



# **HATHWAY BHAWANI CABLETEL & DATACOM LIMITED**

**19th Annual Report  
2002-2003**

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CABLE INTERNET  
MEGA BYTES IN MINI SECONDS

## **HATHWAY BHAWANI CABLETEL & DATACOM LIMITED**

### **Board of Directors**

Mr. K. Jayaraman  
Mr. Kuldeep Puri  
Mr. Sanjiv Chainani  
Mr. Milind Karnik  
Mr. Neeraj Bhatia  
Mr. Ketan Chokshi  
Mr. C. Raveendra

Chairman  
Managing Director

### **Company Secretary**

Mahesh Joshi

### **Auditors**

G.M. Kapadia & Co.  
Chartered Accountants

### **Registered Office**

"Rahejas", 4<sup>th</sup> Floor,  
Corner of Main Avenue & V.P. Road,  
Santacruz (West)  
Mumbai – 400 054

### **Bankers**

Bank of Maharashtra  
UTI Bank Limited  
HDFC Bank Limited

### **ADDITIONAL INFORMATION :-**

#### **Administrative Office**

208, Balkrishna Centre  
N.G. Acharya Marg, Chembur (East)  
Mumbai – 400 071  
Phone No. 2521 7020

#### **Registrar & Transfer Agents**

R & D Consultants Ltd.  
610, Dalamal Tower,  
211, Nariman Point, Mumbai – 400 021  
Phone No. 288 46 67/8  
Fax No. 285 57 59  
Gram: SHAREHOLDER

#### **Details of Dematerialisation of Shares**

Company's No. for Dematerialisation is ISIN INE525B01016  
With National Securities Depository Limited (NSDL) and  
Central Depository Services Limited (CDSL)

**NOTICE**

**NOTICE IS HEREBY GIVEN THAT** the Nineteenth Annual General Meeting of the Company will be held on Monday, 29<sup>th</sup> day of September, 2003, at 4.00 p.m. at 'Rahejas', 6<sup>th</sup> Floor, Corner of Main Avenue & V. P. Road, Santacruz (West), Mumbai - 400054, to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2003 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. K. Jayaraman, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sanjiv Chainani, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors of the Company to fix their remuneration. M/s. G. M Kapadia & Co., Chartered Accountants, the retiring auditors, are eligible for re-appointment.

**REGISTERED OFFICE:****BY ORDER OF THE BOARD**

'Rahejas', 4<sup>th</sup> Floor, Corner of Main Avenue &  
V. P. Road, Santacruz (W), Mumbai - 400 054.

Place: Mumbai

Dated: 27<sup>th</sup> June, 2003.

**K. JAYARAMAN**

*Chairman*

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND, AND ON A POLL, TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies, if any, in order to be effective must be received at the Company's Registered Office not later than 48 hours (Forty Eight hours) before the time fixed for holding the meeting.
3. The Register of the Members and the Share Transfer Books of the Company will remain closed from 27<sup>th</sup> September, 2003 to 29<sup>th</sup> September, 2003 (Both day inclusive).
4. The profiles of the Directors stated in Item No. 2 & 3 are annexed to this Notice.

**PROFILE OF THE DIRECTORS**

1. Name : **MR. K. JAYARAMAN**  
 Father's name : Mr. Kalyanasundaram  
 Date of Birth : 16<sup>th</sup> May, 1961.

**Qualification & Experience:**

**Mr. K. Jayaraman** is Managing Director & CEO of Hathway Cable & Datacom Private Limited. He is a Chartered Accountant and started his career in 1987 with ICICI as Project Officer. Thereafter he also worked briefly with Citicorp Securities. He joined the Hathway Group in 1993 and worked with other Hathway Group companies like H. & R. Johnson (India) Limited, Asianet Satellite Communications Limited, in senior positions.

Mr. K. Jayaraman is also Director of many other Companies such as Agni Network Private Limited, Binary Technology Transfers Private Limited, Chandigarh Convergence Consortium Private Limited, Channel Five Cable Network Private Limited, Hathway Cable & Datacom Private Limited, Hathway Channel 5 Cable & Datacom Private Limited, Hathway Internet Satellite Private Limited, Hathway Krishna Cable Private Limited, Hathway Software Developers Private Limited, Hathway Space Vision Cabletel Private Limited, Hathway Universal Cabletel & Datacom Private Limited, Hathway VCN Cablenet Private Limited, ITV Interactive Media Private Limited, KSW Network Private Limited, Pan Cable Services Private Limited, Spur Cable & Datacom Private Limited, United Cable Network Private Limited, Win Cable & Datacom Private Limited and Asianet Satellite Communications Limited. Mr. K. Jayaraman does not hold any Committee membership in other companies.

