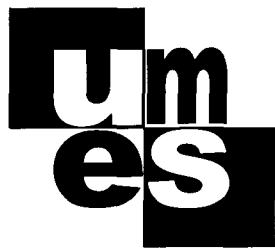


17th ANNUAL REPORT 2014



USHA MARTIN EDUCATION & SOLUTIONS LIMITED

17th ANNUAL REPORT 2014

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CORPORATE INFORMATION

Chairman

Shri Prashant Jhawar

Vice-Chairman

Shri Rajeev Jhawar

Directors

Shri Subrata Kumar Mitra

Shri Rameshwar Pal Agrawal

Shri Shiva Kumar Barasia

Shri Trivikram Khaitan

Shri Rahul Choudhary

Shri Debjit Bhattacharya - Whole-time Director

Company Secretary

Dr. R. N. Chakraborty

Bankers

IDBI Bank Ltd.

IndusInd Bank Ltd.

Axis Bank Ltd.

Auditors

M/s. S. Swarup & Co.

21, Hemanta Basu Sarani, 3rd Floor,

Room No. 303, Kolkata - 700 001

Registered Office

CIN : L31300WB1997PLC085210

PS Srijan Techpark, 4th Floor, DN - 52

Sector-V, Salt Lake City, Kolkata - 700 091

Tel. : +91 33 4013 4700, Fax : 91 33 4013 4800

Website : www.umesl.co.in

E-mail : ranendranath.chakraborty@umesl.co.in

Registered Transfer Agent

MCS Limited

77/2A, Hazra Road, Kolkata - 700 029

Ph. : 033 2454 1892-93, Fax : 033 2454 1961

E-mail : mcskol@rediffmail.com

Website : www.mcscdel.com

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 17th Annual Report, together with the Audited Statement of Accounts of the Company for the financial year ended 31st March, 2014.

Financial Results:

(Rs. in Lakhs)

Particulars	Standalone		Consolidated	
	Year ended 31.3.2014	Year ended 31.3.2013	Year ended 31.3.2014	Year ended 31.3.2013
Gross Income	564.24	1199.28	662.48	1560.99
Gross Profit/(loss) before Finance Cost and Depreciation	(14.43)	118.14	24.26	131.71
Less: Finance Cost	13.42	11.04	13.42	11.04
Less: Depreciation	27.71	64.08	29.36	72.48
Profit/(loss) for the year	(55.56)	43.02	(18.52)	48.20
Less Provision for Tax (Net)	---	8.25	5.03	9.25
Profit/(loss) After Tax	(55.56)	34.78	(23.55)	38.95
Transfer to Reserves and Surplus	(55.56)	34.78	(23.55)	38.95

Financial Review

During the Financial Year ended 31st March 2014, your company recorded standalone revenue of Rs. 564.24 Lakhs, considerably lower as compared to the previous financial year. Consolidated revenue for the current financial year is Rs. 662.48 Lakhs, which also follows the same trend. Standalone loss after Tax stood at Rs. 55.56 Lakhs, whereas Consolidated Loss after tax stood at Rs. 23.55 Lakhs. Ratio analysis and future outlook of the Company has been included in Management Discussion and Analysis section.

Dividend

Your Directors do not recommend any dividend for the current financial year.

Reserve and Surplus

The balance of Reserves and Surplus, as at 31st March, 2014 stands at Rs. 1825.58 Lakhs after making the appropriations indicated above.

Subsidiary

As you are aware that during the financial year 2013-14, the wholly owned subsidiary of the Company, namely Usha Martin Education Private Limited ("UMEPL") has changed its business model to licensing and consultancy and sold off its school management business 'as a going concern' to Usha Breco Education Infrastructure Limited, a Company formed for the sole purpose of School Management Solutions. The sale was done on consideration as the Board of Directors' of UMEPL deemed appropriate on the basis of independent valuation undertaken by a firm of Chartered Accountants. However, UMEPL is continuing to own its' Usha Martin School Brands and earning license fees by licensing the said brands to various Usha Martin Schools.

The Company has obtained exemption from annexing accounts and other documents pertaining to subsidiary, under Section 212(8), through the general approval from Ministry of Corporate Affairs, Government of India, vide their letter no. 47/07/2011-CL-III dated 20th January 2011. However, the financial statements of the subsidiary company (i.e., UMEPL) and other detailed information will be made available to the members seeking such information at any point of time. The annual accounts of the subsidiary company will also be available for inspection at the Registered Office of the Company as well as at the Registered Office of the subsidiary.



