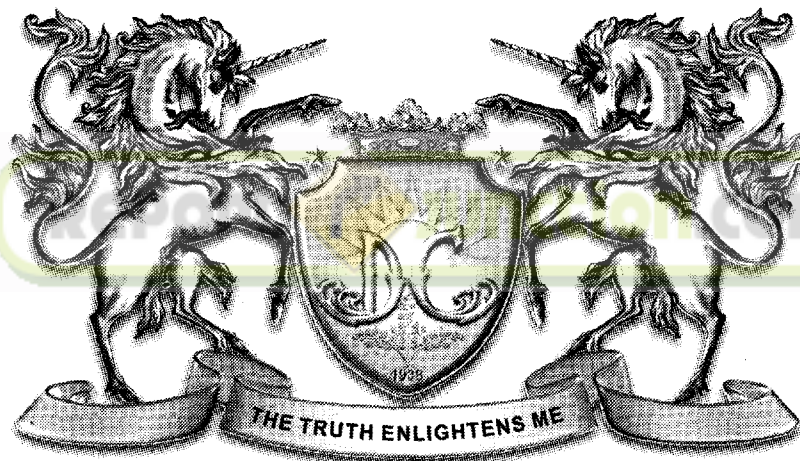


# DECCAN Chronicle



Third Annual Report 2004-05

" We know only two things about the future : it cannot be known, and it will be different from what exists now and from what we now expect "

- Peter F. Drucker

## Milestones

Deccan Chronicle Born - 1938

T. Chandrasekhar Reddy takes over - 1977

From 4 pages then to 28 pages today

Circulation from 40,000 in 1977 to 4,50,000 - 2005

From a single print center to seven print centers

(Hyderabad, Visakhapatnam, Vijayawada,  
Rajamundry, Anantapur, Karimnagar, Nellore)

Most Widely Read / Largest Circulated English Daily in  
Andhra Pradesh as per :

Indian Readership Survey - 2003

National Readership Survey - 2005

Audit Bureau of Circulation - 2004

Chennai edition launched on March 28th 2005



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**Board of Directors**

Shri T. Venkatram Reddy, Chairman  
Shri T. Vinayak Ravi Reddy, Managing Director  
Shri P.K. Iyer, Executive Director  
Shri O.Thomas, Director ( Administration )  
Shri T.S. Ashwin, Director  
Shri M. Sukumar Reddy, Director  
Shri P. Siddhartha, Director  
Shri S. Bala Subramanyam, Director

**Company Secretary**

Dr. V. Lakshmana Charya

**Auditors.**

C.B. Mouli & Associates,  
Chartered Accountants,  
125, M.G. Road,  
Secunderabad - 500 003  
Telephone: +91-40-27840777 Fax: +91-40-27848545

**Registered Office**

6-3-898, Raj Bhavan Road,  
Somajiguda,  
Hyderabad - 500 082

**Corporate Office**

No.36, Sarojini Devi Road,  
Secunderabad - 500 003  
Telephone: +91-40-27803930 to 940, Fax: +91-40-27801716

**Bankers**

Canara Bank,  
Rashtrapathi Road Branch,  
Secunderabad - 500 003

ICICI Bank Limited  
Cenotaph Branch,  
Teynampet,  
Chennai - 600 018.

**Share Transfer Agent**

KARVY CONSULTANTS LIMITED,  
Karvy House, No.46, Avenue 4,  
Street No.4, Banjara Hills,  
Hyderabad - 500 034.



## ***Letter to Shareholders***

The financial year ending 2005 was significant and historical in the 7 decades of Deccan Chronicle.

Deccan Chronicle, Hyderabad became the first newspaper in South India to have 16 pages colour printing facility in November 2004, which besides improving the look and feel of the paper addressed the market demand for more colour advertising inventory, which translates to a higher top and bottom line growth for your company.

