

7TH ANNUAL REPORT 2004

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USHA MARTIN INFOTECH LIMITED

USHA MARTIN INFOTECH LIMITED

Board of Directors

Mr. P Jhawar - Chairman

Mr. R Jhawar

Mr. T Khaitan

Mr. B D Thakker

Mr. S K Barasia

Mr. A Sen

Mr. R K Goenka - Whole Time Director & Company Secretary

Registered Office

Mangal Kalash

2A, Shakespeare Sarani

Kolkata 700071

Auditors

S. Swarup & Co.

21, Hemanta Basu Sarani

3rd Floor, Room No. 303

Kolkata 700 001

Registrar and Transfer Agents

MCS Ltd

77/2A, Hazra Road

Kolkata – 700 029

Ph : 24767350/54

Fax : 24747674

CONTENTS

Notice	2
Directors' Report	6
Corporate Governance	9
Auditors' Report	17
Balance Sheet	20
Profit & Loss Account	21
Schedules to Accounts	22
Cash Flow Statement	33

Advocates & Solicitors

M/s. Khaitan & Co

1B, Old Court House Street,

Kolkata – 700001

Bankers

The Honkong & Shanghai Banking Corporation Ltd

HDFC Bank Ltd

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 7th Annual General Meeting of the Members of Usha Martin Infotech Ltd will be held on Wednesday, the 28th day of July 2004 at 9.30 A.M. at 'Shripati Singhania Hall, Rotary Sadan', 94/2, Jawaharlal 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, 2004, 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. P. Jhawar who retires by rotation and being eligible offers himself for re-appointment.
3. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**.
"RESOLVED THAT M/s. S. Swarup & Co Chartered Accountants be and are hereby appointed as the auditors of the Company to hold office until the conclusion of the next Annual General Meeting and that their remuneration be determined by the Board of Directors.

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. T. Khaitan 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 pursuant to Section 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 the Company hereby approves the re appointment of Mr. R. K. Goenka as Whole time Director & Company Secretary of the Company for a period of 2 years with effect from 24th May 2004, 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.
6. To consider and, if thought fit to pass with or without modification, the following resolution as a **Special Resolution** :
"RESOLVED THAT subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter), the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to de-list the Company's Equity Shares from the Magadh Stock Exchange Association, Patna, Delhi Stock Exchange Association, New Delhi and Ahmedabad Stock Exchange, Ahmedabad.

Registered Office:
2A, Shakespeare Sarani
Kolkata-700 071

By Order of the Board of Directors,

(R. K. Goenka)

Dated: the 12th day of May, 2004.

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 16th July, 2004 to 28th July, 2004 (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. P. Jhavar, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment. Mr. T. Khaitan who has been appointed as additional directors by the Board of Directors is 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. Prashant Jhavar

Mr. Prashant Jhavar, aged about 41 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 the Executive Chairman of Usha Communication Technology, a United States based Corporation, involved in convergent Customer Care and Billing communication and broadband service providers. He is the Vice Chairman of Usha Martin Limited, which have diversified interest in steel, wire ropes, telecom cables and has been associated with that company since inception.

Under his leadership Usha Martin Group, founded Usha Martin Telekom in 1994, a GSM Cellular Network in the city of Kolkata, in partnership with Telekom Malaysia and other international investors. In July 2000 Hutchison Wampaha of Hong Kong has acquired this venture. He is also a Director on the boards of eSamsung Infotech Pvt. Ltd., Usha Martin Ltd., Usha Breco Ltd. (Chairman), Usha Martin finance Ltd. (Charman), Bonsai Networks Ltd. UK, BlueXess Ltd. UK, Bansai Engineers Pvt. Ltd. and Usha Comm Pvt. Ltd.

