

## SIXTEENTH ANNUAL REPORT 2004 - 05

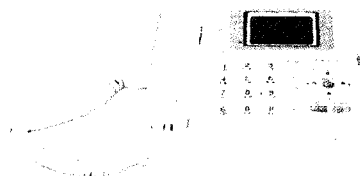


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*Surana Telecom Limited*

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*"You are the Creator of Your Own Destiny"*

G.M.SURANA



Dear Shareholders,

I am pleased to share with you our performance for the Fiscal Year ended 31st March 2005 and my views on the future of the growing Telecom Industry and Surana Telecom Limited, as the year 2004-2005 has been a year of special significance to our Company. I am satisfied with the overall performance, especially having regard to the challenging business environment in which your Company operates.

I would like to share with you the matters which are important to me, as the same will have a far reaching impact on shaping the future of our Company.

In to day's dynamic scenario, Companies must adopt to change quickly or perish. We at Surana, have witnessed market upheavals and with great optimism looked for opportunities in newer areas and markets. It is with this proactive effort that, we have entered into trading and assembling of CDMA Phones.

During the year the overall performance of the Company has been excellent. The Turnover of the Company has gone up by 169 % and Profit After Tax has also gone up by 191 % over the previous year.

The central theme of this year Annual Report is again "SUSTAINED PROFITABLE GROWTH" - It gives me great pleasure to communicate to all of you that, with the commitment and continued optimism our Company has again demonstrated its strength by enhancing the Turnover & Profit when compared to the last year.

The Board of Directors of the Company pleased to share the Company's success with the share holders, recommend a Dividend @ 20 % for the year 2004-05

To improve the liquidity in the Market and build the confidence of investors, during the year our Company has Sub-Divided its equity shares of Rs.10/- each into two equity shares of Rs.5/-each in the ratio of 1:2.

The Board of Directors, at their recently held Board Meeting decided to restructure the Company's business and De-Merge the Infrastructure Business from the Company, to a new Company there by positioning our Company as a Telecom Company, creating strong market capitalization & corporate entity to expand.

Our Company shall, as has been the usual practice endeavor to confirm to quality, sustain its market presence and maximize the value addition to the investor, thus ensuring the continued prosperity of the investors.

Finally I take this opportunity personally and on behalf of all my colleagues on the Board, to thank the Government Authorities, the Financial Institutions, Bankers, Esteemed Customers and the Shareholders for their support and encouragement in all our endeavors. I also thank all the Employees at various levels in the organization for their continued dedication, commitment and support extended to the management in achieving this remarkable performance.

With a view to have a continuous Success in future, I wish all those associated with Surana to maximize their value addition to the Company for achieving greater perfection by following our guiding principle which has always been the same i.e. **"Practicing Perfection and Exceeding Expectation"**

G.M.SURANA  
Chairman



## BOARD OF DIRECTORS

G Mangilal Surana	-	Chairman
Narender Surana	-	Managing Director
Devendra Surana	-	Director
O Swaminatha Reddy	-	Director
R Surender Reddy	-	Director
S R Vijayakar	-	Director
S.Balasubramanian	-	Whole-Time Director

## STATUTORY AUDITORS

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

## INTERNAL AUDITORS

Luharuka & Associates  
 Chartered Accountants  
 5-4-187/3&4, Soham Mansion,  
 2nd Floor, Above Bank of Baroda  
 M G Road, Secunderabad - 500 003.

