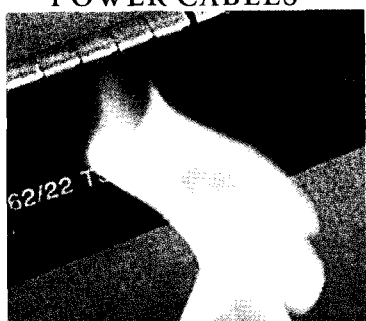




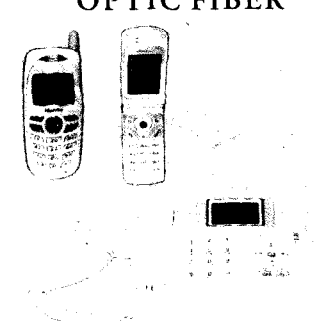
POWER CABLES



JOINTING KITS



OPTIC FIBER



TELEPHONES



IT PARKS

SURANA TELECOM LIMITED



17th ANNUAL REPORT 2005 - 06

"Success begins with hardwork, dedication & perfection"

G.M.SURANA



Dear Shareholders,

At the outset, I thank all of you for the privilege given to me to serve as the Chairman of Surana Telecom Ltd. I am pleased to report a satisfactory performance by your company during the Financial year 2005 - 2006.

Indian economy continued to perform well with GDP growth of 8.5% in 2006-07 and remained one of the fastest growing economies of the World. Many of the economic parameters continue to remain strong and positive. Your Company too is marching ahead on the path of success, with lot of confidence.

I would like to take this opportunity to share the latest developments of the business and Company's future plans with you.

Hitherto the Company has main revenue sources from Telephone Cable Business. However, due to shift in demand from wire line to wireless Telephones, the demand for Telephone Cable is falling, which might effect the performance of its Cable Business in future. In order to sustain and further improve the performance of the Company, the Company is taking steps to diversify into new lines of activities as under:

*The Company has started **Manufacturing Power Cables**. The total investment outlay is expected to be around Rs. 15.00 crores and the first phase of the Project is already being implemented. The Company has just started manufacturing Power Cables upto 400 sq.mm and 1.1 KV capacity. In view of impending reforms in power sector, the outlook of the industry is very bright. I am confident that the revenues generated from the project will improve the profitability of the Company.*

The Company has been allotted 2.5 Acres of land in Hardware Park at Maheshwaram, Hyderabad by the APIC. The Company plans to develop Electronic Park on the above land with built up area of 1,00,000 Sft, and an estimated cost of Rs.20 Crores. The estimated time of completion of the above project is about 2 years.

Many of you are aware of the Restructuring proposal of the Company's business during the last year. In view of the latest developments, I am of the opinion, that Restructuring proposal may be put on hold for the time being which is in the benefit of all the Stakeholders of the Company.

*In spite of fall in turnover during the financial year under review, the Company was able to maintain the level of Profit by ensuring overall efficiency in the working of the Company. Considering the performance during the year the Board of Directors were pleased to recommend a **Dividend @ 20% for the year 2005-2006** to the Shareholders.*

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 and looking forward to your unflinching support in the coming years, as you all have been giving during our journey to Success.

With a view to have a continuous Success in future, I wish all those associated with Company 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 Computershare 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 India
Development Credit Bank Limited
HDFC Bank Limited
UTI Bank Limited
Corporation Bank

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 17th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 17th Annual General Meeting of the members of SURANA TELECOM LIMITED, will be held on Monday, the 7th August 2006 at 11.30 A.M. at III floor, Surya Towers , S.P.Road, Secunderabad to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the year ended 31st March, 2006 along with the Auditors' Report & Directors' Report thereon.
2. To declare Dividend for the year ended 31st March, 2006.
3. To appoint a Director in place of Shri R Surender Reddy, who retires by rotation and being eligible offers himself for re-appointment.

4. To appoint a Director in place of Shri. Devendra Surana, 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.

By Order of the Board
for SURANA TELECOM LIMITED

Place : Secunderabad
Date : 29.06.2006.

S.BALACHANDRA
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 04th August 2006 to 07th August 2006 (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 4th August, 2006 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's Registrars and Transfer Agent.
 - ii. Shareholders holding shares in Dematerialised Form are requested to provide the Bank details



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to their Depository participants for incorporation in their records. The Depository in turn would also forward the required information to the Company and Company's Registrars and Transfer Agent.

5. Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, Dividends for the Financial Year ended 31st March, 1999 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
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
2004-05	01.07.2005	30.06.2012

The Members who have not encashed the Dividend Warrant(s) so far for the Financial Year ended 31st March, 1999 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 Bombay Stock Exchange Limited, 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 COMPUTERSHARE PRIVATE LIMITED, Karvy House, 46, Avenue 4, Street No: 1, Banjarahills, Hyderabad -500 034.
10. Please note that, any queries pertaining to Accounts related aspects, in order to give proper clarification should reach the Company Secretary at the Registered Office of the Company at least 48 hours before Annual General Meeting.

