

5TH ANNUAL REPORT 2002

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USHA MARTIN INFOTECH LIMITED

USHA MARTIN INFOTECH LIMITED**Board of Directors**

Mr. P Jhavar - Chairman
 Mr. R Jhavar
 Mr. H Khaitan
 Mr. B D Thakker
 Mr. A Sen
 Mr. R K Goenka - Whole Time Director & Company Secretary

Registered Office

Mangal Kalash
 2A, Shakespeare Sarani
 Kolkata 700071

Software Division - USOFI

63, Udyog Vihar, Phase IV
 Gurgaon
 Haryana 122015

UACT Division

IC & SR Building
 IIT Madras
 Chennai - 600 036

Auditors

M/s. Price Waterhouse
 P.O. Box 10829
 Mehrauli Post Office
 New Delhi - 110 030

Registrar and Transfer Agents

MCS Ltd
 77/2A, Hazra Road
 Kolkata - 700 029
 Ph : 47673 0/54
 Fax : 47476 74

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Advocate & Solicitors

M/s. Khaitan & Co
 1B, Old Court House Street,
 Kolkata - 700 001

Senior Executives

Prof. R N Basu, Director

Bankers

The Hongkong & Shanghai Banking Corporation Ltd
 HDFC Bank Ltd

USHA MARTIN INFOTECH LIMITED

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 5th Annual General Meeting of the Members of Usha Martin Infotech Ltd will be held on Wednesday, the 28th day of August, 2002 at 10.00 A.M. at 'Shripati Singhania Hall', Rotary Sadan, 94/2 Jawahar Lal Nehru Road, Kolkata - 700 020 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2002, Profit and Loss Account of the Company for the year ended on that date and reports of the Board of Directors and Auditors' thereon.
2. To appoint a director in place of Mr. R Jhawar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s Price Waterhouse, Chartered Accountants, as Auditors to hold office from the conclusion of this Annual General Meeting and to fix their remuneration.

Special Business

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**.
"RESOLVED THAT Mr. A Sen, who was appointed as an additional director of the Company by the Board of Directors and who holds office as per Section 260 of the Companies Act, 1956 up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a director of the Company, liable to retire by rotation."
5. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**.
"RESOLVED THAT Mr. R K Goenka, who was appointed as an additional director of the Company by the Board of Directors and who holds office as per Section 260 of the Companies Act, 1956 up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a director of the Company, liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**.
"RESOLVED THAT pursuant to Section 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 the Company hereby approves the appointment of Mr. R. K. Goenka as Wholetime Director & Company Secretary of the Company for a period of two years with effect from 24th May, 2002, upon the terms and conditions set out in draft Agreement submitted to this meeting and for identifications signed by a Director thereof, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary, subject to such approvals as may be required, the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board of Directors and Mr. R K Goenka."

By Order of the Board of Directors

Place : Kolkata
Dated : 24th May, 2002.

R K Goenka
Wholetime Director & Company Secretary

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company.

2. Proxies in order to be effective, must be received by the Company not later than 48 hours before the commencement of the meeting.
3. The related Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed.
4. The Register of Members and the Share Transfer Book of the Company will remain closed from 22nd August, 2002 to 28th August, 2002 (both date inclusive)
5. The Members are requested to intimate to the Company queries, if any, on the accounts at least 10 days before the meeting to enable the management to keep the required information available at the meeting.
6. All the documents referred to in the Notice and Explanatory Statement above are open for inspection at the Registered Office of the Company between 10 AM to 12 AM on all working days except Saturday, Sunday and Public Holidays until the date of Annual General Meeting or any adjournment(s) thereof.
7. The members are requested to bring their copy of Annual Report to the meeting.
8. **Appointment /Reappointment of Directors:**

Mr. Rajeev Jhawar, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment. Mr. A Sen and Mr. R K Goenka who have been appointed as additional directors by the Board of Directors are proposed to be appointed as directors by the shareholders at the ensuing Annual General Meeting, as required under the Companies Act, 1956. The information/ details to be provided under Corporate Governance Code for the aforesaid directors are as under:

Mr Rajeev Jhawar

Mr Jhawar aged about 38 years is a Commerce Graduate and has undergone management development courses in Wharton Business School. He is a second-generation entrepreneur and has vast experience and expertise in management of conglomerates. He is Managing Director of Usha Beltron Ltd, which has diversified interest in steel, wire ropes, telecom cables and has been associated with that company since inception.