## STATUTORY COMMITTEES

### AUDIT COMMITTEE

O Swaminatha Reddy	-	Chairman
G Mangilal Surana	-	Member
R Surender Reddy	-	Member
S R Vijayakar	-	Member

## REGISTRARS & TRANSFER AGENTS

Karvy Computer Share Private Limited.  
 Karvy House, 46, Avenue 4,  
 Street No: 1, Banjarahills,  
 Hyderabad- 500 034

## SHAREHOLDERS'

### GRIEVANCE COMMITTEE

G Mangilal Surana	-	Chairman
Narender Surana	-	Member
Devendra Surana	-	Member

## REGISTERED OFFICE

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

## COMPANY SECRETARY

S Balachandra

## WORKS

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

## BANKERS

State Bank of Hyderabad  
 Development Credit Bank Limited  
 HDFC Bank Limited  
 UTI Bank Limited

Plot No. 12 to 16,  
 Pilerne Industrial Estate,  
 Panajim,  
 Goa – 403 001.

Optic Fibre Plant  
 Plot No.212/3 & 4  
 Phase II, IDA Cherlapally  
 Ghatkesar (M)  
 Ranga Reddy District





## NOTICE OF 16TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 16th Annual General Meeting of the members of **SURANA TELECOM LIMITED**, will be held on Friday, the 1st day July, 2005 at 11-30 A.M. at III Floor, Surya Towers, S.P. Road, Secunderabad-500 003, to transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 and the Profit & Loss Account for the year ended 31st March, 2005 along with the Auditors' Report & Directors' Report thereon.
2. To declare Dividend for the year ended 31st March, 2005.
3. To appoint a Director in place of Shri G.Mangilal Surana, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri.S.R.Vijayakar, 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 with or without modifications, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 163 and other applicable provisions if any of the Companies Act 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to shift Register of Members and Index of Members from M/s CIL Securities Limited, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad 500 001 to M/s KARVY COMPUTERSHARE PRIVATE LIMITED, Karvy House, 46, Avenue 4, Street No: 1, Banjarahills, Hyderabad-34."

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

Place : Secunderabad      **S.BALACHANDRA**  
Date : 2nd June, 2005.      **COMPANY SECRETARY**

### NOTES :

1. A member entitled to attend and vote at the meeting 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 29th June, 2005 to 1st July, 2005 (both days inclusive).
3. Dividend on shares @ 20 % as recommended by the Board of Directors, if declared by the Company at the meeting, will be paid subject to the provisions of Section 205A of the Companies Act, 1956, to those shareholders whose names appear on the Register of Members of the Company as on 1st July, 2005 or to their mandates, to the extent eligible, and also to the Beneficial Owners of equity shares held in electronic form on the same date as per the details furnished by the Depositories for this purpose.
4. The Securities and Exchange Board of India (SEBI) and the Department of Company Affairs have made

it mandatory for all the Listed Companies to offer Electronic Clearing Service (ECS) facilities for payment of dividend, wherever applicable. This facility offers various benefits like timely credit of dividend to the shareholders' account, elimination of loss of instruments in transit or fraudulent encashment etc. Currently, the facility is available at locations specified by RBI. In case of shareholders staying at locations not currently covered by ECS, the bank account details will be used for suffixing along with the name of the shareholder on the Dividend Warrant. In view of the above :

- i. Shareholders holding shares in Physical Form and desirous of availing the facility are requested to complete the ECS Form attached to this Annual Report and forward the same to the Company at it's registered address.
- ii. Shareholders holding shares in Dematerialised Form are requested to provide the Bank details to their Depository participants for incorporation in their records. The Depository in turn would also forward the required information to the Company.



5. Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, Dividends for the Financial Year ended 31st March, 1998 and thereafter, which remain unclaimed for a period of seven years, will be transferred to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205 (c) of the Companies Act, 1956.

Information in respect of the due date for transfer of such unclaimed dividend to the said fund is given below:

For the Financial Year	Date of Declaration	Due for Transfer on
1997-98	25.09.1998	04.11.2005
1998-99	28.09.1999	07.11.2006
1999-00	30.05.2000	27.04.2007
2000-01	26.07.2001	23.08.2008
2001-02	27.09.2002	24.10.2009
2003-04	28.09.2004	01.11.2011

The Members who have not encashed the Dividend Warrant(s) so far for the Financial Year ended 31st March, 1998 or any subsequent Financial Years are requested to make their claim to the Company at its Registered Office. It may also be noted that once the Unclaimed Dividend is transferred to the Investor Education and Protection Fund, no claim shall lie in respect thereof.

