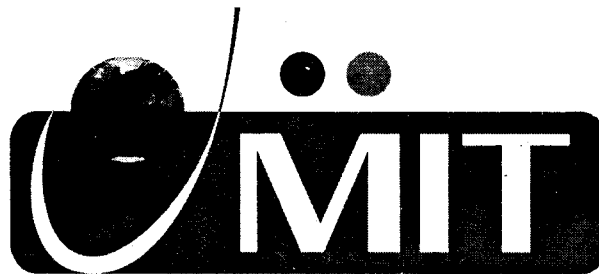


9TH ANNUAL REPORT 2006

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USHA MARTIN INFOTECH LIMITED

9TH ANNUAL REPORT 2006

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BOARD OF DIRECTORS

Mr. P. Jhawar – *Chairman*
Mr. R. Jhawar
Mr. T. Khaitan
Dr. Saugata Banerjee – (Appointed from 7.9.2005)
Mr. S. K. Barasia
Mr. A. Sen – *Whole Time Director*

COMPANY SECRETARY

R. N. Chakraborty

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 Honkong & Shanghai Banking Corporation Ltd
HDFC Bank Ltd

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 9th ANNUAL GENERAL MEETING of the members of the Usha Martin Infotech Limited will be held on Tuesday, the 1st day of August 2006 at 10.00 A. M. at Kala Kunj, 48 Shakespeare Sarani, Kolkata 700 017 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2006, Profit & Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Mr A Sen who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a director in place of Mr T Khaitan 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:

5. As an Ordinary Resolution:

"RESOLVED THAT Dr Saugata Banerjee 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 upto 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. As a Special Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956 (including any statutory modifications or enactment thereof for the time being in force and as may be enacted hereafter), 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 Calcutta Stock Exchange Association Limited, Calcutta.

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

By Order of the Board of Directors,

Dated: the 31st May 2006.

R. N. Chakraborty
Company Secretary

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, in case of a poll, 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 20th July, 2006 to 1st August, 2006 (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 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 A Sen and Mr T Khaitan, 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 A Sen

Mr A Sen, aged about 64 years is a Fellow of the Institute of Chartered Accountants of India and has been working in the Group for last 11 years. He has experience in finance and other allied matters and has been appointed as a Whole-time Director with effect from 1st March 2005.

He also holds other directorship/committee membership in the following public limited companies.

Sl. No.	Name of the Company	As Director	As Committee Member
1.	Prajeev Investments Ltd.	Director	Audit & Shareholder Grievance Committee
2.	Prashant Investments Ltd.	Director	Audit & Shareholder Grievance Committee
3.	UMIL Share & Stock Broking Services Ltd.	Director	—
4.	U-Tor Rolling Mills Ltd.	Director	—

Mr T Khaitan

Mr T Khaitan, aged about 41 years, is a practising Advocate by profession since 1995. He is associated with Messrs. Khaitan & Co., Advocates, Notaries, Patents & Trade Mark Attorneys. He is a member of the West Bengal Bar Council and the Incorporated Society of Calcutta.

He also holds other directorship/committee membership in the following public limited companies.

Sl. No.	Name of the Company	As Director	As Committee Member
1.	Tandem Fiscal Services Limited	Director	—
2.	Uttam Fiscal Services Limited	Director	—

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

Explanatory Statement under Section 173(2) of the Companies Act, 1956 for Item Nos. 5 and 6 of the accompanying Notice is as under:

Item No. 5

Dr Saugata Banerjee was appointed as an Additional Director of the Company on 7th September 2005 in terms of Section 260 of the Companies Act (the Act) and will hold office up to the date of conclusion of the next Annual General Meeting of the Company.

The Company has received a valid notice and requisite deposit from a member of the Company under Section 257 of the Act, proposing the candidature of Dr Banerjee as director.

Dr Banerjee has a Ph.D in Management from INSEAD, France and an MBA from the University of Massachusetts, USA. He has also been a Research Fellow at Harvard University, USA and is a Guest Faculty at IIM, Calcutta.

