

City Online

Services Limited

Internet Services with world class technology

ANNUAL REPORT
2013 - 2014

Annual Report
2013-14

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
Mr. K. Arun Prasad	:	Independent Director

Company Secretary	:	**Ms. Sampada K Joshi**
Registered Office	:	**701, 7th Floor, Aditya Trade Center, Ameerpet, Hyderabad –500 038**
Website	:	**www.cityonlines.com**
CIN	:	L72200TG1999PLC032114
Auditors		M/s. Seshachalam & Co., Chartered Accountants Secunderabad
Bankers		Oriental Bank of Commerce, Hyderabad ICICI Bank, Hyderabad State bank of India, Vijayawada
Registrars and Share Transfer Agents		XL Softech Systems Ltd 3, Sagar Society, Road No.3, Banjara Hills, Hyderabad – 500 034.

NOTICE OF MEETING

Notice is hereby given that the 15th Annual General Meeting of the Company will be held on Monday the 29th September 2014 at 11.00 A.M. at the Registered Office of the Company situated at 701, 7th Floor, Aditya Trade Centre, Ameerpet, Hyderabad – 500038 to transact the following business**:**

ORDINARY BUSINESS:

1) To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2014 and Balance Sheet as at that date together with Directors Report and Auditors Report thereon.

2) To appoint a director in place of Shri Ch. Harinath who retires by rotation and being eligible offers himself for re-appointment.

3) To appoint M/s. Seshachalam & Co, Chartered Accountants, Secunderabad to hold office until the conclusion of sixth Annual General Meeting to be held after this meeting, subject to ratification at every Annual General Meeting and to fix their remuneration for the financial year ending 31st March, 2015.

SPECIAL BUSINESS:

4) To appoint Smt. S. Naga Durga as Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"**RESOLVED THAT** Smt. S. Naga Durga in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5) To appoint Shri V.Satyanarayana (DIN: 03267751) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the rules made there under, Shri V.Satyanarayana whose period of office is liable to determination by retirement of directors by rotation under the provisions of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member along with the deposit of the requisite amount pursuant to Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director be appointed as Independent Director to hold office for 5(five) consecutive years commencing from 01st October 2014."

6) To appoint Shri Thomos P. Nicodamus (DIN: 00444241) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the rules made there under, Shri Thomos P. Nicodamus whose period of office is liable to determination by retirement of directors by rotation under the provisions of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member along with the deposit of the requisite amount pursuant to Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director be appointed as Independent Director to hold office for 5(five) consecutive years commencing from 01st October 2014."

7) To appoint Shri M. Nageswara Rao (DIN: 03267864) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the rules made there under, Shri M. Nageswara Rao whose period of office is liable to determination by retirement of directors by rotation under the provisions of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member along with the deposit of the requisite amount pursuant to Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director be appointed as Independent Director to hold office for 5(five) consecutive years commencing from 01st October 2014."

8) To appoint Shri Kanuri Arun Prasad (DIN: 06830316) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the rules made there under, Shri Kanuri Arun Prasad whose period of office is liable to determination by retirement of directors by rotation under the provisions of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member along with the deposit of the requisite amount pursuant to Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director be appointed as Independent Director to hold office for 5(five) consecutive years commencing from 01st October 2014."

IMPORTANT NOTES:

1. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, the 24th September 2014 to Monday the 29th September 2014 (both days inclusive) for the purpose of Annual General Meeting.

2. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.

3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy/ proxies to attend and vote instead of him/herself. Such a proxy/ proxies need not be a member of the company.

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.

4. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified. Shareholders intending to require information about Accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.

5. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.

6. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their Appointment/reappointment.

7. Electronic copy of the Annual Report for 2014 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2014 is being sent in the permitted mode. Copies of the annual report will not be available for distribution to shareholders at the hall.

8. Electronic copy of the Notice of the 15th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 15th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.

9. Members may also note that the Notice of the 15th Annual General Meeting and the Annual Report for 2014 will also be available on the Company's website for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id.

10. Voting through electronic means:
Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, and Clause 35 B of the Listing Agreement executed by the company with the BSE Limited and the National Stock Exchange of India Limited, the company is pleased to provide members the facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services provided by Central Depository Services Ltd (CDSL).

A member may exercise his votes at any General Meeting by electronic means and company may pass any resolution by electronic voting system in accordance with the Rule 20 of the Companies (Management and Administration) Rules, 2014.

During the e-voting period, members of the company holding shares either in physical form or dematerialized form, as on the cutoff date i.e., 01st September, 2014, may cast their votes electronically.

The e-voting period commences at 9.00 am on 23rd September 2014 and ends at 6.00 pm on 25th September, 2014. The e-voting module shall be disabled by CDSL for voting thereafter.

Once the vote on a resolution is cast by a shareholder, the shareholder shall not be allowed to change it subsequently.

A copy of this notice has been placed on the website of the Company and the website of CDSL.