He is also a director on the Boards of Usha Martin Finance Limited, Usha Martin Europe Limited and Usha Siam Steel Industries Limited.

He also holds Membership/Chairmanship in the "Committees of Directors of the following companies:

Sl no	Name of Company	Name of the Committee	Position held
1	Usha Beltron Limited	Shareholders Grievance Committee	Member
2	Usha Beltron Limited	Remuneration Committee	Member
3	Usha Beltron Limited	Finance Committee	Member
4	Usha Beltron Limited	Business Strategy and R & D	Member
5	Usha Beltron Limited	Share Transfer Committee	Member

Mr A Sen

Mr. A Sen aged 60 years is a fellow member of the Institute of Chartered Accountants of India having about 37 years of experience in the field of Finance, Taxation, Corporate Laws and has held senior positions in various organisations. He retired from Usha Beltron Limited as Vice President (Group Internal Audit) in January, 2002 and at present is a practising Chartered Accountant. He is presently holding no outside directorship.

Mr. R K Goenka

Mr R K Goenka aged 38 years is a Chartered Accountant and Company Secretary having more than 14 years of experience in the field of Finance, Taxation, Corporate Laws. He has been working in the various companies of the Usha Martin Group since 1988. He is also a director on the Boards of Usha Martin Finance Limited and Prashant Investments Ltd.

USHA MARTIN INFOTECH LIMITED**Explanatory Statement under Section 173 (2) of the Companies Act, 1956**

The Explanatory Statement under section 173(2) of the Companies Act, 1956 for item Number 4 & 5 of the accompanying Notice is as under:

Item no 4 and 5

Mr. A Sen, and Mr. R K Goenka were appointed as Additional Directors of the Company. In terms of Section 260 of the Companies Act, 1956 (the Act), Mr. Sen, and Mr. Goenka will hold office only up to the date of conclusion of next Annual General Meeting of the Company. The Company has received valid notice and requisite deposit from a member of the Company under Section 257 of the Act, proposing the candidature of Mr. A Sen and Mr. R K Goenka as directors.

Your directors recommend the resolution for approval of the members.

Mr. A Sen and Mr. R K Goenka are interested in resolution No. 4 & 5 respectively concerning their appointments. Save and except no other Directors are interested in the aforesaid resolution.

Item no 6

Mr. R K Goenka was appointed as Director on the Board of the Company with effect from 24th May, 2002. Mr. Goenka has been working with the group since last 14 years and was the Head of Finance & Company Secretary prior to his present appointment. He has over 14 years of experience in finance and other allied matters. He is also an associate member of The Institute of Chartered Accountants of India and Institute of Company Secretaries of India.

The Board of Directors at the meeting held on 24th May, 2002 appointed him as the Wholetime Director designated as Wholetime Director & Company Secretary for a period of two years with effect from 24th May, 2002 on the terms and conditions contained in the draft agreement proposed to be entered into between the Company and Mr. Goenka subject to the consent of the Shareholders at the ensuing Annual General Meeting of the Company and other requisite approvals, if any.

The said draft agreement, inter alia, contain the following terms and conditions:

- 1) Salary : Rs 50,000 (Rs Fifty thousands only) in the scale of Rs 50,000 - 5000- 75000).
- 2) The annual increment, will be effective 1st April each year and the Board will have authority to give more than one increment based on the merit.
- 3) Perquisites and Allowances:
 - a) In addition to salary and special allowance, he will be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent in lieu thereof ; personal allowance together with reimbursement of expenses or allowances such as medical reimbursement; leave travel concessions for himself and family; medical insurance and such other perquisites and allowance in accordance with the rule of the Company or as may be agreed to by the Board of Directors and Mr. Goenka ; such perquisites and allowance will be subject to a maximum of 150 % of his annual salary.
 - b) For the purpose of the calculating the above ceiling, the perquisites will be evaluated as per Income tax rules, wherever applicable. In the absence of any such Rules, perquisites will be evaluated at actual cost.
 - c) Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computations of the perquisites for the purpose of calculating the said ceiling.
 - d) Company's contribution to Provident Fund and Superannuation Fund as per the rules of the Company, to the extent these either signally or together are not taxable under the Income tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of tenure, shall not be included in computation of limits for the remuneration or perquisites as aforesaid.
- 4) Minimum Remuneration:

Notwithstanding anything to the contrary herein contained where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and allowance as specified above.

