

Growth through Diversification



Tenth
Annual Report
1998-99

Surana Telecom Limited



Surana Group

SURANA TELECOM LIMITED

2ND FLOOR, SURYA TOWERS
 S.P. Road, Secunderabad - 500 003, A.P. India.
 Phones Office : 7845119, 7845046, 7841198
 Telefax : 0091-40-7848851/7818868
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 E-mail : surana@hd1.vsnl.net.in
 Telegrams : GULAB Secunderabad - 500 003

NARENDER SURANA

Managing Director

Date : 31st August, 1999

Dear Shareholder,

It gives me immense pleasure to communicate with you, on the performance of your company during the past year and its future outlook.

You are in receipt of the Annual Report of the Company for the year 1998-99, which was a difficult year, with pressures on the margin and lack of adequate orders for optic fibre cable. Inspite of the adverse conditions your company did well to maintain its profitability during the previous year.

The current year has started on a very optimistic note with the company posting impressive results in the first quarter ended 30th June, 1999. The total income for the three months ended 30th June, 1999 was Rs. 15.63 crores and the Net Profit for that period was Rs. 102.45 lakhs compared to Rs. 30.81 crores and Rs. 118.23 lakhs respectively for the full year 1998-99.

Your Company has already received orders for 3.344 LCKM Jelly Filled Telephone cable (value Rs. 26 crores) and 1500 Km. Fibre Optic Cable (value Rs. 5 crores), in July 1999. With further orders expected during the year, your company is well poised to achieve a turnover exceeding Rs. 50 crores during the current year. In fact, by the second quarter of the year itself the turnover is expected to cross Rs. 27 crores. Further your company had, during the year, disposed of some redundant machinery of the optic fibre cable division for a consideration of Rs. 2 crores, with a view to optimise its resources. Your company also proposes to commence manufacturing higher size Jelly Filled Telephone Cables wherein the profit margins are higher, during the year.

With the future outlook for Jelly Filled and Optic Fibre cable in the country being very positive, I am confident that your Company would do exceedingly well in the coming years.

I also take this opportunity to thank you for your valuable support to the Company which I hope would continue in future also.

Yours Sincerely,

(NARENDER SURANA)

**BOARD OF DIRECTORS**

G.M. Surana	Chairman
Narender Surana	Managing Director
O. Swaminatha Reddy	Director
R. Surender Reddy	Director
Devendra Surana	Director
S.R. Vijayakar	Director
Pradeep Kumar Jain	Director

Auditors

M/s. Sekhar & Co.,
Chartered Accountants
133/4, R.P.Road,
Secunderabad - 500 003.

Company Law Consultant

V.K. Bafna & Co.,
Company Secretaries
H.No.79, Lane No.2,
Street No.3
East Marredpally,
Secunderabad - 500 026.

Bankers

State Bank of Hyderabad
State Bank of Mysore

Registered Office

2nd Floor, Surya Towers
Sardar Patel Road
Secunderabad - 500 003.

Works

Plot No.214, Phase II, I.D.A.
Cherlapally,
Hyderabad - 500 051.

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NOTICE

NOTICE is hereby given that the 10th Annual General Meeting of the Members of **SURANA TELECOM LIMITED**, will be held on Tuesday, the 28th day of September, 1999 at 11.30 A.M. at Surana Udyog Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry Premises, 11-6-841, Red Hills, Hyderabad - 500 004 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and the Profit & Loss Account for the year ended 31st March, 1999 along with Auditors' Report & Directors' Report thereon.
2. To declare Dividend for the year ended 31st March, 1999.
3. To appoint a Director in place of Shri Devendra Surana, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri O.Swaminatha Reddy, who retires by

rotation and being eligible offers himself for re-appointment.

5. To appoint M/s.Sekhar & Co., Chartered Accountants as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED that Shri Pradeep Kumar Jain be and is hereby appointed as a Director of the Company, retiring by rotation."

