



HATHWAY BHAWANI
CABLETEL & DATACOM LIMITED

23rd

Annual Report

2006-2007

hathw@ybhawani
CABLE INTERNET
MEGA BYTES IN MINI SECONDS

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED
23rd Annual Report : 2006-2007

CONTENTS	Page No.
◆ Notice	2
◆ Directors' Report	5
◆ Corporate Governance	9
◆ Management Discussion and Analysis Report	21
◆ Auditors' Certificate on Corporate Governance	24
◆ Auditors' Report	25
◆ Balance Sheet	29
◆ Profit & Loss Account	30
◆ Cash Flow Statement	31
◆ Schedules to and forming part of the Balance Sheet	32
◆ Schedules to and forming part of the Profit & Loss Account	37
◆ Notes forming part of Accounts	40
◆ Balance Sheet Abstract	48

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

BOARD OF DIRECTORS

Mr. K. Jayaraman
Mr. Kuldeep Puri
Mr. Milind Kamik
Mr. Shailender Nath Sharma
Mr. Ketan Chokshi
Mr. Dilip Worah
Mr. L. K. Kannan
Mr. Krishna Parolia
Mr. Vijay Kabta [Alternate Director to Mr. Shailender Nath Sharma]

Chairman
Managing Director

AUDITORS

G.M. Kapadia & Co.
Chartered Accountants

REGISTERED OFFICE

"Rahejas", 4th Floor, Corner of Main Avenue &
V.P. Road, Santacruz (West), Mumbai – 400 054
Tel No: (022) 26001306 Fax No: (022) 26001307

BANKERS

Bank of Maharashtra
UTI Bank Limited

CORPORATE OFFICE

Sanjona Complex, 5th Floor, Hemu Kalani Marg,
Plot No. 11-A, Sindhi Society, Chembur, Mumbai – 400 071
Tel No: (022) 56033500 Fax No: (022) 25222793

REGISTRAR & TRANSFER AGENT

M/s. Bigshare Services Private Limited
E-2/3, Ansa Industrial Estate, Sakivihar Road,
Saki Naka, Andheri (East), Mumbai – 400 072
Tel.: (022) 28470652 Fax: (022) 28525207
Email: bigshare@bom7.vsnl.net.in

DETAILS OF DEMATERIALISATION OF SHARES

Company's ISIN number for Dematerialisation is **INE525B01016**
with National Securities Depository Limited (NSDL) &
Central Depository Services Limited (CDSL)

23rd ANNUAL REPORT**- NOTICE**

NOTICE IS HEREBY GIVEN THAT the Twenty Third Annual General Meeting of the Company will be held on Friday, 28th day of September, 2007, at 4.00 p.m. at Sanjona Complex, 5th Floor, Hemu Kalani Marg, Plot 11-A, Sindhi Society, Chembur, Mumbai - 400071, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 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. Dilip Worah, 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. L. K. Kannan, 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.

SPECIAL BUSINESS:

5. 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 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, approval of the members of the Company be and is hereby granted for the re-appointment of Mr. Kuldeep Puri as the Managing Director of the Company for a period of 3 years with effect from 1st June 2007 to 31st May 2010 on a remuneration of Rs. 85,000/- per month together with re-imbursement of Telephone and Motor Car and Fuel expenses incurred by him up to a limit of Rs. 15,000/- per month with liberty to the Directors to alter and vary terms and conditions of the aforesaid appointment and/or remuneration, as may be agreed to between the Directors and Mr. Kuldeep Puri.

RESOLVED FURTHER THAT in the event of absence or inadequacy of net profit in any financial year, the remuneration payable to the Managing Director shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956, or any statutory modification thereof."

REGISTERED OFFICE:

'Rahejas', 4th Floor, Corner of Main Avenue & V. P. Road, Santacruz (W), Mumbai - 400 054
Place: Mumbai
Date: 29th June, 2007

BY ORDER OF THE BOARD**K. JAYARAMAN**

Chairman

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED**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 Monday, 24th September, 2007 to Friday, 28th September, 2007 (Both days inclusive).
4. The profiles of the Directors proposed to be re-appointed are annexed to this Notice pursuant to Clause 49 of the Listing Agreement.
5. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item No. 5 is appended hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 5:**

Mr. Kuldeep Puri was appointed as Managing Director of the Company with effect from for a period of 3 years with effect from 1st June, 2004 on such terms and conditions as approved by the Shareholders at the 20th Annual General Meeting of the Company.

