

8TH ANNUAL REPORT 2005

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USHA MARTIN INFOTECH LIMITED

8TH ANNUAL REPORT 2005

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BOARD OF DIRECTORS

- Mr. P. Jhawar – *Chairman*
Mr. R. Jhawar
Mr. T. Khaitan
Mr. B. D. Thakker
Mr. S. K. Barasia
Mr. A. Sen – *Whole Time Director*
(Appointed from 1st March, 2005)
Mr. R. K. Goenka – *Whole Time Director & Company Secretary*
(Resigned on 28th February, 2005)

COMPANY SECRETARY

R. N. Chakraborty – (From 27th May, 2005)

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

ADVOCATES & SOLICITORS

M/s. Khaitan & Co
1B, Old Court House Street,
Kolkata - 700001

BANKERS

The Hongkong & Shanghai Banking Corporation Ltd
HDFC Bank Ltd

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 8th ANNUAL GENERAL MEETING of the members of the Usha Martin Infotech Limited will be held on Wednesday, the 24th day of August 2005 at 10.00 AM 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 2005, Profit & Loss Account for the year ended on that date and Reports of the Director and Auditors thereon.
2. To appoint a director in place of Mr. R Jhavar who retires by rotation and being eligible, offers himself for reappointment
3. To appoint a director in place of Mr. S K Barasia who retires by rotation and being eligible, offers himself for reappointment.
4. 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

To consider and, if thought fit, to pass with or without modification(s), the following resolutions:

As an Ordinary Resolution:

- 5 "RESOLVED THAT pursuant to Sections 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 the Company hereby approves the appointment of Mr. A Sen as Whole time Director of the Company for a period of two years with effect from 1st March 2005, upon the terms and conditions set out in the 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 Director and Mr. Sen."

As a Special Resolution

- 6 "RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956 and the Listing Agreement(s) entered into with the Stock Exchanges, the approval of the members be and is hereby granted for payment of sitting fees to the Directors of the Company for attending the meetings of the Board of Directors and Committees thereof as may be constituted by the Board of Directors from time to time, to the extent of Rs 2000/- (Rupees Two Thousand Only) per meeting.
RESOLVED FURTHER THAT the Board of Directors be and is hereby also authorized to determine/vary the amount of sitting fees payable to the Directors for attending the meetings of the Board of directors and Committees thereof, within such maximum permissible limit as may be prescribed under the provisions of the Companies Act, 1956, applicable regulations and/or notifications, if any, issued by the competent authorities from time to time."

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

Dated: the 27th May, 2005.

By Order of the Board of Directors,

R. N. Chakraborty
Company Secretary

USHA MARTIN INFOTECH LIMITED**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 August, 2005 to 24th August, 2005 (both days inclusive).
5. 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 from 10 AM to 12 Noon on all working days until the date of Annual General Meeting or any adjournment(s) thereof.
7. Members are requested to bring their copy of Annual Report to the meeting.
8. Appointment/Reappointment of Directors:
Mr R Jhawar and Mr SK Barasia, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment. The information/details to be provided under Corporate Governance Code for the aforesaid directors are as under:

Mr Rajeev Jhawar

Mr Rajeev Jhawar, aged about 40 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 Managing Director of Usha Martin Limited, 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 Board of Usha Martin Finance Limited, Usha Martin International Limited, Usha Martin UK Limited, EMMC Limited UK, Usha Siam Steel Industries Limited, Brunton Shaw UK Limited, Guftav Wolf Specialty Cords Limited, Brunton Wolf Wire Rope fzc., Usha Communication Technology BVI.

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 Committee	Member
2	Usha Martin Ltd	Remuneration Committee	Member

Mr SK Barasia

Mr SK Barasia, aged 67 years, is a Fellow Member of the Institute of Cost & Works Accountants of India having about 47 years of experience in the field of Administration, Finance and General Management in various manufacturing units. He is also a Director on the Boards of Usha Breco Limited, Prajeev Investments Limited, Prashant Investments Limited and Shauma Vanijiya Pratisthen Limited. He is a member of the Company's Audit Committee and Remuneration Committee.

Explanatory Statement under Section 173(2) of the Companies Act, 1956

Explanatory Statement under Section 173(2) of the Companies Act 1956 for Item No. 4 of the accompanying Notice is as under:

Item No. 5

Mr A Sen was appointed as Whole-time Director on the Board of the Company with effect from 1st March 2005 for a period of 2 years. Mr Sen has been working with the Group for last 10 years and has experience in finance and other allied matters. He is a Fellow member of the Institute of Chartered Accountants of India.

Having regard to the long experience Mr Sen has, the Board of Directors at their meeting held on 28th February 2005 appointed him as Whole-time Director for a period of 2 years with effect from 1st March 2005 on terms and conditions contained in the draft agreement proposed to be entered into between the Company and Mr Sen 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, contains the following terms and conditions:

1. Salary: Rs 60,000 (Rs Sixty thousand only) consolidated per month.
2. Minimum Remuneration : Where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary as specified above.
3. Period of Appointment: The appointment is for a period of 2 years with effect from 1st March 2005.