By Order of the Board
for **SURANA TELECOM LIMITED**

Place : Secunderabad
Dated : 28.07.1999

Narender Surana
Managing Director

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**NOTES :**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, and, on a poll, to vote instead of himself and such proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 1999 to 28th September, 1999, both days inclusive.
3. Dividend on the shares, if declared by the Company at the meeting, will be paid subject to the provisions of section 206A of the Companies Act, 1956 to those members whose names appear on the Company's Register of Members as on 16th September, 1999.
4. Members are requested to notify promptly any change in their addresses and to furnish dividend mandates, if any, to reach the Registered Office of the Company before 16th September 1999.
5. Members are requested to bring the Annual Report with them for the Annual General Meeting. No copies of Annual Reports will be distributed at the meeting.
6. The Company's Equity Shares are listed on (i) The Hyderabad Stock Exchange Limited, 3-6-275, Himayatnagar, Hyderabad - 500 029; (ii) The Stock Exchange, Mumbai, Phiroze Jeejeebhay Towers, Dalal Street, Fort, Mumbai - 400 001; and (iii) Madras Stock Exchange Limited, Exchange Building, II, Second Line Beach, Chennai - 600 001.

The Company has paid the annual listing fees for the year 1999-2000 to the aforesaid exchanges except the Madras Stock Exchange Limited to which an application for voluntary delisting has been made.
7. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out above is annexed hereto.

EXPLANATORY STATEMENT
(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 6

Shri Pradeep Kumar Jain was appointed as an Additional Director of the Company by the Board and his term of office expires at the conclusion of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956. A Notice under Section 257 of the Act proposing the appointment of Shri Pradeep Kumar Jain as a Director, liable for retirement by rotation, has been received from a Member, together with the requisite deposit.

None of the directors except Shri Pradeep Kumar Jain are interested in the above resolution.

Your Directors commend the resolution for your approval.

By Order of the Board
for **SURANA TELECOM LIMITED**

Place : Secunderabad Narender Surana
Dated : 28.07.1999 Managing Director



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DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 10th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS :

The performance during the year has been as under :

	(Rs. in lacs)	
	Year ended 31st March, 1999	Year ended 31st March, 1998
Sales and other Income	3081.00	3613.98
Profit before Depreciation and interest	482.12	584.90
DEDUCT :		
Depreciation	188.57	253.12
Interest	146.21	178.39
Profit for the year	334.78	431.51
Prior period adjustment	147.34	153.39
Provision for taxation	(13.10)	(14.70)
Profit after tax	16.00	15.60
Surplus brought forward from previous year	118.24	123.09
Balance available for appropriation	232.66	217.06
	350.90	340.15
APPROPRIATION :		
Proposed Dividend	55.52	52.26
Tax on Dividend	6.10	5.23
Transfer to General Reserves	51.20	50.00
Balance c/f to Balance Sheet	238.08	232.66
TOTAL :	350.90	340.15

OPERATIONS :

The turnover for the year dropped to Rs.30.40 crores from Rs.35.77 crores for the year 1997-98, and the net profit for the year fell marginally, to Rs.118.23 lakhs from Rs.123.09 lakhs for the year 1997-98. During the year your Company had prepaid one of its high cost term loans to the Industrial Development Bank of India. With a view to source low cost funds for the Company's operations the Company had, during the year allotted 150000

12% redeemable preference shares of Rs.100 each, aggregating to Rs. 1.50 crores, on a private placement basis, to persons of the promoter group.

In an effort to direct all the resources of the Company towards its operations and improve its working, the Company, had offered 14,00,000 shares out of its shareholding in Bhagyanagar Metals Limited, for buyback by that Company, thereby raising Rs.3.78 crores.

Surana Telecom Limited**FUTURE PLANS :**

In spite of increased competition & pressure on margins, the Company is confident of improving the sales and profitability due to the increase in the installed capacity of Jelly Filled Telephone Cables and effective utilisation thereof. Your Company has received orders for PIJF cables for Rs. 22 crores from DoT in the month of July 1999.

YEAR 2000 COMPLIANCE :

Your Company has taken appropriate and effective steps to be Y2K compliant by August 1999. The expenditure to ensure Y2K compliance is not expected to have any material financial impact.