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 Martin Ltd.	Share Transfer Committe	Member
2	Usha Martin Ltd.	Remuneration Committe	Member

Mr. Trivikram Khaitan

Mr. Trivikram Khaitan, aged 39 years, is a practising Advocate by profession since 1995. He is a Legal Assistant of Messrs. Khaitan & Co. Advocates, Notaries, Patent & Trade Mark Attorneys.

His areas of expertise are in Commercial and Corporate Laws, Mergers and Amalgamations and Real Estate.

He is a member of the Bar Council of West Bengal and The Incorporated Society of Calcutta.

He is a director of G. K. Udyog Pvt. 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 3 & 4 of the accompanying Notice is as under:

Item 4

Mr. T. Khaitan was appointed as Additional Directors of the Company. In terms of Section 260 of the Companies Act, 1956 (the Act), Mr. Khaitan 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. Khaitan as director.

Your directors recommend the resolution for approval of the members.

Mr. Khaitan is interested in resolution concerning his appointments. Save and except no other Directors are interested in the aforesaid resolution.

Item 5

Mr. R. K. Goenka was appointed as Whole time Director on the Board of the Company with effect from 24th May, 2002 for a period of 2 years and his present terms expires on 23rd May, 2004. Mr. Goenka has been working with the group since last 16 years and has 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.

Having regard of his experience the Board of Directors at the meeting held on 12th May, 2004 reappointed him as the Whole – time Director designated as whole time Director & Company Secretary for a period of (Two) years with effect from 24th May, 2004 on the terms and conditions contained in the draft agreement proposed to be entered into between the Company and Mr. R. K. 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 60,000 per month (Rs. Sixty thousands only) in the scale of Rs. 60,000 - 5,000 - 75,000).
- 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 singly 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 into 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 7th Annual General Meeting between 10 AM to 1 PM and also at the meeting.

Your directors recommend the resolution for approval of the members.

None of the directors of the Company is in way concerned or interested in the Resolution No. 5 other than Mr. Goenka, which pertains to his reappointment and remuneration payable to him.

Item No.6

Presently the Company's Equity Shares are listed on the following six Stock Exchanges :

1. The Calcutta Stock Exchange Association, Kolkata.
2. The Stock Exchange, Mumbai.
3. The Magadh Stock Exchange Association, Patna.
4. National Stock Exchange, Mumbai.
5. Delhi Stock Exchange Association, New Delhi.
6. Ahmedabad Stock Exchange, Ahmedabad.

With the wide and extensive networking of centers of the National Stock Exchange (NSE) and Stock Exchange, Mumbai (BSE), the investors have access to online dealings in the Company's securities across the country. Moreover, the Company's Equity Shares are one of the scrips which Securities and Exchange Board of India (hereinafter referred to as "SEBI") has specified for settlement only in demat form by all investors.

The Stock Exchanges with the permission of SEBI are now free to fix the listing fees unilaterally. Furthermore, the trading volume of the Company's Equity Shares on the Magadh Stock Exchange(MSE) at Patna, Delhi Stock Exchange(DSE) and Ahmedabad Stock Exchange (AMSE) is non existent. The annual recurring list fee paid to the said Stock Exchanges does not now offer commensurate benefits to the Company/its investors in the changed scenario of the nationwide trading terminals set up by the BSE/NSE. The continued listing on the MSE, DSE and ASE is therefore not considered necessary. The Board of Directors, at its meeting held on 12th May, 2004 has decided to apply for the voluntary de-listing of the Company's Equity Shares from the MSE, DSE and ASE.

The proposed voluntary de-listing of the Company's Equity Shares from the MSE, DSE and ASE will not adversely affect any group of investors including the Members located in the region where the MSE, DSE and ASE are situated. Pursuant to the SEBI (De-listing of Securities) Guidelines 2003, it is now proposed to seek the Members' approval by way of a Special Resolution for the voluntary de-listing the Company's Equity Shares from the said MSE, DSE and ASE as set out in the Resolution at item No. 6.

The proposed de-listing is in the interest of the Company and the Board recommends the Resolution for acceptance by the Members. None of the Directors of the Company is concerned or interested in the Resolution.