2. Name : **Mr. Sanjiv Chainani**  
 Father's name : Mr. Kanwal Ramdas Chainani  
 Date of Birth : 25<sup>th</sup> June 1963

**Qualification & Experience:**

Sanjiv K. Chainani graduated in Commerce in 1984 from Sydenham College & M.M.S. in Marketing from Sydenham Institute of Management Studies in 1986.

He is engaged in the financial services, corporate advisory and investment banking for more than 17 years.

He was appointed as a Director on the Board of the Company on 6<sup>th</sup> May 1999.

Mr. Sanjiv Chainani is also a Director of many other Companies such as S.B.&T. Finance Private Limited and S.B.&T. Securities Private Limited, Systematik Finvest Private Limited and Krisma Investments Private Limited. He is also the proprietor of M/s. SKM Financial Consultancy. Mr. Sanjiv Chainani does not hold any Committee membership in other companies.

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Nineteenth Annual Report to the Members together with the Audited Statement of Accounts for the financial year ended March 31, 2003.

**FINANCIAL HIGHLIGHTS**

	<b>(Rs. In Lakhs)</b>	
	<b>2002 – 03</b>	<b>2001 – 02</b>
Operating & Other Income	478.41	252.15
Gross Operating Profit / (Loss) before depreciation & taxes	(39.16)	(26.01)
Depreciation	65.13	49.00
Provision for Diminution in the value of Investment	18.55	22.65
Deferred Taxes	11.88	10.68
Net Profit / (Loss)	(110.96)	(108.78)
Loss carried to balance sheet after adjustments	(248.03)	(136.70)

**REVIEW OF OPERATIONS**

During the year under review, the total income of your Company was Rs. 478.41 Lakhs as compared to the last year's income of Rs. 252.15 Lakhs, which results in about 90% increase in the revenue. This increase is as a result of full year impact on Internet business and increase in subscription rates in Cable TV business. Profitability of your Company has been affected due to heavy increase in the Pay Channels cost and other operational expenses. Your Company could not pass on the entire increased Pay Channel costs due to fierce competition and litigation. In view of the losses suffered, your Directors express their inability to declare any dividend for the year under review. Several measures are being taken for controlling and reduce the administration and other costs and to shore up income.

**YEAR UNDER REVIEW AND BUSINESS PROSPECTS**

During the year under review, your Company has undertaken aggressive expansion in Chembur, Sion, Dadar and other parts of Central Mumbai for the development of cable business.

Apart from geographical expansion, the Company has undertaken concrete steps to increase the average revenue per subscriber by:

- i. by improving the quality of its services; and
- ii. by passing on the increased burden of pay channel costs to its subscribers to some extent, through creating market awareness.

The Government of India has passed the act for Conditional Access System (CAS) whereby it becomes obligatory on the part of the Cable Operators to transmit/re-transmit programmes of every pay channel through an addressable system. The object of this new system being pay for what you watch. The new system will allow the viewers to choose their pay channels and pay accordingly.

Your Company is well geared to cope up with aforesaid developments and is making its best endeavor to meet the challenges in implementing the CAS.

### **PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS**

During the year under review, the company has provided a sum of Rs 18,55,463 in respect of the diminution in the value of US-64 units held by it as investment as on March 31, 2003. The units subsequently got converted into bonds in June 2003. Since the nature of investment has now changed from units to bonds (which is basically a debt instrument), the Board is of the opinion that the provision is not required in future. Thus if now the effect of this provision is reversed, the loss (before tax) will be reduced by Rs. 18,55,463 (from Rs. 122,83,832 to Rs. 104,28,369). At present, these UTI bonds allotted in lieu of the units are valued at Rs. 100 per bond (one bond of face value of Rs. 100 was issued in lieu of 10 units of face value of Rs.10 each) and there is no likelihood of any downward revision in their value in future.

### **CAPITAL EXPENDITURE**

During the year under review, your Company has incurred a total Capital Expenditure of Rs. 51.71 Lakhs as compared to the last year's expenditure of Rs. 98.17 Lakhs. The said amount of Rs. 51.71 Lakhs includes a sum of Rs. 1.91 Lakhs toward capital work in progress pending allocation.

### **PERSONNEL**

There are no employees who are falling within the ambit of the provision of Section 217 (2-A) of the Companies Act, 1956, who are drawing a remuneration of Rs. 2,00,000/- per month, if employed for part of the year or Rs. 24,00,000/-, if employed through out the year.

