

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

BOARD OF DIRECTORS

Mr. K. Jayaraman
Mr. Kuldeep Puri
Mr. Milind Karnik
Mr. Dilip Worah
Mr. L. K. Kannan
Mr. Krishna Parolia
Mr. T. Rajaram

Chairman
Managing Director

Alternate Director

AUDITORS

G.M. Kapadia & Co.
Chartered Accountants

REGISTERED OFFICE

"Rahejas", 4th Floor, Corner of Main Avenue &
V.P. Road, Santacruz (West), Mumbai - 400 054
Tel No: (022) 26001306 Fax No: (022) 26001307

BANKERS

Bank of Maharashtra
Axis Bank Limited

ADMINISTRATIVE OFFICE

Sanjona Complex, 5th Floor, Hemu Kalani Marg,
Plot No. 11-A, Sindhi Society, Chembur, Mumbai - 400 071
Tel No: (022) 61534400 Fax No: (022) 61534455

REGISTRAR & TRANSFER AGENT

M/s. Bigshare Services Private Limited
E-2/3, Ansa Industrial Estate, Sakivihar Road,
Saki Naka, Andheri (East), Mumbai - 400 072
Tel.: (022) 40430200 Fax: (022) 28475207
Email: investor@bigshareonline.com

DETAILS OF DEMATERIALISATION OF SHARES

Company's ISIN number for Dematerialisation is INE525B01016
with National Securities Depository Limited (NSDL) &
Central Depository Services Limited (CDSL)

NOTICE

NOTICE IS HEREBY GIVEN THAT the Twenty Sixth Annual General Meeting of the Company will be held on Thursday, 30th day of September, 2010, at 4.00 p.m. at Sanjona Complex, 5th Floor, Hemu Kalani Marg, Plot 11-A, Sindhi Society, Chembur, Mumbai – 400071, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Dilip Worah, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. L. K. Kannan, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors of the Company to fix their remuneration. M/s. G. M Kapadia & Co., Chartered Accountants, the retiring auditors, are eligible for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, approval of the members of the Company be and is hereby granted for the re-appointment of Mr. Kuldeep Puri as the Managing Director of the Company for a period of 3 years with effect from June 1, 2010 to May 31, 2013 on a remuneration of Rs. 85,000/- per month together with re-imburement of Telephone and Motor Car and Fuel expenses incurred by him up to a limit of Rs. 15,000/- per month with liberty to the Directors to alter and vary terms and conditions of the aforesaid appointment and/or remuneration, as may be agreed to between the Directors and Mr. Kuldeep Puri.

RESOLVED FURTHER THAT in the event of absence or inadequacy of net profit in any financial year, the remuneration payable to the Managing Director shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956, or any statutory modification thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to file eforms with Registrar of Companies and to do all acts, deeds and things, as may be required to give effect to this resolution.”

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6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

“RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Article 92 of the Articles of Association of the Company be and is hereby deleted and the following article be substituted in its place as new Article 92:

“92. Each Independent Directors shall be entitled to be paid out of the funds of the Company by way of sitting fees for his services not exceeding a sum of Rs. 5,000/- (Rupees Five Thousand only) as may be fixed by the Directors from time to time for every meeting of the Board of Directors and every member of Audit Committee shall be entitled to be paid sitting fees for his services not exceeding a sum of Rs. 5,000/- (Rupees Five thousand only) as may be fixed by Board of Directors from time to time for every Audit Committee Meeting, attended by him.”

RESOLVED FURTHER THAT any one of the Directors of the Company be and are hereby authorised to file the relevant forms with the Registrar of Companies, Maharashtra, Mumbai, in this regard.”

