanations given to us, term loans availed by the Company were, prima facie, utilized by the company for the purposes for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investments.
18. During the year, the company has made preferential allotment of shares to four parties covered in the register maintained under section 301 of the Companies Act, 1956 and in our opinion, the price at which the shares have been issued is not prejudicial to the interest of the Company.
19. During the year, the Company has not issued debentures and hence the provisions of clause (xix) of para 4 of this order (as amended) are not applicable.
20. The company has not raised any money by way of public issue during the year and hence the provisions of clause (xx) of Para 4 of this order (as amended) are not applicable.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practice in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company noticed or reported during the year nor we have been informed of such case by the management.

For **S. Janardhan & Associates**
Chartered Accountants

B. Anand
Partner

Membership No. : 29146
Firm Registration No:-0053105

Place: Bangalore,
Date: May 30, 2012

KAVVERI TELECOM PRODUCTS LIMITED

Balance Sheet as at 31.03.2012

| Particulars | Note No. | 31.03.2012 Rs. | 31.03.2011 Rs. |
|--|----------|----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| a) Share Capital | 2.1 | 201,242,600 | 140,689,800 |
| b) Reserves and Surplus | 2.2 | 2,381,225,452 | 1,392,514,043 |
| Share application money pending allotment | | - | 1,22,381,445 |
| Non-current liabilities | | | |
| a) Long-term borrowings | 2.3 | 5,582,533 | 34,334,128 |
| b) Deferred tax liabilities (Net) | 2.4 | 76,391,000 | 81,606,000 |
| c) Other Long term liabilities | | - | - |
| d) Long-term provisions | 2.5 | 292,367,496 | 264,231,441 |
| Current liabilities | | | |
| a) Short-term borrowings | 2.6 | 633,774,896 | 589,557,196 |
| b) Trade payables | 2.7 | 364,991,957 | 113,260,851 |
| c) Other current liabilities | 2.8 | 46,196,274 | 47,860,568 |
| d) Short-term provisions | 2.9 | 333,269,773 | 255,714,736 |
| TOTAL | | 4,335,041,981 | 3,042,150,208 |
| ASSETS | | | |
| Non-current assets | | | |
| a) Fixed Assets | | | |
| (i) Tangible assets | 2.10 | 410,395,258 | 366,024,611 |
| (ii) Intangible assets | 2.10 | 92,578,981 | 39,699,622 |
| (iii) Capital work-in-progress | | 1,356,638 | 64,283,047 |
| b) Non-current Investments | 2.11 | 488,570,160 | 418,827,300 |
| c) Deferred tax assets (Net) | | - | - |
| d) Long-term loans and advances | 2.12 | 1,001,469,800 | 180,016,004 |
| e) Other non-current assets | 2.13 | 122,298,272 | 14,393,385 |
| Current Assets | | | |
| a) Current Investments | | - | - |
| b) Inventories | 2.14 | 583,831,284 | 611,304,469 |
| c) Trade receivables | 2.15 | 995,634,254 | 803,411,518 |
| d) Cash and bank balances | 2.16 | 31,353,275 | 3,142,307 |
| e) Short-term loans and advances | 2.17 | 596,673,192 | 539,312,066 |
| f) Other current assets | 2.18 | 10,880,867 | 1,735,879 |
| TOTAL | | 4,335,041,981 | 3,042,150,208 |

The accompanying notes are an integral part of the financial statements.

For and on behalf of the Board of Directors of
Kavveri Telecom Products Limited

As per our report of even date
for **S.Janardhan and Associates**
Chartered Accountants
Firms' Registration No.005310S

C.Shivakumar Reddy
Managing Director

R.H.Kasturi
Director

Sidharth.C.A
Company Secretary

B.Anand
Partner
Membership No.029146

Place: Bangalore
Date: 30.05.2012

KAVVERI TELECOM PRODUCTS LIMITED

Statement of Profit and Loss for the year ended 31.03.2012

| Particulars | Note No. | 31.03.2012 Rs. | 31.03.2011 Rs. |
|--|-------------|----------------------|----------------------|
| Revenue from operations(Gross) | 2.21 | 3,368,091,415 | 2,568,669,753 |
| Less: Excise Duty | | 27,752,312 | 12,955,680 |
| | | 3,340,339,103 | 2,555,714,073 |
| Other Income | 2.22 | 162,671,006 | 228,039,008 |
| Total Revenue | | 3,503,010,109 | 2,783,753,081 |
| Expenses: | | | |
| Cost of materials consumed and Purchases Stock-in -Trade | 2.23 | 2,452,175,702 | 2,371,358,328 |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | 2.24 | 116,448,560 | (322,487,222) |
| Employee benefits expense | 2.25 | 90,972,463 | 72,126,420 |
| Finance costs | 2.26 | 126,740,593 | 103,812,620 |
| Depreciation and amortisation expense | 2.27 | 39,998,918 | 38,967,668 |
| Other expenses | 2.28 | 133,607,352 | 70,821,683 |
| Total Expenses | | 2,959,943,588 | 2,334,599,497 |
| Profit before exceptional and extraordinary items and tax | | 543,066,521 | 449,153,584 |
| Exceptional items | 2.29 | 1,988,200 | 4,382,609 |
| Profit before extraordinary items and tax | | 541,078,321 | 444,770,975 |
| Extraordinary Items | | - | - |
| Profit before Tax | | 541,078,321 | 444,770,975 |
| Tax expense: | | | |
| (1) Current tax | | 134,010,000 | 111,306,000 |
| (2) Deferred tax | | (5,215,000) | (7,697,000) |
| Profit for the year from continuing operations | | 412,283,321 | 341,161,975 |
| Profit / (Loss) from discontinuing operations | | - | - |
| Tax expense of discontinuing operations | | - | - |
| Profit/ (Loss) from Discontinuing operations (after tax) | | - | - |
| Profit for the period | | 412,283,321 | 341,161,975 |
| Earnings per share: | | | |
| (1) Basic | | 23.09 | 31.87 |
| (2) Diluted | | 23.05 | 30.18 |

The accompanying notes are an integral part of the financial statements.

For and on behalf of the Board of Directors of
Kavveri Telecom Products Limited

As per our report of even date
for **S.Janardhan and Associates**
Chartered Accountants
Firms' Registration No.005310S

C.Shivakumar Reddy
Managing Director

R.H.Kasturi
Director

Sidharth.C.A
Company Secretary

B.Anand
Partner
Membership No.029146

Place: Bangalore
Date: 30.05.2012

KAVVERI TELECOM PRODUCTS LIMITED

2. NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2012

The previous year figures have been regrouped / reclassified, wherever necessary to conform to the current year presentation.

2.1 SHARE CAPITAL

| Particulars | As at 31.03.2012 Rs. | As at 31.03.2011 Rs. |
|--|----------------------------|----------------------------|
| Authorised | | |
| 2,50,00,000 (Previous Year 2,00,00,000) Equity Shares of Rs. 10/- each | 250,000,000 | 200,000,000 |
| Issued and Subscribed and fully Paid-up | | |
| 2,01,24,260 (Previous Year 14,068,980) Equity Shares of Rs 10/- each fully | 201,242,600 | 140,689,800 |
| paid up | 201,242,600 | 140,689,800 |

The Company has only one class of shares referred to as equity shares having a par value of Rs.10/-. Each holder of equity shares is entitled to one vote per share held.

Paid-up capital includes 4,935,000 shares issued as consideration as per the Scheme of amalgamation with erstwhile Megasonic Telecoms Private Limited in the year 2003-04.

The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting.

The Board of Directors in their meeting held on 30th May 2012, proposed a final dividend of Rs. 4 per share. The proposal is subject to the approval of the shareholders at the Annual General Meeting to be held. The total dividend appropriation for the year ended 31st March 2012, amounted to Rs. 93,555,672 including Corporate dividend Tax of Rs. 13,058,632.

Dividend, if approved, is payable to the shareholders in proportion to their shareholding.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of number of Shares

Equity Shares:

| Particulars | As at 31.03.2012 | | As at 31.03.2011 | |
|--|---------------------|------------------|---------------------|------------------|
| | Number of Shares | Amount in Rs. | Number of Shares | Amount in Rs. |
| Balance as at the beginning of the previous year | 14,068,980 | 140,689,800 | 10,060,800 | 100,608,000 |
| Add: Shares issued during the year | 6,055,280 | 60,552,800 | 4,008,180 | 40,081,800 |
| Balance as at the end of the year | 20,124,260 | 201,242,600 | 14,068,980 | 140,689,800 |

Details of Shares held by shareholders, holding more than 5% of the aggregate shares in the Company.

| Particulars | As at 31.03.2012 | | As at 31.03.2011 | |
|---------------------|------------------|------------|------------------|------------|
| | Number of Shares | Percentage | Number of Shares | Percentage |
| C Shiva Kumar Reddy | 2,356,704 | 11.71 | 2,306,704 | 16.40 |
| R H Kasturi | 2,363,769 | 11.75 | 2,263,769 | 16.09 |
| C Uma Reddy | 1,750,100 | 8.70 | 1,700,100 | 12.08 |

Stock Option Plan (2008)

In the financial year 2008-09, the company instituted the 2008 Plan. The shareholders and Board of Directors approved the plan in April 2008 which provides for the issue of 5,00,000 equity shares to the employees. The compensation committee administers the 2008 Plan. Options were issued to employees at an exercise price at par value of the share.

Vesting of employee stock options granted occurs in tranches as under:

| Period | Vesting proportion |
|--|--------------------|
| At the end of one year from the date of grant | 20% |
| At the end of two years from the date of grant | 30% |
| At the end of three years from the date of grant | 50% |

The activity in the 2008 Plan during the year ended March 31, 2012 is set out below:

| Price of exercise per share | Number of shares outstanding arising out of options | Weighted Average exercise price |
|-----------------------------|---|---------------------------------|
| Rs. 10/- | 384,000 | Rs. 10/- |

As of March 31, 2012, the Company had 389,040 number of shares reserved for the issue. 388,570 shares have been vested and are exercisable as stated above.

2.2 RESERVES AND SURPLUS

| Particulars | As at 31.3.2012 (in Rs.) | | As at 31.3.2011 (in Rs.) | |
|---|--------------------------|----------------------|--------------------------|----------------------|
| a) Capital Reserve | | | | |
| Opening balance | 7,325,779 | | 7,325,779 | |
| Add: Transferred from surplus | - | | - | |
| Balance as at the end of the year | | 7,325,779 | | 7,325,779 |
| b) Securities Premium account | | | | |
| Opening balance | 501,463,071 | | 88,830,000 | |
| Add: Receipt on issue of securities | 678,062,500 | | 412,000,000 | |
| Add: Receipt on exercise of Employee Stock Options | 7,649,707 | | 633,071 | |
| | 1,187,175,278 | | 501,463,071 | |
| Less: Utilisation towards QIP Expenses | 7,138,846 | | - | |
| Balance as at the end of the year | | 1,180,036,432 | | 501,463,071 |
| c) Employee Stock option outstanding | | | | |
| Opening balance | 8,759,420 | | 9,392,491 | |
| Add: New Grants during the year | 58,288,050 | | - | |
| Less:- Transfer to Securities premium Account | 7,649,707 | | 633,071 | |
| Less:- Transfer towards Lapsed options | 1,109,713 | | - | |
| | 58,288,050 | | 8,759,420 | |
| Less:- Deferred stock compensation cost | 57,423,361 | | 4,185,947 | |
| | | 864,689 | | 4,573,473 |
| d) General Reserve | | | | |
| Opening balance | 49,515,948 | | 32,238,719 | |
| Add : Transfer from Profit and Loss Account | 41,228,332 | | 17,277,229 | |
| Balance as at the end of the year | | 90,744,280 | | 49,515,948 |
| e) Surplus in Statement of Profit and Loss | | | | |
| Opening balance | 829,635,772 | | 530,278,534 | |
| Less: Dividend relating to earlier year on account of increased capital | 4,200,000 | | - | |
| Dividend distribution tax on above | 680,817 | | - | |
| Add: Profit for the year | 412,283,321 | | 341,161,975 | |
| Amount available for appropriation | 1,237,038,276 | | 871,440,509 | |
| Appropriations: | | | | |
| Proposed Dividend on Equity shares for the year | 80,497,040 | | 21,103,470 | |
| Dividend distribution tax on proposed dividend of equity Equity Shares | 13,058,632 | | 3,424,038 | |
| Transfer to General Reserve | 41,228,332 | | 17,277,229 | |
| Balance as at the end of the year | | 1,102,254,272 | | 829,635,772 |
| TOTAL | | 2,381,225,452 | | 1,392,514,043 |

2.3 LONG TERM BORROWINGS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|------------------------------|------------------------------|
| Secured | | |
| Term Loan account with State Bank of India | 735,735 | 31,935,735 |
| Vehicle Loan from Banks | 4,846,798 | 2,398,393 |
| TOTAL | 5,582,533 | 34,334,128 |

- a) Term Loan Account with State Bank of India is secured by first charge on the entire present and future fixed assets of the company and equitable mortgage of the land and building at Suragajakkanahalli, Anekal Taluk where the factory is located and further secured by the securities offered in respect of Cash Credit facilities as referred to in Column No. 2.6.

Terms of Repayment: Repayable in 38 monthly instalments from the date of the Loan (February 2010) along with interest of 13.15% p.a.

- b) Vehicle loan from the respective banks are secured by the respective vehicles against which the loans are granted
- (i) Vehicle Loan from Tata Capital Limited is repayable in 36 monthly instalments commencing from November 2010 with an interest rate of 9.50% p.a.
 - (ii) Vehicle Loan from HDFC Bank is repayable in 36 monthly instalments commencing from June 2010 with an interest rate of 8.5%
 - (iii) Vehicle Loan from Axis Bank is repayable in 36 monthly instalments commencing from June 2009 with an interest rate of 11%
 - (iv) Vehicle Loan from HDFC Bank is repayable in 36 monthly instalments commencing from October 2011 with an interest rate of 10%
 - (v) Vehicle Loan from Axis Bank is repayable in 60 monthly instalments commencing from April 2012 with an interest rate of 11.34%

2.4 DEFERRED TAX LIABILITIES (Net)

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|------------------------------|------------------------------|
| Liability attributable to Depreciation | 79,640,000 | 83,550,000 |
| Less: Asset attributable to expenses allowable when paid | 3,249,000 | 1,944,000 |
| TOTAL | 76,391,000 | 81,606,000 |

2.5 LONG TERM PROVISIONS

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|--|---------------------------|--------------------|---------------------------|--------------------|
| Provision for Warranty | 288,167,255 | | 260,831,573 | |
| Gratuity obligation (Refer Note. 2.39) | 4,200,241 | | 3,399,868 | |
| | | 292,367,496 | | 264,231,441 |
| TOTAL | | 292,367,496 | | 264,231,441 |

2.6 SHORT TERM BORROWINGS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|------------------------------|------------------------------|
| Secured | | |
| Cash Credit account with State Bank of India | 583,774,896 | 589,557,196 |
| Corporate Loan | 50,000,000 | - |
| TOTAL | 633,774,896 | 589,557,196 |

- a) Cash Credit facility with State Bank of India is secured by first charge on the entire present and future current assets of the company and collaterally secured by pledge of 5 Lakhs shares of the company owned by two directors and 29,200 shares of M/s Kavveri Technologies Inc. being the 100% stake held by M/s Kavveri Telecom Products Ltd and equitable mortgage of the residential building owned by a Directors and their family members)
- b) Corporate loan is secured by pledge of 7,00,000 shares of the Company held by two directors of the Company

2.7 TRADE PAYABLES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|-----------------|------------------------------|------------------------------|
| Acceptances | 292,202,509 | 8,524,536 |
| Trades payables | 72,789,448 | 104,736,315 |
| TOTAL | 364,991,957 | 113,260,851 |

Refer Note: Refer to Note No. 2.41 regarding further disclosures relating to MSMED Act.

2.8 OTHER CURRENT LIABILITIES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|------------------------------|------------------------------|
| Current maturities of Long term debt: | | |
| Term Loan account with State Bank of India | 31,200,000 | 38,751,229 |
| Vehicle Loan Payable | 4,574,215 | 3,179,980 |
| Unpaid dividend | 1,152,479 | 1,049,755 |
| Statutory dues (Including Provident Fund, Withholding and other taxes payable) | 7,915,454 | 1,074,541 |
| Others payable | 940,115 | 3,210,343 |
| Advance received from related party | 158,927 | - |
| Advance received from customers | 255,084 | 594,720 |
| TOTAL | 46,196,274 | 47,860,568 |

There are no amounts due for payment to the Investor Education and Protection Fund under Section 205 C of the Companies Act, 1956 as at the year end.

2.9 SHORT TERM PROVISIONS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|------------------------------|------------------------------|
| Provision for Employee benefits | 8,682,156 | 574,999 |
| Provision for Income Tax | 168,394,301 | 139,194,599 |
| Provision for Compensated absence (Refer Note No. 2.39) | 2,094,081 | 2,453,960 |
| Dues to Key Managerial Personnel | 36,331,842 | 66,411,380 |
| Provision for Warranty | 14,449,062 | 8,682,925 |
| Other Provisions | 9,762,659 | 10,524,702 |
| Provision for proposed Dividend on Equity Shares | 80,497,040 | 21,103,470 |
| Provision for dividend distribution tax on proposed Dividend on equity shares | 13,058,632 | 6,768,701 |
| TOTAL | 333,269,773 | 255,714,736 |

2.10 INTANGIBLE AND TANGIBLE FIXED ASSETS

(In Rs.)

| Sl. No. | Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---------|---------------------------------------|--------------------|---------------------------|------------------------|--------------------|--------------------|-------------------|------------------------|--------------------|--------------------|--------------------|
| | | As at 01.04.2011 | Additions during the year | Deletions/ adjustments | As at 31.03.2012 | As at 01.04.2011 | For the year | Deletions/ adjustments | As at 31.03.2012 | As at 31.03.2012 | As at 31.03.2011 |
| | Tangible Fixed Assets | | | | | | | | | | |
| 1 | Land - Free Hold | 562,500 | - | - | 562,500 | - | - | - | - | 562,500 | 562,500 |
| 2 | Land - Leasehold (refer note 1 below) | - | 11,377,758 | | 11,377,758 | | - | - | - | 11,377,758 | - |
| 3 | Buildings | 164,088,444 | - | - | 164,088,444 | 14,311,951 | 5,480,554 | - | 19,792,506 | 144,295,938 | 149,776,493 |
| 4 | Plant and Machinery | 232,985,433 | 52,351,957 | - | 285,337,390 | 46,507,978 | 17,397,117 | (598,940) | 64,504,035 | 220,833,355 | 186,477,455 |
| 5 | Furnitures and Fixtures | 8,442,002 | 80,498 | - | 8,522,500 | 4,547,734 | 535,326 | 598,940 | 4,484,120 | 4,038,380 | 3,894,268 |
| 6 | Computers | 22,476,894 | 1,320,025 | - | 23,796,919 | 11,395,287 | 3,696,463 | - | 15,091,750 | 8,705,169 | 11,081,607 |
| 7 | Vehicles | 15,622,918 | 9,640,347 | 500,000 | 24,763,265 | 4,614,549 | 1,921,714 | 205,876 | 6,330,387 | 18,432,878 | 11,008,369 |
| 8 | Temporary Structures | 5,373,197 | - | - | 5,373,197 | 2,149,278 | 1,074,639 | - | 3,223,918 | 2,149,279 | 3,223,919 |
| | Intangible Fixed Assets | | | | | | | | | | |
| 1 | Technical Knowhow | 43,493,634 | 60,961,500 | - | 104,455,134 | 12,844,850 | 4,366,065 | - | 17,210,916 | 87,244,218 | 30,648,784 |
| 2 | Computer Software | 15,686,016 | 1,810,964 | - | 17,496,980 | 6,635,178 | 5,527,039 | - | 12,162,217 | 5,334,763 | 9,050,838 |
| | TOTAL | 508,731,038 | 137,543,049 | 500,000 | 645,774,087 | 103,006,806 | 39,998,918 | 205,876 | 142,799,848 | 502,974,239 | 405,724,232 |
| | Previous Year Figure | 500,471,149 | 8,731,098 | 471,209 | 508,731,038 | 64,174,781 | 38,967,668 | 135,644 | 103,006,805 | 405,724,232 | 436,296,368 |

1. On June 03, 2011, Karnataka Industrial Areas Development Board ("KIADB") allotted land to the company on a lease cum sale basis until June 2021, to be sold to the company at the end of lease period upon fulfillment of certain conditions. The Lease has been registered in favour of the Company. The Company is confident of fulfilling the conditions. Accordingly, the initial and subsequent lease payments in this regard have been capitalised as Leasehold Land.