Mr. Ch. Veeranjaneyulu, Practicing Company Secretary (FCS: 6121 CP: 6392) and Partner M/s. VCSR & Associates, Company Secretaries has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman.

The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.cityonlines.com and on the website of CDSL within two (2) days of passing of the resolution at the AGM of the Company and communicated to the Bangalore Stock Exchange.

You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

11. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.00 am to 5.00 pm) on all working days except Saturdays, up to and including the date of the Annual General Meeting of the Company.

The process and instructions for e-voting are as under:

(i) Log on to the e-voting website www.evotingindia.com during the voting period

(ii) Click on "Shareholders" tab.

(iii) Now, select "Name of company i.e. City Online Services Limited" from the drop down menu and click on "SUBMIT"

(iv) Now Enter your User ID

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

d. Next enter the Image Verification Code / Captcha Code as displayed and Click on Login.

e. If you are holding shares in Demat form and had logged on to www.evotingindia.com and casted your vote earlier for EVSN of any company/entity, then your existing password is to be used. If you are a first time user follow the steps given below

(v) Now, fill up the following details in the appropriate boxes:

PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (in Capital) (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. • In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
DOB#	Enter the Date of Birth as recorded in your demat account or in the Bank records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the Bank records for the said demat account or folio. # Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.

(vi) After entering these details appropriately, click on "SUBMIT" tab.

(vii) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(viii) For Members holding shares in physical form, the details can be used only for e-voting on the resolution contained in this Notice.

(ix) Click on the relevant EVSN of Name of company on which you choose to vote.

(x) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xi) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.

(xii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xiv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xv) If Demat account holder has forgotten the changed password then enter the User ID and image verification code / Captcha Code and click on Forgot Password & enter the details as prompted by the system.

(xvi) A. Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to https://www.evotingindia.co.in and register themselves as Corporates.

B. They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.

C. After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.

D. The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.

E. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

In case of members receiving the physical copy:

I. Please follow all steps from sl.no. (i) to sl.no. (xvi) above to cast vote.

II. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com.

EXPLANATORY STATEMENT SETTING OUT MATERIAL FACTS AS REQUIRED BY SECTION 102 (2) OF THE COMPANIES ACT, 2013

ITEM 4

As per the provisions of Section 149(1) of the Act and amended Clause 49 of the Listing Agreement, the Company should have at least one woman director.

Keeping in view the above legal requirements and in deference to Company's shareholders' wishes, the Board of Directors have proposed that Smt. S. Naga Durga be appointed as a Director of the Company

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Smt. S. Naga Durga for the office of Director of the Company.

Smt. S. Naga Durga is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given her consent to act as a Director. She holds 40,000 equity shares in the Company as on 31.03.2014

Smt. S. Naga Durga is a Director of M/s. Anu Digital Private Limited, and M/s. City Auto Parts Private Limited.

Smt. S. Naga Durga may be deemed to be concerned or interested, financially or otherwise, to the extent of the aforesaid shareholding in respect of her appointment as a Director. Shri S. Raghava Rao, who is her relative and the Chairman & Managing Director of the Company, to the extent of their shareholding interest in the Company, may be deemed to be concerned or interested in the appointment of Smt. S. Naga Durga since one woman director should be there on the board

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No.4 of the Notice.

The Board commends the Ordinary Resolution set out at Item No.4 of the Notice for approval by the shareholders.

ITEM NO. 5, 6, 7 & 8

Shri V.Satyanarayana, Shri Thomos P. Nicodamus, Shri M. Nageswara Rao and Shri Kanuri Arun Prasad are serving on the Board of your company as Independent Directors in compliance to the Clause 49 of the Listing Agreement with BSE.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, your company needs to have at least one third of the total number of directors as Independent Directors.

The Company has received notices in writing from members' along with the deposit of requisite amount under Section 160 of the Act proposing the candidatures of each of Shri V.Satyanarayana, Shri Thomos P. Nicodamus, Shri M. Nageswara Rao and Shri Kanuri Arun Prasad for the office of Directors of the Company

The Independent Directors appointed herein shall not be liable to retire by rotation.

Based on the disclosures received from each of these Directors, the Board satisfied that each of these Directors meets the criteria for independence as laid down in Section 149(6) of the Companies Act, 2013 and they are not disqualified as contemplated under Section 164 of the Companies Act, 2013.

The details pertaining to these directors required to be provided pursuant to Clause 49 of Listing Agreement are furnished in the statements on the Corporate Governance forming part of this Annual Report

Shri V.Satyanarayana, Shri Thomos P. Nicodamus, Shri M. Nageswara Rao and Shri Kanuri Arun Prasad are not holding any equity shares of the company

Your Directors commend this resolution for approval of the shareholders as an ordinary resolution.

No director is concerned or interested in their respective resolutions pertaining to their appointment

By Order of the Board of Directors

Sd/-

Place: Hyderabad
Date: 01.09.2014

S.Raghava Rao
Chairman and Managing Director