

DECCAN CHRONICLE HOLDINGS LIMITED

SECOND ANNUAL REPORT

2003 - 2004

DECCAN CHRONICLE HOLDINGS LIMITED

Regd. Office : 6-3-898, Raj Bhavan Road, Somajiguda, Hyderabad – 500 082.

Corp. Office : No. 36, Sarojini Devi Road, Secunderabad – 500 003

DIRECTORS:

Sri T. Venkatram Reddy
Sri T. Vinayak Ravi Reddy
Sri P.K. Iyer
Sri T.S. Ashwin
Smt. T. Urmila Reddy
Sri M. Sukumar Reddy
Sri P. Siddhartha

Chairman
Managing Director
Executive Director (Finance)
Director
Director
Director
Director

AUDITORS

M/s C.B. MOULI & ASSOCIATES
Chartered Accountants
125, M.G. Road, Secunderabad – 500 003

BANKERS

Canara Bank,
R.P. Road Branch,
Secunderabad.

ICICI Bank Ltd.,
Cenotaph Branch,
Teynampet,
Chennai – 600 018

PUBLISHED FROM

Secunderabad, Vijayawada, Rajahmundry, Visakhapatnam,
Anathapur, Karimnagar and Nellore.

NOTICE

Notice is hereby given that the Second Annual General Meeting of the Company will be held on Thursday, the 30th day of September 2004 at 11.00 A.M. at the Registered Office of the Company to transact the following:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004, Profit and Loss Account and Cash Flow Statement for the year ended 31st March, 2004 together with the reports of Directors and Auditors thereon.
2. To consider and if thought fit to pass the following resolution as an ordinary resolution with or without modification:

“RESOLVED THAT Smt. T. Urmila Reddy, Director of the Company who retires by rotation be and is hereby re-appointed as Director of the Company subject to retirement by rotation.”

3. To consider and if thought fit to pass the following resolution as an ordinary resolution with or without modification:

“RESOLVED THAT a dividend @10% on the paid-up Share Capital of the Company as recommended by the Board of Directors of the Company be and is hereby considered and approved.”

4. To consider and if thought fit to pass the following resolution as an ordinary resolution with or without modification:

“RESOLVED THAT M/s C.B. Mouli & Associates, auditors of the company who retire at the conclusion of this Annual General Meeting be and are hereby re-appointed as Auditors of the Company till the conclusion of the next Annual General Meeting on a remuneration as may be fixed by the Board of Directors of the Company.”

SPECIAL BUSINESS

5. To consider and if thought fit to pass the following resolution as an ordinary resolution with or without modification:

“RESOLVED THAT Sri M. Sukumar Reddy, additional director of the company who vacates office in terms of Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company subject to retirement by rotation.”

6. To consider and if thought fit to pass the following resolution as an ordinary resolution with or without modification:

“RESOLVED THAT Sri P. Siddhartha, additional director of the company who vacates office in terms of Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company subject to retirement by rotation.”

By Order of the Board

Sd/-

V. LAKSHMANA CHARYA
Company Secretary

Place: Hyderabad

Date : 18th June 2004

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of resolutions passed under Special Business is annexed hereto.

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EXPLANATORY STATEMENT

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

1. **Appointment of Director:** Sri M. Sukumar Reddy was appointed as Additional Director of the Company by the Board of Directors of the Company according to the provisions of Section 260 of the Companies Act, 1956. He holds office as a Director only upto the date of the ensuing Annual General Meeting as required by Section 257 of the Companies Act, 1956. A notice has been received from a member signifying his intention to propose re-appointment of Sri M. Sukumar Reddy as Director along with a deposit of Rs. 500/-. The Board considers it desirable that Company should continue to avail itself of his services.
2. **Appointment of Director:** Sri P. Siddhartha was appointed as Additional Director of the Company by the Board of Directors of the Company according to the provisions of Section 260 of the Companies Act, 1956. He holds office as a Director only upto the date of the ensuing Annual General Meeting as required by Section 257 of the Companies Act, 1956. A notice has been received from a member signifying his intention to propose re-appointment of Sri P. Siddhartha as Director along with a deposit of Rs. 500/-. The Board considers it desirable that Company should continue to avail itself of his services.

Except Sri M. Sukumar Reddy and Sri P Siddhartha, none of the Directors are interested in the above resolutions.