2.11 NON-CURRENT INVESTMENTS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|---------------------------------|---------------------------------|
| Trade Investments (Valued at cost) | | |
| <u>Unquoted</u> | | |
| Investment in Subsidiaries (Refer Note: 2.32 for list of investments) | 488,570,160 | 418,827,300 |
| TOTAL | 488,570,160 | 418,827,300 |

2.12 LONG TERM LOANS AND ADVANCES

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|---|---------------------------|----------------------|---------------------------|--------------------|
| (Unsecured, Considered good) | | | | |
| Security Deposits | | 6,879,933 | | 7,132,433 |
| Sales Tax disputed payments | | 7,365,844 | | 7,365,844 |
| Statutory Disputed payments | | 2,680,021 | | 1,000,000 |
| Advances recoverable in cash or kind | | | | |
| Loans and advances to related parties (Refer Note 2.40) | 895,596,119 | | 1 08,046,119 | |
| Less: Provision for no longer recoverable advances | 3,718,584 | 891,877,535 | - | 108,046,119 |
| Interest receivable on loans given to Related Parties | | 92,666,467 | | 56,471,608 |
| TOTAL | | 1,001,469,800 | | 180,016,004 |

2.13 OTHER NON CURRENT ASSETS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|---------------------------------|---------------------------------|
| Long term trade receivables | - | - |
| Long term deposits with banks with maturity period more than 12 months (Out of the above deposits, Rs.5,00,00,000 is given as a collateral security against the Term Loan availed by a subsidiary Company and Rs. 2,00,00,000 is given as collateral against the Facilities granted by State Bank of India) | 70,000,000 | - |
| Margin Money Deposits (Held as Margin money by the banks against guarantees given by the banks) | 52,298,272 | 14,393,385 |
| TOTAL | 122,298,272 | 14,393,385 |

2.14 INVENTORIES

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|---------------------------------|---------------------------|--------------------|---------------------------|--------------------|
| a) Raw materials | | 288,012,574 | | 199,038,207 |
| Antennae/Accessories/Components | 276,926,032 | | 197,852,555 | |
| Cables | 11,138,574 | | 1,236,676 | |
| b) Work-in-progress | | 5,786,387 | | 5,280,015 |
| c) Finished goods | | 51,979,362 | | 47,227,190 |
| Antennae/Accessories/Components | 44,387,846 | | 26,866,323 | |
| Cables | 7,591,516 | | 20,360,867 | |
| d) Stock-in-trade | | 238,000,929 | | 359,708,033 |
| RF Products and others | 238,000,929 | | 359,708,033 | |
| e) Packing Materials | | 52,032 | | 51,024 |
| TOTAL | | 583,831,284 | | 611,304,469 |

2.15 TRADE RECEIVABLES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|---------------------------|---------------------------|
| Unsecured, considered good | | |
| Outstanding for a period exceeding six months from the date they are due for payment | | |
| - from related Parties | 53,406,327 | 310,478,846 |
| - from Other customers | 3,949,152 | 17,510,323 |
| Others | 927,962,390 | 475,422,349 |
| Due from Related Parties | 10,316,385 | - |
| Unsecured, considered doubtful | | |
| Outstanding for a period exceeding six months from the date they are due for payment | - | - |
| Others | - | - |
| Less: Provision for doubtful debts | - | - |
| TOTAL | 995,634,254 | 803,411,518 |

2.16 CASH AND BANK BALANCES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|----------------------------|---------------------------|---------------------------|
| Cash and Cash equivalents | | |
| Cash on hand | 57,697 | 879,980 |
| Bank balances: | | |
| in current Account | 30,143,099 | 1,212,572 |
| in Unpaid dividend account | 1,152,479 | 1,049,755 |
| TOTAL | 31,353,275 | 3,142,307 |

2.17 SHORT TERM LOANS AND ADVANCES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|---------------------------------|---------------------------------|
| Unsecured, considered good | | |
| Balances with Customs, Central Excise, VAT etc. | 3,624,367 | 1,592,006 |
| Prepaid expenses | 3,884,829 | 2,653,990 |
| Loans and advances to Employees | 516,304 | 489,894 |
| Advances paid to Vendors for supply of goods and rendering of services | 46,823,253 | 405,407,228 |
| Share application money pending allotment in a subsidiary | 122,000,000 | 122,000,000 |
| Short Term deposit with corporates | 400,000,000 | - |
| Due from Related Parties | 19,824,439 | 7,168,948 |
| TOTAL | 596,673,192 | 539,312,066 |

2.18 OTHER CURRENT ASSETS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|----------------------------------|------------------------------|------------------------------|
| (Unsecured, considered good) | | |
| Income accrued on deposits | 1,126,290 | 1,735,879 |
| Income accrued on Loan to Others | 9,754,577 | - |
| TOTAL | 10,880,867 | 1,735,879 |

2.19 CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for)

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|------------------------------|------------------------------|
| Claims against the Company not acknowledged as debts | 8,080,428 | 31,033,073 |
| Statutory claims under appeals/disputes: | | |
| a) Income tax matters | 51,413,876 | 2,229,133 |
| b) Excise Matters (Refer Note (V) below) | 503,582,590 | 488,049,175 |
| c) Sales Tax matter | 6,322,513 | 6,322,513 |
| Guarantees by Bank | 6,798,570 | 9,682,133 |
| Corporate Guarantee | 814,950,191 | 474,540,855 |

- (i) M/s. Mahanagar Telephone Nigam Ltd and M/s Bharat Sanchar Nigam Ltd. had invoked bank guarantees totaling to Rs. 4,41,000 and Rs.7,55,081 respectively against which the company has filed cases against such invoking of bank guarantees and is advised that the matter will be resolved in favour of the company in respect of the said amount and hence no provision is made in the books of account.
- (ii) In the Matter of dispute with M/s Bharat Sanchar Nigam Limited (BSNL), the Honourable High Court of Karnataka at Bangalore have referred the matter to the arbitrator to be appointed by M/s BSNL, against invoking of Bank guarantee of a sum of Rs.22,70,000.
- (iii) There are claims against one of the Company's properties located at Bangalore, which is presently owned by the Company.
- (iv) Margin Money deposits with the bank amounting to Rs. 5,22,98,272 (Rs. 1,43,93,385) has been given as margin money for the guarantees issued by the bankers.
- (v) Customs, Excise and Service Tax Appellate Tribunal, South Zone, Bangalore, however had stayed the aforesaid demand subject to payment of Rs. 2 Crores within six weeks from 07.03.2012 and Rs 15 Lakhs within a period of six weeks from 31.01.2012

2.20 PROPOSED DIVIDEND

The final dividend proposed for the year is as follows:

| Particulars | Year ended 31st March 2012 in Rs. | Year ended 31st March 2011 in Rs. |
|---|--------------------------------------|--------------------------------------|
| On equity shares of Rs.10 each | | |
| Amount of dividend proposed Dividend per Equity Share | 4.00 | 1.50 |

2.21 REVENUE FROM OPERATIONS

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|---------------------------------|---------------------------|----------------------|---------------------------|----------------------|
| (a) Sale of Products | | 3,362,992,468 | | 2,568,669,753 |
| (b) Sale of services | | 5,098,947 | | - |
| TOTAL | | 3,368,091,415 | | 2,568,669,753 |
| Details of Sales of Products: | | | | |
| Antennae/Accessories/Components | 960,019,564 | | 276,669,753 | |
| RF Products | 2,232,214,685 | | 2,183,100,000 | |
| Others | 143,005,907 | | 108,900,000 | |
| | | 3,335,240,156 | | 2,568,669,753 |

2.22 OTHER INCOME

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|---------------------------------|---------------------------------|
| a) Interest received from Banks | 13,716,831 | 3,729,962 |
| b) Interest received on Loan given to subsidiaries | 37,760,111 | 8,644,724 |
| c) Management Fees | 15,685,135 | - |
| d) Bad debts recovered | - | 1,529,999 |
| e) Liabilities written back to the extent no longer required | 1,727,329 | 9,408,445 |
| f) Provisions no longer required written back | - | 202,968,106 |
| g) Net gain on foreign currency transactions and translations | 93,732,395 | - |
| h) Insurance Claim received | - | 821,043 |
| i) Miscellaneous income | 49,205 | 936,729 |
| TOTAL | 162,671,006 | 228,039,008 |

2.23 COST OF MATERIAL CONSUMED AND PURCHASES STOCK IN TRADE

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|---------------------------------|---------------------------|----------------------|---------------------------|----------------------|
| Material Consumption: | | | | |
| Opening Stock of Raw Materials | 199,038,207 | | 1 82,558,612 | |
| Add : Purchases during the year | 310,649,904 | | 127,124,002 | |
| Less: Closing Stock | 288,012,574 | 221,675,537 | 199,038,207 | 110,644,407 |
| Packing Materials | | | | |
| Opening Stock of Raw Materials | 51,024 | | 152,792 | |
| Add : Purchases during the year | 1,269,973 | | 577,154 | |
| Less: Closing Stock | 52,032 | 1,268,965 | 51,024 | 678,922 |
| Purchases Stock in Trade | | 2,229,231,200 | | 2,260,034,999 |
| TOTAL | | 2,452,175,702 | | 2,371,358,328 |

2.24 CHANGES IN INVENTORY OF FINISHED GOODS AND WORK IN PROGRESS

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|--|---------------------------|----------------------|---------------------------|--------------------|
| (Increase)/Decrease in Stocks | | | | |
| Stock at the end of the year: | | | | |
| Finished Goods | 51,979,362 | | 47,227,190 | |
| Work-in-Progress | 5,786,387 | | 5,280,015 | |
| Stock in Trade | 238,000,929 | 295,766,678 | 359,708,033 | 412,215,238 |
| Less: Stock at the beginning of the year | | | | |
| Finished Goods | 47,227,190 | | 59,986,600 | |
| Work-in-Progress | 5,280,015 | | 48,961,535 | |
| Less: Transfer to Research and Development | - | | (49,820,120) | |
| Stock in Trade | 359,708,033 | 412,215,238 | 30,600,001 | 89,728,016 |
| Increase/(Decrease) in Stocks TOTAL | | (116,448,560) | | 322,487,222 |

2.25 EMPLOYEE BENEFIT EXPENSES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|------------------------------|------------------------------|
| Salaries, Wages and Bonus | 40,532,408 | 29,399,152 |
| Contribution to Provident and other funds | 2,317,161 | 2,398,285 |
| Gratuity paid | 814,046 | 809,770 |
| Deferred Employee cost | 3,940,923 | 3,678,722 |
| Managerial Remuneration | 42,841,276 | 35,716,154 |
| Staff welfare expenses | 526,649 | 124,337 |
| TOTAL | 90,972,463 | 72,126,420 |

(Refer Note 2.39 on disclosure requirement as per Accounting Standard 15 on Employee benefits)

2.26 FINANCE COSTS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|------------------------------|------------------------------|
| Interest on Long term borrowings | 7,586,748 | 15,692,655 |
| Other borrowing cost | 107,876,432 | 86,839,045 |
| interest on statutory dues | 2,742,681 | - |
| Charges towards letter of credit and guarantees | 7,738,644 | 1,280,920 |
| Others | 796,088 | - |
| TOTAL | 126,740,593 | 103,812,620 |

2.27 DEPRECIATION AND AMORTISATION EXPENSES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|-----------------------------------|------------------------------|------------------------------|
| Depreciation on tangible assets | 30,105,814 | 29,391,663 |
| Amortisation on Intangible assets | 9,893,104 | 9,576,005 |
| TOTAL | 39,998,918 | 38,967,668 |

2.28 OTHER EXPENSES

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|---|---------------------------|--------------------|---------------------------|-------------------|
| Consumption of stores and spare parts | | 1,136,008 | | 194,318 |
| Excise Duty on Increase/Decrease of Finished Goods | | (969,149) | | 2,275,350 |
| Power and Fuel | | 1,856,442 | | 1,494,952 |
| Warranty Charges | | 33,101,819 | | - |
| Job work and handling charges | | 2,699,326 | | 8,519,988 |
| Freight Inwards | | 5,533,365 | | 3,435,840 |
| Rent | | 1,260,000 | | 3,579,810 |
| Repairs and Maintenance – Plant and Machinery | | 2,854,302 | | 951,581 |
| Repairs and Maintenance – Building | | 184,455 | | 1,561,646 |
| Repairs and Maintenance – Others | | 1,454,414 | | 1,758,928 |
| Insurance | | 1,482,422 | | 2,367,838 |
| Rates and Taxes | | 161,612 | | 2,454,137 |
| Travelling and Conveyance | | 7,120,378 | | 4,600,421 |
| Directors' Sitting fees | | 85,000 | | 87,500 |
| Statutory Auditors : | | | | |
| Audit fees | 500,000 | | 475,000 | |
| Tax Audit fees | 75,000 | | 75,000 | |
| Other Services | 125,000 | | 125,000 | |
| Reimbursement of expenses (also refer note no.2.51) | 23,418 | 723,418 | 8,078 | 683,078 |
| Professional fees | | 6,335,029 | | 2,063,258 |
| Exchange Fluctuation Loss (Net) | | - | | 14,511,121 |
| Service Charges | | 14,027,832 | | - |
| Bad debts written off | | 13,032,783 | | - |
| Freight Outward Charges | | 2,483,838 | | 2,462,838 |
| Loss on Sale of assets | | 194,125 | | 85,565 |
| Provision for Advance given to a Foreign Subsidiary | | 3,718,584 | | - |
| Research and Development Expenses | | 17,267,365 | | 9,970,776 |
| Miscellaneous expenses | | 17,863,984 | | 7,762,739 |
| TOTAL | | 133,607,352 | | 70,821,684 |

2.29 EXCEPTIONAL ITEMS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---------------------------------------|------------------------------|------------------------------|
| Income tax relating to previous years | 1,337,520 | 4,382,609 |
| Prior Period Adjustments | 650,680 | - |
| TOTAL | 1,988,200 | 4,382,609 |

2.30 AMALGAMATION

Amalgamation with Megasonic Telecoms Private Limited: - The Company got amalgamated with erstwhile Megasonic Telecoms Private Limited in the year 2003-04 and as per the scheme of amalgamation 4,935,000 equity shares were issued as consideration.

2.31 CAPITAL RESERVES

The Capital Reserve of Rs. 73,25,779/- represents the excess of net fair value of assets over the purchase consideration in terms of scheme of amalgamation taken place during the year 2003-04, which was duly approved by the Hon'ble High Courts of Karnataka and Bombay.

2.32 INVESTMENTS

Pursuant to the Scheme of Amalgamation as referred to in Note 2.30 above, Eaicom India Private Limited (EIPL, erstwhile 100% subsidiary company of Megasonic Telecoms Private Limited has become a wholly owned subsidiary of the Company.

The Company incorporated a 100% subsidiary in the name of KAVVERI TECHNOLOGIES INC at Canada during the financial year 2005-06 with an initial investment of 292,000 CAD Dollars. Additional investment of CAD 2,015,000/- was made during the year 2007-08 in the aforesaid subsidiary by partial conversion of the loan granted to the subsidiary.

The Company incorporated a 100% subsidiary in the name of KAVVERI TELECOM PRODUCTS UK Limited at UK during the financial year 2009-10 with no initial cost of investment.

The Company has incorporated a 100% subsidiary in the name of Kavveri Telecom Espana at Spain during the current financial year 2011-12 with one million and three thousand Euros as cost of investment.