### **DIRECTORS**

Mr. K. Jayaraman and Mr. Sanjiv Chainani, Directors of the Company, are retiring at the ensuing General Meeting and have offered themselves for reappointment. Your Board recommends their reappointment.

### **AUDIT COMMITTEE**

Pursuant to the provision of Section 292A of the Companies Act, 1956, an Audit Committee has been set up comprising 3 members, namely Mr. K. Jayaraman, Mr. Milind Karnik and Mr. Sanjiv Chainani, Directors of the Company. Mr. K. Jayaraman is the Chairman of the Committee. The terms of reference of the said committee is in accordance with the requirements of the provision of the said Section 292A and the Listing Agreement.

### **CORPORATE GOVERNANCE**

As stipulated by clause 49 of the Listing Agreement, a report on Corporate Governance is given herewith and forms part of this report. The Certificate of M/s. G. M. Kapadia & Co, Statutory Auditors of the Company regarding compliance of Corporate Governance code is also enclosed herewith.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The requirement of disclosures in terms of Section 217 (1)(e) of the Companies Act, 1956, pertaining to the conservation of energy and technology absorption is not applicable to the Company due to the very nature of the industry in which it operates.

During the year under review, there is no foreign exchange earnings and outgo.

## DIRECTORS' RESPONSIBILITIES STATEMENT

Your Directors in compliance with Section 217 (2AA) of the Companies Act, 1956 confirms that in the preparation of the annual accounts for the year ended March 31, 2003: -

- (a) the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- (b) the Company has 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 as on March 31, 2003 and the loss of the Company for the year;
- (c) proper and sufficient care has been taken for the 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) the annual accounts of the Company has been prepared on a going concern basis.

## AUDITORS

M/s. G. M. Kapadia & Co, Chartered Accountants who have been appointed as the Auditors of the Company at the last Annual General Meeting, retire at the ensuing general meeting and being eligible, offer themselves for re-appointment. Your Directors recommends their re-appointment.

Your Auditors have made certain observation in their report on the internal audit system and strengthening of the internal control procedures. Your Directors are of the view that commensurating with the size of the organisation and the nature of industry in which your Company belongs; the internal control systems and the control procedures are adequate.

## ACKNOWLEDGEMENTS

Your Directors takes this opportunity to place on record a sincere appreciation and thanks to its stakeholders including subscribers, shareholders, bankers and employees for their excellent contribution and support towards progress of the organisation. Your Directors also place on the record their sincere thanks to the Central Government for bringing legislation on the Conditional Access System.

## FOR AND ON BEHALF OF THE BOARD

Place : Mumbai  
Dated: 27th June, 2003.

**K. JAYARAMAN**  
*Chairman*



## **CORPORATE GOVERNANCE**

Hathway Bhawani Cabletel & Datacom Limited is committed to good corporate governance. The Company in its Annual Report provides detailed information on various issues concerning the Company's business and financial performance. The Company respects the inalienable rights of its shareholders to information on the performance of the Company and considers itself a trustee of its shareholders.

### **A. Board of Directors**

#### **1. Size and composition of the Board**

Presently, the majority of the Board of the Company consists of non-executive/independent Directors, having rich and varied experience. The Board comprises of Seven (7) Directors out of which six Directors are non-executive Directors whereas one Director is a executive Director.

The constitution of the Board as on 31<sup>st</sup> March 2003 is as given below :

Director	Executive/Non-Executive/ Independent*	No. of other Directorships**	Membership/Chairman-ship in other public companies**	
			Chairman	Member
Mr. K. Jayaraman	Non-Executive, Independent	1	Nil	Nil
Mr. Kuldeep Puri	Executive	1	Nil	Nil
Mr. Neeraj Bhatia	Non-Executive, Independent	Nil	Nil	Nil
Mr. Sanjiv Chainani	Non-Executive, Independent	Nil	Nil	Nil
Mr. Milind Karnik	Non-Executive, Independent	Nil	Nil	Nil
Mr. C. Raveendra	Non-Executive, Independent	Nil	Nil	Nil
Mr. Ketan Chokshi	Non-Executive, Independent	2	Nil	1

\* Independent Directors means a Director who apart from receiving Directors remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters or its management or its subsidiaries, which is in the judgement of the Board may affect their independence of judgement.

\*\* Other Directorships exclude Directorships held in Private Limited Companies.