The terms and conditions of said appointment and/or the Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to whole time Directors in accordance with Schedule XIII to the Companies Act, 1956 or any amendments made hereafter in this regard.

The Agreement may be terminated by either party by giving the other party three months notice or the Company paying three months salary in lieu thereof.

The draft agreement to be entered between the Company and Mr. Goenka is available for inspection at the Registered office of the Company on any working day upto the date of the 5th Annual General Meeting between 10 AM to 12 Noon and also at the meeting.

Your directors recommend the resolution for approval of the members.

None of the directors of the Company is in any way concerned or interested in the Resolution No. 6 other than Mr. Goenka, which pertains to his appointment and remuneration payable to him.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 5th Annual Report, together with the Audited Statement of Accounts of the Company for the financial year ended 31st March 2002.

Financial Results

	Year Ended 31-3-2002	(Rs in 000) Year Ended 31-3-2001
Gross Income	30,661	52,231
Gross Profit/(loss) before Interest and Depreciation	(66,932)	(59,559)
Less : Interest	1,638	711
Less : Depreciation	49,301	9,749
Profit/(loss) for the year	(117,871)	(70,115)
Less : Provision for Tax	—	—
Profit/(loss) After Tax	(117,871)	(70,115)
Profit/ (loss) brought from Previous Year	—	(57)
Amount Available for Appropriation	(117,871)	(70,072)
Dividend	—	—
Transfer from General Reserve	117,871	70,072
Balance Carried to Balance Sheet	—	—

Management Discussion & Analysis

Financial Review

The Company incurred loss of Rs. 1178.71 lacs for the year, compared to a loss of Rs. 701.15 lacs for the previous year. The gross income for the year was Rs. 306.61 lacs compared to Rs. 522.31 lacs for the previous year. Your Directors reported last year that the performance of the newly set up IT and knowledge based business had been affected by the slowdown in this sector worldwide. Hence the Company carried out review of the strategy in its business to strengthen the portfolio and position of the Company for optimum performance. Based on such review, the Software services business at Gurgaon is being rationalized. Your Company has now decided to re focus its business and concentrate on the education business. The losses for the year are higher on account of charging accelerated depreciation of Rs. 328.79 lacs on certain fixed assets, writing off of investment of Rs. 67.28 lacs in subsidiary company in USA and losses of Rs. 128.36 lacs on account of sale/disposal of fixed assets.

Dividend

In view of the loss incurred during the year, your Directors regret that they are unable to recommend any dividend.

Industry Structure and Developments

You are aware that the Software Development Industry in India is highly dependent on USA market. In the wake of the terrorist attack on USA in September 2001, the global software market was severally affected as US Companies are undertaking major business restructuring to minimize further loss and risk by reducing manpower, cutting down on fixed costs and other recurring expenses.

Business Review

Software Solutions Business

The Software Services business of the Company at Gurgaon achieved a revenue of Rs. 195.48 lacs against Rs. 221.02 lacs in seven months of effective operations of last year. The revenue for the current year includes export of Rs. 131.05 lacs against previous years' figure of Rs. 183.35 lacs. This business is being rationalized to meet the challenge ahead. We have begun the process of selling off our surplus assets to avoid further loss due to the erosion in value of these assets. The losses for the year reflect the cost of rationalization, as mentioned earlier.

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Learning Solutions Business

UACT has achieved a revenue of Rs. 54.27 lacs against Rs. 153.35 lacs in previous year. Most IT Companies have trimmed their training budgets as part of their measures to reduce cost to meet the different market condition. Your Directors are hopeful that this business, barring unforeseen circumstances, should achieve better results in future.

Your Company is working towards improving its courseware in order to achieve better than average revenues in a difficult market.

Investments and Joint Ventures**Usha Communication Technology**

Your Directors are pleased to report that inspite of adverse market conditions, Usha Communications Technology Ltd (UCT) for the year ended 31st March 2002 is expected to double its revenue from USD 11.8 Millions in the previous year. UCT is probably one of the few Companies in its sector to register very high gross margins with substantial growth.

UCT has a robust business model where, it sells and markets its product globally through a network of international offices, but unlike its competitors, develops and delivers a high quality product out of India using highly skilled software engineers, thus giving it a tremendous cost advantage. The strength of this business model has been recognized by Carlyle, a well known and respected Venture Capital Firm, who have invested USD 8 Millions during the year in UCT. The Company over the year has migrated from the small Tier III customers to the medium Tier II customers and is working to enter Tier I customers in the coming years.

eSamsung UMIT Infotech

Last year we had made an investment in a joint venture in India with the Samsung Group. As the market down turn started at the formative stages of the company the year in the review was not very good from the business point of view.