DETAILS OF INVESTMENT IN SUBSIDIARIES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|---------------------------------|---------------------------------|
| 2,12,850(Previous Year 2,12,850) Shares of Rs. 10/- each fully paid up in M/s.Eaicom India Pvt Ltd | 145,718,000 | 145,718,000 |
| 2,30,700(Previous Year 2,30,700) Shares of CAD 10/- each fully paid up in M/s. Kavveri Technologies Inc | 88,009,300 | 88,009,300 |
| 909,600(Previous Year 909,600) Shares of Rs. 10/- each fully paid up in M/s. Kavveri Telecom Infrastructure Limited | 185,100,000 | 185,100,000 |
| 1,003,000 (Previous Year NIL) Shares of Euro 1/- each fully paid up in Kavveri Telecom Espana | 69,742,860 | - |
| TOTAL | 488,570,160 | 418,827,300 |

The following is the list of Subsidiary Companies and percentage shareholding as at the end of the year:

| Particulars | Country of Incorporation | Year ended 31st March 2012 | Year ended 31st March 2011 |
|--|-----------------------------|-------------------------------|-------------------------------|
| EAICOM INDIA PRIVATE LTD | India | 100% | 100% |
| KAVVERI TELECOM INFRASTRUCTURE LIMITED | India | 51% | 51% |
| KAVVERI TELECOM PRODUCTS UK LIMITED | England | 100% | 100% |
| KAVVERI TECHNOLOGIES INC | Canada | 100% | 100% |
| KAVVERI TELECOM ESPANA | Spain | 100% | — |
| Subsidiaries of wholly owned subsidiary, Kavveri Technologies Inc. | | | |
| TIL-TEK ANTENNAE INC | Canada | 100% | 100% |
| TRACKCOM SYSTEMS INTERNATIONAL INC | Canada | 67% | 67% |
| DCI DIGITAL COMMUNICATIONS INC | Canada | 100% | 100% |
| SPOTWAVE WIRELESS LTD | Canada | 100% | 100% |
| KAVERI REALTY 5 INC | Canada | 100% | 100% |
| Subsidiary of wholly owned subsidiary, Kavveri Telecom Espana | | | |
| RYMSA De MEXICO | Spain | 100% | --- |

2.33 CIF VALUE OF IMPORTS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|----------------------------|------------------------------|------------------------------|
| Raw materials | 90,957,593 | 51,920,824 |
| Components and spare parts | NIL | NIL |
| Capital Goods | 1,278,622 | NIL |
| TOTAL | 92,236,215 | 51,920,824 |

2.34 EXPENDITURE INCURRED IN FOREIGN CURRENCY

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|------------------------------|------------------------------|
| Technical knowhow/Research and development expenses | 60,961,500 | Nil |
| Professional and consultation fees | 151,140 | Nil |
| Travelling expenses | 1,696,677 | 773,645 |
| Maintainance Charges | 2,352,972 | 1,437,265 |
| TOTAL | 65,162,289 | 2,210,910 |

2.35 DETAILS OF CONSUMPTION

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|--|---------------------------|----------------------|---------------------------|--------------------|
| a) Details of Raw Materials Consumed | | | | |
| Raw Materials Consumption | | 2,452,175,702 | | 111,323,329 |
| TOTAL | | 2,452,175,702 | | 111,323,329 |
| b) Details of value of imported and indigenous material consumed | Imported | Indigenous | Imported | Indigenous |
| Raw Materials | 7 9,091,209 | 2,373,084,493 | 51,920,824 | 59,402,505 |
| TOTAL | 79,091,209 | 2,373,084,493 | 51,920,824 | 59,402,505 |

2.36 DIVIDEND REMITTED IN FOREIGN EXCHANGE

| Particulars | As at 31.03.2012 | As at 31.03.2011 |
|--|------------------|------------------|
| Dividend paid during the year | - | - |
| Number of Non Resident Shareholders | - | - |
| Number of equity shares held by such Non Resident Shareholders | - | - |
| Year to which the Dividend relate to | - | - |

2.37 EARNINGS IN FOREIGN CURRENCY

| Particulars | As at 31.03.2012 | As at 31.03.2011 |
|-----------------------------------|--------------------|-------------------|
| Revenue from exports on FOB basis | 685,796,774 | 8,707,211 |
| Interest | 20,866,358 | 7,190,264 |
| Other Income | 15,685,135 | - |
| TOTAL | 722,348,267 | 15,897,475 |

2.38 EARNINGS PER SHARE

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | Basic extraordinary items | After extraordinary items | Basic extraordinary items | After extraordinary items |
| (a) Basic | | | | |
| Profit after tax | 412,283,321 | 412,283,321 | 341,161,975 | 341,161,975 |
| Weighted average number of shares outstanding | 17,856,009 | 17,856,009 | 10,703,947 | 10,703,947 |
| Basic EPS | 23.09 | 23.09 | 31.87 | 31.87 |
| (b) Diluted | | | | |
| Profit after tax | 412,283,321 | 412,283,321 | 341,161,975 | 341,161,975 |
| Adjusted net profit for the year | 412,283,321 | 412,283,321 | 341,161,975 | 341,161,975 |
| Weighted average number of shares outstanding for diluted EPS | 17,885,450 | 17,885,450 | 11,305,584 | 11,305,584 |
| Face value per share | 23.05 | 23.05 | 30.18 | 30.18 |
| | 10.00 | 10.00 | 10.00 | 10.00 |

2.39 EMPLOYEE BENEFITS

The details required under AS 15 – Employee Benefits is as follow

The present value of the obligation is determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to additional unit of employees benefit entitlement and measures each unit separately to build up the final obligation.

The obligation for Compensated absence is recognised in the same manner as gratuity. The Company has not funded the Gratuity and Compensated absence liability.

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|--|---------------------------|-------------------------|---------------------------|-------------------------|
| | Rs. Gratuity | Rs. Compensated absence | Rs. Gratuity | Rs. Compensated absence |
| Obligations at Period beginning | 3,399,868 | 2,453,961 | 3,208,642 | 3,771,447 |
| Service cost | 584,164 | (112,501) | 561,512 | 502,917 |
| Interest cost | 289,856 | - | 259,557 | 295,549 |
| Actuarial (Gain) / Loss | (59,974) | - | (543,228) | (1,781,559) |
| Benefits paid | (13,673) | (247,379) | (86,615) | (334,393) |
| Obligations at Period at the end of the year | 4,200,241 | 2,094,081 | 3,399,868 | 2,453,961 |
| Change in Plan Assets | | | | |
| Plan assets at period beginning at fair value | ---- | ---- | ---- | ---- |
| Expected return on plan assets | ---- | ---- | ---- | ---- |
| Actuarial (Gain) / Loss | ---- | ---- | ---- | ---- |
| Contributions | 13,673 | 151,668 | 86,615 | 334,393 |
| Benefits paid | (13,673) | (151,668) | (86,615) | (334,393) |
| Plan assets at period end at fair value | - | - | - | - |
| Reconciliation of present value of the obligation and fair value of the plan assets | | | | |
| Fair value of plan assets at period end | - | - | - | - |
| Present value of the defined benefit obligations at the end of the period | 4,200,241 | 2,094,081 | 3,399,868 | 2,453,961 |
| Asset / (Liability) recognised in the balance sheet | 4,200,241 | 2,094,081 | 3,399,868 | 2,453,961 |
| Assumptions | | | | |
| Discount rate | 8.60% | 8.60% | 8.30% | 8.30% |
| Estimated salary escalation rate | 10.00% | 10.00% | 8.50% | 8.50% |
| Cost of the period | | | | |
| Service cost | 584,164 | (112,501) | 561,512 | 502,917 |
| Interest cost | 289,856 | - | 259,557 | 295,549 |
| Expected return on plan assets | - | - | - | - |
| Actuarial (Gain) / Loss | (59,974) | - | (543,228) | (1,781,559) |
| Net cost | 814,046 | (112,501) | 277,841 | (983,093) |

2.40 TRANSACTIONS WITH RELATED PARTIES (as identified by the Company)

| Description of the nature of transaction | Description of Relationship | Related Party | Year ended 31st March 2012 (in Rs.) | Year ended 31st March 2011 (in Rs.) |
|--|-----------------------------|--|-------------------------------------|-------------------------------------|
| Sale of goods | Subsidiary | Tiltek Antennae Inc | 2,000,778 | 8,291,491 |
| | Subsidiary | Trackcom Systems International Inc | 216,708 | NIL |
| | Key Managerial Personnel | Shivakumar Reddy | 16,372 | 53,255 |
| | Subsidiary | Spotwave Wireless Inc | 6,735 | 478,671 |
| | Subsidiary | Kavveri Telecom Infrastructure Limited | NIL | 972,825,000 |
| Purchase of goods | Subsidiary | Tiltek Antennae Inc | 167,761 | 608,323 |
| Interest received | Subsidiary | Kavveri Technologies Inc | 8,714,873 | 8,644,724 |
| | Subsidiary | Kavveri Telecom Espana | 12,151,485 | NIL |
| | Subsidiary | Kavveri Telecom Infrastructure Limited | 16,893,753 | NIL |
| | Other Related Party | SMR Telecom Holdings Private Limited | 1 24,123 | NIL |
| Rendering of services | Subsidiary | Ryma De Mexico | 9,062,094 | NIL |
| | Subsidiary | Kavveri Telecom Espana | 6,623,041 | NIL |
| Receiving of services | Subsidiary | Kavveri Telecom Infrastructure Limited | 14,924,617 | 2,882,267 |
| | Subsidiary | Kavveri Technologies Inc | 3,358,748 | NIL |
| | Subsidiary | Tiltek Antennae Inc | 27,448,200 | NIL |
| | Subsidiary | Spotwave Wireless Inc. | 13,724,100 | NIL |
| Provision for Advances | Subsidiary | Kavveri Telecom Products UK Limited | 3,718,584 | NIL |
| Remuneration paid | Key Managerial Personnel | Shivakumar Reddy | 18,984,498 | 14,548,717 |
| | Key Managerial Personnel | R H Kasturi | 18,984,498 | 14,548,717 |
| | Key Managerial Personnel | L. Nicolas | 3,372,280 | 2,100,000 |
| Lease rentals paid | Other related party | Uma Reddy | 720,000 | 3,850,000 |
| Loans taken | Key Managerial Personnel | R H Kasturi | 7,350,000 | 17,687,500 |
| | Key Managerial Personnel | Shivakumar Reddy | 13,412,343 | 58,301,530 |
| Trade Receivables | Subsidiary | DCI Digital Communication Inc | 613,173 | 537,865 |
| | Subsidiary | Spotwave Wirless Limited | 17,944,106 | 27,255,683 |
| | Subsidiary | Tiltek Antennae Inc | 35,508,121 | 31,291,208 |
| | Subsidiary | Trackcom Systems International Inc | 226,651 | NIL |
| | Subsidiary | Ryma De Mexico | 9,009,667 | NIL |
| Payable at the year end | Key Managerial Personnel | Shivakumar Reddy | 17,475,138 | 14,548,717 |
| | Key Managerial Personnel | R H Kasturi | 17,475,138 | 14,548,717 |
| | Other related party | Uma Reddy | 1,381,566 | 1,575,000 |
| | Subsidiary | Trackcom Systems International Inc | 158,927 | NIL |
| Receivable at the year end | Subsidiary | Kavveri Technologies Inc | 27,846,490 | 54,285,245 |
| | Subsidiary | Kavveri Realty Inc | 17,181 | 14,891 |
| | Subsidiary | Kavveri Telecom Espana | 212,118,387 | NIL |
| | Subsidiary | Kavveri Telecom Infrastructure Limited | 617,598,391 | 255,547,849 |
| | Subsidiary | Kavveri Telecom Products UK Limited | 3,718,584 | 2,934,898 |
| | Subsidiary | Eaicaom India Private Limited | 34,297,085 | 50,811,085 |
| | Subsidiary | Tiltek Antennae Inc | 19,824,439 | 7,168,948 |
| | Subsidiary | Kavveri Telecom Espana | 12,151,485 | NIL |
| | Subsidiary | Kavveri Telecom Infrastructure Limited | 15,204,378 | NIL |
| | Subsidiary | Kavveri Technologies Inc | 65,186,481 | 56,471,608 |
| | | SRM Telecom Holdings Private Limited | 124,123 | NIL |
| Share application money pending allotment | Subsidiary | Kavveri Telecom Infrastructure Limited | 122,000,000 | 122,000,000 |

LIST OF RELATED PARTIES

| Key Management Personnel | Direct Subsidiaries | Indirect Subsidiaries | Other Associates/Other related party |
|--------------------------|--|------------------------------------|--------------------------------------|
| Mr. C.Shivakumar Reddy | Eaicom India Private Limited | DCI Digital Communications Inc | SMR Telecom Holdings Private Limited |
| | Kavveri Technologies Inc. | Spotwave Wireless Ltd | Ms. C.Uma Reddy |
| Ms. R .H Kasturi | Kavveri Telecom Infrastructure Limited | Kavveri Realty 5 Inc. | |
| | Kavveri Telecom Products UK Limited | Trackcom Systems International Inc | |
| | Kavveri Telecom Espana | Til-Tek Antennae Inc. | |
| | | Ryma De Mexico | |

2.41 DUES TO MICRO AND SMALL ENTERPRISES

| Particulars | As at 31.03.2012 | As at 31.03.2011 |
|--|------------------|------------------|
| Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end | Nil | Nil |
| Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end | Nil | Nil |
| Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year | Nil | Nil |
| Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year | Nil | Nil |
| Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year | Nil | Nil |
| Interest due and payable towards suppliers registered under MSMED Act, for payments already made. | Nil | Nil |
| Further interest remaining due and payable for earlier years. | Nil | Nil |

2.42 MANGERIAL REMUNERATION

(in Rs.)

| Name | Remuneration | Commission | Provident Fund |
|---|--|--|----------------------------------|
| C. Shivakumar Reddy - Managing Director | 1,500,000 (1,500,000) | 17,475,138 (14,548,717) | 9,360 (9,360) |
| R. H Kasturi - Whole Time Director | 1,500,000 (1,500,000) | 17,475,138 (14,548,717) | 9,360 (9,360) |
| L. Nicholas - Whole Time director | 3,372,280 (2,100,000) | - | - |
| Other Non Executive Directors | - | 1,500,000 (1,500,000) | - |
| TOTAL | 6,372,280 (5,100,000) | 36,450,276 (30,597,434) | 18,720 (18,720) |

As the future liability of Gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Directors is not ascertainable and therefore not included in above.

2.43 SEGMENT RESULTS

The company's predominant risks and returns are from the segment of "Wireless sub-systems Products" represented by Antenna, Duplexer, RF Products and RF accessories, which constitute the major revenue of the company for the reporting period. Since this being a single business segment, the segment information as per Accounting Standard 17, "Segment Reporting", is not disclosed.

2.44 RESEARCH AND DEVELOPMENT EXPENSES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|------------------------------|------------------------------|
| Salaries & Wages | 14,289,367 | 33,097,434 |
| Cost of Materials & services (Included under material purchase) | 8,676,936 | 4,066,121 |
| Overhead | 14,584,109 | 14,971,888 |
| Capital Expenditure | 73,512,558 | 49,820,120 |
| TOTAL | 111,062,970 | 101,955,563 |

The aforesaid expenses have been debited under various heads of expenses account in the Statement of Profit and Loss. (Auditors have relied on the certificate of the management regarding the apportionment of the expenses incurred in connection with the Company's Research and Development Activity)

2.45 UNEXPIRED WARRANTY CHARGES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---------------------------------------|------------------------------|------------------------------|
| Balance at the beginning of the year | 269,514,498 | 457,927,489 |
| Additions during the year | 40,709,467 | - |
| Reversals during the year | 7,607,648 | 188,412,991 |
| Balance at the end of the year | 302,616,317 | 269,514,498 |

(The management has ascertained the Warranty liability that will accrue in the future periods as on 31st March 2012 and has reversed such excess liability, if any, to the Profit and Loss Account as at the year end. The auditors have relied on the certificate of the management in this regard.)

2.46 OPERATING LEASE OBLIGATIONS

The company has taken office, other facilities under cancelable and non-cancelable operating leases, which are renewable on a periodic basis.

The disclosures relating to the leases undertaken are given under:

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|------------------------------|------------------------------|
| Lease rent recognized in the Profit and Loss Account | 1,260,000 | 3,579,810 |
| Minimum lease payments outstanding in respect of these areas under: | 1,260,000 | 1,260,000 |
| Not later than one year | 1721 | – |
| Later than one year and not later than 5 years | 6884 | – |

2.47 In the opinion of Board of Directors, all current assets, loans and advances, Investments have atleast the value as stated in the Balance Sheet, if realized in the ordinary course of business.

2.48 IMPAIRMENT OF ASSETS

Pursuant to Accounting Standard AS-28- Impairment of assets issued by the Companies Accounting Standards Rules, 2006, the Company assessed its fixed assets for impairment as at 31st March 2012 and concluded that there has been no significant impaired fixed asset that needs to be recognized in the books of account.

2.49 DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

Foreign currency exposure that are not hedged by derivative or forward contracts as on 31st March 2012 amounts to Rs.121,87,38,421 (Rs. 21,59,80,902)

a. Particulars of unhedged foreign currency exposure as at the reporting date.

| Particulars | | Year ended 31st March 2012 (in Rs.) | Year ended 31st March 2011 (in Rs.) |
|-------------------|-------------------|--|--|
| Trade Payables | US Dollars | 2,029,351 | 1,291,996 |
| | CAD Dollars | 1,100 | 93,682 |
| | Euro | NIL | 430,448 |
| | Sterling Pound | NIL | 452 |
| | Singapore Dollars | NIL | NIL |
| Trade Receivables | US Dollars | 17,428,059 | 557,498 |
| | CAD Dollars | 10,532 | NIL |
| | Euro | 3,288,696 | NIL |
| | Sterling Pound | 82,333 | 45,444 |
| | Singapore Dollars | 11,105 | 20,000 |
| | | recognised @ Rs | recognised @ Rs |
| | US Dollars | 50.83 | 44.59 |
| | CAD Dollars | 50.80 | 45.95 |
| | Euro | 67.62 | 63.35 |
| | Sterling Pound | 80.94 | 71.68 |
| | Singapore Dollars | 40.33 | 35.38 |

- 2.50** Confirmation of balances in respect of debtors and creditors has not been obtained in a few cases.
- 2.51** Expenses incurred in connection with QIP include a sum of Rs.330,900 paid to Statutory Auditors, over and above the fees disclosed under note No. 2.28
- 2.52** The Provision for income tax has been calculated taking into consideration investments in Capital expenditure made under Research and development eligible for a weighted deduction of 200% under section 35(2AB) of the Income Tax Act 1961.

For and on behalf of the Board of Directors of
Kavveri Telecom Products Limited

As per our report of even date
for **S.Janardhan and Associates**
Chartered Accountants
Firms' Registration No.005310S

C.Shivakumar Reddy
Managing Director

R.H.Kasturi
Director

Sidharth.C.A
Company Secretary

B.Anand
Partner
Membership No.029146

Place: Bangalore
Date: 30.05.2012

KAVVERI TELECOM PRODUCTS LIMITED

Cash Flow Statement for the year ended 31st March 2012

| Particulars | Year Ended March 31, 2012 (in Rs.) | Year Ended March 31, 2011 (in Rs.) |
|---|---------------------------------------|---------------------------------------|
| A. Cash Flow from Operating Activities | | |
| Profit before Taxation and extraordinary items | 541,078,321 | 444,770,975 |
| Adjustments for Depreciation | 39,998,918 | 38,967,668 |
| Loss on sale of Tangible assets | 194,125 | 85,565 |
| Provision for Advance given to a Foreign Subsidiary | 3,718,584 | - |
| Unrealised Loss/(Gain) on foreign currency translation | (41,059,659) | 335,364 |
| Deferred employee Cost | 3,940,923 | 3,678,722 |
| Bad debts written off | 13,032,783 | - |
| Interest Expenditure | 126,740,593 | 106,039,301 |
| Interest Income | (51,476,943) | (12,374,686) |
| Income Tax relating to earlier years | 1,337,520 | 4,382,609 |
| Liabilities/Provisions written back | (1,727,329) | (188,412,991) |
| Operating Profit before working capital changes | 635,777,835 | 397,472,527 |
| Changes in Working Capital: | | |
| Increase/(Decrease) in Trade Payables | 249,538,631 | (178,215,422) |
| Increase/(Decrease) in Short Term Provisions | (17,328,166) | (1,126,261) |
| Increase/(Decrease) in Long Term Provisions | 28,136,055 | 2,390,388 |
| Increase/(Decrease) in Other Current Liabilities | (39,689) | 43,537,200 |
| (Increase)/Decrease in Trade Receivables | (162,003,384) | 306,746,747 |
| (Increase)/Decrease in Inventories | 27,473,185 | (289,044,929) |
| (Increase)/Decrease in Short term Loans and advances | (61,079,710) | (199,816,332) |
| (Increase)/Decrease in Long Term Loans and advances | (821,453,796) | (15,432,313) |
| (Increase)/Decrease in Other Current assets | (9,144,988) | 530,254 |
| (Increase)/Decrease in Other non Current assets | (107,904,887) | 28,065,119 |
| Cash generated from Operations | (238,028,913) | 95,106,978 |
| Taxes paid (Net of refunds) | (106,147,818) | (65,675,885) |
| Net cash generated from operations before extraordinary items | (344,176,731) | 29,431,093 |
| Net cash generated from operating activities | (344,176,731) | 29,431,093 |
| B Cash Flow from Investing Activities | | |
| Purchase of Tangible/Intangible Assets | (137,543,049) | (63,251,218) |
| Purchase of long term investments | (69,742,860) | - |
| Share application money pending allotment in a subsidiary | - | (122,000,000) |
| Capital Work in Progress | 62,926,409 | - |
| Sale of Asset | 100,000 | 250,000 |
| Interest received | 51,476,943 | 12,374,686 |
| Net Cash from Investing Activities | (92,782,557) | (172,626,532) |
| C Cash flow from Financing Activities | | |
| Dividends paid | (21,000,747) | (20,183,394) |
| Dividend distribution tax | (6,768,701) | - |
| Dividend relating to earlier year | (4,200,000) | - |
| Dividend distribution tax relating to earlier year | (680,817) | - |
| Interest paid | (126,740,593) | (106,039,301) |
| Increase/(Repayment) of borrowings | 15,466,104 | (353,223,839) |
| Proceeds from share capital increase | 60,552,800 | 40,081,800 |
| Security Premium | 678,062,500 | 412,000,000 |
| Share application money pending allotment | (122,381,445) | 122,381,445 |
| Expenses on account of share capital increase | (7,138,846) | - |
| Net cash raised in Financing activities | 465,170,256 | 95,016,711 |
| Net increase in cash and cash equivalents | 28,210,967 | (48,178,728) |

| | | |
|---|-------------------|------------------|
| Cash and Cash equivalents at the beginning of the year | 3,142,307 | 51,321,035 |
| Cash and Cash equivalents at the end of the year | 31,353,275 | 3,142,307 |
| Cash and Cash equivalents comprise of | | |
| Cash on Hand | 57,697 | 879,980 |
| Balances with Banks* | 31,295,577 | 2,262,327 |
| TOTAL | 31,353,275 | 3,142,307 |
| *Includes the following balances which are not available for use by the Company | | |
| Unpaid dividend account | 1,152,479 | 1,049,755 |

For and on behalf of the Board of Directors of
Kavveri Telecom Products Limited

As per our report of even date
for **S.Janardhan and Associates**
Chartered Accountants
Firms' Registration No.0053105

C.Shivakumar Reddy
Managing Director

R.H.Kasturi
Director

Sidharth.C.A
Company Secretary

B.Anand
Partner
Membership No.029146

Place: Bangalore
Date: 30.05.2012

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

1. Background

M/s Kavveri Telecom Products Limited ('Company' or 'Kavveri') was incorporated in 1996 and is engaged in the design, development and manufacture of Radio Frequency products and antennae for telecom, defense and space applications in India and abroad. Kavveri enjoys the status of being the largest manufacturer of Wireless subsystem Products like, Radio Frequency products and antenna and Radio Frequency products in India. Kavveri also provides total turnkey solutions for coverage and capacity enhancement requirements for GSM 3G and CDMA carriers in India.