Consolidated Financial Statements

The Audited Consolidated Financial Statements based on the Financial Statements received from subsidiary company, as approved by its Board of Directors, have been prepared in accordance with the Accounting Standard 21 (AS-21) - Consolidated Financial Statements as notified under Section 211 (3C) of the Companies Act, 1956 read with Companies (Accounting Standards) Rules, 2006 as applicable. Further, the Consolidated Financial Statements are also presented in accordance with Clause 41 of the Listing Agreement entered into with the Stock Exchanges where the shares of the company are listed.

Public Deposit

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

Directors

Shri Rajeev Jhawar and Shri Rameshwar Pal Agrawal are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. As per the newly enacted Companies Act, 2013 the company proposes to appoint Mr. Rameshwar Pal Agrawal as Independent Director for a fixed term of 3 years effective from this Annual General Meeting.

During the year, Sir Stephen Waley-Cohen Bt., expressed his desire to step down from the Directorship, due to his other pressing commitments. Your Board of Directors' with great reluctance accepted his offer of resignation. However, the Board placed their great appreciation on record for the immensely valuable contribution made by Sir Stephen during his tenure as a Director.

None of the Directors are disqualified under Section 274 (1) (g) of the Companies Act, 1956 and under recently enacted Section 149 of Companies Act, 2013. As required by law, this position is also reflected in the Auditors' Report.

Corporate Governance

Your Company recognizes the importance of good Corporate Governance in building stakeholders' confidence, improving investor protection and enhancing long-term enterprise value. A report on Corporate Governance is annexed.

Management Discussion and Analysis

As provided in Clause 49 of the Listing Agreement with the Stock Exchanges, where the shares of your Company are listed, a management discussion and analysis on the operations and financial position of the Company is provided in a separate section.

CEO / CFO Certification

The Chairman and 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 2014.

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 2014, 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 judgment 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 2014 on a 'going concern' basis.

Auditors

M/s S. Swarup & Co., Chartered Accountants, have communicated their willingness to act as the auditors of the Company subject to necessary approval at the forthcoming Annual General Meeting pursuant to Companies Act and the Board recommended their appointment.

Human Resources

At your Company, the management believes and affirms the importance of development of human resources, which is most valuable and key element in bringing all round improvement and achieving growth of the business. We are proud to have a successful relationship philosophy at all level, which focuses on finding solutions through dialogue in a spirit of open work culture and constructive team work. This has enabled us to maintain a cordial and peaceful work environment throughout.

In addition to a core group of experienced professionals who have remained with the organization for years, fresh professionals in various disciplines were also inducted. For enhancement of professional capabilities, employees were exposed to various training program both in-house as well as by reputed training institutions.

The particulars required to be furnished under provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are not applicable to the Company, as none of the employees of your Company draws a salary above the limit as specified in the said Rule.

Energy, Technology and Foreign Exchange Earning and Outgo

The nature of the Company's business does not require involving any type of energy consumption or adaptation of any technology.

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	:	NIL
Outgo	:	Rs. 2.14 Lakhs

Environment

Though the Company's operations are not inherently polluting in nature, the Company continues to take adequate precautions to comply with all regulatory measures in this regard at all the educational premises and sites, so that no harm would cause to the society and the nature at a large.

Declaration on compliance with code of conducts

The Board has formulated a Code of Conducts for the Board Members and Senior Management of the Company, which has been posted on the website of the Company.

It is hereby affirmed that all the Directors and Senior Management Personnel have complied with the Code and a confirmation to that effect has been obtained from the Directors and the Senior Management.

Compliance Certificate

A Certificate from the Statutory 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 employees during the year.

Place: Kolkata

Date: May 28, 2014

On behalf of the Board of Directors

Prashant Jhawar
Chairman

Debjit Bhattacharya
Whole-time Director

MANAGEMENT DISCUSSION AND ANALYSIS

The impact of both domestic and international factors ensured the continued downtrend in the Indian Economy during the year under review. Various reports are projecting a sub 5% GDP growth, one of the lowest in the past decade. Though there are indications of the economy turning the bend, the results are not visible yet. This scenario was further compounded by Regulatory issues in the Education Sector, directly impacting our line of business. The impact was over the entire higher education system, it was felt more in the Distance Education sector, our mainstay.

The key ratios for the financial year are as follows:

Particulars	Year ended 31.3.2014	Year ended 31.3.2013
Profitability Ratio:	%	%
EBITDA/ Net Sales	-3	10
PBT/ Sales	-10	4
PAT/ Sales	-10	3

*Based on Standalone figures.