USHA MARTIN INFOTECH LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 7th Annual Report, together with the Audited Statement of Accounts of the Company for the financial year ended 31st March 2004.

Financial Results:

	Year Ended 31.3.2004	(Rs in 000) Year Ended 31.3.2003
Gross Income	7723	11476
Gross Profit/(loss) before Interest and Depreciation	7779	(64978)
Less Interest	19	256
Less Depreciation	577	18920
Profit/(loss) for the year	7183	(84154)
Less Provision for Tax	—	—
Profit/(loss) After Tax	7183	(84154)
Profit/ (loss) brought from Previous Year	—	—
Amount Available for Appropriation	7183	(84154)
Dividend	—	—
Transfer (to)/from General Reserve	(7183)	84154
Balance Carried to Balance Sheet	—	—

Management Discussion & Analysis**Financial Review:**

The Company booked profit of Rs. 71.83 lacs compared to a loss of Rs. 841.54 lacs. Although your company had decided last year to refocus its business and concentrate on education business, the learning solution business in Chennai had to be closed as the facilities and space were required by the Indian Institute of Technology, Madras. Accordingly, certain facilities/infrastructure have been taken over by the Indian Institute of Technology, Madras and local parties. The profit for the year, as against the loss of last year, included profit on account of sales/disposal of Fixed Assets of Rs. 57.80 lacs (Previous year Rs. 45.63 Lacs) and share of profit of Rs. 2.05 lacs from Joint Venture operation, arising from the companies attempt to gradually identify profitable areas of business. This commenced from the last quarter of the year with Bonsai Networks India Pvt Ltd. During the year your company has also been able to reduce the operational expenses as on going process which also resulted in write back of certain liabilities.

Dividend

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

Industry Structure and Developments

During the year under review, the software and telecom industry showed signs of gradual improvement all over the globe.

Business Review**Software Solution Business**

During the year the software solution business earned a revenue of 10.29 lacs as against previous years Rs 25.81 lacs. The company is gradually refocusing its business with low levels of investment at present.

Joint Venture Operation

With a view to refocus the business, your Company entered into a Joint Venture Agreement in India in the last quarter of the year with Bosai Net Works India Pvt Ltd. who has been awarded a contract for US\$ 900,000 (approx) in Oman from Oman Tel which is a leading telecommunication Company under govt. of Oman. During the year under review Omantel came out with a public global tender in the month of May 2003 to select its partner for managing the roll out of their nationwide expansion project. All the leading Wireless consulting companies including Bonsai pitched for this prestigious contract. After 5 months of evaluation, discussions and presentations, Bonsai Networks was selected in the month of October to provide the same services to Omantel. The scope of work under this contract between Bonsai and Omantel include

- a) Review of GSM Expansion Projects 3 Contractor's survey report and the network designs.

- b) Coordinate with Omantel Internal departments such as civil and power, transmission...etc. for their requirements that have relation with the projects and make sure that all necessary information is passed to them to facilitate smooth implementation of their projects.
- c) Recommendation for the approval of final Scope of Works to the Employer.
- d) Review and verification of integration with existing and planned networks.
- e) Supervision of implementation
- f) Interim Acceptance Certificate Testing and Commissioning
- g) Liaison and assistance in change cutover of existing, networks reconfigurations, rearrangements etc.
- h) Certification of Interim Payments of Implementing Contractor.
- i) Recommending issue of Provisional Acceptance Certificate to Implementing Contractors.
- j) Conduct knowledge transfer, through coaching and monitoring, to Omantel Engineers who will be working on these projects on the various technical issues related to Mobile systems being supervised and project management of the same projects.

Your company has entered into a joint venture with Bosai Networks India Pvt Ltd. to jointly manage, administer, advise and provide necessary support for successful completion of the contract. From this operation, your company's share of profit for the last 3 months ended 31st March, 2004 amounted to Rs.2.05 Lacs. Barring unforeseen circumstances, it is expected that the company shall have a further profit on completion of the contract over a period of next 30 months.