2. Basis of Preparation of Financial Statements:

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis in accordance with accounting principles generally accepted in India. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year and in case of any such variation in the accounting policy as compared to the previous year; such variations are disclosed separately as a part of notes to accounts.

3. Change in Accounting Policy

During the year ended March 31,2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financials. The adaptation of revised Schedule VI does not impact recognition and measurement principles followed by the Company for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

4. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of the operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

5. Tangible and Intangible Fixed Assets:

Tangible Fixed Assets

- Fixed Assets are stated at cost of acquisition (Net of Cenvat and VAT) plus subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation including finance charges which are directly attributable to the Fixed assets less accumulated depreciation and impairment loss.
- Capital Work in Progress comprises of the cost of fixed assets that are not put to use as at the Balance Sheet date and relevant financial charges incurred thereon.

Intangible Fixed Assets:

- Technical knowhow acquired to be used to upgrade and develop new products and used for enhancement of features & functionalities of the products are capitalized under Fixed asset as Technical Knowhow.
- Software which are not integral part of the hardware are classified as Intangibles and is stated at cost less accumulated amortization. Software's are being amortized over the estimated useful life which is estimated as 3 Years.

6. Depreciation:

- Depreciation on tangible Fixed Assets is provided using Straight-line method at the rates prescribed under Schedule XIV of the companies Act, 1956 on proportionate basis.
- Cost of Technical knowhow is being written off over a period of 10 years.
- Cost of assets wherever less than Rs. 5000 is written off fully in the year of purchase.
- Temporary structures installed at the leased out premises is being written off over the tenure of the lease agreement.

7. Impairment of tangible and intangible Fixed Assets:

The Company assesses at each Balance Sheet date, whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

8. Leases:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

9. Inventory Valuation:

Raw Materials, Stores and spares and Stock in Trade are stated at lower of cost and net realizable value. Cost is determined based on first in first out basis and are net of provisions.

Work in Progress and Finished Goods are valued at lower of cost and net realizable value. Cost includes Direct Materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

10. Investments:

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Long term investments are carried at cost. However, provision for diminution in value is made to recognize a diminution other than temporary in the value of investments.

11. Research and Development:

Expenditure on Research and Development other than capital items is charged to revenue. Cost incurred on any generation of intangible/tangible asset out of the Research and development activity is amortized/written off over the estimated life of the asset.

12. Revenue Recognition:

- Sales are recognized when the significant risks attached to the goods are passed on to the buyer and are recorded net of duties, trade discounts, and rebates.
- Sales Returns are recognized as and when ascertained and are reduced from the sales turnover of the year.
- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- Export benefits are accounted on accrual basis.

13. Warranty Expenses:

Estimated amount of warranty expenses evaluated on a technical basis on sale of Radio Products wherever it is obligated to cover under warranty, is provided in the year of sale and the expired portion of the Warranty expenses relating to the period/year are transferred to the Statement of Profit and Loss. Unexpired portion of the Warranty expenses is carried over as a liability in the books of account and is written back over the number of years of the coverage of warranty on the basis of estimated warranty expenses for such products.

14. Exchange Fluctuation:

- a. Foreign currency transactions are accounted at exchange rates prevailing on the date of the transaction.
- b. Gains and losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at the yearend rates are recognized in the Statement of Profit and Loss.
- c. In case the monetary assets and liabilities are covered by forward contract, the premium or discount arising at the inception of such a forward contract is amortized as expense or income over the life of the contract.

15. Employee Benefits:

- Provident Fund: Eligible employees receive benefits from a Provident Fund, which is a defined contribution plan. Aggregate contributions along with interest thereon, are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the Government administered Provident Fund. The Company has no obligation beyond its contribution.
- Gratuity: A defined benefit retirement plan ("the Gratuity Plan") is provided to all employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum amount to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity plan are determined by actuarial valuation using the projected unit credit method, as of the balance sheet date.
- Expenses on ex-gratia payment to employees, a defined contribution plan, are accounted as and when accepted by the management.
- Provision in respect of Leave encashment is made, based on actuarial valuation.

16. Borrowing Cost:

Borrowing costs relating to acquisition of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs not eligible for capitalization are charged to revenue.

17. Taxes:

- Tax expense comprises of current and deferred tax. Current Income Tax is measured based on the tax liability computed after considering tax allowances and exemptions.
- Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- Deferred Tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

18. Cash Flow Statement:

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items income or expense associated with investing or financing cash flows. Cash and Cash Equivalents include Cash on hand and balance with banks in current and deposit accounts, with necessary disclosure of cash and cash equivalent balances that are not available for use by the company.

Cash and Cash Equivalents for the purpose of Cash Flow Statement comprise of cash at Bank and in hand and Short Term investments with original maturity of 3 months or less.

19. Stock Option Plan (2008):

The Company instituted the Kavveri ESOS 2008 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders by Postal ballot on 23rd April 2008. The Kavveri ESOS 2008 Plan covers all employees of the company and its subsidiaries and Directors (excluding Promoter Directors) of the Company and its subsidiaries (collectively, "eligible employees"). Under the Scheme, the Compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its Subsidiaries. The Committee shall determine the employees eligible for receiving the options, the number of options to be granted, the exercise price, the vesting period and exercise period. Vesting of employee stock options granted occurs in tranches as under:

| Period | Vesting proportion |
|--|--------------------|
| At the end of one year from the date of grant | 20% |
| At the end of two years from the date of grant | 30% |
| At the end of three years from the date of grant | 50% |

The exercise price for the purpose of exercise of options will be at Rs.10/- per share i.e. at par.

The employee stock options granted shall be capable of being exercised within a period of 5 years from the date of vesting options or such lesser period as may be decided by the Compensation Committee from time to time.

Under the Scheme 388570(139125) stock options out of the total of 5,00,000 stock options reserved for grant of options having an exercise price equal to the par value of the underlying equity shares on the date of grant (i.e. Rs. 10 per option) are outstanding as at the balance sheet date.

As the number of shares that an individual employee is entitled to receive and the price of the options are known at the grant date, the scheme is considered as a fixed grant.

In the case of termination of employment, all non-vested options would stand cancelled. Options that have been vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee or if no time limit is prescribed, within 30 days of the date of employment termination, failing which they would stand cancelled.

The Company follows intrinsic method of accounting based on which the compensation cost is recognized in the Profit and Loss account.

During the current year, the company under the Kavveri 2008 Plan has granted 384,000 (Nil) options to eligible employees and 23,595 options lapsed till 31st March 2012.

20. Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of shares outstanding during the year is adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

21. Investments in Subsidiary Companies:

- a. Pursuant to the Scheme of Amalgamation as referred to in Note 1 above, Eaicom India Private Limited (EIPL, erstwhile 100% subsidiary company of Megasonic Telecoms Private Limited has become a wholly owned subsidiary of the Company.
- b. The Company incorporated a 100% subsidiary in the name of KAVVERI TECHNOLOGIES INC at Canada during the financial year 2005-06 with an initial investment of 292,000 CAD Dollars. Additional investment of CAD 2,015,000/- was made during the year 2007-08 in the aforesaid subsidiary by partial conversion of the loan granted to the subsidiary.
- c. The Company incorporated a 100% subsidiary in the name of KAVVERI TELECOM PRODUCTS UK Limited at UK during the financial year 2009-10 with no initial cost of investment.
- d. The Company has incorporated a 100% subsidiary in the name of KAVVERI TELECOM ESPANA during the financial year 2011-12 with 1,003,000 Euros as cost of investment.

22. Contingent Liability:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the Notes. Contingent assets are neither recognized nor disclosed in the financial statements.

For and on behalf of the Board of Directors of
Kavveri Telecom Products Limited

As per our report of even date
for **S.Janardhan and Associates**
Chartered Accountants
Firms' Registration No.005310S

C.Shivakumar Reddy
Managing Director

R.H.Kasturi
Director

Sidharth.C.A
Company Secretary

B.Anand
Partner
Membership No.029146

Place: Bangalore
Date: 30.05.2012

AUDITORS' REPORT ON CONSOLIDATED ACCOUNTS



We have examined the attached Consolidated Balance Sheet of M/s. Kavveri Telecom Products Limited and its Subsidiaries (collectively referred to as "Kavveri group") as at March 31, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of the Kavveri Telecom Products Limited management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We conducted our audit in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Subsidiary Companies, whose financial statements reflect total assets of Rs.1,267.05 Million as at March 31, 2012 and total revenues (including other income) of Rs. 821.26 Million for the year then ended and net cash flows amounting to Rs.54.65 Million. These financial statements have been audited by other Auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the Subsidiary Companies, is based solely on the report of the other Auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, prescribed by the Company's (Accounting Standards) Rules 2006 and on the basis of the separate audited financial statements of M/s. Kavveri Telecom Products Limited and its Subsidiary Companies, included in the Consolidated Financial Statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of M/s Kavveri Telecom Products Limited and its aforesaid Subsidiary Companies, we are of the opinion that:

- a. The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of M/s. Kavveri Telecom Products Limited and its Subsidiary as at March 31, 2012
- b. The Consolidated Statement of Profit and Loss gives a true and fair view of the consolidated results of operations of M/s. Kavveri Telecom Products Limited and its Subsidiary Companies for the year then ended and
- c. The Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of M/s. Kavveri Telecom Products Limited and its Subsidiary Companies for the year then ended.

For **S. Janardhan & Associates**
Chartered Accountants

B. Anand
Partner

Membership No. : 29146
Firm Registration No:-005310S

Place: Bangalore,
Date: May 30, 2012

KAVVERI TELECOM PRODUCTS LIMITED

Consolidated Balance Sheet as at 31.03.2012

| Particulars | Note No. | 31.03.2012 Rs. | 31.03.2011 Rs. |
|--|----------|----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| a) Share Capital | 2.1 | 201,242,600 | 140,689,800 |
| b) Reserves and Surplus | 2.2 | 2,854,731,768 | 1,772,865,996 |
| Share application money pending allotment | | 4,310,000 | 122,381,445 |
| Minority Interest | | 14,110,342 | 10,535,672 |
| Non-current liabilities | | | |
| a) Long-term borrowings | 2.3 | 707,238,522 | 509,065,187 |
| b) Deferred tax liabilities (Net) | 2.4 | 107,391,000 | 90,580,000 |
| c) Other Long term liabilities | 2.5 | 58,069,950 | 6,058,551 |
| d) Long-term provisions | 2.6 | 293,202,482 | 273,332,325 |
| Current liabilities | | | |
| a) Short-term borrowings | 2.7 | 666,565,198 | 1,024,595,960 |
| b) Trade payables | 2.8 | 502,850,410 | 170,822,512 |
| c) Other current liabilities | 2.9 | 412,223,058 | 138,364,942 |
| d) Short-term provisions | 2.10 | 345,969,808 | 262,361,911 |
| TOTAL | | 6,167,905,138 | 4,521,654,301 |
| ASSETS | | | |
| Non-current assets | | | |
| a) Fixed Assets | | | |
| (i) Tangible assets | 2.11 | 1,308,644,754 | 1,093,213,829 |
| (ii) Intangible assets | 2.11 | 98,627,971 | 41,483,071 |
| (iii) Capital work-in-progress | | 815,305,747 | 240,398,044 |
| Goodwill on consolidation | | 397,256,522 | 397,256,522 |
| b) Non-current Investments | | - | - |
| c) Long-term loans and advances | 2.12 | 34,046,614 | 367,497,670 |
| d) Other non-current assets | 2.13 | 172,493,178 | 60,368,715 |
| Current Assets | | | |
| a) Current Investments | | - | - |
| b) Inventories | 2.14 | 779,606,265 | 722,238,343 |
| c) Trade receivables | 2.15 | 1,742,090,326 | 1,003,011,312 |
| d) Cash and bank balances | 2.16 | 68,232,237 | 27,445,738 |
| e) Short-term loans and advances | 2.17 | 740,720,660 | 567,220,911 |
| f) Other current assets | 2.18 | 10,880,864 | 1,520,146 |
| TOTAL | | 6,167,905,138 | 4,521,654,301 |

The accompanying notes are an integral part of the financial statements.

For and on behalf of the Board of Directors of
Kavveri Telecom Products Limited

As per our report of even date
for **S.Janardhan and Associates**
Chartered Accountants
Firms' Registration No.005310S

C.Shivakumar Reddy
Managing Director

R.H.Kasturi
Director

Sidharth.C.A
Company Secretary

B.Anand
Partner
Membership No.029146

Place: Bangalore
Date: 30.05.2012

KAVVERI TELECOM PRODUCTS LIMITED

Statement of Consolidated Profit and Loss for the year ended 31.03.2012

| Particulars | Note No. | 31.03.2012 Rs. | 31.03.2011 Rs. |
|---|----------|----------------------|----------------------|
| Revenue from operations (Gross) | 2.21 | 4,570,570,923 | 3,099,986,501 |
| Less: Excise Duty | | 27,752,312 | 12,955,679 |
| | | 4,542,818,611 | 3,087,030,822 |
| Other Income | 2.22 | 187,312,647 | 247,696,838 |
| Total Revenue | | 4,730,131,258 | 3,334,727,660 |
| Expenses: | | | |
| Cost of materials consumed and Purchases Stock in Trade | 2.23 | 3,172,131,202 | 2,591,742,486 |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | 2.24 | 75,870,054 | (371,200,668) |
| Employee benefits expense | 2.25 | 285,562,435 | 181,673,288 |
| Finance costs | 2.26 | 147,798,835 | 125,181,517 |
| Depreciation and amortisation expense | 2.27 | 91,850,217 | 71,740,551 |
| Other expenses | 2.28 | 311,127,512 | 220,313,695 |
| Total Expenses | | 4,084,340,255 | 2,819,450,869 |
| Profit before exceptional and extraordinary items and tax | | 645,791,003 | 515,276,791 |
| Exceptional items | | 2,665,108 | 4,382,609 |
| Profit before extraordinary items and tax | | 643,125,895 | 510,894,182 |
| Extraordinary Items | | - | - |
| Profit before Tax | | 643,125,895 | 510,894,182 |
| Tax expense: | | | |
| (1) Current tax | | 147,162,473 | 127,805,000 |
| Less: Mat tax credit | | (5,250,000) | (6,750,000) |
| | | 141,912,473 | 121,055,000 |
| (2) Deferred tax | | 16,811,000 | 1,094,000 |
| Profit for the year from continuing operations | | 484,402,422 | 388,745,182 |
| Profit / (Loss) from discontinuing operations | | - | - |
| Tax expense of discontinuing operations | | - | - |
| Profit/ (Loss) from Discontinuing operations (after tax) | | - | - |
| Less/(Add): Share of Minority Interest | | 3,574,670 | 6,200,699 |
| Profit for the period | | 480,827,752 | 382,544,483 |
| Earnings per share: | | | |
| (1) Basic | | 26.93 | 35.74 |
| (2) Diluted | | 26.88 | 33.84 |

The accompanying notes are an integral part of the financial statements.

For and on behalf of the Board of Directors of
Kavveri Telecom Products Limited

As per our report of even date
for **S.Janardhan and Associates**
Chartered Accountants
Firms' Registration No.005310S

C.Shivakumar Reddy
Managing Director

R.H.Kasturi
Director

Sidharth.C.A
Company Secretary

B.Anand
Partner
Membership No.029146

Place: Bangalore
Date: 30.05.2012

KAVVERI TELECOM PRODUCTS LIMITED

2. NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2012

The previous year figures have been regrouped / reclassified, wherever necessary to conform to the current year presentation.

2.1 SHARE CAPITAL

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|---------------------------------|---------------------------------|
| Authorised | | |
| 2,50,00,000 (Previous Year 2,00,00,000) Equity Shares of Rs. 10/- each | 250,000,000 | 200,000,000 |
| Issued and Subscribed and fully Paid-up | | |
| 2,01,24,260 (Previous Year 14,068,980) Equity Shares of Rs 10/- each fully | 201,242,600 | 140,689,800 |
| paid up | 201,242,600 | 140,689,800 |

The Company has only one class of shares referred to as equity shares having a par value of Rs.10/-. Each holder of equity shares is entitled to one vote per share held.

Paid-up capital includes 4,935,000 shares issued as consideration as per the Scheme of amalgamation with erstwhile Megasonic Telecoms Private Limited in the year 2003-04.

The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting.

The Board of Directors in their meeting held on 30th May 2012, proposed a final dividend of Rs. 4 per share. The proposal is subject to the approval of the shareholders at the Annual General Meeting to be held. The total dividend appropriation for the year ended 31st March 2012, amounted to Rs. 93,555,672 including Corporate dividend Tax of Rs. 13,058,632.