By Order of the Board
for SURANA TELECOM LIMITED

Place : Secunderabad
Date : 29.06.2006

S.BALACHANDRA
COMPANY SECRETARY



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 17th Annual Report and the Audited Statement of Accounts of the Company for the Financial Year ended 31st March, 2006

FINANCIAL RESULTS:

The performance during the year has been as under:

	Year ended 31st March, 2006	(Rupees in Lakhs) Year ended 31st March, 2005
Sales and other Income	8897.83	11917.26
Profit before Depreciation, Interest&Financial Charges.	1655.61	1726.86
DEDUCT:		
Depreciation	221.79	282.11
Interest &Financial Charges	<u>80.24</u>	<u>113.01</u>
Profit for the year	1353.58	395.12
Prior period Adjustments	4.80	1331.74
Provision for Taxation : Current Tax	100.00	(10.01)
Fringe Benefit Tax	4.70	100.00
Deferred Tax	20.28	-
Income Tax in respect of earlier years	Nil	(14.55)
Profit after Tax	1223.80	9.81
Surplus brought forward from previous year	<u>1727.82</u>	1246.49
Balance available for appropriation	<u>2951.62</u>	<u>1187.08</u>
APPROPRIATION :		
Dividend	226.04	2433.57
Tax on Dividend	31.70	226.04
Transfer to General Reserves	500.00	31.70
Balance c/f to Balance Sheet	<u>2193.88</u>	448.00
TOTAL	<u>2951.62</u>	<u>1727.85</u>

OPERATIONS:

The Sales and Other Income for the year stood at Rs.8897.83 Lakhs as against Rs.11917.26 Lakhs for the previous year and the Profit Before Tax for the year was Rs 1348.77 Lakhs as against Rs. 1341.74 Lakhs for the previous year.

NEW PROJECT INITIATIVES:

In order to sustain and further improve Profitability of the Company, your Directors are pleased to inform you that, the Company has diversified into new lines of activities as under :

POWER CABLES: Company has started manufacturing XLPE and PVC Power Cables up to 33 KV. The total investment outlay expected to be around Rs. 15.00 crores and the first phase of the Project is already being implemented and the Company has started the production recently for manufacture of Power Cables upto 400 sq.mm and 1.1 KV capacity. The project also includes manufacture of AAC and ACSR conductors. In view of impending reforms in Power Sector, the outlook of the industry is very bright and your Directors are confident that the revenues generated from the project will improve the profitability of the Company.

ELECTRONIC PARK AT MAHESHWARAM, HYDERABAD : Your Company has been allotted 2.5 Acres of land in Hardware Park at Maheshwaram, Hyderabad by the APIIC. The Company plans to develop the above land with built up area of 1,00,000 Sft. with an estimated cost of Rs.20 Crores. The estimated time of completion of the above project is about 2 years.



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FUTURE PLANS:

The Company apart from positioning it self as strong Telecom Player in the Industry, further it 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, smallest size PIJF for Private Operators for Broad Band Net work, Quad Cables for Railways etc.

RESTRUCTURING:

Your Directors recall the restructuring proposal of the Group Companies, which was on the cards during the year under review, wish to inform you that the draft Scheme of Reconstruction was filed with Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd and the Company received an in-principle approval from them. In view of the latest developments, your Directors feel it to be appropriate to keep the Restructuring proposal on hold at present.

EXPORTS:

The Company made Exports on FOB basis to the tune of Rs.7.01 Lakhs and the Software Exports to the tune of Rs.257.06 Lakhs during the year 2005-2006.

DIVIDEND:

Your Directors are pleased to recommend a Dividend @ 20% amounting to Rs.226.04 Lakhs for the year ended 31st March 2006. This will entitle an out flow of Rs.257.74 Lakhs.

RESERVES:

During the year the Company has transferred an amount of Rs. 500 Lakhs 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, 2006.

DIRECTORS:

Shri R Surender Reddy and Shri. Devendra Surana, 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.

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) That in the preparation of the accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (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, 2006 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.

APPRECIATION:

Your Directors wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry, despite increased competition from several existing and new players.

ACKNOWLEDGEMENTS:

The Board desires to place on record its sincere appreciation for the support and co-operation that the Company received from the suppliers, customers, strategic partners, Bankers, Auditors, Registrar and Transfer Agents and all others associated with the Company. The Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be the Company's endeavor to build and nurture strong links with trade based on mutuality, respect and co-operation with each other

for and on behalf of the
Board of Directors

Place : Secunderabad
Date : 29.06.2006

G. Mangilal Surana
Chairman

**ANNEXURE - I 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

F O R M 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 | : | To Manufacture in smallest size PIJF Cables for supply to Private Operators for Broad Band Network, developing Quad Cables for Railways and Cable Assembly to Automobile Sector. |
| 2. Benefits derived as a result of the above R & D for the Company | : | In the depressed market, looking for new areas like Automobile, Railway Signaling etc., for different varieties of Cable requirements therein |
| 3. Future plan of action | : | Manufacture and supply of CPE (Customer Premises Equipment) and related Technical Support Services to the telecom sector. |
| 4. Expenditure on R & D | : | As 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, services and export plans:

The Company is gearing up for better exports during the year 2006-2007.

Total Foreign Exchange earned and used :

Earned : Rs. 264.07 Lakhs

Used : Rs. 2345.92 Lakhs