6. The Company's Equity Shares are listed at The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 and The

National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051, and the Company has paid the Listing Fees to the said Stock Exchanges.

7. Members / Proxies are requested to bring their copies of Annual Report with them for the Annual General Meeting and the attendance slip duly filled in for attending the Meeting. No copies of the Annual Report will be distributed at the meeting.
8. Members holding shares in physical form, may write to the Company's Registrars & Transfer Agents for any change in their address and bank mandates, members having shares in electronic form may inform the same to their depository participants immediately so as to enable the Company to despatch dividend warrants at their correct addresses.
9. **Members are requested to send all communication relating to shares to the Company's Share Transfer Agents (Physical and Electronic) at KARVY COMPUTER SHARE PRIVATE LIMITED, Karvy House, 46, Avenue 4, Street No: 1, Banjarahills, Hyderabad -500 034.**
10. Please note the any queries pertaining to Accounts related aspects, may be posted/handed over to the Company Secretary at the Registered Office of the Company at least 48 hours before the Annual General Meeting, So that the same could be clarified to the Shareholder at the Annual General Meeting.

## EXPLANATORY STATEMENT

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

### ITEM No. 6

Pursuant to the guidelines issued by the Securities and Exchange Board of India, vide circular number D&CC/FITTC/CIR-15/2002 dated 27.12.2002 regarding 'Appointment of Common Agency for Share Registry Work', the Board of Directors have appointed M/s CIL SECURITIES LIMITED as the Registrar and Transfer Agents (RTA) of the Company for both physical and Demat segments. Keeping the present needs of the Company in mind & in order to give better services to the Share holders, the Board passed a resolution, to change RTA from M/s CIL SECURITIES LIMITED to M/s KARVY COMPUTER SHARE PRIVATE LIMITED as Share Transfer Agents to undertake share transfers in physical segment in addition to Demat Segment.

Now it is proposed to shift the Register of Members and Index of Members from existing RTA M/s CIL SECURITIES LIMITED, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad 500 001 to New RTA M/s KARVY COMPUTERSHARE PRIVATE LIMITED, Karvy House, 46, Avenue 4, Street No: 1, Banjarahills, Hyderabad-500 034.

Under Section 163 of the Companies Act 1956, the approval of members is required for this purpose.

None of the Directors are interested in the above resolution.

Your Directors recommend the above Special Resolution for your approval.

By Order of the Board  
for Surana Telecom Limited

Place : Secunderabad S.BALACHANDRA  
Date : 2nd June, 2005. COMPANY SECRETARY



## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 16th Annual Report and the Audited Statement of Accounts of the Company for the Financial Year ended 31st March, 2005

### FINANCIAL RESULTS:

The performance during the year has been as under :

	Year ended 31st March, 2005	(Rs. in Lakhs) Year ended 31st March, 2004
Sales and other Income	11917.26	4500. 57
Profit before Depreciation, Interest&Financial Charges.	1726.86	833.74
<b>DEDUCT:</b>		
Depreciation	282.11	296.85
Interest & Financial Charges	<u>113.01</u>	<u>38.65</u>
Profit for the year	1331.74	335.50
Prior period Adjustments	(10.01)	498.24
Provision for Taxation : Current Tax	100.00	0.48
Deferred Tax	(14.55)	41.00
Income Tax in respect of earlier years	9.81	28.80
Profit after Tax	1246.49	—
Surplus brought forward from previous year	<u>1187.08</u>	427.95
Balance available for appropriation	<u>2433.57</u>	<u>986.63</u>
<b>APPROPRIATION :</b>		
Dividend	226.04	113.02
Tax on Dividend	31.70	14.48
Transfer to General Reserves	448.00	100.00
Balance c/f to Balance Sheet	<u>1727.83</u>	<u>1187.09</u>
<b>TOTAL</b>	<u>2433.57</u>	<u>1414.59</u>

### OPERATIONS:

The Sales and other Income for the year increased to Rs.11917.26 Lakhs from Rs.4500.57 Lakhs and the Net Profit increased to Rs.1246.49 Lakhs from Rs.427.95 Lakhs for the year 2003-2004.