By Order of the Board

Sd/-

V. LAKSHMANA CHARYA
Company Secretary

Place: Hyderabad
Date : 18th June 2004

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DIRECTORS REPORT

To,
The Shareholders

Your Directors have pleasure in submitting the Second Annual Report for the period ended 31st March, 2004 on the affairs of the Company along with the Statement of Accounts.

PERFORMANCE :

The company performance for the year ended 31st March, 2004 is as under :

a) The circulation of the newspapers and periodicals published by the company has shown tremendous growth and as per ABC Certificate issued for Dec.'03 the circulation figures are :

- ◆ Deccan Chronicle (no of copies 3,42,053 per day)
- ◆ Andhra Bhoomi (no of copies 33,641 per day)
- ◆ Andhra Bhoomi weekly magazine (no of copies 33,453 per week)
- ◆ Andhra Bhoomi Monthly Magazine (no. of copies 25,627 per month)

b) The Company's turnover, has crossed Rs.100 Crores mark by adopting innovative methods in fixation of both advertisement tariffs and circulation prices which resulted in growth in advertisement space and number of copies sold during the year. The company also undertook cost cutting exercise, which resulted in substantial reduction in its cost, all of which have contributed to earn high percentage of profit. The results are

Net Profit before taxation	Rs. 20,76,84,394/-
Net Profit after taxation	Rs. 13,10,40,628/-
Net Profit before dividend	Rs. 13,07,63,111/-
Net profit transferred to Reserves & Surpluses	Rs. 9,76,67,781/-

Your Directors are pleased to inform you that during the year the company has started its Nellore edition and also successfully commissioned its 24 page colour printing press at Kondapur. The Company is proposing to start its Chennai edition on which, substantial progress has been made and the Chennai edition will contribute both in terms of revenue and readership.

During the year 2003-2004 the company has issued 5.75% Non-Convertible Debentures (NCDs) on Private Placement Basis to the extent of Rs. 25 crores, on 22nd August, 2003 redeemable within a period of one year and 6.50% Non-Convertible Debentures of Rs. 57.50 crores, on 15th January, 2004 redeemable within a period of five years, with three years moratorium period. The funds have been utilized to retire high cost bank loan, augment working capital, purchase of land & buildings, sophisticated printing machinery and other equipments.

SCHEME OF AMALGAMATION :

To attain greater synergy in its operations, your company has proposed to take over Deccan Chronicle Private Ltd, Visakhapatnam and also Nandi Publishers Private Limited, Kompally, Hyderabad w.e.f. 1st April, 2003 and the amalgamation proceedings are in progress in the Hon'ble High Court of Andhra Pradesh.

Based on the legal opinion obtained, the Board of Directors of the company have resolved to merge the Financial Statements of Nandi Publisher Pvt. Ltd and Deccan Chronicle Private Ltd with that of Deccan Chronicle Holdings Limited for the Financial Year ended 31st March 2004. Assets and Liabilities and All profit and loss Account items of the transferor companies have been clubbed with that of Transferee Company.

DIVIDEND :

Your Directors recommend a Dividend of 10% on paid-up equity shares prior to amalgamation, subject to the approval of the Shareholders at the Annual General Meeting.

DIRECTORS :

Smt. T. Urmila Reddy, Director retires by rotation and being eligible, offered herself for reappointment. During the year Sri. M. Sukumar Reddy and Sri. P. Siddhartha are appointed as Additional Directors of the company. During the same period Sri. E. Venkat Ram Reddy and Sri. M. J. Akbar, Directors resigned from the Board. Sri. M. Sukumar Reddy and Sri. P. Siddhartha Additional Directors retire at the forth coming Annual General Meeting and are being eligible, offer themselves for re-appointment.

APPOINTMENT OF AUDITORS :

M/s. C. B. Mouli & Associates the Statutory Auditors of the company retire at the conclusion of this Annual General Meeting and are being eligible offered themselves for re-appointment and they informed their eligibility U/s 224(1B) of the Companies Act, 1956 and your directors recommend their appointment.

PERSONNEL :

There are no employees other than full-time Directors in the Company who have been covered under Section 217 (2) (A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUT GO :

Particulars regarding Conservation of Energy, Technology Absorption, are not applicable to printing and publication of news- papers.

