

10TH ANNUAL REPORT 2007

Report  junction.com



USHA MARTIN INFOTECH LIMITED

10TH ANNUAL REPORT 2007

CONTENTS

Report  junction.com

NOTICE	3
.....	
DIRECTORS' REPORT	6
.....	
CORPORATE GOVERNANCE	9
.....	
AUDITORS' REPORT	17
.....	
BALANCE SHEET	20
.....	
PROFIT & LOSS ACCOUNT	21
.....	
SCHEDULES TO ACCOUNTS	22
.....	
CASH FLOW STATEMENT	33
.....	



BOARD OF DIRECTORS

Mr. P. Jhawar – *Chairman*
Mr. R. Jhawar
Mr. T. Khaitan
Mr. S. K. Barasia
Dr. Saugata Banerjee
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 AGENT

MCS Ltd.
77/2A, Hazra Road
Kolkata - 700 029
Ph : 2476 7350 to 54
Fax : 2474 7674

BANKERS

The Honkong & Shanghai Banking Corporation Ltd.

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 10th ANNUAL GENERAL MEETING of the members of Usha Martin Infotech Limited will be held on Wednesday, the 26th day of September, 2007 at 10.00 A. M. at 'Shripati Singhanian 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, 2007, 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 P Jhawar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr S K Barasia who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification, 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, the following resolution:

5. 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 A Sen as Whole-time Director of the Company for a period of two years with effect from 1st March, 2007, upon the terms and conditions set out in the draft Agreement submitted to this meeting and, for identification, 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 Sen."

Registered Office:
Mangal Kalash
2A, Shakespeare Sarani
Kolkata - 700 071
Dated: the 31st May, 2007.

By Order of the Board of Directors,

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 17th September, 2007 to 26th September, 2007 (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/Re-appointment of Directors:
 Mr P Jhavar and Mr S K 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 Prashant Jhavar

Mr Prashant Jhavar, aged about 44 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. 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 Malayasia 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 Usha Martin Ltd. (Vice-Chairman), Usha Breco Ltd. (Chairman), Usha Martin Finance Ltd. (Chairman), Bonsai Networks Ltd. UK, BlueXess Ltd. UK, Bonsai Engineers Pvt. Ltd. and Usha Comm India Pvt. Ltd.

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

Sl. No.	Name of the Company	Name of the Committee	Position held
1.	Usha Martin Ltd.	Share Transfer Committee	Member
2.	Usha Martin Ltd.	Remuneration Committee	Member

Mr S K Barasia

Mr S K Barasia, aged 69 years, is a Fellow Member of the Institute of Cost & Works Accountants of India having about 49 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, Usha Martin Ventures Limited, Prajeev Investments Limited, Prashant Investments Limited and Shauma Vanijya Pratisthan 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. 5 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 12 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 agreement entered into between the Company and Mr Sen. It is now proposed to re-appoint Mr Sen as Whole-time Director for a further period of two years, subject to the consent of the shareholders at the ensuing Annual General Meeting of the Company and other requisite approvals, if any.

The draft agreement proposed to be entered into between the Company and Mr Sen inter alia, contains the following terms and conditions :

1. Salary : Rs. 60,000 (rupees 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, 2007.
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 said draft agreement is available for inspection at the Registered Office of the Company on any working day upto the date immediately preceding the date of the 10th Annual General Meeting between 10 AM 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 re-appointment and remuneration payable to him.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 10th Annual Report, together with the Audited Statement of Accounts of the Company for the financial year ended 31st March, 2007.

Financial Results:

	Year Ended 31st March, 2007	(Rs in 000) Year Ended 31st March, 2006
Gross Income	5609	10950
Gross Profit/(loss) before Interest and Depreciation	2833	2004
Less Interest	—	—
Less Depreciation	280	400
Profit/(loss) for the year	2553	1604
Less Provision for Tax	36	55
Profit/(loss) After Tax	2517	1549
Profit/ (loss) brought from Previous Year	—	—
Amount Available for Appropriation	2517	1549
Dividend	—	—
Transfer (to)/from Reserves and Surplus	(2517)	(1549)
Balance Carried to Balance Sheet	—	—

Management Discussion & Analysis

Financial Review

The Company booked a profit of Rs 25.17 Lacs (previous year Rs 15.49 Lacs). The profit for the year arose from the share of profit of Rs 20.21 Lacs (previous year Rs 40.95 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 also had a Consultancy income of Rs 18 Lacs during the year.

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 38.21 Lacs (previous year Rs 40.95 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.
- 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.
- Recommendation for the approval of final Scope of Works to the Employer.
- Review and verification of integration with existing and planned networks.
- Supervision of implementation.
- Interim Acceptance Certificate Testing and Commissioning.
- 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, 2007 amounted to Rs. 20.21 Lacs. Barring unforeseen circumstances, it is expected that the Company shall have a further profit on completion of the contract. The Company also earned an income of Rs. 18 Lacs from consultancy services during the year.

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 Deposits

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

Directors

The terms of appointment of Mr A Sen, who was appointed a Whole-time Director for a period of two years with effect from 1st March, 2005, expired on 28th February, 2007. The Board has approved Mr Sen's re-appointment for a further period of two years on same terms and conditions, subject to the approval of the members.

Mr P Jhavar and Mr S K Barasia retire by rotation at the ensuing Annual General 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.

The practice has also 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 has submitted a certificate to the Board as required under Clause 49 of the Listing Agreement for the year ended 31st March, 2007.

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, 2007, 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, 2007 on a 'going concern' basis.

Auditors

With regards to Auditors' observations, the same has been duly explained in the Note 3 of Schedule O 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 Earnings 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. 146,846/-

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 record 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 : 31st May, 2007

Dr. Saugata Banerjee 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, 2007**

The Board of Directors 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 31-03-2007 and the number of Board Meeting, Annual General Meeting attended by each director for the financial year 2006-07

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/ Dependent	5	—	—	200
Mr. T Khaitan	Non Executive/Independent	3	—	—	—
Mr. A Sen	Whole-time Director/Executive	7	4	—	—
Dr. Saugata Banerjee	Non Executive/ Independent	1	—	—	—

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

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 :

31st May 2006, 31st July 2006, 30th October 2006, 31st January 2007 and 28th March 2007.

Director	Board Meetings	Board Meetings Held	Attended Last Attended AGM
Mr. P Jhawar	5	3	Yes
Mr. R Jhawar	5	3	Yes
Mr. A Sen	5	5	Yes
Mr. S K Barasia	5	5	Yes
Mr. T Khaitan	5	5	Yes
Dr. Saugata Banerjee	5	4	No