DIVIDEND :

Your Directors are pleased to recommend a dividend @ 12%, on the equity share capital of the company, amounting to Rs.52.26 lacs for the year ended 31st March, 1999. This, together with the prorata preference dividend @ 12% amounting to Rs.5.25 lacs and Tax on dividend of Rs.6.11 lacs will entail an out flow of Rs.61.62 lacs.

FIXED DEPOSITS :

The Company has not accepted any deposits and consequently no deposits had matured / become due for re-payment as on 31st March, 1999.

AUDITORS REPORT :

The notes to the Accounts No.4 and 6 referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

DIRECTORS :

Shri Devendra Surana and Shri O.Swaminatha Reddy, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS :

M/s Sekhar & Company., Chartered Accountants, Auditors of the Company retire at

the Annual General Meeting and are eligible for re-appointment. The members are requested to re-appoint them and to authorise the Board to fix their remuneration.

DELISTING FROM MADRAS STOCK EXCHANGE LIMITED :

Your Company has applied to the Madras Stock Exchange Limited for voluntary delisting of its equity shares from that Exchange after completing all the formalities as required by the Exchange. The shares of your Company would continue to be listed on the Hyderabad and Mumbai Stock Exchanges.

CONSERVATION OF ENERGY, FOREIGN EXCHANGE ETC. :

Information on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo required to be disclosed under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, are provided in the Annexure forming part of this Report.

EMPLOYEE RELATIONS :

Your Directors are pleased to record their appreciation of the sincere and dedicated services of the employees and workmen at all levels.

The company has no employee whose salary exceeds the limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence the information required under Section 217(2A) of the Companies Act, 1956, read with Companies (particulars of Employees) Rules, 1975, has not been provided in this report.

ACKNOWLEDGEMENTS :

The Directors thank the Company's Bankers, Financial Institutions and officials of the concerned Government Departments for their Co-operation and continued support to the Company.

For and on behalf of the
Board of Directors

Place : Secunderabad G. Mangilal Surana
Date : 28.07.1999 Chairman



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Annexure to the Directors' Report

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY :

- (i) Energy Conservation measures and their impact N.A.
- (ii) Total energy consumption and energy consumption per unit of production : N.A.

B. TECHNOLOGY ABSORPTION :

The Company is making all efforts for improving productivity, product quality and reducing consumption of scarce raw materials and fuel.

C. FOREIGN EXCHANGE EARNINGS AND OUT GO :

Activities relating to exports and initiatives taken to increase export products and services and export plans. Nil

Total Foreign Exchange used and earned :

Used : Rs. 389.93 Lacs

Earned : Rs. 6.42 Lacs

Statement under clause 43 of the Listing Agreement

The profitability projections as per the Prospectus dated 19.09.1994 and the actual profitability achieved for the year 1998-99 are as under :

	As per prospectus dated 19.09.1994 (Rs. in lakhs)	Actual for the year 1998-99 (Rs. in lakhs)
Sales	4378	3040.08
Other Income	—	40.92
Net Profit	518	118.23

The projected turnover and the net profit could not be achieved due to the lack of orders from DoT and unremunerative prices for Fibre Optic Cable.

Surana Telecom Limited**Auditors' Report**

To

The Shareholders of Surana Telecom Limited,

We have audited the attached Balance Sheet of Surana Telecom Limited as at 31st March, 1999 and the Profit & Loss Account annexed thereto for the year ended on that date and report that :

- 1) As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section, 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order :
- 2) Further to our comments in the annexure referred to in paragraph 1 above:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of the books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.

- d) In our opinion, the Balance Sheet and Profit and Loss account comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e) In our opinion, and to the best of our information and according to the explanations given to us, the said statements of account subject to note Nos. 4 and 6 relating to confirmation of Debtors and Creditors balances and confirmation of final prices by DoT respectively read together with other notes, appearing in the Schedule of Notes give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - i) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 1999; and
 - ii) in the case of the Profit and Loss Account, of the profit of the company for the year ended on that date.

for **Sekhar & Company**
Chartered Accountants

S. Giridhar
Partner

Place : Secunderabad
Date : 21.05.1999