Your company made its first Initial Public Offering in the month of December 2004 that met with an overwhelming response from both the institutional and the retail investors. Responding to such a demand and rising to the occasion the management exercised the green shoe option and bought the floating stock to 22% of the paid up capital of the company.

The most significant event for your company was on March 28<sup>th</sup> 2005 when readers in Chennai woke up to Deccan Chronicle and in less than 30 days the circulation had breached the 1.5 lac copies a day mark which is unprecedented for any newspaper debuting in a new territory. I'm confident that we will emerge as a leader in Chennai by the end of the next fiscal and I see Chennai over time becoming a larger contributor to the revenue of your company.

The services and software sector is witnessing tremendous growth in the states of Andhra Pradesh & Tamilnadu wherein besides the capital cities of Hyderabad and Chennai smaller cities like Vishakapatnam, Vijaywada, Trichy and Coimbatore are fast emerging as software and BPO hubs. As a company we have the advantage of being present in some of these locations and would enter the others by the end of next fiscal to capture the growing advertising market and delivering a quality product to the readers.

As the Indian economy registers its high GDP growth rate and literacy improves, your company stands to benefit from increased readership and circulation. My team and I are ready with all the energy and the excitement that it implies to seize the opportunities and take decisive steps to bring them to fruition.

I value your comments and suggestion and expect to be in close touch with you as we move towards building a stronger company and adding value all round.

**T. Venkatram Reddy**  
Chairman

## **Notice for the Third Annual General Meeting**

NOTICE is hereby given that the Third Annual General Meeting of the Company will be held on Friday, the 30th day of September, 2005 at 10.00 A.M. at Hotel Basera, Sarojini Devi Road, Secunderabad – 500 003 to transact the following business:

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2005, the Profit & Loss Account for the year ended March 31, 2005, the Reports of the Directors and Auditors thereon.
2. To consider and if thought fit to pass the following resolution as an Ordinary Resolution:  
RESOLVED that Shri T.S. Ashwin, Director of the company who retires by rotation be and hereby re-appointed as Director of the company subject to retirement by rotation.  
RESOLVED that Shri. M. Sukumar Reddy, Director of the company who retires by rotation be and hereby re-appointed as Director of the Company subject to retirement by rotation.  
RESOLVED that Shri P. Siddhartha, Director of the company who retires by rotation be and 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 at 10% on the paid up share capital of the company is recommended by the Board of Directors of the Company be and 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 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 in consultation with the Auditors.

### **SPECIAL BUSINESS**

5. To consider and if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:  
RESOLVED THAT Shri S. Bala Subramanyam, Additional Director of the Company who vacates office in terms of Section 260 of the Companies Act, 1956 be and hereby appointed as Director of the Company subject to retirement by rotation.
6. RESOLVED THAT pursuant to Section 269 and any other applicable provisions of the Companies Act, 1956 and subject to shareholders approval in the ensuing Annual General Meeting Shri O. Thomas be and hereby appointed as Whole Time Director (Administration) for a period of 5 years with effect from 11<sup>th</sup> February, 2005 subject to retirement by rotation.  
FURTHER RESOLVED That the Whole Time Director ( Administration) shall be paid a salary of Rs. 42,500/- p.m., House Rent Allowance Rs. 12,750/- and Provident Fund and other terminal benefits as per the rules of the Company.  
FURTHER RESOLVED THAT the agreement executed by Shri O. Thomas, Whole Time Director (Administration) consenting his appointment be and hereby approved by the Board as recommended by the decision of the Managerial Remuneration Committee in their meeting held on 11<sup>th</sup> February, 2005.
7. RESOLVED that in partial modification of resolution passed in its Extra Ordinary General Meeting of the Company held on 1<sup>st</sup> April, 2004 the remuneration payable to Shri T. Venkatram Reddy, Chairman, is increased from Rs. 13,50,000/- p.m. to Rs. 15,00,000/- p.m. as recommended by the Managerial Remuneration Committee with effect from 1<sup>st</sup> April, 2005 and that the other terms and conditions remain unchanged.
8. RESOLVED that in partial modification of resolution passed in its Extra Ordinary General Meeting of the Company held on 1<sup>st</sup> April, 2004 the remuneration payable to Shri T. Vinayak Ravi Reddy, Managing Director, is increased from Rs. 13,50,000/- p.m. to Rs. 15,00,000/- p.m. as recommended by the Managerial Remuneration Committee with effect from 1<sup>st</sup> April, 2005 and that the other terms and conditions remain unchanged.