Dividend, if approved, is payable to the shareholders in proportion to their shareholding.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of number of Shares

Equity Shares:

| Particulars | As at 31.03.2012 | | As at 31.03.2011 | |
|--|---------------------|--------------------|---------------------|--------------------|
| | Number of Shares | Amount (in Rs.) | Number of Shares | Amount (in Rs.) |
| Balance as at the beginning of the previous year | 14,068,980 | 140,689,800 | 10,060,800 | 100,608,000 |
| Add: Shares issued during the year | 6,055,280 | 60,552,800 | 4,008,180 | 40,081,800 |
| Balance as at the end of the year | 20,124,260 | 201,242,600 | 14,068,980 | 140,689,800 |

Details of Shares held by shareholders, holding more than 5% of the aggregate shares in the Company.

| Particulars | As at 31.03.2012 | | As at 31.03.2011 | |
|---------------------|------------------|------------|------------------|------------|
| | Number of Shares | Percentage | Number of Shares | Percentage |
| C Shiva Kumar Reddy | 2,356,704 | 14.91 | 2,306,704 | 16.40 |
| R H Kasturi | 2,363,769 | 19.17 | 2,263,769 | 16.09 |
| C Uma Reddy | 1,750,100 | 16.37 | 1,700,100 | 12.08 |

Stock Option Plan (2008)

In the financial year 2008-09, the company instituted the 2008 Plan. The shareholders and Board of Directors approved the plan in April 2008 which provides for the issue of 5,00,000 equity shares to the employees. The compensation committee administers the 2008 Plan. Options were issued to employees at an exercise price at par value of the share.

Vesting of employee stock options granted occurs in tranches as under:

| Period | Vesting proportion |
|--|--------------------|
| At the end of one year from the date of grant | 20% |
| At the end of two years from the date of grant | 30% |
| At the end of three years from the date of grant | 50% |

The activity in the 2008 Plan during the year ended March 31, 2012 is set out below:

| Price of exercise per share | Number of shares outstanding arising out of options | Weighted Average exercise price |
|-----------------------------|---|---------------------------------|
| Rs. 10/- | 384,000 | Rs. 10/- |

As of March 31, 2012, the Company had 389,040 number of shares reserved for the issue. 388,570 shares have been granted and are exercisable as stated above.

2.2 RESERVES AND SURPLUS

| Particulars | As at 31.3.2012 (in Rs.) | | As at 31.3.2011 (in Rs.) | |
|---|--------------------------|----------------------|--------------------------|----------------------|
| (a) Capital Reserve | | | | |
| Opening balance | 7,325,779 | | 7,325,779 | |
| Add: additions during the year | 2,265,546 | | - | |
| Balance as at the end of the year | | 9,591,325 | | 7,325,779 |
| (b) Securities Premium account | | | | |
| Opening balance | 871,785,221 | | 459,152,150 | |
| Add: Receipt on issue of securities | 678,062,500 | | 412,000,000 | |
| Add: Receipt on exercise of Employee Stock Options | 7,649,707 | | 633,071 | |
| | 1,557,497,428 | | 871,785,221 | |
| Less: Utilisation towards QIP Expenses | 7,138,846 | | - | |
| Balance as at the end of the year | | 1,550,358,582 | | 871,785,221 |
| © Employee Stock option outstanding | | | | |
| Opening balance | 8,759,420 | | 9,392,491 | |
| Add: New Grants during the year | 5 8,288,051 | | - | |
| Less:- Transfer to Securities premium Account | 7,649,707 | | 633,071 | |
| Less:- Transfer towards Lapsed options | 1,109,713 | | - | |
| | 58,288,051 | | 8,759,420 | |
| Less:- Deferred stock compensation cost | 57,423,361 | | 4,185,947 | |
| | | 864,689 | | 4,573,473 |
| (d) General Reserve | | | | |
| Opening balance | 49,515,948 | | 32,238,719 | |
| Add : Transfer from Profit and Loss Account | 41,228,332 | | 17,277,229 | |
| Balance as at the end of the year | | 90,744,280 | | 49,515,948 |
| e) Foreign currency translation reserve | | | | |
| as per last balance sheet | 43,223,223 | | 27,219,704 | |
| Add: Currency translation gain during the year | 18,625,802 | | 16,003,519 | |
| | | 61,849,025 | | 43,223,223 |
| f) Reserve for fall in value of investment | | | | |
| Opening balance | - | | - | |
| Add: Transfer from Statement of Profit & Loss | 3,718,584 | | - | |
| | | 3,718,584 | | |
| (e) Surplus in Statement of Profit and Loss | | | | |
| Opening balance | 796,442,352 | | 455,702,605 | |
| Less: Dividend relating to earlier year on account of increased capital | 4,200,000 | | - | |
| Dividend distribution tax on above | 680,817 | | - | |
| Add: Profit for the year | 480,827,752 | | 382,544,484 | |
| Amount available for appropriation | 1,272,389,287 | | 838,247,089 | |
| Appropriations: | | | | |
| Proposed Dividend on Equity shares for the year | 80,497,040 | | 21,103,470 | |
| Dividend distribution tax on proposed dividend of equity Equity Shares | 13,058,632 | | 3,424,038 | |
| Transfer to General Reserve | 41,228,332 | | 17,277,229 | |
| Balance as at the end of the year | | 1,137,605,283 | | 796,442,352 |
| TOTAL | | 2,854,731,768 | | 1,772,865,996 |

2.3 LONG TERM BORROWINGS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011(in Rs.) |
|-------------------------|---------------------------|--------------------------|
| Secured | | |
| From Banks | 701,868,410 | 504,076,590 |
| Vehicle Loan from Banks | 4,846,798 | 2,398,393 |
| Others | 523,314 | 2,590,204 |
| TOTAL | 707,238,522 | 509,065,187 |

Kavveri Telecom Products Ltd

- a) Term Loan Account with State Bank of India is secured by first charge on the entire present and future fixed assets of the company and equitable mortgage of the land and building at Suragajakkanahalli, Anekal Taluk where the factory is located and further secured by the securities offered in respect of Cash Credit facilities as referred to in Column No. 2.7.

Terms of Repayment: Repayable in 38 monthly instalments from the date of the Loan (February 2010) along with interest of 13.15% p.a.

- b) Vehicle loan from the respective banks are secured by the respective vehicles against which the loans are granted
- (i) Vehicle Loan from Tata Capital Limited is repayable in 36 monthly instalments commencing from November 2010 with an interest rate of 9.50% p.a.
 - (ii) Vehicle Loan from HDFC Bank is repayable in 36 monthly instalments commencing from June 2010 with an interest rate of 8.5%
 - (iii) Vehicle Loan from Axis Bank is repayable in 36 monthly instalments commencing from June 2009 with an interest rate of 11%
 - (iv) Vehicle Loan from HDFC Bank is repayable in 36 monthly instalments commencing from October 2011 with an interest rate of 10%
 - (v) Vehicle Loan from Axis Bank is repayable in 60 monthly instalments commencing from April 2012 with an interest rate of 11.34%

Kavveri Telecom Infrastructure Ltd

- a) Term Loan from Axis Bank is secured by pledge of 637,000 shares of Kavveri Telecom Products Private Limited held by promoters. Further the loan is guaranteed by two directors along with the corporate guarantee of M/s Kavveri Telecom Products Ltd. Terms of Repayment: Repayable in 84 monthly instalments including a moratorium of 9 months commencing from the date of the Loan ie. 12.03.2011 alongwith interest @12% p.a.
- b) Term Loan 1 & 2 from ICICI Bank is secured by first charge by way of hypothecation of Company's entire stocks of raw materials, semi finished goods and finished goods, consumable goods and spares and other movable assets including book debts, all type of bills and receivables both present and future The loan is further secured by exclusive charge on the present and future movable fixed assets of the company and corporate guarantee of the holding Company . Further the bank will have the exclusive charge on the land owned by EAICOM India Private Ltd. And corporate guarantee of Eaicom India Private Ltd in the capacity of collateral owner. The loan is personally guaranteed by two of the company's directors and exclusive charge on property /pledge of shares of the holding company of Rs. 50 Million. Term Loan 1 is repayable in 54 instalments from 09.02.2010 and the rate of interest is 12% per annum. Term Loan 2 is repayable in 60 monthly instalments commencing from 31.01.2011 and the rate of interest payable is 11.5% p.a
- c) Term Loan from Dena Bank is secured by the entire movable fixed assets ranking pari-passu first charge with ICICI Bank Ltd and Axis Bank Ltd and further secured by first charge on the entire current assets of the company both present and future ranking pari-passu with ICICI Bank Ltd and Axis Bank Ltd. It is further secured by pledge of promoters' share to an extent of 16% of exposure during the entire currency of the Term Loan. Further pari-passu charge on the escrow account need to be maintained where all the collections from the debtors are deposited. Terms of Repayment: Repayable in 8 years including implementation period of 1 year and moratorium period of 1 year. Loan will be repaid in 24 quarterly instalments of Rs. 187.50 lakhs each after 2 years from the date of disbursement. Floating rate of interest @ 14% is payable as per the prevailing market rates. The loan was disbursed in the month of February 2012

2.4 DEFERRED TAX LIABILITIES

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|--|---------------------------|--------------------|---------------------------|-------------------|
| Liability attributable to depreciation | | 124,880,000 | | 105,008,000 |
| Less: Asset attributable to expenses allowable when paid | 3,659,000 | | 2,196,000 | |
| Asset attributable to carried forward loss | 13,830,000 | 17,489,000 | 12,232,000 | 14,428,000 |
| TOTAL | | 107,391,000 | | 90,580,000 |

In the absence of Deferred Tax provisions, in case of countries where the foreign subsidiaries are located, no deferred tax has been provided and hence the same has not been considered on consolidation.

2.5 OTHER LONG TERM LIABILITIES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|-------------------------------|------------------------------|------------------------------|
| Other Non current liabilities | 58,069,950 | 6,058,551 |
| TOTAL | 58,069,950 | 6,058,551 |

2.6 LONG TERM PROVISIONS

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|--|---------------------------|--------------------|---------------------------|--------------------|
| Provision for Warranty | 288,313,057 | | 269,514,498 | |
| Gratuity obligation (Refer Note. 2.39) | 4,889,425 | | 3,817,827 | |
| | | 293,202,482 | | 273,332,325 |
| TOTAL | | 293,202,482 | | 273,332,325 |

2.7 SHORT TERM BORROWINGS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|------------------------------|------------------------------|
| Secured | | |
| Operating credit facilities from Banks | 614,277,994 | 612,837,196 |
| Loan from Corporate | 50,000,000 | - |
| Others | 2,287,204 | 2,287,204 |
| Unsecured | | |
| Loan from Corporate | - | 404,800,000 |
| Others | - | 4,671,560 |
| TOTAL | 666,565,198 | 1,024,595,960 |

Kavveri Telecom Products Ltd

- Cash Credit facility with State Bank of India is secured by first charge on the entire present and future current assets of the company and collaterally secured by pledge of 5 Lakhs shares of the company owned by two directors and 29,200 shares of M/s Kavveri Technologies Inc. being the 100% stake held by M/s Kavveri Telecom Products Ltd and equitable mortgage of the residential building owned by a Directors and their family members)
- Corporate loan is secured by pledge of 7,00,000 shares of the Company held by two directors of the Company

Foreign Subsidiaries:

- Working Capital facility with Royal Bank of Cannada secured by first ranking security in all personal property of the borrower.
- Guarantee and postponement of claim in the amount of \$ 500,000.00 signed by Kavveri technology Inc. supported by a collateral mortgage constituting a first fixed charge in amount of \$ 500,000.00 on land and improvements located at and or described as 500 Van Buren Street.

2.8 TRADE PAYABLES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|-----------------|------------------------------|------------------------------|
| Acceptances | 292,202,509 | 8,524,536 |
| Trades payables | 210,647,901 | 162,297,976 |
| TOTAL | 502,850,410 | 170,822,512 |

2.9 OTHER CURRENT LIABILITIES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|---------------------------------|---------------------------------|
| Current maturities of Long term debt: | | |
| Term Loan account | 145,017,516 | 41,151,229 |
| Vehicle Loan Payable | 4,574,215 | 3,179,980 |
| Unpaid dividend | 1,152,479 | 1,049,755 |
| Statutory dues (Including Provident Fund, Withholding and other taxes payable) | 9,761,505 | 2,049,940 |
| Book overdraft- Axis Bank | 40,495,321 | - |
| Other payables | 156,995,810 | 70,483,797 |
| Advance received from customers & advance rental income | 54,226,212 | 20,450,241 |
| TOTAL | 412,223,058 | 138,364,942 |

2.10 SHORT TERM PROVISIONS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|---------------------------------|---------------------------------|
| Provision for Employee benefits | 9,327,126 | 1,156,957 |
| Provision for Income Tax | 177,457,586 | 140,837,551 |
| Provision for Compensated absence (Refer Note No. 2.39) | 2,67,330 | 2,849,994 |
| Dues to Key Managerial Personnel | 36,331,842 | 66,411,380 |
| Provision for Warranty | 14,449,062 | 8,682,925 |
| Other Provisions | 12,176,189 | 14,550,933 |
| Provision for proposed Dividend on Equity Shares | 80,497,040 | 21,103,470 |
| Provision for dividend distribution tax on proposed Dividend on equity shares | 13,058,633 | 6,768,701 |
| TOTAL | 345,969,808 | 262,361,911 |

2.1.1 TANGIBLE AND INTANGIBLE ASSETS

(in Rs.)

| Particulars | Gross Block | | | | | Depreciation | | | | Net Block | |
|--|----------------------|--------------------|-------------------|---|----------------------|---------------------|-------------------|-------------------|---|---------------------|----------------------|
| | As at 01.04.2011 | Additions | Deletions | Foreign currency translation reserve | As at 31.03.2012 | As at 01.04.2011 | For the year | Deletions | Foreign currency translation n reserve | As at 31.03.2012 | As at 31.03.2011 |
| Tangible Fixed Assets | | | | | | | | | | | |
| Land - Free Hold | 26,157,571 | | 23,267,070 | 264,499 | 3,155,000 | - | - | - | - | 3,155,000 | 26,157,571 |
| Land - Lease Hold (Refer Note 1 below) | - | 11,451,472 | - | - | 11,451,472 | - | - | - | - | 11,451,472 | - |
| Buildings | 209,521,699 | 50,000 | - | 4,089,078 | 213,660,777 | 19,084,372 | 8,498,074 | - | 1,316,499 | 28,898,945 | 190,437,327 |
| Plant and Machinery | 964,609,514 | 287,390,828 | - | 6,714,250 | 1,258,714,592 | 127,551,780 | 56,471,942 | (598,940) | 1,652,772 | 186,275,435 | 837,057,734 |
| Furnitures and Fixtures | 30,141,742 | 80,498 | - | 1,338,857 | 31,561,097 | 13,834,769 | 9,858,124 | 598,940 | 629,522 | 23,723,475 | 16,306,973 |
| Computers | 30,761,934 | 1,320,025 | - | 1,930,909 | 34,012,868 | 18,516,077 | 4,921,915 | - | 8,083 | 23,446,075 | 12,245,857 |
| Vehicles | 15,622,918 | 9,640,347 | 500,000 | 362,924 | 25,126,189 | 4,614,550 | 1,921,714 | 205,876 | 362,923 | 6,693,311 | 11,008,368 |
| Intangible Fixed Assets | | | | | | | | | | | |
| Computer Software | 15,686,016 | 1,810,964 | - | - | 17,496,980 | 6,635,178 | 5,527,039 | - | - | 12,162,217 | 9,050,838 |
| Intangible Assets (Technical Knowhow) | 45,952,004 | 66,089,743 | - | 330,453 | 112,372,200 | 13,519,771 | 4,651,409 | - | 907,812 | 19,078,992 | 32,432,233 |
| TOTAL | 1,338,453,398 | 377,833,877 | 23,767,070 | 15,030,970 | 1,707,551,175 | 203,756,497 | 91,850,217 | 205,876 | 4,877,612 | 300,278,450 | 1,134,696,901 |
| PREVIOUS YEAR FIGURE | 832,381,898 | 507,442,581 | 6,243,676 | 4,872,595 | 1,338,453,398 | 129,957,134 | 81,226,749 | 10,365,009 | 2,937,623 | 203,756,497 | 702,424,764 |

- On June 03, 2011, Karnataka Industrial Areas Development Board ("KIADB") allotted land to the company on a lease cum sale basis until June 2021, to be sold to the company at the end of lease period upon fulfillment of certain conditions. The Lease has been registered in favour of the Company. The Company is confident of fulfilling the conditions. Accordingly, the intial and subsequent lease payments in this regard have been capitalised as Leasehold Land.

2.12 LONG TERM LOANS AND ADVANCES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|------------------------------|------------------------------|------------------------------|
| (Unsecured, Considered good) | | |
| Security Deposits | 20,376,626 | 15,275,779 |
| Capital Advances | 3,500,000 | 342,176,026 |
| Statutory Payments | 10,045,865 | 10,045,865 |
| Others | 124,123 | - |
| TOTAL | 34,046,614 | 367,497,670 |

2.13 OTHER NON CURRENT ASSETS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|------------------------------|------------------------------|
| Long term deposits with banks with maturity period more than 12 months | 115,243,994 | 33,796,003 |
| Margin Money Deposits | 52,298,272 | 14,393,385 |
| Unamortised Expenses | 4,950,912 | 12,179,327 |
| TOTAL | 172,493,178 | 60,368,715 |

2.14 INVENTORIES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---------------------|------------------------------|------------------------------|
| a) Raw materials | 369,983,211 | 236,745,236 |
| b) Work-in-progress | 26,587,632 | 7,797,933 |
| c) Finished goods | 145,034,492 | 117,987,141 |
| d) Stock-in-trade | 238,000,930 | 359,708,033 |
| TOTAL | 779,606,265 | 722,238,343 |

2.15 TRADE RECEIVABLES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|---------------------------------|---------------------------------|
| Unsecured, considered good | | |
| Outstanding for a period exceeding six months from the date they are due for payment | 37,337,896 | 36,259,460 |
| Others | 1,704,752,430 | 967,465,943 |
| Unsecured, considered doubtful | | |
| Outstanding for a period exceeding six months from the date they are due for payment | - | - |
| Others | - | - |
| Less: Provision for doubtful debts | - | 714,091 |
| TOTAL | 1,742,090,326 | 1,003,011,312 |

2.16 CASH AND BANK BALANCES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|----------------------------|------------------------------|------------------------------|
| Cash and Cash equivalents | | |
| Cash on hand | 376,692 | 1,140,914 |
| Bank balances: | | |
| in current Account | 66,703,066 | 25,255,069 |
| in Unpaid dividend account | 1,152,479 | 1,049,755 |
| TOTAL | 68,232,237 | 27,445,738 |

2.17 SHORT TERM LOANS AND ADVANCES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|---------------------------------|---------------------------------|
| Unsecured, considered good | | |
| Advance income Tax | 12,129,250 | 1,092,686 |
| Balances with Customs, Central Excise, VAT etc. | 143,729,656 | 104,239,444 |
| Prepaid expenses | 5,513,074 | 4,418,372 |
| Loans and advances to Employees | 564,066 | 880,785 |
| MAT credit entitlement | 12,000,000 | 6,750,000 |
| Short Term Deposits with Corporates | 400,000,000 | - |
| Others | 166,784,614 | 449,839,624 |
| TOTAL | 740,720,660 | 567,220,911 |

2.18 OTHER CURRENT ASSETS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|----------------------------------|---------------------------------|---------------------------------|
| (Unsecured, considered good) | | |
| Income accrued on deposits | 1,126,290 | 1,520,146 |
| Income accrued on Loan to Others | 9,754,574 | - |
| TOTAL | 10,880,864 | 1,520,146 |