He also holds other directorship/committee membership in the following public limited company.

Sl. No.	Name of the Company	As Director	As Committee Member
1.	Usha Breco Limited	Director	—

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 Dr Banerjee, which pertains to his appointment.

Item No. 6

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

- The Calcutta Stock Exchange, Kolkata
- The Stock Exchange, Mumbai,
- National Stock Exchange, Mumbai

With the wide and extensive networking of National Stock Exchange (NSE) and Stock Exchange, Mumbai (BSE), the investors have access to on line 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 (SEBI) has specified for settlement only in demat form by all investors.

The trading volume of the Company's Equity Shares on the Calcutta stock Exchange (CSE) is insignificant and the annual recurring listing fee paid to this Stock Exchange does not offer commensurate benefits to the Company/its investors in the changed scenario of nation wide trading terminals set up by BSE/NSE. The Board of Directors, at its meeting held on 31st May, 2006, has therefore decided to apply for voluntary de-listing of the Company's Equity Shares from the CSE. The proposed voluntary de-listing of the Company's Equity shares from the CSE will not adversely affect any group of investors including the Members located in the region where CSE is 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 of the Company's Equity Shares from the CSE as set out in 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.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 9th Annual Report, together with the Audited Statement of Accounts of the Company for the financial year ended 31st March 2006.

Financial Results:

	Year Ended 31.3.2006	(Rs in 000) Year Ended 31.3.2005
Gross Income	10950	5853
Gross Profit/(loss) before Interest and Depreciation	2004	1742
Less Interest	—	—
Less Depreciation	400	282
Profit/(loss) for the year	1604	1460
Less Provision for Tax	55	—
Profit/(loss) After Tax	1549	1460
Profit/ (loss) brought from Previous Year	—	—
Amount Available for Appropriation	1549	1460
Dividend	—	—
Transfer (to)/from Reserve and Surplus	(1549)	(1460)
Balance Carried to Balance Sheet	—	—

Management Discussion & Analysis

Financial Review:

The Company booked a profit of Rs 15.49 Lacs (previous year Rs 14.60 Lacs). The profit for the year arose from the share of profit of Rs 40.95 Lacs (previous year Rs 35.37 Lacs) from the joint venture operation resulting from company's attempt to identify profitable areas of business which commenced from the last quarter of 2003-04 with Bonsai Network India Pvt. Ltd.

The Company earned an income from the Project Management for Expansion and Survey of Radio Frequency Network from Nortel India Pvt. Ltd. for BSNL (in Eastern India). Revenue was recognized during the year amounting to Rs 53.54 Lacs and the corresponding cost of the project was Rs 64.47 Lacs. Consequent upon the reduction in the scope and value of the contract, it became uneconomical and hence the Company made an early exit of the contract to minimize the loss to 10.93 Lacs.

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 business earned revenue of Rs 94.49 Lacs (Previous year Rs 35.37 Lacs) from Project Management and Joint Venture Operation.

● Project Management

The Radio Frequency Engineering and Project Management work undertaken by the Company in earlier years has been completed and accordingly the revenue amounting to Rs. 53.54 Lacs from the project and related expenses amounting to Rs 64.47 Lacs have been recognized in these accounts on the basis of work certified and bills accepted by the contractee. The Company made an early exit from the contract to minimize the loss to Rs 10.93 Lacs

● 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 Net Works India Pvt Ltd. who has been awarded a contract for US \$ 900,000 (approx) in Oman from Omantel which is a leading telecommunication Company under Government of Oman. The scope of work under this contract between Bonsai and Omantel include :

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

- b) Coordination 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 Contractors.
- i) Recommending issue of Provisional Acceptance Certificate to Implementing Contractors.
- j) Conducting 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 2006 amounted to Rs. 40.95 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 remain Investments in Usha Communication Technology. The Company will be benefited in the 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 telecom companies continuing on the course of going for major restructuring and consolidation it is expected to become more competitive and improve its profitability. As this progress becomes visible, the new investment and capital spending of telecom operators are showing sign of revival. 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 risk, customer concentration, economic cycle, industry cycle, effects of changes in foreign currency exchange rates, credit risk, liquidity risk, 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 transactions are authorized, recorded, and reported correctly. The internal control system is supplemented by internal audits, review by management, documented policies and procedures.