There has been a change in the major share holding in the company. The major shareholder earlier was eSamsung India Limited, which was the venture capital funding company of the Samsung Group. The new shareholder now is Samsung SDS Company Ltd., which is one of the largest software companies of Korea with a turnover of nearly USD 1.2 Billions. With this change, we expect the company to show a better performance in the year 2002-2003 and our shareholding is expected to be 18.52 % after all the shares are allotted.

Opportunities

In view of the alliance of UACT Division with Indian Institute of Technology, it is expected that this Division of the Company shall perform better. Also the Division is working diligently to improve the quality of its courseware as well as strengthening its faculty base to create a unique market position, which will over a period benefit the Company. Unfortunately, the overall down turn in the sector has also affected UACT and we do hope it will be profitable in the long run.

Threats

With the terrorist attack on the USA last year your Company has lost its major ground in the software market of America, which comprised its prime customers leaving aside the normal competition from the other Software Solution and Learning Solution providers.

Outlook

The present scenario of the software industry worldwide continues to be difficult and your Company is also not an exception to the above. However, the outlook of the emerging opportunities in the field of IT enabled services is encouraging which your Company still looking into for suitable strategy/opportunity.

Risk & Concerns

The Company is exposed to the normal risk factors of business mix, geographical spreads, customer concentration, economic cycle, effects of changes in foreign currency exchange rates, credit spreads, liquidity etc.

Adequacy of Internal Controls

The Company has a proper and adequate system of internal controls to ensure that all of its assets are safeguarded and protected against loss from unauthorized use or disposition, and transaction are authorized, recorded, and reported correctly. The internal control system is supplemented by internal audits, review by management, documented policies and procedures.

Human Resource Development

The Company is committed to the welfare of its people by providing the best possible work environment. The Company is also

providing continuous learning and personal development opportunities, by arranging regular training and all-round exposure to its people, which in turn has given your Company a team of able, and experienced professionals.

Subsidiaries

During the year the subsidiary company in USA has been dissolved following downturn in the Software business of the Company. As there is no subsidiary company as on 31st March 2002, the Statement required under Section 212 of the Companies Act, 1956 in respect of the subsidiary company is not applicable.

Fixed Deposit

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

Directors

Mr. R N Bansal and Mr. A Kapur resigned from the Board of the Company during the year. Mr A Sen and Mr. R K Goenka were appointed as Additional Directors of the Company in the Board Meeting held on 28th March 2002, and 24th May 2002 respectively and they will hold office until the conclusion of the forthcoming Annual General Meeting. Notices have been received from members proposing Mr A Sen and Mr. R K Goenka as Director in terms of Section 257 of the Companies Act, 1956.

Mr. R K Goenka has also been appointed as the Wholtime Director for a period of two years with effect from 24th May 2002 subject to the approval of the members of the Company at the forthcoming Annual General Meeting.

Mr. R Jhavar retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Corporate Governance

In line with the recommendation of the Securities and Exchange Board of India and the Listing Agreements of the Stock Exchanges, three separate committees for audit, remuneration and for the protection of shareholder's interest were formed and named as Audit Committee, Remuneration and Shareholders/Investors Grievance Committee. A separate report on the Corporate Governance is annexed as a part of this Annual Report.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors confirm :

- (i) That in preparation of the accounts for the financial year ended 31st March 2002, the applicable accounting standards have been followed along with proper explanation as necessary;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgement 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 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 2002 on a 'going concern' basis.

Auditors

With regard to the Auditors observations, the same has been duly explained in the Notes. M/s. Price Waterhouse, Chartered Accountants, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for reappointment.

Personnel

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of Employees are set out in the Annexure to Directors' Report.

Energy, Technology And Foreign Exchange Earning and Outgo

The particulars required to be furnished under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 :

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- (i) Part A and B pertaining to conservation of energy and technology absorption are not applicable to the Company.
- (ii) Foreign Exchange earnings and outgo are as under:
- | | |
|----------|-----------------|
| Earnings | Rs. 131.05 lacs |
| Outgo | Rs. 105.04 lacs |

The activities relating to exports are already explained in the Directors' Report.

Compliance Certificate

A Certificate from the auditors of the Company regarding compliance of condition of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this Report.