REGISTERED OFFICE:

‘Rahejas’, 4th Floor, Corner of
Main Avenue &
V. P. Road, Santacruz (W),
Mumbai - 400 054

Place: Mumbai
Date: August 14, 2010

BY ORDER OF THE BOARD

K. JAYARAMAN
Chairman

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND, AND ON A POLL, TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to Special business to be transacted at the meeting(Item no. 5 & 6) is annexed hereto.
3. Proxies, if any, in order to be effective must be received at the Company's Registered Office not later than 48 hours (Forty Eight hours) before the time fixed for holding the meeting.
4. The Register of the Members and the Share Transfer Books of the Company will remain closed from September 26, 2010 to September 30, 2010 (Both days inclusive).
5. The profiles of the Directors proposed to be re-appointed are annexed to this Notice pursuant to Clause 49 of the Listing Agreement.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5:

Mr. Kuldeep Puri was appointed as Managing Director of the Company with effect from for a period of 3 years with effect from June 1, 2007 to May 31, 2010 such terms and conditions as approved by the Shareholders at the 23rd Annual General Meeting of the Company.

Considering the dynamic role, Mr. Kuldeep Puri is expected to play in the near future and the benefits expected to be reaped under his supervision, re-appointment of Mr. Kuldeep Puri is recommended for a period of 3 (three) years with effect from June 1, 2010 on the terms and conditions as mentioned in the resolution set out in the notice.

In the event of absence or inadequacy of net profits in any financial year, the remuneration payable to Managing Director shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 or any statutory modification thereof."

The resolution vide Item No. 5 is therefore proposed for the approval of the Members. Apart from Mr. Kuldeep Puri, no other director shall be deemed to be concerned or interested in the resolution.

Item No. 6:

The present Article 92 of the Articles of Association of the Company provides for payment of sitting fees subject to maximum of Rs. 5000/- to the Directors for attending the every meeting of the Board of Directors. It is proposed to pay sitting fees also to the members of the Audit Committee for attending every meeting of Audit Committee as stated in the resolution.

Your directors recommend the resolution at point No. 6 for your approval.

REGISTERED OFFICE:

'Rahejas', 4th Floor, Corner of
Main Avenue &
V. P. Road, Santacruz (W),
Mumbai - 400 054

Place: Mumbai
Date: August 14, 2010

BY ORDER OF THE BOARD

K. JAYARAMAN
Chairman

Additional information pursuant to Clause 49 of the Listing Agreement

PROFILES OF DIRECTORS

1. **Name** : **MR. DILIP WORAH**

Father's name : Mr. Tokarshi P. Worah

Date of Birth : 22nd May 1960

Qualification & Experience :

Mr. Dilip Worah is a member of the Institute of the Chartered Accountants of India. He has a wide experience of 20 years in the field of Audits, Internal Audits, Bank Audits, Income Tax and Indirect Tax matters, Company Law, Investments, Finance and Business Advisory. He was appointed as a Director on the Board of the Company on 30th December, 2005. Mr. Dilip Worah is also Director in Ulka Finance & Investment Private Limited.

2. **Name** : **Mr. L. K. Kannan**

Father's name : Late Mr. Krishna Moorthy

Date of Birth : 29th March 1956

Qualification & Experience :

Mr. L. K. Kannan is a Commerce Graduate. He is in service since last 25 years. He was appointed as a Director on the Board of the Company on 30th December, 2005. Mr. L. K. Kannan is also Director in Integra Unisource Private Limited.

3. **Name** : **Mr. Kuldeep Puri**

Father's name : Mr. Surajswarup Puri

Date of Birth : 17th November, 1959.

Qualification & Experience :

Mr. Kuldeep Puri has a B Tech degree from BHU - IT, Varanasi. He has been instrumental in providing professional Cable Television Operating services and other related activities formulating the cable television operation of the Company. He has Nineteen years experience in the field of Cable Television Operations, Installation of Cable TV systems/maintenance and marketing of telecom and electronic equipments products. He has played an important role by providing able leadership and direction to the Company in its business activity of running of Cable Television Network, providing ISP Services, Data Communications facilities and allied activities with his sound knowledge and experience. He was appointed as Managing Director of the Company since 1st June, 1999.

Mr. Kuldeep Puri is also a director in Sri Bhawani Cabletel Limited.