### FUTURE PLANS :

The Company apart from positioning it self as strong Telecom Player in the Industry, further intends to diversify into the field of Electronics and Electrical Components .The Company is also planning to launch new products in tune with market demand such as Broad Band ADSL2+, CPE Devices and also planning to manufacture CDMA Phones in Joint Venture.

### RESTRUCTURING:

Your Company is planning to restructure the Company's Business in order to give adequate focus to the Telecom and Infrastructure Businesses there by positioning the Company as Telecom Company, creating strong market Capitalization thereon. The proposal in this regard is being sent to Stock Exchange for their approval which is to be finalized and placed before the High Court of Andhra Pradesh for further directions.



**EXPORTS:**

The Company made Exports on FOB basis to the tune of Rs.166.76 Lakhs and the Software Exports to the tune of Rs.128.70 Lakhs during the year 2004-2005.

**DIVIDEND:**

Your Directors are pleased to recommend a Dividend @ 20% amounting to Rs.226.04 Lakhs for the year ended 31st March 2005. This will entitle an out flow of Rs. 257.74.Lakhs .

**RESERVES:**

During the year the Company has transferred an amount of Rs. 448.00 Lacs to General Reserves Account.

**FIXED DEPOSITS:**

The Company had not accepted any deposits and consequently no deposits had matured / become due for re-payment as on 31st March, 2005.

**REVALUATION OF FIXED ASSETS:**

During the year the Company has revalued the Factory Land, Building & Plant and Machinery situated at Cherlapalli (Hyderabad) Panajim (Goa) in order to present the fair value of the same in the financial statements of the Company.

**DIRECTORS:**

Shri. G.M.Surana and Shri S.R.Vijayakar, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The brief profile of the Directors seeking re-appointment at the ensuing Annual General Meeting is being annexed to the Corporate Governance Report.

**AUDITORS :**

M/s. Sekhar & Company, Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company is in receipt of confirmation from M/s Sekhar & Company that in the event of their re-appointment as Statutory Auditors of the Company at the ensuing Annual General Meeting, such re-appointment will be in accordance with the limits specified in Sub-section (1B) of Section 224 of the Companies Act, 1956.

**SUB- DIVISION OF EQUITY SHARES:**

During the year the Company has Sub-Divided its ONE Equity Share of Rs.10/- each into TWO Equity Shares of Rs.5/- each in the ratio of 1:2 and The Company has

obtained the NEW ISIN: INE130B01023 Consequent to Sub-Division of Equity Shares. The Company has completed all the statutory /procedural formalities in this regard and obtained requisite permissions in connection thereto.

**CHANGE OF REGISTRARS AND TRANSFER AGENT**

The Board of Directors changed its Registrars & Transfer Agents for both physical and Demat segments from CIL Securities Limited to M/s Karvy Computer Share Private Limited in order to give better services to the Share holders, the resolution in regard to keeping the Register of Members in a place other than registered office has been placed before the members for their approval in connection there to.

**PARTICULARS OF EMPLOYEES:**

Information relating to particulars of Employees who are drawing more than Rs.24,00,000/-per annum which is required to be disclosed under Section 217(2A) of the Companies Act 1956 read with The Companies (Particulars of Employees) Rules 1975 are provided in the Annexure forming part of this report.

**INSURANCE**

The Properties and Assets of your Company are adequately insured.