4. The Agreement may be terminated by either party giving to the other three calendar months' notice or the Company paying three months' salary in lieu of notice.
5. The terms and conditions of appointment and/or 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

The draft Agreement to be entered into between the Company and Mr A Sen is available for inspection at the Registered Office of the Company on any working day up to the date of the 8th Annual General Meeting between 10AM and 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 any way concerned or interested in the Resolution No. 5 other than Mr A Sen, which pertains to his appointment and remuneration payable to him.

Item No. 6

Article 82 of the Articles of Association permits payment to the Directors of remuneration by way of fees of such sum for each meeting of the Board of Directors or Committees of the Board attended by them, as may be determined by the Board from time to time within the limits prescribed by the Companies Act, 1956 or Central Government from time to time.

Presently, the Company is paying sitting fees of Rs 2,000/- per meeting of the Board of Directors or any Committee thereof other than the whole-time Directors. The sitting fees presently paid by the Company are within the limits prescribed by the Central Government.

Clause 49 of the Listing Agreement with the Indian Stock Exchanges is proposed to be amended and would require fees/compensation, payable by the listed companies to the non whole-time directors, including independent directors, to be fixed by the Board of Directors and shall require prior approval of the shareholders.

The approval of the members is, accordingly, sought for payment of sitting fees as aforesaid and to empower the Board of Directors to determine/vary from time to time, the amount of sitting fees payable to directors within such maximum permissible limit as may be prescribed by the Central Government or any other statutory/regulatory authority from time to time.

All directors other than the Whole-time Director are concerned and interested in the said resolution at item No.6 of the Notice.

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USHA MARTIN INFOTECH LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 8th Annual Report, together with the Audited Statement of Accounts of the Company for the financial year ended 31st March 2005.

Financial Results:

	Year Ended 31.3.2005	(Rs in 000) Year Ended 31.3.2004
Gross Income	5853	7723
Gross Profit/(loss) before Interest and Depreciation	1742	7779
Less Interest	—	19
Less Depreciation	282	577
Profit/(loss) for the year	1460	7183
Less Provision for Tax	—	—
Profit/(loss) After Tax	1460	7183
Profit/ (loss) brought from Previous Year	—	—
Amount Available for Appropriation	1460	7183
Dividend	—	—
Transfer (to)/from Reserve and Surplus	(1460)	(7183)
Balance Carried to Balance Sheet	—	—

Management Discussion & Analysis**Financial Review:**

The Company booked profit of Rs. 14.60 Lacs (Previous Yr. Rs.19.45 Lacs before considering Non-Recurring Income of Rs. 52.38 Lacs). The profit for the year arose from the share of profit of Rs. 35.37 Lacs (Previous Yr. Rs. 2.05 Lacs) from Joint Venture operation, arising from the company's attempt to identify profitable areas of business, which commenced from the last quarter of 2003-2004 with Bonsai Networks India Pvt. Ltd. During the year your company has also been able to reduce the ongoing operational expenses.

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 revenue of 35.37 Lacs (Previous Yr Rs.12.34 Lacs.) The company continues to refocus its business with low levels of investment at present.

- Your company has also during the 3rd Quarter of 2004-2005 secured a contract valuing Rs. 78L approx. from Nortel India Pvt. Ltd. for expansion and survey of radio frequency network for BSNL (in Eastern India). The work is still under progress and expected to be completed, barring unforeseen circumstances, during the year 2005-2006, when the revenue will be recognised

- **Joint Venture Operation**

As reported last year, with a view to refocus the business, your Company entered into a Joint Venture Agreement in India in the last quarter of 2003-2004 with Bonsai Networks 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. 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.

From this operation, your company's share of profit for the last 12 months ended 31st March 2005 amounted to Rs.35.37 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 18 months.

Opportunities

Presently after the restructuring of the software solution 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 resigned from the services of the Company from the close of business of 28th February 2005 and we appreciate his contribution and association with the company.

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

USHA MARTIN INFOTECH LIMITED

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 2005, 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 2005 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.	—
Outgo	Rs.	177,864/-

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, 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,

Place : Kolkata
Date : 27th May, 2005

R. Jhavar Director
A. Sen Whole time Director

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 2005**

The Board of Director of the Company consists of one Non –Executive Chairman , four Non-Executive and one Executive Director. More than 1/3rd of the total members of the Board comprised of independent directors.

Members of the Board and the number of Board Meeting, Annual General Meeting attended by each director for the financial year 2004-05

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

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

* Mr. A Sen was appointed as the Wholetime Director with effect from 1st March, 2005.

** Mr R K Goenka resigned as the Wholetime Director with effect from 1st March, 2005.

Summary of Composition of the Board of Directors

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

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

12th May, 2004, 28th July, 2004, 27th October, 2004, 31st January, 2005 and 28th February, 2005.

Director	Board Meetings Held	Board Meetings Attended	Attended Last AGM
Mr P Jhavar	5	2	Yes
Mr R Jhavar	5	5	No
Mr A Sen	5	5	Yes
Mr S K Barasia	5	4	Yes
Mr B D Thakkar	5	4	Yes
Mr T Khaitan	5	5	Yes
Mr. R K Goenka	5	4	Yes