DIRECTORS' REPORT

Dear Members,

Your Directors take the pleasure of presenting the Twenty Sixth Annual Report of your Company together with the Audited Statement of Accounts for the financial year ended March 31, 2010.

Financial Highlights**(Rs. In Lacs)**

| Particulars | 2009-2010 | 2008 -2009 |
|--|------------------|-------------------|
| Operating & Other Income | 1230.04 | 1227.21 |
| Gross Operating Profit before interest, depreciation, amortisation & taxes | 79.72 | 98.55 |
| Interest | 7.79 | 5.01 |
| Depreciation/Amortisation | 77.75 | 76.36 |
| Deferred Taxes | (9.84) | (6.38) |
| Fringe Benefit Tax | - | 2.65 |
| Net Profit / (Loss) | 4.01 | 20.91 |
| Profit/Loss carried to balance sheet after adjustments | (506.82) | (521.63) |

Business Operations

During the year under review, the total income of your Company increased to Rs 1230.04 Lacs as compared to last year's income of Rs. 1227.21 Lacs. There is a fall in Gross operating Profit due increase in pay channel costs, ISP access expense and other operational expenses. The operating profits reduced to Rs. 79.72 Lacs as against Rs. 98.55 Lacs in previous financial year.

Dividend

In view of the insufficient profits and the accumulated losses, your Directors express their inability to declare any dividend for the year under review. Several measures are being taken towards increasing the revenue and cost control and more particularly to reduce the administration and other costs and to improve the profitability.

Business Prospects & Management Discussion and Analysis Report

During the year under review, your Company has undertaken various steps to expand its Cable TV and ISP business. Your Company has also undertaken concrete steps to increase the average revenue per subscriber.

The performance of your Company covering various aspects of the business operations for the year

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ended 31st March, 2010 and prospects for the Company's business in the future has been dealt with at length in a separate section titled "Management Discussion and Analysis Report" forming part of the Corporate Governance Report.

Corporate Governance

As stipulated by Clause 49 of the Listing Agreement, a report on Corporate Governance is given herewith and forms part of this report. A Certificate from M/s. G. M. Kapadia & Co, the Statutory Auditors of your Company regarding compliance of the conditions of Corporate Governance as required under the aforesaid Clause, is also forms part of this report.

Personnel

There are no employees who are falling within the ambit of the provision of Section 217(2-A) of the Companies Act, 1956, who are drawing a remuneration of Rs.2,00,000/- per month, if employed for part of the year or Rs.24,00,000/- per annum if employed through out the year.

Directors

Mr. Dilip Worah and Mr. L. K. Kannan, Directors of your Company are retiring at the ensuing General Meeting and have offered themselves for reappointment. Mr. Kuldeep Puri was reappointed as a Managing Director of the Company w.e.f. from June 1, 2010 for a period of three years, subject to the approval of shareholders.

To enable the Company to obtain their continued valuable direction, guidance and assistance in the conduct of the affairs of your Company, the Board recommends their reappointment.

Audit Committee

Pursuant to the provisions of Section 292A of the Companies Act, 1956, an Audit Committee has been set up which presently comprises of 3 members, namely Mr. Milind Karnik, Mr. Dilip Worah and Mr. L. K. Kannan, Directors of the Company. Mr. Dilip Worah is the Chairman of the Committee. The terms of reference of the said committee is in accordance with the requirements of the provision of the said Section 292A and the Listing Agreement.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The requirement of disclosures in terms of Section 217(1)(e) of the Companies Act, 1956, pertaining to the conservation of energy and technology absorption is not applicable to the Company due to the very nature of the industry in which it operates.

During the period under review, your Company has neither earned any foreign exchange earning nor incurred any expenses in the foreign exchange.

Directors' Responsibilities Statement

Your Directors in compliance with Section 217(2AA) of the Companies Act, 1956 confirms that in the preparation of the Annual Accounts for the year ended March 31, 2009:

- (a) the applicable Accounting Standards had been followed along with proper explanation relating to material departures, if any;
- (b) the Company has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2010 and the profit of the Company for the year;
- (c) proper and sufficient care has been taken 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;
- (d) the Annual Accounts of the Company has been prepared on a going concern basis.

