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IRTEENTH ANNUAL REPORT 2011 - 2012

Annual Report 2011-12

Board of Directors

Mr. S. Raghava Rao	: Chairman and Managing Director
Mr. Ch. Harinath	: Executive Director
Mr. R. Krishna Mohan	: Director (Finance & Administration)
Mr V.Satyanarayana	: Independent Director
Mr. Thomos P. Nicodamus	: Independent Director
Mr. M. Nageswara Rao	: Independent Director

Registered. Office : **701, 7th Floor, Aditya Trade Center, Ameerpet, Hyderabad –500 038**

Auditors

M/s. Seshachalam & Co.,
Chartered Accountants
Hyderabad

Bankers

Oriental Bank of Commerce
Mehdipatnam
Hyderabad

Registrars and Share Transfer Agents

XL Softech Systems Ltd
3, Sagar Society, Road No.3,
Banjara Hills,
Hyderabad – 500 034.

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Company will be held on Saturday September 29, 2012 at 11.00 AM at the Registered Office of the Company at 701, 7th Floor, Aditya Trade Center, Ameerpet, Hyderabad -500 038, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2012, the Profit and Loss account for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. V. Satyanarayana who retires by rotation and being eligible, offers him-self for reappointment.
3. To appoint a Director in place of Mr. Thomos P. Nicodamus who retires by rotation and being eligible, offers him-self for reappointment
4. To appoint M/s. Seshachalam & Co, Chartered Accountants, Secunderabad, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions of the Companies Act, 1956 and Rules framed there under, the existing Articles of Association of the Company be and is hereby amended as under :

- i) After Sub-Article (d) of Article 20 of the Articles of Association of the Company, the following new sub article (e) shall be inserted
- (e): The Board may provide video conference facility and/or other permissible electronic mode of communication to the shareholders of the Company for participating in General Meetings of the Company. Such participation by the shareholders at General Meetings of the Company through video conference facility and/or other permissible electronic mode of communication shall be governed by the Rules and Regulations as applicable to the Company for the time being in force.
- ii) After Sub-Article (h) of Article 49 of the Articles of Association of the Company, the following new sub article (i) shall be inserted:
- (i): Directors may participate in Meetings of the Board and/or Committees thereof, through video conference facility and/or other permissible electronic mode of communication. Such participation by the Directors at Meetings of the Board and/or Committees thereof, through video conference facility and/or other permissible electronic mode of communication shall be governed by the Rules and Regulations as applicable to the Company for the time being in force."

"FURTHER RESOLVED THAT the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee or any person which the Board may nominate/constitute to exercise its powers including the powers by this Resolution) be and i s hereby authorized to carry out the abovementioned amendments in the existing Articles of Association of the Company and that the Board may take all such steps as may be necessary to give effect to this Resolution."

By order of the Board

Sd/-

Place : Hyderabad
Dated : 03.09.2012

S. Raghava Rao
Chairman and Managing Director

Notes:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ELIGIBLE TO APPOINT A PROXY OR PROXIES WHO CAN ATTEND AND VOTE INSTEAD OF MEMBER AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) The Proxy Form duly completed must be lodged at the Registered Office of the Company at least 48 hours before the time fixed for the Meeting.
- 3) The Register of Members of the Company will remain closed from Wednesday September 26, 2012 to Saturday, September 29, 2012, both days inclusive, for the purpose of Annual General Meeting
- 4) The members are requested to intimate immediately any change in their address quoting their Registered Folio enabling the Company to address future communication.
- 5) Members are requested to bring copies of the Annual Report, as no extra copies shall be provided at the Meeting. Shareholders desiring any information as regards to the Audited Accounts are requested to write to the Company at least one week before the Meeting enabling the Chairman to keep the information ready to reply at the meeting.
- 6) It shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTAs for registration of transfer of shares for securities market transactions and off market/private transaction involving transfer of shares in physical form of listed companies.
- 7) As part of Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA), Government of India vide its Circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Keeping in view shareholders are requested to update their E-Mail ID with their DP.
- 8) Explanatory statement pursuant to section 173 (2) of the Companies Act 1956 for Item No. 5 is annexed.

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

Item No.5

The Ministry of Corporate Affairs (MCA), Government of India, New Delhi vide General Circulars No.27/2011 and 28/2011 dated May 20, 2011 and Circular No. 35/2011 dated June 06, 2012 have permitted the companies to hold Board Meetings and Shareholders' Meetings through video conference facility, as part of the Green Initiatives under Corporate Governance.