Industry Overview :

[Sources: Extract from 12TH Five Year Plan, www.researchandmarkets.com, www.ibef.org, www.business-standard.com; Company internal research; etc.]

Skill development is critical for achieving faster, sustainable and inclusive growth on the one hand and for providing decent employment opportunities to the growing young population on the other. The demographic window of opportunity available to India would make India the skill capital of world. India would be in position to meet the requirement of technically trained manpower not only for its growing economy but also of the aging advanced economies of the world. Boston Consultancy Group's study in 2007 had clearly indicated that by 2020 while India will have surplus of 56 million working people, the rest of the world will encounter a shortage of 47 million working people.

India Ratings, a Fitch Group Company, expects the Indian education sector's market size to increase to Rs 602,410 crore (\$109.84 billion) by FY15 due to the expected strong demand for quality education. Indian education sector's market size in FY12 is estimated to be Rs 341,180 crore. The sector grew at a compounded annual growth rate(CAGR) of 16.5% during FY05-FY12. The higher education (HE) segment was at 34.04% (\$17.02billion) of the total size in FY10 and grew by a CAGR of 18.13% during FY04-FY10. India Ratings said that it has a stable outlook on the Indian education sector which includes both school and higher education. Despite a high demand for education within India, India Ratings has concerns of the sector. In 2012, the sector faced liquidity issues due to a fall in enrolment growth and delays in HE students' fee reimbursements by a few state governments.

"Some segments in the education sector face enrolment slowdown due to macro-economic factors, lack of industry appeal and employability issues. Management institutes with less or no industry association witness low enrolment and revenues leading to loan defaults or closures. India Ratings does not expect enrolments for these entities to rebound in the short term," said the report.

In India, Private professional institutes are expanding with a strong growth rate which has opened the doors for foreign universities. Also there is an opportunity in the test preparation market in India, though institutes are expanding with a continuous growth rate but still there is high potential of growth. The Gross Enrolment Ratio (GER) in higher education in India (per cent of relevant age group enrolled in higher education) is estimated at 11%. In comparison, enrolment's levels are 60% in the US and 16% in China. The data shows that the sector is in a stage of early growth and there is an ample scope to explore for quality players.

Company Outlook & Strategy

The prevailing Economic Scenario and the transitional phase of the Education Sector, has forced us to critically evaluate our long term business strategy.

The uncertainty in the Distance Education sector and other Regulatory issues plaguing the Higher Education segment are affecting our business and also impacting quality of delivery, which is core to our values.

Considering the current scenario, your company is looking at new ventures both within India and outside, to increase shareholder value. A new initiative is being taken to formulate and provide Maths tutorials & Data Science training for the UK market in association with local partner/service provider. The pilot is in progress at this point and delivery is planned to start within the next financial year i.e 2014-15.

At the same time your company also plans to increasingly support the establishment of the Usha Martin University, Jharkhand, which is now a reality.

Our shareholders will be pleased to note that the State Government of Jharkhand vide its Notification dated 16th July, 2013, accorded sanction for the establishment of Usha Martin University, Jharkhand with effect from the date of publication of the Notification in the Gazette, i.e. 18th July, 2013.

Business Review

Learning Business Segment

The Company is continuing its major focus in the undergraduate segment. During the current year under review, your company has successfully trained and provided placement assistance to over 50% of the students enrolled in its various study centres.

The wholly owned subsidiary of the Company, namely Usha Martin Education Private Limited ("UMEPL") has changed its business model to licensing and consultancy and sold off its school management business 'as a going concern' to Usha Breco Education Infrastructure Limited, a Company formed for the sole purpose of School Management Solutions. The sale was done on consideration as the Board of Directors' of UMEPL deemed appropriate on the basis of independent valuation undertaken by a firm of Chartered Accountants.

However, UMEPL is continuing to own its' Usha Martin School Brands and earning license fees by licensing the said brands to various Usha Martin Schools.

Opportunities and threats

India sits at the forefront of the new economic paradigm. It is poised to develop into one of the top 5 economies of the world in the next 2 decades. One of the main reasons behind the Indian economic growth emerges from its demographic profile. The emerging demographic dynamics of the country ensures that it will have one of the youngest populations in the world.

There is opportunities in development of institutes; content, curriculum and pedagogy support; training of trainers to improve the quality of training-delivery; setting up world-class training institutes; certification, accreditation and testing.