Learning Solutions Business

As reported last year, subsequent to 31st March 2003, the operation of Learning Solution Business during the year closed down following the suspension of operation as the premises had to be surrendered for the use of the Indian Institute of Technology, Madras.

As mentioned earlier, certain facilities and infrastructure was taken over by the IITM and local parties.

Opportunities

Presently after the restructuring of the software solution and learning business the major assets of the Company remains Investments in Usha Communication Technology. The company will be benefited in long run by holding its Investments in that Company, as with the improvement in telecom sector it is expected that performance of that company will improve.

Threats

Recessions in telecom industry may affect the performance of the company where its major investments reside.

Outlook

With the telecom companies going for major restructuring and consolidation it is expected to become more competitive and improve its profitability. Once this progress become visible, the new investment and capital spending of telecom operators should revive. This should have positive impact on the Investment made by the Company.

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 recognizes the importance and contribution of people in identifying new business opportunities and is committed to the welfare of its people by providing the congenial work environment.

Subsidiaries:

The Company does not have any subsidiary.

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.K.Goenka whole time director and company secretary retires on 24th May 2004 and eligible for reappointment as additional

USHA MARTIN INFOTECH LIMITED

director. Mr Haigrive Khaitan resigned from the Board on 27th October 2003 and Mr Trivikram Khaitan was appointed Director on 27th October 2003 And he will hold the office until the conclusion of the forthcoming Annual General Meeting.

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 2004, 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 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 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 2004 on a 'going concern' basis.

Auditors

M/s. S. Swarup & Co., Chartered Accountants has communicated their willingness to act as the auditor of the Company subject to necessary approval at the forthcoming Annual General Meeting u/s 224(1B) of the Companies Act, 1956 and recommended for appointment.

Personnel

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are not given as none of the employees of your Company is covered by the prescribed amount of remuneration in this regard.

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:

- (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. 881,192/-
Outgo	Rs. 138,262/-

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, Indian Institute of Technology Madras 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. Jhwar	Chairman
R. Jhwar	Director
T. Khaitan	Director
S. K. Barasia	Director
A. Sen	Director
R. K. Goenka	Whole time Director and Company Secretary

Place : Kolkata
Date : 12th May, 2004

I. REPORT ON CORPORATE GOVERNANCE

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.

II. BOARD OF DIRECTORS:**Composition of the Board of Directors as on 31st March 2004**

The Board of Director of the Company consists of one Non –Executive Chairman , five Non-Executive and one Executive Director. 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	Four
Non Independent, Executive	One

Members of the Board and the number of Board Meeting, Annual General Meeting attended by each director for the financial year 2003-04

Name	Designation	No of Outside Directorship held @	No. of outside committee position held	
			Member +	Chairman +
Mr. P Jhavar	Chairman/Non Executive	3	2	—
Mr. R Jhavar	Non Executive	3	2	—
Mr. H Khaitan**	Non Executive/Independent	14	3	—
Mr. B D Thakker	Non Executive/ Independent	—	—	—
Mr S K Barasia	Non Executive/ Independent	4	—	—
Mr. A Sen	Non Executive/ Independent	1	—	—
Mr T Khaitan *	Non Executive/Independent	—	—	—
Mr R K Goenka	Executive	1	—	—

@ Excluding foreign companies, private companies and companies under Sec 25 of the Companies Act 1956.

* Mr. T Khaitan was appointed to the Board with effect from 27th October, 2003.

** Mr H Khaitan resigned from the Board with effect from 27th October, 2003.

+ Only Audit, Remuneration and Shareholders/Investors Grievance Committees in public limited Indian companies are considered.

The dates on which the Board meetings were held are as follows:

26th June, 2003; 31st July, 2003; 28th August, 2003; 27th October, 2003 and 29th January, 2004