2.19 CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for)

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|--|------------------------------|------------------------------|
| Claims against the Company not acknowledged as debts | 8,080,428 | 31,033,073 CAD 75,500 |
| Statutory claims under appeals/disputes: | | |
| a) Income tax matters | 51,413,876 | 2,229,133 |
| b) Excise Matters (Refer Note (V) below) | 503,582,590 | 488,049,175 |
| c) Sales Tax matter | 6,322,513 | 6,322,513 |
| Guarantees by Bank | 6,798,570 | 9,682,133 |
| Corporate Guarantee | 814,950,191 | 474,540,855 |

- (I) M/s. Mahanagar Telephone Nigam Ltd and M/s Bharat Sanchar Nigam Ltd. had invoked bank guarantees totaling to Rs. 4,41,000 and Rs.7,55,081 respectively against which the company has filed cases against such invoking of bank guarantees and is advised that the matter will be resolved in favour of the company in respect of the said amount and hence no provision is made in the books of account.
- (ii) In the Matter of dispute with M/s Bharat Sanchar Nigam Limited (BSNL), the Honourable High Court of Karnataka at Bangalore have referred the matter to the arbitrator to be appointed by M/s BSNL, against invoking of Bank guarantee of a sum of Rs.22,70,000.
- (iii) There are claims against one of the Company's properties located at Bangalore, which is presently owned by the Company.
- (iv) Margin Money deposits with the bank amounting to Rs. 5,22,98,272 (Rs. 1,43,93,385) has been given as margin money for the guarantees issued by the bankers.
- (v) Customs, Excise and Service Tax Appellate Tribunal, South Zone, Bangalore, however had stayed the aforesaid demand subject to payment of Rs. 2 Crores within six weeks from 07.03.2012 and Rs 15 Lakhs within a period of six weeks from 31.01.2012

2.20 PROPOSED DIVIDEND

The final dividend proposed for the year is as follows:

| Particulars | Year ended 31st March 2012 in Rs. | Year ended 31st March 2011 in Rs. |
|---|-----------------------------------|-----------------------------------|
| On equity shares of Re.10 each | | |
| Amount of dividend proposed Dividend per Equity Share | 4.00 | 1.50 |

2.21 REVENUE FROM OPERATIONS

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|-----------------------------|---------------------------|----------------------|---------------------------|----------------------|
| (a) Sale of Products | | 4,402,503,818 | | 3,030,090,823 |
| (b) Sale of services | 200,702,049 | | 88,758,405 | |
| Less: Advance Rental Income | 32,634,944 | 168,067,105 | 18,862,727 | 69,895,678 |
| TOTAL | | 4,570,570,923 | | 3,099,986,501 |

2.22 OTHER INCOME

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|---------------------------|---------------------------|
| a) Interest Income from Banks | 16,676,611 | 3,950,903 |
| b) Bad debts recovered | - | 15,659,429 |
| c) Liabilities written back to the extent no longer required | 2,735,182 | 188,412,991 |
| d) Net gain on foreign currency transactions and translations | 140,033,285 | - |
| e) Miscellaneous income | 27,867,571 | 39,673,515 |
| TOTAL | 187,312,647 | 247,696,838 |

2.23 COST OF MATERIAL CONSUMED

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|--|---------------------------|----------------------|---------------------------|----------------------|
| Material Consumption | | | | |
| Opening Stock of Raw Materials | 236,745,236 | | 223,562,571 | |
| Add : Purchases during the year | 748,331,043 | | 185,821,904 | |
| Less: Closing Stock of Raw - Materials | 369,983,211 | | 236,745,236 | |
| Raw Materials | | 615,093,068 | | 172,639,239 |
| Packing Materials | | 1,431,921 | | 668,247 |
| Purchases Stock in Trade | | | | |
| Purchases during the year | | 2,555,606,213 | | 2,418,435,000 |
| TOTAL | | 3,172,131,202 | | 2,591,742,486 |

2.24 CHANGES IN INVENTORY OF FINISHED GOODS AND WORK IN PROGRESS

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|--|---------------------------|---------------------|---------------------------|--------------------|
| (Increase)/Decrease in Stocks | | | | |
| Stock at the end of the year: | | | | |
| Finished Goods | 145,034,492 | | 117,987,141 | |
| Work-in-Progress | 26,587,632 | | 7,797,933 | |
| Stock in Trade | 238,000,929 | | 359,708,033 | |
| A | | 409,623,053 | | 485,493,107 |
| Less: Stock at the beginning of the year | | | | |
| Finished Goods | 117,987,141 | | 43,482,359 | |
| Work-in-Progress | 7,797,933 | | 40,210,080 | |
| Stock in Trade | 359,708,033 | | 30,600,000 | |
| B | | 485,493,107 | | 114,292,439 |
| (Increase)/Decrease in Stocks (A-B) | | (75,870,054) | | 371,200,668 |

2.25 EMPLOYEE BENEFIT EXPENSES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|---------------------------------|---------------------------------|
| Salaries, Wages and Bonus | 229,503,674 | 137,492,087 |
| Contribution to Provident and other funds | 2,766,951 | 3,473,727 |
| Deferred Employee Compensation Cost | 3,940,923 | 3,678,722 |
| Gratuity paid | 814,046 | 950,321 |
| Managerial Remuneration | 42,841,276 | 35,716,154 |
| Staff welfare expenses | 5,695,565 | 362,277 |
| TOTAL | 285,562,435 | 181,673,288 |

2.26 FINANCE COSTS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|------------------------------|------------------------------|
| Interest on Long term borrowings | 22,136,773 | 39,294,370 |
| Other borrowing cost | 108,890,457 | 83,529,125 |
| Charges towards letter of credit and guarantees | 7,738,644 | 1,280,920 |
| Others | 9,032,961 | 1,077,102 |
| TOTAL | 147,798,835 | 125,181,517 |

2.27 DEPRECIATION AND AMORTISATION EXPENSES

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|-----------------------------------|------------------------------|------------------------------|
| Depreciation on tangible assets | 81,671,769 | 62,033,244 |
| Amortisation on Intangible assets | 10,178,448 | 9,707,307 |
| TOTAL | 91,850,217 | 71,740,551 |

2.28 OTHER EXPENSES

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|---|---------------------------|--------------------|---------------------------|--------------------|
| Consumption of stores and spare parts | | 1,136,008 | | 194,318 |
| Excise Duty | | (969,149) | | 2,275,350 |
| Power and Fuel | | 8,257,900 | | 1,494,952 |
| Warranty Charges | | 33,101,819 | | - |
| Job work and handling charges | | 11,524,648 | | 25,554,138 |
| Freight Inwards | | 12,076,043 | | 4,802,372 |
| Rent | | 52,135,947 | | 34,685,852 |
| Repairs and Maintenance – Plant and Machinery | | 6,054,767 | | 951,581 |
| Repairs and Maintenance – Building | | 472,842 | | 1,561,646 |
| Repairs and Maintenance – Others | | 3,709,024 | | 6,314,462 |
| Insurance | | 8,081,244 | | 2,367,838 |
| Rates and Taxes | | 1,120,417 | | 5,543,715 |
| Carriage Outwards | | 4,098,415 | | 3,779,019 |
| Travelling and Conveyance | | 9,968,577 | | 12,464,589 |
| Directors' Sitting fees | | 85,000 | | 87,500 |
| Statutory Auditors : | | | | |
| Audit fees | 700,000 | | 675,000 | |
| Tax Audit fees | 100,000 | | 75,000 | |
| Other Services | 125,000 | | 125,000 | |
| Reimbursement of expenses | 25,460 | | 8,078 | |
| | | 950,460 | | 883,078 |
| Exchange fluctuation loss (Net) | | - | | 28,569,974 |
| Loss on Sale of assets | | 6,908,195 | | 85,565 |
| Research and Development Expenses | | 29,610,486 | | 23,508,353 |
| Provision for Advance in Foreign Subsidiary | | 3,718,585 | | - |
| Bad debts written off | | 14,726,859 | | - |
| Miscellaneous expenses | | 103,003,459 | | 63,833,427 |
| Preliminary expenses written off | | 133,536 | | 133,536 |
| Deferred revenue expenses written off | | 1,222,430 | | 1,222,430 |
| TOTAL | | 311,127,512 | | 220,313,695 |

2.29 EXCEPTIONAL ITEMS

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---------------------------------------|------------------------------|------------------------------|
| Income tax relating to previous years | 1,337,520 | 4,382,609 |
| Prior Period Adjustments | 1,327,588 | - |
| TOTAL | 2,665,108 | 4,382,609 |

2.30 AMALGAMATION

Amalgamation with Megasonic Telecoms Private Limited: - The Company got amalgamated with erstwhile Megasonic Telecoms Private Limited in the year 2003-04 and as per the scheme of amalgamation 4,935,000 equity shares were issued as consideration.

2.31 CAPITAL RESERVES

The Capital Reserve of Rs. 73,25,779/- represents the excess of net fair value of assets over the purchase consideration in terms of scheme of amalgamation taken place during the year 2003-04, which was duly approved by the Hon'ble High Courts of Karnataka and Bombay.

2.32 EARNINGS PER SHARE

| Particulars | As at 31.03.2012 (in Rs.) | | As at 31.03.2011 (in Rs.) | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | Basic extraordinary items | After extraordinary items | Basic extraordinary items | After extraordinary items |
| (a) Basic | | | | |
| Profit after tax | 480,827,752 | 480,827,752 | 382,544,484 | 382,544,484 |
| Weighted average number of shares outstanding | 17,856,009 | 17,856,009 | 10,703,947 | 10,703,947 |
| Basic EPS | 26.93 | 26.93 | 35.74 | 35.74 |
| (b) Diluted | | | | |
| Profit after tax | 480,827,752 | 480,827,752 | 382,544,484 | 382,544,484 |
| Adjusted net profit for the year | 480,827,752 | 480,827,752 | 382,544,484 | 382,544,484 |
| Weighted average number of shares outstanding for diluted EPS | 17,885,450 | 17,885,450 | 11,305,584 | 11,305,584 |
| Diluted EPS | 26.88 | 23.05 | 33.84 | 33.84 |
| Face value per share | 10.00 | 10.00 | 10.00 | 10.00 |

2.33 TRANSACTIONS WITH RELATED PARTIES (as identified by the Company)

| Description of the nature of transaction | Description of Relationship | Related Party | Year ended 31st March 2012 (in Rs.) | Year ended 31st March 2011 (in Rs.) |
|--|-----------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Sale of goods | Key Managerial Personnel | Shivakumar Reddy | 16,372 | 53,255 |
| Interest received | Other Related Party | SMR Telecom Holdings Private Limited | 124,123 | NIL |
| Remuneration paid | Key Managerial Personnel | Shivakumar Reddy | 18,984,498 | 14,548,717 |
| | Key Managerial Personnel | R H Kasturi | 18,984,498 | 14,548,717 |
| | Key Managerial Personnel | L. Nicolas | 3,372,280 | 2,100,000 |
| Lease rentals paid | Other related party | Uma Reddy | 720,000 | 3,850,000 |
| Loans taken | Key Managerial Personnel | R H Kasturi | 7,350,000 | 17,687,500 |
| | Key Managerial Personnel | Shivakumar Reddy | 13,412,343 | 58,301,530 |
| Payable at the year end | Key Managerial Personnel | Shivakumar Reddy | 17,475,138 | 14,548,717 |
| | Key Managerial Personnel | R H Kasturi | 17,475,138 | 14,548,717 |
| | Other related party | Uma Reddy | 1,381,566 | 1,575,000 |
| Receivable at the year end | Other Related Party | SMR Telecom Holdings Private Limited | 124,123 | NIL |

LIST OF RELATED PARTIES

| Key Management Personnel | Direct Subsidiaries | Indirect Subsidiaries | Other Associates/Other related party |
|--------------------------|--|------------------------------------|--------------------------------------|
| Mr. C.Shivakumar Reddy | Eaicom India Private Limited | DCI Digital Communications Inc | SMR Telecom Holdings Private Limited |
| | Kavveri Technologies Inc. | Spotwave Wireless Ltd | Ms. C.Uma Reddy |
| Ms. R .H Kasturi | Kavveri Telecom Infrastructure Limited | Kavveri Realty 5 Inc. | |
| | Kavveri Telecom Products UK Limited | Trackcom Systems International Inc | |
| | Kavveri Telecom Espana | Til-Tek Antennae Inc. | |
| | | Ryma De Mexico | |

2.34 SEGMENT RESULTS

The company's predominant risks and returns are from the segment of "Wireless sub-systems Products" represented by Antenna, Duplexer, RF Products and RF accessories, which constitute the major revenue of the company for the reporting period. Since this being a single business segment, the segment information as per Accounting Standard 17, "Segment Reporting", is not disclosed.

2.35 Expenses incurred under the following heads, on account of capital items have been initially debited to the Statement of Profit and Loss and thereafter it has been capitalised to the respective capital asset

| Head of Expenses | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---------------------------|------------------------------|------------------------------|
| Salaries and Wages | 11,878,833 | 13,430,611 |
| Rent | 1,136,550 | 4,664,624 |
| Labour Charges | 2,714,587 | 4,678,790 |
| Travelling and conveyance | 585,503 | 1,717,670 |
| Transportation charges | 491,278 | 1,001,365 |
| Rates and Taxes | - | 800,003 |
| Insurance | 344,994 | 130,304 |
| Interest & Bank Charges | 70,906,337 | - |
| Miscellaneous Expenses | 624,438 | 2,591,208 |
| TOTAL | 88,682,520 | 29,014,575 |

2.36 OPERATING LEASE OBLIGATIONS

The company has taken office, other facilities under cancelable and non-cancelable operating leases, which are renewable on a periodic basis.

The disclosures relating to the leases undertaken are given under:

| Particulars | As at 31.03.2012 (in Rs.) | As at 31.03.2011 (in Rs.) |
|---|------------------------------|------------------------------|
| Lease rent recognized in the Statement of Profit and Loss | 46,224,688 | 33,039,849 |
| Minimum lease payments outstanding in respect of these areas under: | 216,542,817 | 159,754,715 |
| Not later than one year | 44,532,377 | 29,300,944 |
| Later than one year and not later than 5 years | 172,010,440 | 129,193,771 |

For and on behalf of the Board of Directors of
Kavveri Telecom Products Limited

As per our report of even date
for **S.Janardhan and Associates**
Chartered Accountants
Firms' Registration No.005310S

C.Shivakumar Reddy
Managing Director

R.H.Kasturi
Director

Sidharth.C.A
Company Secretary

B.Anand
Partner
Membership No.029146

Place: Bangalore
Date: 30.05.2012

1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATED ACCOUNTS

1.1 Basis of Preparation of Financial Statements:

The consolidated financial statements (CFS) relate to Kavveri Telecom Products Limited.(hereinafter referred to as the "Company") and its Subsidiaries (hereinafter referred as the "Group")

The accounts of the group are prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis in accordance with accounting principles generally accepted in India. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year and in case of any such variation in the accounting policy as compared to the previous year; such variations are disclosed separately as a part of notes to accounts.

1.2 Principles of Consolidation:

- i) The consolidated financial statements of Kavveri Telecom Products Ltd together with audited financial statements of its subsidiaries, has been consolidated for the purpose of consolidation.
- ii) The financial statements of the parent company and its subsidiaries have been combined to the extent possible on a line by line basis by adding together like items of assets, liabilities, income and expenses. The results of subsidiaries acquired or disposed off during the year are included in consolidated profit and loss account from the effective date of acquisition or upto the effective date of disposal as appropriate.
- iii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are prepared to the extent possible, in the same manner as the parent company's financial statements.
- iv) Minority interest in the net income and net asset of the consolidated financial statements are computed and shown separately. Losses applicable to minority in excess of minority interest in the subsidiaries equity are allowed against the interest of the group.
- v) Unamortized carrying value of goodwill is tested for impairment as at each balance sheet date.
- vi) Subsidiaries – The subsidiary companies considered in CFS are:

| Name of the company | Country of incorporation | Percentage of holding as on 31st March, 2012 | Accounting Period |
|--|--------------------------|--|-----------------------------------|
| Direct subsidiaries | | | |
| Eaicom India Private Limited | India | 100% | 1st April 2011 to 31st March 2012 |
| Kavveri Telecom Infrastructure Limited | India | 51% | 1st April 2011 to 31st March 2012 |
| Kavveri Telecom Products UK Limited | England | 100% | 1st April 2011 to 31st March 2012 |
| Kavveri Technologies Inc | Canada | 100% | 1st April 2011 to 31st March 2012 |
| Kavveri Telecom Espana | Spain | 100% | 1st April 2011 to 31st March 2012 |
| Subsidiaries of wholly owned subsidiary, Kavveri Technologies Inc | | | |
| Til – Tek Antennae Inc | Canada | 100% | 1st April 2011 to 31st March 2012 |
| Trackcom Systems International Inc | Canada | 67% | 1st April 2011 to 31st March 2012 |
| DCI Digital Communications Inc | Canada | 100% | 1st April 2011 to 31st March 2012 |
| Spotwave Wireless Ltd | Canada | 100% | 1st April 2011 to 31st March 2012 |
| Kaveri Realty 5 Inc | Canada | 100% | 1st April 2011 to 31st March 2012 |
| Subsidiaries of wholly owned subsidiary, Kavveri Telecom Espana | | | |
| Rymsa De Mexico, SA DE C.V | Mexico | 100% | 1st April 2011 to 31st March 2012 |

1.3 Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of the operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

1.4 Fixed Assets:

- Fixed Assets are stated at cost of acquisition (Net of Cenvat and VAT) plus subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation including finance charges which are directly attributable to the Fixed assets less accumulated depreciation and impairment loss.
- Capital Work in Progress comprises of the cost of fixed assets that are not put to use as at the Balance Sheet date and advance paid towards acquisition of Fixed Assets and relevant financial charges incurred thereon.
- Technical knowhow acquired to be used to upgrade and develop new products and used for enhancement of features & functionalities of the products are capitalized under Fixed asset as Technical Knowhow.

- Software which are not integral part of the hardware are classified as Intangibles and is stated at cost less accumulated amortization. Software's are being amortized over the estimated useful life which is estimated as 3 Years.
- Temporary structures installed at the leased out premises is being written off over the tenure of the lease agreement.
- The excess of cost of the Company of its investments in the subsidiary Company over its share of the equity of the subsidiary Company, at the dates on which the investment in the subsidiary Company was made, is recognized as "Goodwill" being an asset in the consolidated financial statement.

1.5 Depreciation:

- Depreciation on Fixed Assets is provided using Straight-line method at the rates prescribed under Schedule XIV of the companies Act, 1956 on proportionate basis.
- Cost of Technical knowhow is being written off over a period of 10 years.
- Cost of assets wherever less than Rs. 5000 is written off fully in the year of purchase.
- Depreciation in respect of overseas subsidiaries is provided over the estimated useful life by using the Witten Down Value (WDV) method.
- However, the said rates of depreciation, respect of overseas subsidiaries are higher than the rates prescribed vide Schedule XIV to the Companies Act, 1956.

1.6 Minority Interest

Minority interest is the net assets of consolidated subsidiaries consist of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to dates of investments as stated above. The excess of loss over the minority interest in the equity is adjusted against General Reserve of the Company.