However, success is anything but guaranteed. The global recessionary situation, if sustained can reduce the employment opportunity. Another major aspect of higher education is the issue of 'employability'. This shortfall in qualified workforce is further exacerbated when the "employability" lens is applied, which measures whether the educated personnel would have the right skills to be employed.

Further there are normal risk factors of the Governmental policies which pose a deterrent to entry of private players in education business.

Adequacy of Internal Controls

As a trend, the Company continues having an internal control system that is proper and adequate for the size and nature of business of the Company for maintaining accounting cost control and efficiency in operation. The Company ensures that the documented procedures and various methods, developed internally from time to time, are being followed meticulously and are very much effective. The gist of the procedures is as follows:-

- Proper Delegation of power to de-centralise the whole operation for making it more dynamic.
- Preparation of annual budget for targets for business growth which is continuously monitored throughout the year.
- Financial control & approval based on budget allocation.

The Company also has adequate system 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.

Human Resources

Human Resource continues to play the key role in the growth and development of your Organization. Given the current outlook and future business strategy, it has inducted experienced senior level as well as middle level management professionals, useful for this sector. The Company, as usual, has maintained cordial relation amongst the employees.

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

Cautionary Statements

This document includes certain forward-looking statements. These statements are based on management's current expectations or beliefs, and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive, technological and/or regulatory factors. The Company is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. This Report should be read in conjunction with the financial statements included herein and the notes thereto

Place: Kolkata

Date: May 28, 2014

On behalf of the Board of Directors

Prashant Jhawar
Chairman

Debjit Bhattacharya
Whole-time Director

REPORT ON CORPORATE GOVERNANCE

A BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance ensures a mechanism of observance which in turn ensures that the Management empowered with the ultimate decision making abilities, is using utmost care and is responsible enough to safeguard the stakeholders' aspirations and expectations. Good governance can be achieved only if it is embedded as part of the corporate culture in the Organisation. Good corporate governance is a continuing exercise and it or the lack of it can have an impact on the entire organization and its business activities as a whole. Hence the Company's activities are carried out in accordance with good corporate practices and are constantly striving to improve upon the same. The Company is always in compliance with all the procedures and stipulations as directed by Companies Act and other statutory legislations and the Listing Agreements.

I. BOARD OF DIRECTORS

➤ Composition

The total strength of your Board of Directors as on 31st March, 2014 is eight members consisting of one Non-Executive Chairman, six Non-Executive Directors and one Executive Director. As on 31st March, 2014, the Board comprised of four independent directors out of total eight members.

None of the Directors on the Board is a Member of more than ten Committees or a Chairman of more than five Committees (as specified under Clause 49(I)(C) (ii) of the Equity Listing Agreement), across all the companies in which he is a Director. All the Directors have furnished a notice of disclosure of interest as specified under Section 299(1) of the Companies Act, 1956. The Company maintains Register of Contracts and details of companies and firms in which Directors are interested as provided under Section 301(1) of the said Act.

Composition of the Board of Directors and their shareholding as on 31st March, 2014

Name	Designation	No. of Outside Directorship Held **	No. of outside committee position held #		No. of Equity Shares in the company
			Member	Chairman	
Shri. Prashant Jhawar	Chairman/Non-Executive/Dependent	6	-	-	134,220
Shri. Rajeev Jhawar	Vice-Chairman/Non-Executive/Dependent	7	3	-	36,957
Shri. Subrata Kumar Mitra	Non-Executive/Independent	5	1	-	-
Shri. Rameshwar Pal Agrawal	Non-Executive/Independent	-	-	-	-
Shri. Shiva Kumar Barasia	Non-Executive/Dependent	4	2	-	-
Shri. Trivikram Khaitan	Non-Executive/Independent	-	-	-	-
Shri. Rahul Choudhary	Non-Executive/Independent	-	-	-	-
Shri. Debjit Bhattacharya	Whole-time Director, Executive	-	-	-	16,000

**Excluding foreign companies, private companies and companies under Section 25 of the Companies Act, 1956

Chairmanship and membership of Audit Committee and Shareholder's Grievance Committee is only considered.

Summary of Composition of the Board of Directors

Directors	Number
Dependent, Non-Executive	Three
Independent, Non-Executive	Four
Executive	One

➤ Meeting of the Board of Directors

The dates of the Board Meeting are fixed in advance and accordingly intimation is sent to the Board Members. Senior officials are also invited to attend the meetings to provide clarification as and when required. During the year under review, 4(four) Board meetings were held.

The dates on which the Board Meetings were held are as follows: 7th May, 2013, 1st August, 2013, 5th November, 2013 and 27th January, 2014.