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. B.D. Thakkar resigned with effect of 22nd December, 2005. The Board places on record its appreciation for the contribution made by him. Dr. Saugata Banerjee, who was appointed an Additional Director on 7th September, 2005 will hold office up to the date of conclusion of the ensuing General Meeting, and being eligible offers himself for re-appointment as Director at that meeting.

Mr. Trivikram Khaitan and Mr. A. Sen retire by rotation at the ensuing Annual Generals Meeting and being eligible offer themselves for re-appointment.

Corporate Governance

Your Company recognizes the importance of good Corporate Governance as step for building stakeholder's confidence, improving investor protection and enhancing long-term enterprise value. A detailed report on Corporate Governance is annexed.

Your Company has implemented revised Clause 49 of the Listing Agreement from 1st January, 2006.

During the year, the practice has been introduced for Senior Management personnel to make disclosures to the Board of Directors relating to any material financial and commercial transactions where they have any personal interest, with a potential conflict with the interest of the Company at large.

CEO / CFO Certification

The Whole-time Director of the Company have submitted a certificate to the Board as required under Clause 49 of the Listing Agreement for the year ended 31st March, 2006.

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, 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 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, 2006 on a 'going concern' basis.

Auditors

With regards to Auditors' observations, the same has been duly explained in the Note 4 of Schedule N to the Notes on Accounts. M/s. S. Swarup & Co., Chartered Accountants has communicated their willingness to act as the auditors of the Company subject to necessary approval at the forthcoming Annual General Meeting u/s 224(1B) of the Companies Act, 1956 and the Board recommend for their appointment.

Human Resources

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

The Board of Directors expresses its appreciation for sincere efforts made by the employees of your Company at all levels during the year and their co-operation in maintaining cordial relations

The particulars required to be furnished under 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. Nil
Outgo	Rs. 252,002/-

Compliance Certificate

A Certificate from the auditors of the Company regarding compliance of conditions 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,

Dr. Saugata Banerjee
A. Sen

Director
Whole time Director

Place : Kolkata
Date : 31st May, 2006

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 2006**

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

Members of the Board as on 31-03-2006 and the number of Board Meeting, Annual General Meeting attended by each director for the financial year 2005-06

Name	Designation	No of Outside Directorship held @	No. of outside committee position held		No. of Equity Shares held
			Member +	Chairman +	
Mr. P Jhawar	Chairman/Non Executive/Dependent	3	2	—	134220
Mr. R Jhawar	Non Executive/Dependent	3	—	—	36957
Mr. S K Barasia	Non Executive/ Independent	4	—	—	200
Mr. T Khaitan	Non Executive/Dependent	2	—	—	—
Mr. A Sen	Executive	4	4	—	—
Dr. Saugata Banerjee*	Non Executive/ Independent	1	—	—	—

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

* Dr. Saugata Banerjee was appointed as the Additional Director with effect from September 7, 2005.

Mr. B. D. Thakkar resigned as the Director with effect from December 22, 2005..

Summary of Composition of the Board of Directors

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

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

27th May, 2005, 29th July, 2005, 28th October, 2005, 27th January, 2006.

Director	Board Meetings Held	Board Meetings Attended	Attended Last AGM
Mr. P Jhawar	4	4*	Yes
Mr. R Jhawar	4	1	No
Mr. A Sen	4	4	Yes
Mr. S K Barasia	4	4	No
Mr. B D Thakkar**	4	1*	No
Mr. T Khaitan	4	4	No
Dr. Saugata Banerjee***	4	2	No

* Present through tele-conference for which no sitting fees were paid.

** Mr B. D. Thakkar resigned as the Director with effect from December 22, 2005.

*** Dr. Saugata Banerjee was appointed as the Additional Director with effect from September 7, 2005.