9. RESOLVED that in partial modification of resolution passed in its Extra Ordinary General Meeting of the Company held on 1<sup>st</sup> April, 2004 the remuneration payable to Shri P.K. Iyer, Executive Director, is increased from Rs. 5,75,000/- p.m. to Rs. 10,00,000/- p.m. as recommended by the Managerial Remuneration Committee with effect from 1<sup>st</sup> April, 2005 and that the other terms and conditions remain unchanged.

10. Authority of Directors to borrow by mortgaging and / or by creating charge:

"RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the company be and is hereby accorded to the mortgaging and/or charging by the Board of Directors of the company of all the movable and immovable properties of the company, where so ever situate, present and future, and the whole of the undertakings of the company together with power to take over the management of the business and concern of the company in certain events, or creating a floating charge, or hypothecation of all tangible and movable properties and assets of the company present and future, in favour of Banks or Financial Institutions or Body Corporate or Mutual Funds together with interest at the agreed rates, compound / further interest, commitment charges, premium on pre-payment, or on redemption cost, charges, expenses, or other monies payable by the company to the lending institutions, in terms of the loan agreement to be entered into by the company in respect of the said loans."

FURTHER RESOLVED THAT the Board of Directors of the company be and are hereby authorized to finalise with the lending institutions, the documents for creating the said mortgages and/ or charges and to do all such acts and things as may be necessary for giving effect to the above resolution.

11. Authority to Directors to borrow in excess of paid up capital and free reserves.

"RESOLVED THAT the consent of the company be and is hereby accorded under the provision of Section 293(1)(d) of the Companies Act, 1956 to the Board of Directors of the company to borrow Rs. 500 Crores from time to time.

FURTHER RESOLVED THAT pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 the company hereby accords its consent to the Board of Directors for borrowing any sum or sums of money from time to time from Banks or Financial Institutions or Body Corporate or Mutual Funds whether by way of debentures, cash credit, advance or deposits, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation, or lien, or pledge of the company's assets and properties and all or any of the undertakings of the company notwithstanding that the moneys to be borrowed together with moneys already borrowed by company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) will, or may exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so however, that the total amount up to which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 500 Crores only, exclusive of interest and the Directors are hereby further authorized to execute such deeds of mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the directors may think fit."

**By Order of the Board,  
For DECCAN CHRONICLE HOLDINGS LTD.,**

Secunderabad  
May 23, 2005

**Dr. V. Lakshmana Charya**  
Company Secretary

#### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
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.



## Explanatory Statement under Section 173(2) of the Companies Act, 1956

Shri S. Bala Subramanyam was appointed as Additional Director of the Company by the Board according to the provision of Section 260 of the Companies Act, 1956. He holds office as Director only up to the date of ensuing Annual General Meeting. Under Section 257 of the Companies Act, 1956 the notice has been received from the members signifying his intention to propose re-appointment of Shri. S. Bala Subramanyam as Director along with the deposit of Rs. 500/-. The Board considers it desirable that the company should avail itself of his services.

Appointment of Whole Time Director (Administration) - Pursuant to Section 269 and other applicable provision of the Companies Act, 1956, Shri O. Thomas was appointed as Whole Time Director (Administration) on a monthly remuneration of Rs. 42,500/- p.m., House Rent Allowance of Rs. 12,750/-p.m. and Provident Fund and other terminal benefits as per the rules of the company for a period of 5 years with effect from 11<sup>th</sup> February, 2005. On the recommendation of the Managerial Remuneration Committee appointed Mr. O. Thomas as Whole Time Director (Administration).