Further, MCA vide Circular No. 72/2011 dated December 27, 2011 made the video conference facility at the Shareholders' Meetings optional to the Company. In order to provide video conference facility to its Directors and Shareholders, your Company has been advised to carry out necessary amendments in the existing Articles of Association of the Company by inserting enabling provisions.

In terms of Section 31 of the Companies Act, 1956, approval of the Members by way of a Special Resolution is required to amend the Articles of Association of the Company.

The Articles of Association with alterations proposed therein as referred to in the Notice shall be available for inspection by the Members at the Registered Office at 701, 7th Floor, Aditya Trade Center, Ameerpet, Hyderabad -500 038 any working day except holidays observed by the Company during usual business hours up to the date of the Meeting and will also be available at this Annual General Meeting.

Accordingly, your Board recommends passing of the Resolution No. 5 as a Special Resolution.

None of the Directors is interested or concerned in this Resolution.

By order of the Board

Sd/-

Place : Hyderabad
Dated : 03.09.2012

S.Raghava Rao
Chairman and Managing Director

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Company's THIRTEENTH DIRECTOR'S REPORT together with the Audited Accounts of the Company for the Year ended March 31, 2012 and the Auditor's Report thereon

Financial Results:

Particulars	31.03.2012 Rs	31.03.2011 Rs.
I) INCOME		
a) Income from operations	5,44,67,583	4,60,05,770
d) Other Income	8,73,415	7,85,579
TOTAL	5,53,40,998	4,67,91,349
II) EXPENDITURE		
a) Operating Expenses	3,05,49,289	2,31,85,783
b) Payments & Benefits To Employees	84,76,614	77,71,443
c) Other Expenses	1,12,60,151	1,10,56,862
TOTAL	5,02,86,054	4,20,14,088
III) PROFIT BEFORE INTEREST AND DEPRECIATION	50,54,944	47,77,261
Interest	10,31,227	9,54,890
IV) PROFIT BEFORE DEPRECIATION	40,23,717	38,22,371
Depreciation	26,53,449	24,55,663
V) PROFIT /(LOSS) BEFORE TAX	13,70,268	13,66,708
Prior period Expenses	-	-
Prior period Incomes	5,60,354	-
VI) PROVISION FOR TAXATION		
For Current Income Tax	-	-
For Deferred Tax/Liability (Asset)	(1,05,869)	(36,374)
PROFIT / (LOSS) AFTER TAX	20,36,491	14,03,081
Add: Balance Carried from Last year	(2,10,50,150)	(2,24,53,231)
BALANCE CARRIED OVER TO BALANCE SHEET	(1,90,13,658)	(2,10,50,150)
Basic and Diluted Earnings Per Share	0.39	0.27

Review and Prospects:

The year 2011-2012 has been a good year for your company in this year the sale of bandwidth increased to 5 times more when compared to previous year the Board is happy to inform you that our sales have crossed 2 gigabit ie more than 2000 mbps because of huge demand for bandwidth in the corporate , BPO . educational institutions and also in home use segment the drop in bandwidth prices also contributed to increase in sales we are assured that this will continue in 2012 – 2013 also as we are observing increase in revenue every month . During this year we have extended our reach to most of the towns in Andhra Pradesh

In Bangalore and Hyderabad your company has already started providing G PON services in huge gated community our target for the year 2012-2013 is to provide this service in **3000 house holds this will increase our top and bottom line to a great extent.**

The video streaming services which your company developed for sending video streams for IPTV has given good results now we are sending video streams to most of IPTV providers in USA

Your company has developed Digital Headend for providing digital TV with CAS our Headend can send up to 2000 channels in HD quality since Government of India has brought regulation to digitalize cable TV services from 2014 onwards through out the country and by March 2013 in cities have more than 10 lakhs population your company is gearing up to enter into this service in Hyderabad and Bangalore by that time and in other areas of AP & Karnataka by 2014 the Board feels that this will be a big turn around for the company

The Board of Directors are confident of achieving 30% growth rate in year 2012 -2013

Public Deposits:

The company has not accepted any Fixed Deposits from the public and the provisions of Section 58A of the Companies Act, 1956 are not applicable to the Company

Directors:

Mr. V. Satyanarayana and Mr. Thomas P. Nicodamus retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Capital of the Company:

During the year, the Authorised Share capital of the company has been increased from Rs.7,70,00,000 to Rs.18,70,00,000/-.