- 2. Cash Compensation to the Directors for the Financial year ended 31<sup>st</sup> March 2003**  
Sitting fees is not paid to the Directors for attending any Board or Committee meetings. Details of the remuneration paid to the Managing Director during the year ended 31<sup>st</sup> March 2003 is as under :



Name of the Managing Director	Salary & Perquisites (In Rs.)	Performance Incentive/bonus	Commission	Total (In Rs.)
Mr. Kuldeep Puri	8,76,860.83	Nil	Nil	8,76,860.83

## A. Board Meetings

### 1. Scheduling and selection of agenda items for Board meetings

The Board meetings are generally held either at the Registered Office or at the Administrative Office of the Company. Agenda for each meeting along with explanatory notes are drafted and distributed well in advance to the Directors. Every Board member is free to suggest the inclusion of items on the agenda. The Board meets at least once a quarter to review the quarterly results and other items on the agenda, and also on the occasion of the annual shareholders' meetings. When necessary, additional meetings are held.

There were five Board meetings held during the year ended March 31, 2003. These were on 16<sup>th</sup> April 2002, 29<sup>th</sup> June 2002, 30<sup>th</sup> July 2002, 31<sup>st</sup> October 2002 and 31<sup>st</sup> January 2003. Table hereunder gives the attendance record of the Directors.

Name of the Directors	Number of Board Meetings attended	Whether attended last AGM
Mr. K. Jayaraman	5	Yes
Mr. Kuldeep Puri	5	Yes
Mr. Neeraj Bhatia	5	Yes
Mr. Sanjiv Chainani	2	Yes
Mr. Milind Karnik	5	Yes
Mr. C. Raveendra*	3	Yes
Mr. Ketan Chokshi	3	Yes
Mr. Praveen Shrikhande**	1	No

\* Appointed as an Additional Director on 29<sup>th</sup> June 2002

\*\* Resigned as a Director on 29<sup>th</sup> June 2002

### 2. Availability of information to the members of the Board

The Board has unfettered and complete access to any information within the Company, and to any employee of the Company. At meetings of the Board, it welcomes the presence of manager and finance heads who can provide additional insights into the items being discussed.

The information, as may be applicable, regularly supplied to the Board includes:

- Operating Plans, budgets
- Quarterly results of the Company.
- Information on recruitment and remuneration of senior officers just below the Board level
- Minutes of the meetings of the Audit Committees as well as abstracts of the circular resolutions passed.
- Fatal or serious accidents or dangerous occurrences

- General notices of interest.
- Significant development on the human resources front
- Details of dangerous occurrences and effective steps taken thereof.
- Details of deployment of surplus funds available with the Company.
- New projects
- Business contracts entered

### 3. Materially significant related party transactions

After obtaining the approval of the Central Government under Section 297 of the Companies Act, 1956 on April 18, 2002, the Company has entered into an arrangement with M/s Hathway Cable & Datacom Private Limited, for revenue sharing for its Internet segment. The Company has earned revenue of Rs. 1,42,565.00 from M/s. Hathway Cable & Datacom Private Limited from the advertisement run on the corporate channel. The Company has purchased assets worth Rs 4,53,750.00 from M/s. Hathway Cable & Datacom Private Limited. The Company has also entered into various transactions with M/s. Hathway Cable & Datacom Private Limited aggregating to Rs. 73,456.00. The transactions with other related parties are as per the table given below.

S. No	Name	Nature of Relationship	Amount (in Rs)	Nature of Payment
1.	Mr. Kuldeep Puri	Managing Director-Key Management Personnel	8,76,860.83	Salary, Perquisites & Reimbursements
2.	Mr. Ketan Choksi	Director - Key Management Personnel	42,729.00	Reimbursement of Conveyance Charges
3.	Mr. Kulbhushan Puri as Karta of M/s Kulbhushan Puri HUF	Relative of Managing Director	3,00,000.00	Consultancy fees
4.	Mrs. Falguni Choksi	Relative of Working Director	1,37,500.00	Professional fees
5.	Sri Bhawani Cabletel Ltd.	Under the significant influence of the Managing Director	14,58,000.00	Cable TV Franchisee

There have been no related party transactions for the year ended March 31, 2003, which have potential conflict with the interests of the Company at large.

### C. Board Committees

Currently, the Board has three Committees – the audit Committee, Shareholders/Investors grievance Committee and Remuneration Committee. The Audit Committee comprises of 3 members all of whom are non-executive independent Directors. The Shareholders/Investor grievance Committee comprises of 3 Members. The Chairman of the said Committee is a non-executive, independent Director. The Remuneration Committee comprises of 3 Directors all of whom are non-executive, independent Directors.

The Board is responsible for the constitution, co-opting and fixing the terms of service for Committee members to various Committees.