1.7 Impairment of Assets:

The Company assesses at each Balance Sheet date, whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

1.8 Leases:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Subsidiary company takes on lease various properties on lease to provide "In building Solutions" which are cancellable and is in turn sub let to various cell phone operators while providing "In building Solutions".

1.9 Inventory Valuation:

Raw Materials, Stores and spares and Traded Goods are stated at lower of cost and net realizable value. Cost is determined based on first in first out basis and are net of provisions.

Work in Progress and Finished Goods are valued at lower of cost and net realizable value. Cost includes Direct Materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

1.10 Investments:

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Long term investments are carried at cost. However, provision for diminution in value is made to recognize a diminution other than temporary in the value of investments.

1.11 Research and Development:

Expenditure on Research and Development other than capital items is charged to revenue. Cost incurred on any generation of intangible/tangible asset out of the Research and development activity is amortized/written off over the estimated life of the asset.

1.12 Revenue Recognition:

- Sales are recognized when the significant risks attached to the goods are passed on to the buyer and are recorded net of duties, trade discounts, and rebates.
- Sales Returns are recognized as and when ascertained and are reduced from the sales turnover of the year.
- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- Export benefits are accounted on accrual basis.
- Service Income is recognized as and when “On Air” status has been achieved as certified by the customer; based on the contractual terms and conditions of each site of the “In building wireless solutions” upto the end of the year.
- Future rentals invoiced as per the contractual terms are excluded from the services income as “Advance Income received”.

1.13 Warranty Expenses:

Estimated amount of warranty expenses evaluated on a technical basis on sale of Radio Products wherever it is obligated to cover under warranty is provided in the year of sale and the expired portion of the Warranty expenses relating to the period/year are transferred to the Profit and Loss account. Unexpired portion of the Warranty expenses is carried over as a liability in the books of account and is written back over the number of years of the coverage of warranty on the basis of estimated warranty expenses for such products.

1.14 Exchange Fluctuation:

- Foreign currency transactions are accounted at exchange rates prevailing on the date of the transaction.
- Gains and losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at the yearend rates are recognized in the Profit and Loss account.
- In case the monetary assets and liabilities are covered by forward contract, the premium or discount arising at the inception of such a forward contract is amortized as expense or income over the life of the contract.
- For the purpose of consolidation of accounts of foreign subsidiaries, average rate of currencies have been taken for revenue items and year-end rates have been applied for Balance sheet items as per Accounting Standard 11 (AS 11) – “The effects of changes in Foreign Exchange Rates”, notified by the Central Government of India under the Companies (Accounting Standard) Rules 2006.
- The net exchange difference for the translation items in the financial statement of foreign subsidiaries is taken to Exchange Fluctuation Reserve.

1.15 Employee Benefits:

In respect of Parent Company including Indian Subsidiaries

- **Provident Fund:** Eligible employees receive benefits from a Provident Fund, which is a defined contribution plan. Aggregate contributions along with interest thereon, are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the Government administered Provident Fund. The Company has no obligation beyond its contribution.
- **Gratuity:** A defined benefit retirement plan ('the Gratuity Plan') is provided to all employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum amount to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity plan are determined by actuarial valuation using the projected unit credit method, as of the balance sheet date.
- Expenses on ex-gratia payment to employees, a defined contribution plan, are accounted as and when accepted by the management.
- Provision in respect of Leave encashment is made, based on actuarial valuation.

In respect of foreign subsidiaries:

Foreign subsidiaries make contribution to various social security plans and insurance schemes as per local requirements and generally accepted practices in their respective country of incorporation. Such contributions are charged to Profit and Loss account in the year in which liability to pay arises.

1.16 Borrowing Cost:

Borrowing costs relating to acquisition of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs not eligible for capitalization are charged to revenue.

1.17 Taxes:

- Tax expense comprises of current and deferred tax. Current Income Tax is measured based on the tax liability computed after considering tax allowances and exemptions.
- Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- Deferred Tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

1.18 Cash Flow Statement:

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items income or expense associated with investing or financing cash flows. Cash and Cash Equivalents include Cash on hand and balance with banks in current and deposit accounts, with necessary disclosure of cash and cash equivalent balances that are not available for use by the company.

1.19 Stock Option Plan (2008):

The Company instituted the Kavveri ESOS 2008 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders by Postal ballot on 23rd April 2008. The Kavveri ESOS 2008 Plan covers all employees of the company and its subsidiaries and Directors (excluding Promoter Directors) of the Company and its subsidiaries (collectively, "eligible employees"). Under the Scheme, the Compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its Subsidiaries. The Committee shall determine the employees eligible for receiving the options, the number of options

to be granted, the exercise price, the vesting period and exercise period. Vesting of employee stock options granted occurs in tranches as under:

| Period | Vesting proportion |
|--|--------------------|
| At the end of one year from the date of grant | 20% |
| At the end of two years from the date of grant | 30% |
| At the end of three years from the date of grant | 50% |

The exercise price for the purpose of exercise of options will be at Rs.10/- per share i.e. at par.

The employee stock options granted shall be capable of being exercised within a period of 5 years from the date of vesting options or such lesser period as may be decided by the Compensation Committee from time to time.

Under the Scheme 388,570 (139,125) stock options out of the total of 5,00,000 stock options reserved for grant of options having an exercise price equal to the par value of the underlying equity shares on the date of grant (i.e. Rs. 10 per option) are outstanding as at the balance sheet date.

As the number of shares that an individual employee is entitled to receive and the price of the options are known at the grant date, the scheme is considered as a fixed grant.

In the case of termination of employment, all non-vested options would stand cancelled. Options that have been vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee or if no time limit is prescribed, within 30 days of the date of employment termination, failing which they would stand cancelled.

The Company follows intrinsic method of accounting based on which the compensation cost is recognized in the Profit and Loss account.

During the current year, the company under the Kavveri 2008 Plan has granted 384,000 (Nil) options to eligible employees and 23,595 options lapsed till 31st March 2011.

1.20 Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of shares outstanding during the year is adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

1.21 Contingent Liability:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the Notes. Contingent assets are neither recognized nor disclosed in the financial statements.

KAVVERI TELECOM PRODUCTS LIMITED

Consolidated Cash Flow Statement for the year ended 31st March 2012

| Particulars | Year Ended March 31, 2012 (in Rs.) | Year Ended March 31, 2011 (in Rs.) |
|---|---------------------------------------|---------------------------------------|
| A. Cash Flow from Operating Activities | | |
| Profit before Taxation and extraordinary items | 643,125,895 | 510,894,182 |
| Adjustments for Depreciation | 91,850,217 | 71,740,551 |
| Loss on sale of Tangible assets | 6,908,195 | 85,565 |
| Deferred employee Cost | 3,940,923 | 3,678,722 |
| Bad debts written off | 14,726,859 | - |
| Interest Expenditure | 147,798,835 | 125,181,517 |
| Interest Income | (16,676,611) | (3,950,903) |
| Translation adjustments | (18,625,802) | 27,323,999 |
| Income Tax relating to earlier years | 1,337,520 | 4,382,609 |
| Liabilities/Provisions written back | (2,735,182) | (188,412,991) |
| Operating Profit before working capital changes | 871,650,850 | 550,923,251 |
| Changes in Working Capital: | | |
| Increase/(Decrease) in Trade Payables | 332,027,898 | (42,486,975) |
| Increase/(Decrease) in Short Term Provisions | 74,962,756 | (26,888,021) |
| Increase/(Decrease) in Long Term Provisions | 19,870,157 | (12,635,483) |
| Increase/(Decrease) in Other Current Liabilities | 277,282,362 | 31,333,583 |
| Increase/(Decrease) in Long Term Liabilities | 52,011,399 | 5,625,354 |
| (Increase)/Decrease in Trade Receivables | (753,805,873) | 113,189,086 |
| (Increase)/Decrease in Inventories | (57,367,922) | (324,815,729) |
| (Increase)/Decrease in Short Term Loans and advances | (171,978,529) | (49,000,472) |
| (Increase)/Decrease in Long Term Loans and advances | 335,773,177 | (156,432,901) |
| (Increase)/Decrease in Other Current assets | (8,155,861) | (56,943,153) |
| (Increase)/Decrease in Other non Current assets | (112,124,463) | 28,893,882 |
| Cash generated from Operations | 860,145,951 | 60,762,422 |
| Taxes paid (Net of refunds) | (173,351,375) | (73,567,571) |
| Net cash generated from operations before extraordinary items | 686,794,576 | (12,805,149) |
| Net cash generated from operating activities | 686,794,576 | (12,805,149) |
| B Cash Flow from Investing Activities | | |
| Purchase of Tangible/Intangible Assets | (387,987,237) | (506,407,066) |
| Capital Work in Progress | (574,907,703) | 143,520,474 |
| Sale of Asset | 16,653,000 | 250,000 |
| Translation adjustments | 10,153,358 | 4,872,595 |
| Interest received | 16,676,611 | 3,950,903 |
| Net Cash from Investing Activities | (919,411,972) | (353,813,094) |
| C Cash flow from Financing Activities | | |
| Dividends paid | (21,206,194) | (20,183,394) |
| Dividend distribution tax | (6,768,701) | - |
| Dividend relating to earlier year | (4,200,000) | - |
| Dividend distribution tax relating to earlier year | (680,817) | - |
| Interest paid | (147,798,835) | (125,181,517) |
| Increase/(Repayment) of Short Term borrowings | (358,030,762) | (106,566,994) |
| Increase/(Repayment) of Long Term borrowings | 198,173,335 | (47,729,280) |
| Proceeds from share capital increase | 60,552,800 | 40,081,800 |
| Security Premium | 678,573,361 | 412,000,000 |
| Share application money pending allotment | (118,071,445) | 122,381,445 |
| Expenses on account of share capital increase | (7,138,846) | - |
| Net cash raised in Financing activities | 273,403,896 | 274,802,060 |

| | | |
|--|-------------------|---------------------|
| Net increase in cash and cash equivalents | 40,786,501 | (91,816,183) |
| Cash and Cash equivalents at the beginning of | 27,445,738 | 119,261,920 |
| Cash and Cash equivalents at the end of the year | 68,232,237 | 27,445,738 |
| Cash and Cash equivalents comprise of | | |
| Cash on Hand | 376,692 | 1,140,914 |
| Balances with Banks* | 67,855,545 | 26,304,824 |
| TOTAL | | |
| Unpaid dividend account | 1,152,479 | 1,049,755 |

*Includes the following balances which are not available for use by the Company

For and on behalf of the Board of Directors of
Kavveri Telecom Products Limited

As per our report of even date
for **S.Janardhan and Associates**
Chartered Accountants
Firms' Registration No.005310S

C.Shivakumar Reddy
Managing Director

R.H.Kasturi
Director

Sidharth.C.A
Company Secretary

B.Anand
Partner
Membership No.029146

Place: Bangalore
Date: 30.05.2012

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956 RELATING TO SUBSIDIARY COMPANIES

(Amount in Rs.)

| PARTICULARS | KAVERI TELECOM INFRASTRUC- TURE LTD | KAVVERI TECHNOLOG- IES INC | TIL TEK ANTENNA INC | DCI DIGITAL COMMUNI- CATIONS INC | SPOTWAVE WIRE LESS LTD., | KAVERI REALTY5 INC | TRACKCOM SYSTEMS INTERNATIO- NAL INC. | EAICOM INDIA PRIVATE LIMITED | Kaveri Telecom Products UK Limited | Kaveri Telecom España, Spain |
|---|---|---|---|--|--|--|--|--|---|--|
| FINANCIAL YEAR OF THE SUBSIDIARY ENDED ON | 31.03.2012 | 31.03.2012 | 31.03.2012 | 31.03.2012 | 31.03.2012 | 31.03.2012 | 31.03.2012 | 31.03.2012 | 31.03.2012 | 31.03.2012 |
| HOLDING COMPANY'S INTEREST IN THE SUBSIDIARY AS AT 31.03.2012 | 9096000 EQUITY SHARES OF RS.10/- EACH | 230700 SHARES OF CAD 10/- EACH | 120 EQUITY SHARES OF CAD 1/- EACH | 1000 EQUITY SHARES OF CAD 1/- EACH | 120 EQUITY SHARES OF USD 1/- EACH | 120 EQUITY SHARES OF CAD 1/- EACH | 67 EQUITY SHARES OF USD 1/- EACH | 212850 EQUITY SHARES OF RS.10/- EACH | 1 EQUITY SHARE OF £ 1/- EACH | 1,003,000 EQUITY SHARES OF € 1/- EACH |
| EXTENT OF HOLDING | 51% | 100% | 100% | 100% | 100% | 100% | 67% | 100% | 100% | 100% |
| NET AGGREGATE AMOUNT OF SUBSIDIARY COMPANY'S PROFIT / (LOSSES) NOT DEALT WITH THE HOLDING COMPANY'S ACCOUNTS: | | | | | | | | | | |
| FOR THE AFORESAID FINANCIAL YEAR ENDED 31.03.2012 | 4,209,938 | 7,107,048 | 12,732,289 | 4,696,127 | 18,549,419 | (6,911,078) | (20,727,862) | (6,753,070) | NIL | 1,108,204 |
| FOR THE PREVIOUS FINANCIAL YEAR ENDED 31.03.2011 | 25,027,256 | (18,731,288) | 15,668,705 | 8,059,290 | 27,012,919 | (769,402) | 394,922 | (9,842,718) | 11,076 | NIL |
| CHANGE OF INTEREST OF THE COMPANY IN THE SUBSIDIARY BETWEEN THE END OF FINANCIAL YEAR OF THE SUBSIDIARY COMPANY AND THAT OF HOLDING COMPANY | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |

NOTE: As the financial year of the subsidiary company coincides with the financial year of the Holding company, section 212(5) of the act is not applicable

KAVVERI TELECOM PRODUCTS LIMITED

Regd. Office: Plot No. 31-36, I Main, II Stage, Arakere MICO Layout, Bannerghatta Road, Bangalore 560 076

ATTENDANCE SLIP

I _____ (name) the member of the company under the folio number _____ holding _____ equity shares in the company, hereby:

record my presence at the Seventeenth Annual General Meeting of the Company held on 29.09.2012 at plot no 31 to 36, 1st main, 2nd Stage, Arakere MICO layout, Bannerghatta road, Bangalore – 560 076.

OR

appoint _____ (name of proxy) as my proxy to vote for me on my behalf at the Seventeenth Annual General Meeting of the Company to be held on 29.09.2012 at plot no 31 to 36, 1st main, 2nd Stage, Arakere MICO layout, Bannerghatta road, Bangalore – 560 076. Rs. 1/- revenue stamp signed this _____ day of _____ 2012

Signature(s) of Member(s) _____

Rs. 1/-
Revenue
Stamp

Note: Please fill this attendance slip and hand it over at the entrance of the Hall / deliver the proxy form 48 hours before the AGM

KAVVERI TELECOM PRODUCTS LIMITED

Regd. Office: Plot No. 31-36, I Main, II Stage, Arakere MICO Layout, Bannerghatta Road, Bangalore 560 076

FORM OF PROXY

I _____ (name) the member of the company under the folio number _____ holding _____ equity shares in the company, hereby:

record my presence at the Seventeenth Annual General Meeting of the Company held on 29.09.2012 at plot no 31 to 36, 1st main, 2nd Stage, Arakere MICO layout, Bannerghatta road, Bangalore – 560 076.

OR

appoint _____ (name of proxy) as my proxy to vote for me on my behalf at the Seventeenth Annual General Meeting of the Company to be held on 29.09.2012 at plot no 31 to 36, 1st main, 2nd Stage, Arakere MICO layout, Bannerghatta road, Bangalore – 560 076. Rs. 1/- revenue stamp signed this _____ day of _____ 2012

Signature(s) of Member(s) _____

Rs. 1/-
Revenue
Stamp

Note: Please fill this attendance slip and hand it over at the entrance of the Hall / deliver the proxy form 48 hours before the AGM

www.kaveritelecoms.com



Plot No. 31 to 36, 1st Main, 2nd Stage, Arakere Mico Layout, Bannerghatta Road, Bangalore-560 076, Karnataka, India.
Tel: +91-80-41215999, 41215960 / 61 / 62 / 64 / 65 / 67 Fax: +91-80-41215966, e-mail: companysecretary@kaveritelecoms.com

NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of Kavveri Telecom Products Limited will be held as per the schedule given below:

Day and Date:

Saturday, the 29th September 2012

Time:

10.00 A.M.

Venue:

**Plot No. 31-36, I Main, II Stage, Arakere MICO Layout,
Bannerghatta Road, Bangalore 560 076**

Ordinary Business:

1. To receive, consider and adopt
 - a. The audited balance sheet as at 31st March 2012;
 - b. The audited Profit and Loss Account for the year ended on that date;
 - c. The auditors' report, thereon; and
 - d. The directors' report.
2. To declare final dividend on equity shares for the financial year ended 31st March 2012 at Rs. 4/- per share.
3. To re-appoint Mr. C V Jagadish, the Independent Director, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint Mr. L. Nicholas, Director – R & D, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. S Janardhan and Associates, Chartered Accountants, Bangalore, as Statutory Auditors and to hold office from the conclusion of this Meeting, until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

Item No. 01

Increase of Borrowing power Limit:

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

“RESOLVED THAT the consent of the Company be and is hereby granted, in accordance with Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, to the Board of Directors of the Company, to borrow any sum or sums of money from time to time at their discretion, for the purpose of the business of the Company, which together with the monies already borrowed by the Company, (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed at any time the aggregate of the paid-up capital of the Company and its free reserves but not exceeding Rs.500 Crores (Rupees Five Hundred Crores only).”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby empowered and authorized to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as it may think fit.”

Item No. 02

Re-appointment of Mr. C Shivakumar Reddy as Managing Director of the Company:

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

“RESOLVED THAT further to the resolution passed at the Annual General meeting on 30th September 2007 and pursuant to the provisions of sections 198, 269, 309, 310, 311, Schedule XIII to the Act, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or reenactment thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, approval be and is hereby accorded to the re-appointment of Mr. C Shivakumar Reddy, as Managing Director of the Company, whose period of office shall not be liable to retire by rotation, for a further period of five years with effect from 1st September 2012 at a remuneration as has been set out below:

- i) Salary (per month)- Rs. 10,00,000
- ii) Commission – Not more than 5% of the net profits of the Company computed in accordance with Section 349 of the Companies Act, 1956.

iii) Perquisites:

- a. Contribution to Provident Fund, Superannuation Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- c. Leave encashment as per the Company's rules.
- d. Leave travel concession for self and family at actuals.
- e. Medical reimbursement at actuals.
- f. Provision of company owned cars and telephone for personal expenses.
- g. Club fees (maximum two clubs)."

Note : The perquisites shall be valued on cost to Company basis.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to vary, alter or modify the different components of the above remuneration as may be agreed to by the Board of Directors and Mr. C Shivakumar Reddy."

"RESOLVED FURTHER THAT in case of absence or inadequacy of profits for any financial year, Mr. C Shivakumar Reddy shall be paid remuneration as per Section II of part II of Schedule XIII to the companies Act, 1956. (including any statutory modification or re-enactment thereof, for the time being in force) as may be applicable from time to time."