In this connection Dr. V. Lakshmana Charya, Company Secretary, pursuant to the authorization by the Board issued memorandum of abstract to the members of the company under Section 302(7) of the Companies Act, 1956 and filed necessary forms with the Registrar of Companies, Andhra Pradesh.

Increase in the Remuneration of Director : Shri T. Venkatram Reddy, Chairman - As per the decision of the Managerial Remuneration Committee his remuneration has been increased from Rs. 13,50,000/- p.m. to Rs. 15,00,000/- p.m. with effect from 1<sup>st</sup> April, 2005.

Increase in the Remuneration of Director : Shri T. Vinayak Ravi Reddy, Managing Director - As per the decision of the Managerial Remuneration Committee his remuneration has been increased from Rs. 13,50,000/- p.m. to Rs. 15,00,000/- p.m. with effect from 1<sup>st</sup> April, 2005.

Increase in the Remuneration of Director : Shri P.K. Iyer, Executive Director (Finance) - As per the decision of the Managerial Remuneration Committee his remuneration has been increased from Rs. 5,75,000/- p.m. to Rs. 10,00,000/- p.m. with effect from 1<sup>st</sup> April, 2005.

Under Section 293(1)(a) of the Companies Act, 1956 provides interalia that the Board of Directors of a public company shall not without consent of such public company in General Meeting shall lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company. Since the mortgaging by the company of its immovable properties as aforesaid in favour of the Financial Institutions or Banks or Body Corporates or Mutual Funds can be considered as public disposal of the companies properties. It is necessary for the members to pass the Resolutions under Section 293(1)(a) of the Companies Act, 1956 before creation of the said mortgage / Charge.

Under Section 293 (1)(d) of the Companies Act, 1956 the Board of Directors cannot without the consent of the company in General Meeting borrow money's apart from temporary loans from banks or Financial Institutions or Body Corporates or Mutual Funds in the ordinary course of business in excess of the aggregate of the paid up capital and free reserves (i.e.,) to say reserves not set apart for any specific purpose. Under the circumstances sanction of the shareholders is being taken to enable the directors to borrow money to the extent of Rs. 500 Crores.

None of the Director is interested in the resolutions except Shri T. Venkatram Reddy, Shri T. Vinayak Ravi Reddy, Shri P.K. Iyer, Shri O. Thomas and S. Bala Subramanyam Directors to the extent of their interest in the above said resolutions.

**By Order of the Board,  
For DECCAN CHRONICLE HOLDINGS LTD.,**

**Dr. V. Lakshmana Charya**  
Company Secretary

Secunderabad  
May 23, 2005





## Directors' Report

Your Directors are pleased to present their report on the business and operations of your Company for the year ended March 31, 2005.

### Financial Results

	(Rs. in lakhs)	
	April 2004 to March 2005 (12 months)	April 2003 to March 2004 (12 months)
Gross Revenue	17,029.17	12,237.73
Total expenditure	10,691.36	8,887.02
Operating Profit (PBIDT)	6,337.81	3,360.71
Interest	814.56	285.08
Depreciation	595.14	316.43
Profit Before Tax (PBT)	4,928.11	2,759.20
Provision For Tax	1,723.42	1,009.12
Profit After Tax (PAT)	3,204.69	1,750.08
Provision tax for the previous year no longer required and written back	Nil	Nil
Provision for Extra-ordinary and non recurring items	Nil	2.78
Net profit / (loss) after Extra-ordinary and non recurring items	3,204.69	1,747.31

### Appropriations

Proposed Dividend %	10	10
Total Dividend	412.26	39.50
Tax on distributed profits	54.99	3.95
Transfer to Debenture Redemption Reserve	1,430.00	287.50
Transfer to General Reserve	500.00	200.00

### Performance

The Company's performance for the year ended 31<sup>st</sup> March, 2005 is as under:

The circulation of the newspapers and periodicals published by the company has shown tremendous growth and as per ABC Certificate issued for December 2004 the circulation figures are:

- Deccan Chronicle ( No. of Copies 4,02,351 per day )
- Andhra Bhoomi ( No. of Copies 83,772 per day )
- Andhra Bhoomi Weekly Magazine ( No. Of Copies 29,941 per week )
- Andhra Bhoomi Monthly Magazine ( No. of Copies 26,670 per month)

The company has achieved a growth rate of 39% in its turnover and the total revenue for the year has crossed Rs. 17,000 lakhs mark. The profit before taxes for the current period is Rs. 4,928 lakhs as against Rs. 2,759 lakhs during the previous year. Increase in the number of colour pages and increase in circulation of the newspaper generated good advertisement revenues.

### Initial Public Offer

During the year 2004 – 2005 the company has issued 91,73,158 Number of shares ( inclusive of Green Shoe option) in the month of December 2004 of Rs. 10/- each at a premium of Rs. 152/- per share. The initial Public Offer of the company had a tremendous response in terms of applications from all the categories. The issue was oversubscribed and the allotment of shares was made on 15<sup>th</sup> December 2004. The listing of the company's shares on National Stock Exchange and Bombay Stock Exchange was made on 22<sup>nd</sup> December 2004.

### Dividend

Your Directors recommend a Dividend of 10% on paid-up equity shares, subject to the approval of the shareholders at the Annual General Meeting amounting to Rs. 412.26 lakhs.

### Debentures

During the year 2004 – 2005, the company issued 6% Short Term Non-Convertible Debentures (NCDs) of Rs. 2,500 lakhs, on 16<sup>th</sup> July 2004 redeemable within a period of one year; 6.21% Short Term Non-Convertible Debentures ( NCDs) of Rs. 5,000 lakhs, on 11<sup>th</sup> February 2005 redeemable at par at Put / Call option of 3 years subject to renewal on yearly basis for a maximum period of 3 years and 6.58% long Term Non-Convertible Debentures (NCDs) of Rs. 5,000 lakhs, on 11<sup>th</sup> February 2005 redeemable at par at expiry of 3 years .

In terms of Accounting Standard 4 – Significant Events occurred after the Balance Sheet Date - the directors of the company hereby disclose that the company has allotted 500 Non-Convertible, unsecured debentures of Rs. 10,00,000/- each aggregating to Rs. 5,000 lakhs on 16<sup>th</sup> May, 2005 on short term basis redeemable within a period of one year with a floating rate of interest.

### Scheme of Amalgamation

Pursuant to Section 394 of the Companies Act, 1956 the Hon'ble High Court of Andhra Pradesh has passed the orders providing for the scheme of amalgamation of Deccan Chronicle Private Limited and Nandi Publishers Private Limited (Transferor Companies) with Deccan Chronicle Holdings Limited (Transferee Company) on 20<sup>th</sup> September 2004 in Petition No. 86, 87 and 88 with effect from 1<sup>st</sup> April 2003.

### Directors

Shri T.S. Ashwin, Shri M. Sukumar Reddy and Shri P. Siddhartha, Directors of the company retire by rotation and being eligible, offered themselves for re-appointment. During the year Shri O. Thomas was appointed as Whole Time Director (Administration) subject to approval of the members in the forthcoming Annual General Meeting. Shri E. Venkatram Reddy and Shri S. Bala Subramanyam were appointed as Additional Directors of the company. Shri E. Venkatram Reddy and Smt. T. Urmila Reddy directors of the company resigned from the Board and Shri S. Bala Subramanyam retires at the ensuing Annual General Meeting and being eligible, offers himself 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 being eligible offered themselves for re-appointment and they informed their eligibility under Section 224(1B) of the Companies Act, 1956 and your directors recommend their appointment.

### Personnel

There are no employees other than fulltime Directors in the company who have been covered under Section 217(2)(A) of the Companies act, 1956.