Foreign Ex-Change Outflow

	31.03.2004	31.03.2003
a. Foreign travel	48,30,020/-	3,23,308/-
b. Raw material purchases	20,24,15,689/-	5,29,66,087/-
c. News Service Charges	13,03,871/-	NIL
d. Fixed Assets	3,04,70,872/-	NIL

DIRECTORS RESPONSIBILITIES STATEMENT :

In agreement with the provisions of Section 271 (2AA) of the Companies Act, 1956 your Directors state that :

- a) That in preparation of Annual accounts the applicable Accounting Standards have been followed.
- b) That your Directors have 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 period.
- c) That your Directors have taken a proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) That your Directors have prepared annual accounts on a going-concern basis.

ACKNOWLEDGEMENTS :

The Board takes this opportunity to thank all its Employees, Bankers and other Agencies with whom the Company has dealt with.

By Order of the Board

Sd/-

T. Venkatram Reddy
Chairman

Date : 18th June 2004

Place : Hyderabad

REPORT ON CORPORATE GOVERNANCE

The Company has complied with the provisions of clause 34 of the listing agreement with stock exchanges relating to Corporate Governance, for the year 31st March, 2004. The Company has already constituted various committees and discloses full information to the shareholders and investors through its Annual Reports.

1. **Company's philosophy of Code of Governance**

DCHL's philosophy of corporate governance envisages the highest level of transparency, accountability and equity in all its dealings with shareholders, employees, Government and lenders. The Company's guiding principles are focused to achieve the highest standards of corporate governance.

2. **Board of Directors**

The present strength of the Board of Directors is 7, whose composition is given below:

a. **Composition and category**

Sri T. Venkatram Reddy	Chairman,	Executive
Sri T. Vinayak Ravi Reddy	Managing Director,	Executive
Sri P.K.Iyer	Director – Finance,	Executive
Sri T. S. Ashwin	Independent,	Non-Executive Director
Smt. T. Urmila Reddy	Independent,	Non-Executive Director
Sri M. Sukumar Reddy	Independent,	Non-Executive Director
Sri P. Siddhartha	Independent,	Non-Executive Director

The attendance of each Director at the Board meetings, last Annual General Meetings and Chairmanship/Membership of Committees of each Director is as under:

Name of Director	Attendance		Committee Memberships	Committee Chairmanships
	Board Meeting	Last AGM		
Sri T. Venkatram Reddy	14	Yes	--	--
Sri T. Vinayak Ravi Reddy	14	Yes	1	1
Sri P.K. Iyer	14	Yes	1	--
Sri T. S. Aswin	14	Yes	3	1
Smt. T. Urmila Reddy	6	N.A.	3	1
Sri M. Sukumar Reddy	6	N.A.	2	--
Sri P. Siddhartha	6	N.A.	2	--

b. Board Procedure

Board members are given appropriate documents and information in advance of each Board and committee meeting. To enable the Board to discharge its responsibilities effectively, the Managing Director reviews the overall company performance.

c. Details of Board of Directors Meetings held during the year

The Board of Directors of the company have met fourteen times during the year and have taken effective resolutions for implementing the policies of the company and also convened Extra Ordinary General Meetings three times for taking consent of the Shareholders for issue of Non-Convertible Debentures.

The Board Meetings were held on following dates during the year ended on 31st March, 2004 –

(1) 30.04.2003, (2) 13.06.2003, (3) 02.07.2003, (4) 18.08.2003, (5) 22.08.2003, (6) 14.10.2003, (7) 29.10.2003, (8) 17.11.2003, (9) 29.11.2003, (10) 01.12.2003, (11) 01.01.2004, (12) 16.01.2004, (13) 16.02.2004 and (14) 16.03.2004.

d. Remuneration Policy

In framing its remuneration policy, the Board of Directors takes into consideration the remuneration practices of companies of a size and standing, similar to the company.

The Chairman, Managing Director and the Executive Director (Finance) are paid remuneration as per the Agreements entered between them and the company. These Agreements are placed for approval before the Board, the shareholders and such authorities as may be necessary. The remuneration structure of the Chairman and Executive Directors, comprises of Salary, perquisites and allowances, gratuity, leave encashment and superannuation. The Non – Executive Directors do not draw any remuneration from the company including sitting fees.

Remuneration to Executive Directors for the year ended 31st March, 2004

Name of the Director	Salary & Perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Sri T. Venkatram Reddy	1,22,69,802	NIL	1,22,69,802
Sri T. Vinayak Ravi Reddy	1,23,12,969	NIL	1,23,12,969
Sri P.K. Iyer	6,00,000/-	NIL	6,00,000/-