**ISO 9001-2000 CERTIFICATION**

Your Company continues to hold ISO 9001-2000 Certification by meeting all the requirements of Certification from time to time.

**DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956:**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) (a) That in the preparation of the accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) That there is only one permanent revenue generating segment, hence not made segmental reporting. The other Income is purely of temporary nature as on the date of Statement of Accounts.
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 Financial Year and of the Profit or Loss of the Company for the year under review;

- (iii) That the Directors have taken proper and sufficient care 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;
- (iv) That the Directors have prepared the Accounts for the financial year ended 31st March, 2005 on a 'going concern' basis.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT :**

Management Discussion and Analysis Report, pursuant to Clause 49 of the Listing Agreement, forms part of this Report and is annexed hereto.

## **CORPORATE GOVERNANCE:**

The Company has implemented the procedures and adopted practices in conformity with the Code of Corporate Governance enunciated in Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is annexed herewith, as a part of the Annual Report along with the Auditor's Certificate on its compliance.

## **CONSERVATION OF ENERGY, FOREIGN EXCHANGE ETC:**

Information on Conservation of Energy, Research and Development, 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, 1998, are provided in the Annexure forming part of this Report.

## **EMPLOYEE RELATIONS:**

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

## **ACKNOWLEDGEMENTS:**

The Directors thank the Company's Bankers, Financial Institutions, officials of the concerned Government Departments and Shareholders for their co-operation and continued support to the Company. The Directors also thank all the employees for their contribution and continued co-operation throughout the year and the Members for the confidence reposed by them in the Management.

for and on behalf of the  
Board of Directors

Place : Secunderabad  
Date : 2nd June, 2005.

**G. Mangilal Surana**  
Chairman

## **ANNEXURE TO DIRECTORS' REPORT**

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the year ended 31st March, 2005

Name	Age	Qualifications	Date of Employment	Designation	Gross Remuneration in Rupees	Experience	Last Employment held
Narender Surana	46	B.E.(Chemical)	14.08.89	Managing Director	37,43,000	21 years	—

Note:

- (i) The appointment is contractual, other terms and conditions are as per Companies Rule.
- (ii) Gross remuneration includes monthly salary, perks, PF and commission on profits in terms of Schedule-XIII to the Companies Act 1956.
- (iii) The Managing Director is related to Shri. G.M Surana, Chairman and Shri Devendra Surana, Director of the Company.

for and on behalf of the Board of Directors

Place : Secunderabad  
Date : 2nd June, 2005.

**G. Mangilal Surana**  
Chairman

## ANNEXURE TO THE DIRECTORS' REPORT

I. INFORMATION 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.

### A. CONSERVATION OF ENERGY :

- (i) Proper energy conservation measures has been taken up by the Company.
- (ii) The Company has not made any additional investments and has not proposed any amount for reduction of consumption of energy
- (iii) There is no impact of the measures at (i) and (ii) above for reduction of energy consumption and consequent impact on the cost of production of goods.
- (iv) Disclosure under Form A is not applicable to the Company.

### B. TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per FORM B

## FORM B

(Disclosure of particulars with respect to technology Absorption)

### A) Research and Development (R & D) :

1. Specific areas in which R & D carried out by the Company : Broad Band ADSL 2+
2. Benefits derived as a result of the above R & D for the Company. : New products in tune with market demand
3. Future plan of action : Manufacture of CDMA phones in Joint Venture and Broad Band ADSL 2+, CPE Device
4. Expenditure on R & D : As there is no significant amount has been spent, The same is not being shown separately.

### B) Technology absorption, adaptation and innovation :

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

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

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

The Company is gearing up for better exports during the year 2005-2006.

Total Foreign Exchange earned and used :

Earned : Rs.295.46 Lakhs  
 Used : Rs. 2814.72 Lakhs

for and on behalf of the  
 Board of Directors

Place : Secunderabad  
 Date : 2nd June, 2005.

G. Mangilal Surana  
 Chairman