Directors responsibility statement:

The Directors' responsibility statement setting out the compliance with the accounting and financial reporting requirements specified under Section 217 (2AA) of the Companies Act, 1956, in respect of the financial statements is as follows:

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) That 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;
- (iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) The Directors have prepared annual accounts on a Going concern basis

Auditors:

The Statutory Auditors of the company, M/s. Seshachalam & Co, Chartered Accountants, Secunderabad retire at the conclusion of the ensuing Annual General Meeting offer themselves for re-appointment till the conclusion of the next Annual General Meeting.

The Company has received letter from them to the effect that their appointment if made would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

Reply to Auditors Observations if any :

- (a) In respect of auditors observations in their report wide sub para No f para 2 regarding non confirmation of balances of creditors , advances given and taken , the company has necessary documentary evidence in possession regarding sundry creditors and advances taken or given.
- (b) In respect of observations made by the auditors regarding recoverability of Sunday Debtors due for more than six months the management is confident and will make efforts for recoverability of such balances in due course.
- (c) In respect of note no 7 of Annexure to Auditors report the company has taken steps to strengthen its internal audit department.
- (d) In respect of note no 9 of Annexure to Auditors report the company has taken steps to pay the dues of service tax and tds amounts in due dates .

Code of Conduct:

The Code of Conduct has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. Code of Conduct has also been placed on the website of the company. A declaration signed by the Managing Director is given in Annexure

Corporate Governance:

The Company is taking necessary steps to comply with the provisions of Clause 49 of the Listing Agreement with the Bangalore Stock Exchange Limited

Particulars of Employees:

In pursuance of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules 1975, there is no employee who receives the limits mentioned under the Companies Act, 1956.

During the year under review, the Company maintained the cordial relations with the Employees

Additional Information:

Information as per Section 217(1)(e) read with Companies (Disclosure of particulars in the report of Board Of Directors) Rules, 1988 and forming part of report for the year ended March 31, 2012.

Conservation of Energy, Technology absorption and Foreign Exchange earnings and Outgo: -

A	a) Conservation of energy measures taken	:	The Company uses electric energy for its equipment such as air conditioners, computer terminals, lighting and utilities in the work premises. All possible measures have been taken to conserve energy by incorporating energy-efficient equipment.	
	b) Additional investments and proposals, if any being implemented for the reduction of consumption of energy		There was no additional investments and proposals for reduction of consumption of energy	
	c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods			
B	Research & Development and Technology Absorption	:	The Company has not setup separate R & D department. However our technical people who run the day-to-day operations of the Company are doing R & D work in the fields of Wireless connectivity and Optic Fiber Technology. No extra costs involved for the purpose of R & D.	
C	Foreign Exchange Earnings & outgo	:		
	a) Earnings	:	2011-12	2010-11
	On account of Rendering Services	:	US\$12,221	Nil
	b) Used	:		
	i) For Foreign Travel is	:	Nil	Nil
	ii) On Account of Licenses and Registrations	:	Nil	Nil
	iii) On account of Hardware purchase	:	US\$17,950	Nil
	iv) On account of VOIP Services	:	US\$14,635	US\$18569

Acknowledgement:

Your Directors wish to place on record their appreciation for the dedication, competence, hard work, co-operation and support extended by our young, dynamic and highly motivated employees of the Company who have enabled the Company to achieve a robust growth during the year.

Your Directors would like to express their sincere thanks to all the Shareholders who have reposed faith in the Company.

Your Directors specially thank the Central Government, State Governments, Department of Telecommunications and Company's Bankers for their continuous support to the Company during the year and look forward to receive their continued support in all future endeavors.

DECLARATION BY MANAGING DIRECTOR OF AFFIRMATION BY DIRECTORS AND SENIOR MANAGEMENT PERSONNEL OF COMPLIANCE WITH THE CODE OF CONDUCT:

The shareholders

I, S. Raghava Rao, Managing Director of the Company do hereby declare that the directors and senior management of the Company have exercised their authority and powers and discharged their duties and functions in accordance with the requirements of the code of conduct as prescribed by the company and have adhered to the provisions of the same.

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 03.09.2012

Sd/-
S. Raghava Rao
Chairman and Managing Director