Item No. 03

Re-appointment of Mrs. R H Kasturi as Director (Operations) of the Company:

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

"RESOLVED THAT further to the resolution passed at the Annual General meeting on 30th September 2007 and pursuant to the provisions of sections 198, 269, 309, 310, 311, Schedule XIII to the Act, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or reenactment thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, approval be and is hereby accorded to the re-appointment of Mrs. R H Kasturi as Director (Operations) of the Company, whose period of office shall not be liable to retire by rotation, for a further period of five years with effect from 1st September 2012 at a remuneration as has been set out below:

- i) Salary (per month)- Rs. 5,00,000
- ii) Commission – Not more than 4% of the net profits of the Company computed in accordance with Section 349 of the Companies Act, 1956.
- iii) Perquisites:
 - a. Contribution to Provident Fund, Superannuation Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - c. Leave encashment as per the Company's rules.
 - d. Leave travel concession for self and family at actuals.
 - e. Medical reimbursement at actuals.
 - f. Provision of company owned cars and telephone for personal expenses.
 - g. Club fees (maximum two clubs)."

Note : The perquisites shall be valued on cost to Company basis.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to vary, alter or modify the different components of the above remuneration as may be agreed to by the Board of Directors and Mrs. R H Kasturi."

"RESOLVED FURTHER THAT in case of absence or inadequacy of profits for any financial year, Mrs. R H Kasturi shall be paid remuneration as per Section II of part II of Schedule XIII to the companies Act, 1956. (including any statutory modification or re-enactment thereof, for the time being in force) as may be applicable from time to time."

Item No. 04

Increase of Remuneration of Ms. C Uma Reddy, President & COO of the Company:

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

"RESOLVED THAT subject to approval of central government, consent of the members of the Company pursuant to provisions of Section 314 of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Amendment Rules, 2011, be and is hereby accorded for revision of remuneration with effect from 01st April 2012 of Ms. C Uma Reddy, President & COO and sister of Mr. C Shivakumar Reddy, Managing Director of the company and who holds the office or place of profit of the company, on following remuneration and on such terms and conditions as recommended by the selection committee and Remuneration committee of the Board of Directors as set out in the explanatory statement attached hereto:

- i) Salary (per month)- Rs. 8,50,000
- ii) Commission – Not more than 3.5% of the net profits of the Company computed in accordance with Section 349 of the Companies Act, 1956.
- iii) Perquisites:
 - a. Contribution to Provident Fund, Superannuation Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - c. Leave encashment as per the Company's rules.
 - d. Leave travel concession for self and family at actuals.
 - e. Medical reimbursement at actuals.
 - f. Provision of company owned cars and telephone for personal expenses.
 - g. Club fees (maximum two clubs)."

"RESOLVED FURTHER THAT Board of Directors be and is hereby authorized to alter and vary the terms and conditions of the said appointment and remuneration from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do needful in this regard and to agree to such modification and/or variations as may be suggested by the Central Government while granting the approval."

Item No. 05

Revision in remuneration terms of Mr. L. Nicholas, Director (R & D) of the company:

To Consider and if thought fit, to pass with or without modification the following resolution as Special Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 314 and Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, consent of the members be and is hereby accorded to the revision in the remuneration of Mr. L Nicholas as Director (Research & Development) of the Company to Rs. 50 Lakhs CTC per annum.

"RESOLVED FURTHER THAT the other terms of appointment shall remain the same provided in the resolution passed at Annual general meeting dated 30th September 2008."

Item No. 06

Amendment to Articles of Association:

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

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and other applicable provisions, if any, the Articles of Association of the Company be and is hereby amended by inserting the following article no. 13B after Article no. 13A:

13B. Issue of Foreign Currency Convertible Bonds (FCCB)/ Global Depository Receipts (GDR)/ American Depository Receipts (ADR)

The Company shall, subject to the provisions of the Act and compliance with all applicable laws, rules and regulations, have the power to issue FCCB/ ADR/ GDR or any other similar instruments on such terms and in such manner as the Board deems fit including their conversion and repayment. Such terms may include, at the discretion of the Board, limitations of voting by holders of FCCB/ ADR/ GDR, including without limitation, exercise of voting rights in accordance with the directions of the Board of Directors."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

Item No. 07

Preferential Issue of convertible warrants:

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

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, Chapter VII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR Regulations) and all other applicable laws, and subject to the provisions in the Memorandum and Articles of Association of the Company; the approval of the Company be and is hereby accorded to the issue of convertible warrants into equity shares on preferential basis as enumerated below and the Board be and is hereby authorized to:

- Create, offer and allot on preferential basis 15,80,000 (Fifteen Lakhs Eighty Thousand only) warrants convertible into equity shares, to Individual of Non-institutions category under Public shareholding ; with each warrant convertible into one equity share of the company of nominal value of Rs.10/- (Rupees Ten only) each at a price of Rs. 226/- (Rupees Two Hundred and Twenty Six only) per share, including a premium of Rs. 216/- (Rupees Two Hundred and Sixteen only) per share.

“RESOLVED FURTHER THAT the issue of convertible warrants, as above, shall be subject to the following terms and conditions:

1. The Warrants shall be convertible (at the option of the warrant holders) at any time within a period of 18 (Eighteen only) months from the date of allotment of warrants.
2. Each warrant shall be convertible into one equity share of nominal value of Rs. 10/- (Rupees Ten only) each.
3. The Warrant holder(s) shall, on the date of allotment of warrants, pay an amount equivalent to at least 25% (Twenty Five percent) of the total consideration per warrant.
4. The conversion of warrants into equity shares shall be made in tranches – as may be determined by the board and within a period of 18 (eighteen only) months from the date of allotment of warrants, as may be determined by the Board.
5. The amount referred in Point No.3 above shall be forfeited, if the option to acquire shares is not exercised within a period of 18 (eighteen only) months from the date of allotment of warrants.
6. The lock in of shares acquired by exercise of warrants shall be subject to ICDR Regulations.”

“RESOLVED FURTHER THAT the Relevant Date as per regulation 71 of ICDR Regulations, in relation to the aforesaid convertible warrants, for the purpose of determining the issue price under Regulation 76 of ICDR Regulation is 29th August 2012.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized on behalf of the Company to take all such actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient including in relation to the issue or allotment of aforesaid securities and listing thereof with the Stock Exchanges as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of the said securities, utilization of the issue proceeds, sign all documents and undertakings as may be required and generally to do all such acts, deeds, matters and things in connection therewith and incidental thereto as the Board in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any Director or Directors or to any Committee of Directors or to any Officer or Officers of the company to give effect to this resolution.”

**By Order of the Board
For Kavveri Telecom Products Limited**

Place: Bangalore
Date: 5th September 2012

Sidharth C A
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Documents relating to any of the items mentioned in the Notice are open for inspection at the Registered Office of the Company on any working day during the business hours.
3. The Register of Members and share transfer books will remain closed from 21.09.2012 to 29.09.2012 (both days inclusive).
4. Dividend if declared shall be payable to those members whose name appear in the Register of Members as on 21.09.2012 and to the beneficial owners as per the records of NSDL and CDSL on day ending on 21.09.2012.
5. Members who have not encashed their dividend warrants so far, for the below mentioned financial years, may claim or approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to the provisions of Section 205 C of the Companies Act, 1956 on the respective dates mentioned hereunder. The members will lose their right to claim such dividend after such date from the Company.

| Financial Year | Due Date |
|----------------|------------|
| 2004-05 | 30-09-2012 |
| 2005-06 | 29-09-2013 |
| 2006-07 | 29-09-2014 |
| 2007-08 | 30-09-2015 |
| 2008-09 | 30-09-2016 |
| 2009-10 | 30-09-2017 |
| 2010-11 | 30-09-2018 |

6. Members are requested to contact the Registrar and share transfer agents for any change in their address or for transfer of shares or for demat of shares.
7. The trading in the Company's equity shares on the Stock Exchanges is permitted only in dematerialized form for all classes of investors. In view of numerous advantages offered by the depository system, members are requested to avail of the facility of dematerialization of the Company's equity shares held by them.
8. Members are requested to bring duly filled in Attendance Slip for attending the meeting. The Corporate Members are requested to attach the Certified True Extract of the Board Resolution duly authorizing their representative to attend this Annual General Meeting along with the attendance slip.

By Order of the Board
For Kavveri Telecom Products Limited

Place: Bangalore
Date: 5th September 2012

Sidharth C A
Company Secretary

EXPLANATORY STATEMENT

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

Item No. 01

Increase of Borrowing power Limits:

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the permission of the Shareholders in General Meeting, borrow monies in excess of the aggregate of the paid-up capital of the Company and its free reserves.

The increasing business operations and future growth plans of the Company would necessitate increase of the borrowing limits by authorizing the Board of Directors to borrow monies which may exceed at any time the aggregate of the paid-up capital of the Company and its free reserves but not exceeding Rs.500 Crores (Rupees Five Hundred Crores only).

Item No. 02

Re-appointment of Mr. C. Shivakumar Reddy as Managing Director of the Company:

Mr. C Shivakumar Reddy was re-appointed as Managing Director at the Annual General Meeting held on 30th September 2007 with effect from 01st September 2007 for a period of five years. Mr. C Shivakumar Reddy is a visionary leader and a true global entrepreneur, who worked to build the company into a leading wireless subsystem products manufacturer. Under his leadership, the company has achieved remarkable achievements during his tenure.

Your Directors consider that the re-appointment of Mr. C Shivakumar Reddy will be in the best interest of the Company and accordingly, it has been proposed to re-appoint Mr. C Shivakumar Reddy as the Managing Director of the Company for a further period of five years with effect from September 01, 2012 at remuneration as provided in the resolution.

Your Directors recommend the resolution as set out in Item no. 02 of the Notice for approval of the Members as Special Resolution.

No Directors other than Mr. C Shivakumar Reddy and Mrs. R H Kasturi is in any way concerned or interested in this resolution. This may also be treated as a memorandum issued pursuant to Section 302 of the Companies Act, 1956.

Item No. 03

Re-appointment of Mrs. R H Kasturi as Director (Operations) of the Company:

Mrs. R H Kasturi was re-appointed as Whole Time Director at the Annual General Meeting held on 30th September 2007 with effect from 01st September 2007 for a period of five years. Mrs. R H Kasturi is instrumental in successfully implementing all the day to day administration, HR and operational activities of the Company. Her presence has always been a key resource for the Board of Directors.

Your Directors consider that the re-appointment of Mrs. R H Kasturi will be in the best interest of the Company and accordingly, it has been proposed to re-appoint Mrs. R H Kasturi as the Director (Operations) of the Company for a further period of five years with effect from 01st September 2012 at remuneration as provided in the resolution.

Your Directors recommend the resolution as set out in Item no. 3 of the Notice for approval of the Members as Special Resolution. No Directors other than Mrs. R H Kasturi and Mr. C Shivakumar Reddy are in any way concerned or interested in this resolution. This may also be treated as a memorandum issued pursuant to Section 302 of the Companies Act, 1956.

Item No. 04

Increase of Remuneration of Ms. C Uma Reddy, President & COO of the Company:

Revision of Remuneration of Ms. C Uma Reddy, President & COO of the company was recommended by the Remuneration Committee which was further approved by the Board of directors in the board meeting held on 05th September 2012.

BRIEF PROFILE OF MS. C UMA REDDY

Ms. C Uma Reddy comes with a vast experience of more than 23 years in managing the business of Telecom and other sector companies. A Bachelor of Arts, she was heading the marketing division of a leather products company prior to joining Kavveri in 1996

Ms. Reddy is instrumental in the growth of Kavveri & played an active role in evolving the organization in to a transnational company. She has successfully implemented various initiatives and strategies, for the growth of the organization.

Role & Responsibilities of Ms. C Uma Reddy

1. Strategic planning & decision-making.
2. All matters related to Foreign Acquisitions and Overseas Activities of the group.
3. Negotiation and finalization of various Business, commercial & legal contracts
4. Financial Planning
5. Expansion of business activities of the Company
6. Production planning including procurement of raw materials etc.
7. All Capital Expenditures including Selection, Procurement & Installation of plant, machinery etc.
8. Direct and Indirect tax matters
9. Development of market for the products in the international market.
10. All legal matters

As Ms. C Uma Reddy is a relative of Mr. C Shivakumar Reddy, managing director of the Company, hence provisions of section 314 (1B) of the Companies Act, 1956 are attracted. In terms of provisions of Section 314 (1B) of the Companies Act, 1956, revision of remuneration of relative of a director with specified remuneration requires previous approval of members and central government.

The above appointment is subject to prior approval of the Central Government.

Your directors recommend the resolution for your approval.

None of the directors are interested except Mr. C Shivakumar Reddy, Managing Director and Mrs. R H Kasturi, Director (Operations) of the company.

Item No. 05

Revision in Remuneration terms of Mr. L Nicholas, Director (R&D) of the company:

Mr. L Nicholas, Bachelor of Engineering (Electronics and Communications) has been associated with Kavveri since May 1997 heading the Research & Development department of the company. He has been responsible for innovative design and development of various RF products and Antennas.

Mr. L Nicholas has been a key player in the development of the company and his active contribution has resulted in increasing number of projects on the defense and space sectors.

Your directors recommend the resolution for your approval as special resolution.

None of the Directors except Mr. L. Nicholas are interested in this resolution.

Item No. 06

Amendment to Articles of Association:

The Company proposes to issue Foreign Currency Convertible Bonds (FCCB's)/ Global Depository Receipts (GDR's)/ American Depository Receipts (ADR's) or any other similar instruments. To incorporate these provisions in the Articles of Association, suitable amendment in the Articles of Association is required.

Pursuant to Section 31 and other applicable provisions of the Companies Act, 1956 any amendment in the Articles of Association requires approval of the Shareholders by way of special resolution. Hence, the Directors of the Company recommend the resolution for approval of the shareholders.

None of the Directors are concerned or interested in the above resolution.

Item No. 07

Preferential Issue of Convertible Warrants:

I. Preferential Allotment

As per Section 81 (1A) of the Companies Act, 1956 and Regulation 72(1) (a) of ICDR Regulations, approval of shareholders in the General Meeting, by way of special resolution is required for:

1. Allotment & issue of 15,80,000 warrants convertible into equity shares to Individual of Non-institution category of Public Shareholding on preferential basis.

Hence, the resolution is placed before the shareholders. The Directors recommend the resolution for your approval.

II. The following disclosure for the preferential issue of convertible warrants is made in accordance with the provisions of Chapter VII of ICDR Regulations

1. Objects Of The Issue:

- In order to generate long term resources for implementing future growth plans, it is proposed to issue convertible warrants on a preferential basis.
- The proceeds of the proposed preferential allotment of Warrants convertible into equity shares will be used for general corporate requirements of the Company.

2. Change in control:

There is no change in the management of the Company pursuant to the issue of convertible warrants on Preferential Allotment Basis.

3. Shareholding pattern of the company before and after the proposed issue of convertible warrants:

| Sl. No. | Category | Pre-issue holding | | Conversion of warrants (in preferential issue) into equity shares | Post - conversion holding | |
|------------|---|-------------------|---------------|---|---------------------------|---------------|
| | | No. of shares | % | | No. of shares | % |
| (A) | Shareholding of Promoter and PAC | | | | | |
| (1)(a) | Indian | 6,470,573 | 32.15 | | 6,470,573 | 29.81 |
| (1)(b) | Foreign | - | - | | - | - |
| (2) | Person Acting in concert | - | - | | - | - |
| | Sub-Total | 6,470,573 | 32.15 | | 6,470,573 | 29.81 |
| (B) | Public Shareholding | | | | | |
| (1) | Institutions | | | | | |
| a) | Mutual Funds/ UTI | | | | | |
| b) | Financial Institutions/ Banks | | | | | |
| c) | Central Government/ State Government(s) | | | | | |
| d) | Venture Capital Funds | | | | | |
| e) | Insurance Companies | 1,884,431 | 9.36 | | 1,884,431 | 8.68 |
| f) | Foreign Institutional Investors | 2,601,692 | 12.93 | | 2,601,692 | 11.99 |
| g) | Foreign Venture Capital Investors | 987,500 | 4.91 | | 987,500 | 4.55 |
| (2) | Non-institutions | | | | | |
| a) | Bodies Corporate | 2,840,274 | 14.11 | | 2,840,274 | 13.09 |
| b) | Individuals | 4,926,969 | 24.48 | 1,580,000 | 6,506,969 | 29.98 |
| c) | NRI | 182,253 | 0.91 | | 182,253 | 0.84 |
| d) | Clearing Member | 230,568 | 1.15 | | 230,568 | 1.06 |
| e) | Trust | - | - | | - | - |
| | Sub-Total | 13,653,687 | 67.85 | | 15,233,687 | 70.19 |
| | GRAND TOTAL | 20,124,260 | 100.00 | | 21,704,260 | 100.00 |

Notes with respect to share holding pattern: (a) The above shareholding pattern is prepared as on 24.08.2012. (b) The post-issue / conversion shareholding pattern has been arrived on the assumption that the entire 1580000 warrants proposed to be issued to the individual will be allotted and would be converted into equity shares. Post conversion pattern has been arrived on the assumption that the proportion of holding remains same. 60000 convertible warrants proposed to be issued to Non promoter directors as approved by the shareholders in their meeting on 19th May 2012 is awaiting in-principle approval from the stock exchange.

4. Proposed time within which allotment will be completed

The Company will complete the allotment of convertible warrants within a period of 15 days from the date of passing of the special resolution by the shareholders subject to receipt of necessary approvals from the concerned authorities.

5. Certificate from auditors:

M/s. S Janardhan and Associates, Chartered Accountants, the Statutory Auditors of the Company, have certified that the said preferential issue is in accordance with the requirements contained in the Guidelines and the said Certificate will be placed before the Annual General Meeting. The Memorandum & Articles of Association of the Company, Auditors' Certificate and other documents referred to in the proposed resolution and in the Explanatory Statement are open for inspection at the Registered Office of the Company on any working day except Public Holidays, and Sundays between 9.00a.m. and 5.30p.m. upto the date of the AGM and will also be placed before the Annual General Meeting.

6. Details of proposed allottees:

| Proposed Allottee | Security proposed to be issued | Number of securities to be issued | % of the post issue / conversion |
|-------------------|--------------------------------|-----------------------------------|----------------------------------|
| C Anitha | Convertible warrants | 1,580,000 | 7.28 |

7. Pricing of preferential issue:

The above Warrants will be issued and allotted / converted at a price not less than the higher of the following in terms of the Regulation 76 of ICDR Guidelines:

- The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date; or
- The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date;

Explanation: "Relevant date" as per Regulation 71 of ICDR Guidelines for the purpose of this clause means, (a) in case of preferential issue of convertible securities, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue or (b) a date thirty days prior to the date on which the holders of the convertible securities become entitled to apply for the equity shares. "Stock Exchange" for the purpose of this clause means any of the recognized stock exchanges in which the shares are listed and in which the highest trading volume in respect of shares of the company has been recorded during the preceding six months prior to the relevant date (in the present case being the National Stock Exchange).

8. Undertaking:

In terms of Regulation 73(1)(f) and (g) of ICDR Regulations, the company undertakes to: (i) recompute the price of the specified securities (if required) as per the regulations and (ii) if the amount payable on account of re-computation of price is not paid as per regulation, the specified securities shall remain locked-in till the time such amount is paid.

None of the directors are in any way concerned or interested in this resolution.

By Order of the Board
For Kavveri Telecom Products Limited

Place: Bangalore
Date: 5th September 2012

Sidharth C A
Company Secretary