Considering the dynamic role, Mr. Kuldeep Puri is expected to play in the near future and the benefits expected to be reaped under his supervision, the remuneration committee at its Meeting held on 29th June, 2007 have recommended re-appointment of Mr. Kuldeep Puri for a period of 3 (three) years with effect from 1st June, 2007 on the terms and conditions as mentioned in the resolution set out in the notice. The aforesaid recommendation made by the remuneration committee has been approved by the Board of Directors at its Meeting held on 29th June, 2007.

In the event of absence or inadequacy of net profits in any financial year, the remuneration payable to Managing Director shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 or any statutory modification thereof."

The resolution vide Item No. 5 is therefore proposed for the approval of the Members. Apart from Mr. Kuldeep Puri, no other director shall be deemed to be concerned or interested in the resolution.

REGISTERED OFFICE:

'Rahejas', 4th Floor, Corner of Main Avenue &
V. P. Road, Santacruz (W), Mumbai - 400 054
Place: Mumbai
Date: 29th June, 2007

BY ORDER OF THE BOARD

K. JAYARAMAN
Chairman

23rd ANNUAL REPORT**Additional information pursuant to Clause 49 of the Listing Agreement****PROFILES OF DIRECTORS**

1. Name : Mr. Dilip Worah
 Father's name : Mr. Tokarshi P. Worah
 Date of Birth : 22nd May, 1960.

Qualification & Experience:

Mr. Dilip Worah is a member of the Institute of the Chartered Accountants of India. He has a wide experience of 20 years in the field of Audits, Internal Audits, Bank Audits, Income Tax and Indirect Tax matters, Company Law, Investments, Finance and Business Advisory. He was appointed as a Director on the Board of the Company on 30th December, 2005. Mr. Dilip Worah is also Director in Ulka Finance & Investment Private Limited.

2. Name : Mr. L. K. Kannan
 Father's name : Late Mr. Krishna Moorthy
 Date of Birth : 29th March, 1956.

Qualification & Experience:

Mr. L. K. Kannan is a Commerce Graduate. He is in service since last 25 years. He was appointed as a Director on the Board of the Company on 30th December, 2005. Mr. L. K. Kannan is also Director in Integra Unisource Private Limited.

3. Name : Mr. Kuldeep Puri
 Father's name : Mr. Surajswarup Puri
 Date of Birth : 17th November, 1959.

Qualification & Experience:

Mr. Kuldeep Puri has a B Tech degree from BHU - IT, Varanasi. He has been instrumental in providing professional Cable Television Operating services and other related activities formulating the cable television operation of the Company. He has Nineteen years experience in the field of Cable Television Operations, Installation of Cable TV systems/maintenance and marketing of telecom and electronic equipments products. He has played an important role by providing able leadership and direction to the Company in its business activity of running of Cable Television Network, providing ISP Services, Data Communications facilities and allied activities with his sound knowledge and experience. He was appointed as Managing Director of the Company since 1st June, 1999.

Mr. Kuldeep Puri is also a director in Sri Bhawani Cabletel Limited.

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Twenty Third Annual Report to the Members together with the Audited Statement of Accounts for the financial year ended March 31, 2007.

Financial Highlights**(Rs. In Lacs)**

Particulars	2006 - 07	2005 - 06
Operating & Other Income	1041.60	892.20
Gross Operating Profit before interest, depreciation, amortisation & taxes	107.15	21.15
Interest	3.51	4.20
Depreciation/Amortisation	76.22	81.26
Deferred Taxes	(7.96)	(1.27)
Fringe Benefit Tax	1.79	1.43
Net Profit / (Loss)	33.59	(64.47)
Loss carried to balance sheet after adjustments	(518.45)	(545.54)

Review of Operations

During the year under review, the total income of your Company was Rs. 1041.60 Lacs which is 17% over and above last year's income of Rs. 892.20 Lacs. Your Company has made a Gross profit of Rs. 107.15 Lacs and after providing for interest, depreciation, amortisation and taxation, the net profit for the year is Rs. 33.59 Lacs.