Acknowledgements

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, customers, vendors, bankers, Software Technology Park- Gurgaon, Indian Institute of Technology Chennai, and other business constituents for their support during the year under review. Your Directors, also wish to place on records their deep sense of appreciation for the commitment displayed by all executives, officers and staff during the year.

On behalf of the Board of Directors

P Jhavar Chairman
R Jhavar Director
H Khaitan Director
A Sen Director
R K Goenka Wholetime Director & Secretary

Place : Kolkata
Dated : 24th May, 2002

Statement as per Section 217 (2A) read with the Companies (Particulars of Employees) Rules 1975 and forming part of the Directors Report for the year ended 31st March, 2002

Name & Age	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Qualification Experience (in Yrs.)	Date of Commencement	Last Employment Name of Company, of Employment Position Held
(1)	(2)	(3)	(4)	(5)	(6)
(A) Employed throughout the year under review and were in receipt of remuneration for the Financial Year in aggregate of not less than Rs. 24,00,000/-					
None					
(B) Employed for a part of the year under review and were in receipt of remuneration for any part of the Year at the rate which in the aggregate was not less than Rs. 2,00,000/- per month.					
Pradeep Agal	(44) Chief Technical Architect	319,900	B.E.-Hons (21)	1-May-00	Mphasis Inc.-Senior Architect
Agendra Kumar	(41) Director-Sales	638,700	M.Sc, MMS (17)	3-Oct-00	Telecom Graphic Systems Industries Ltd.-Director Sales

Notes:

- Remuneration includes Salary, company's contribution to Provident Fund, House Rent Allowance or value of such accommodation and monetary value of other perquisites as per Income Tax Act/ Rules.
- None of the employees named above is a relative of any Director of the Company.

On behalf of the Board of Directors

P Jhavar Chairman
R Jhavar Director
H Khaitan Director
A Sen Director
R K Goenka Wholetime Director & Secretary

Place : Kolkata
Dated : 24th May, 2002

REPORT ON CORPORATE GOVERNANCE

To promote and improve the standard of Corporate Governance, the Listing Agreement with stock exchange requires the Company to implement the same. The philosophy of the Company on Corporate Governance is to attain the highest level of transparency, accountability and equity in all areas of its operations and interaction with customers.

Board of Directors:

Composition of the Board of Directors as on 31st March 2002

The Board of Directors of the Company has a combination of dependent and independent directors. As on 31st March, 2002, more than 1/3rd of the total members of the Board, comprised of independent directors.

Composition of the Board of Directors

Directors	Number
Dependent, Non Executive	Two
Independent, Non Executive	Three

Member of the Board and the number of Board Meeting, Annual General Meeting attended by each director for the financial year 2001-02

Name	Designation	No of Outside Directorship Held ⁺	No of Board Meetings Attended	Last AGM Attendance
Mr. P Jhawar	Chairman/Non Executive	5	5	Yes
Mr. R Jhawar	Non Executive/Dependent	2	5	Yes
Mr. H Khaitan	Non Executive/Independent	14	2	No
Mr. B D Thakker	Non Executive/Independent	4	3	Yes
Mr. A Kapur*	Non Executive/Independent	5	4	Yes
Mr. R N Bansal*	Non Executive/Independent	14	3	Yes
Mr. A Sen**	Non Executive/Independent	—	1	NA

* Mr. A Kapur & Mr. R N Bansal resigned with effect from 28th March, 2002 & 31st March, 2002 respectively.

** Mr. A Sen was appointed with effect from 28th March, 2002.

+ Excluding Private Limited Company, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

Nine Board meeting were held during the year 2001-02 and gap between any two meetings did not exceed four calendar months. The dates on which the Board meetings were held are as follows:

23rd April, 2001; 28th June, 2001; 30th July, 2001; 29th August, 2001; 30th October, 2001; 29th November, 2001; 29th December, 2001; 31st January, 2002; and 28th March, 2002.

The Non – Executive Directors of the company were paid sitting fee of Rs 2,000/- for each meeting of Board of Directors and also for the Audit Committee of Directors attended by them. The non-executive directors are eligible for sitting fees for meetings attended and for commission on profits as per Article for any year if approved by the Board.

During the year other than sitting fees, the Non-Executive Directors of the Company were not paid any commission or any other remuneration.

The Company also paid Rs 5,000/- towards professional advisory fee to a firm in which a director of the Company is a partner.

Information placed before the Board of Directors

In addition to the matter statutorily required to be considered by the Board, all major decisions involving business plans,