The revenue from Cable TV business increased by about 22% over the previous year's revenues. However the ISP revenue has marginally come down by 3.54% as compared to previous year's revenues. The ISP Revenue has come down mainly due to heavy promotional expenses incurred in the month of February, 2007 and appointing fresh manpower in the Internet Division. As a result of which the Internet Subscriber Base of your Company has been increased gradually in the first quarter of the present financial year. Your Company is very positive of the increase in Internet subscriber base in the current financial year and this would enable the Company to generate and contribute to the additional ISP revenue of the Company in the coming future. The profitability of your Company has been adversely affected on account of heavy Pay Channel Costs and other administrative and general expenses. Your Company could not pass on the entire increase due to the price freeze imposed by Telecom Regulatory Authority of India (TRAI).

23rd ANNUAL REPORT

In view of the insufficient profits and the accumulated losses, your Directors express their inability to declare any dividend for the year under review. Several measures are being taken towards cost control and more particularly to reduce the administration and other costs and to improve the profitability.

Year Under Review and Business Prospects

During the year under review, your Company has undertaken various steps to expand its Cable TV and ISP business. Your Company has also undertaken concrete steps to increase the average revenue per subscriber.

The performance of your Company covering various aspects of the business operations for the year ended 31st March, 2007 and prospects for the Company's business in the future has been dealt with at length in a separate section titled "Management Discussion and Analysis Report" forming part of the Corporate Governance Report as stipulated in Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited.

Capital Expenditure

During the year under review, your Company has incurred a total Capital Expenditure of Rs. 39.38 Lakhs as compared to the last year's expenditure of Rs.72.83 Lakhs. The said amount of Rs.39.38 Lakhs includes a sum of Rs. 7.19 Lakhs toward capital work in progress pending allocation.

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. A Certificate from M/s. G. M. Kapadia & Co, the Statutory Auditors of your Company regarding compliance of the conditions of Corporate Governance as required under the aforesaid Clause, is also forms part of this report.

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/- per annum if employed through out the year.

Directors

Mr. Dilip Worah and Mr. L. K. Kannan, Directors of your Company are retiring at the ensuing General Meeting and have offered themselves for reappointment. Your Board recommends their reappointment.

Mr. Kuldeep Puri has been re-appointed as the Managing Director of the Company for a further period

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

of 3 years with effect from 1st June 2007. Accordingly, necessary resolution has been proposed in the Notice of the forthcoming Annual General Meeting.

Audit Committee

Pursuant to the provisions of Section 292A of the Companies Act, 1956, an Audit Committee has been set up which presently comprises of 3 members, namely Mr. Milind Kamik, Mr. Dilip Worah and Mr. L. K. Kannan, Directors of the Company. Mr. Dilip Worah is a 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.

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 period under review, your Company has neither earned any foreign exchange earning nor incurred any expenses in the foreign exchange.

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, 2007:

- (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, 2007 and the profit 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 Statutory Auditors of the Company at the last Annual General Meeting, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommends their re-appointment.

23rd ANNUAL REPORT**Comments on Auditors' Report**

Your Auditors have made certain observation in their report on physical verification of distribution equipments such as cabling and line equipments and reconciliation of the records. In respect of distribution equipments, your Directors state that the nature of cabling and other line equipments is such that the physical verification of the same is very difficult. In respect of other equipments, the Company is in the process of reconciling the book stock with physical stock and your Directors are of the opinion that the difference is not significant and the same shall be dealt with in the books of accounts.

Your Auditors have also made some observation on Internal Control System for sale of services. Your Directors comment that the current Internal Control System for the sale of services is adequate. However, considering the growth in the operations, your Company has taken steps for strengthening the Internal Control System for sale of services.

Your Auditors have also made some observation on Entertainment Tax liability. Your Directors comment that the Company is pursuing the matter with Entertainment Tax Department rigorously and are hopeful of waiver from the Department based on the representations.

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.

FOR AND ON BEHALF OF THE BOARD

Place: Mumbai

Dated: 29th June, 2007**K. JAYARAMAN***Chairman*