Auditors

M/s. G. M. Kapadia & Co, Chartered Accountants who have been appointed as the Statutory Auditors of the Company at the last Annual General Meeting, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommends their re-appointment.

Comments on Auditors' Report

In relation to the matters dealt with by the Auditors in the Audit Report we state with respect to the observation in annexure (i) (b) regarding physical verification of distribution equipments your directors clarify that these will be physically verified. In respect of the Cable TV and Internet Access Devices, the Company has reconciled the book stock with physical stock and there was no significant difference, which though not dealt with in the books of accounts does not have any material impact.

Acknowledgements

Your Directors takes this opportunity to place on record a sincere appreciation and thanks to its stakeholders including subscribers, shareholders, bankers and employees for their excellent contribution and support towards progress of the organisation.

FOR AND ON BEHALF OF THE BOARD

Place: Mumbai
Dated: August 14, 2010

K. JAYARAMAN
Chairman

REPORT ON CORPORATE GOVERNANCE**1. Company's Philosophy on Corporate Governance**

Corporate Governance is a synonym for sound management, transparency and disclosure, encompassing good corporate practices, procedures, standards and implicit rules which propel a Company to take sound decisions, thus maximizing long-term shareholders' value. Corporate Governance is beyond the realm of law. It stems from the management's mindset and cannot be regulated by legislation alone.

The Company continues to focus on good Corporate Governance, in line with local and global standards. Its primary objective is to create and adhere to a corporate culture of conscience and consciousness, integrity, transparency and accountability for efficient and ethical conduct of business for meeting its obligations towards shareholders and other stakeholders.

Corporate Governance is an integral part of the philosophy of the Company in its pursuit of excellence, growth and value creation. In addition to complying with the statutory requirements, effective governance systems and practices towards improving transparency, disclosures, internal controls and promotion of ethics at work place have been institutionalized. The Company recognizes that good governance is a continuing exercise and reiterates its commitment to pursue highest standards of Corporate Governance in the overall interest of all its stakeholders.

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges in India, the report containing the details of governance systems and processes at Hathway Bhawani Cabletel & Datacom Limited is as under:

2. Board of Directors**a) Composition of the Board of Directors**

The Board of Directors ("Board") of the Company has an optimum combination of executive, non-executive and independent directors, who have in depth knowledge of business, in addition to the expertise in their areas of specialization. The Board provides leadership, strategic guidance and an independent view to the Company's management. The Board comprises of One Executive Director and Five Non-Executive Directors. The Chairman of the Board is a Non-executive Director and one third of the Board comprises of independent Directors. The composition of the Board and other relevant details relating to Directors are given below:

| Name of the Director | Relation ship with other Directors | Designation | Category of Directorship | No. of Other Directorships* | No. of Other Committee Memberships # | |
|----------------------|------------------------------------|-------------|---------------------------------|-----------------------------|--------------------------------------|--------|
| | | | | | Chairman | Member |
| Mr. K. Jayaraman | None | Chairman | Non-Executive & Non Independent | 1 | Nil | 1 |

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

| | | | | | | |
|-----------------------|------|--|---------------------------------|-----|-----|-----|
| Mr. Kuldeep Puri | None | Managing Director | Executive & Non Independent | 1 | Nil | Nil |
| Mr. Milind Karnik | None | Director | Non-Executive & Non Independent | Nil | Nil | Nil |
| Mr. Dilip Worah | None | Director | Non-Executive & Independent | Nil | Nil | Nil |
| Mr. L. K. Kannan | None | Director | Non-Executive & Independent | Nil | Nil | Nil |
| Mr. Krishna Parolia | None | Director | Non-Executive & Independent | Nil | Nil | Nil |
| Mr. T. Rajaram *** | None | Alternate Director to Mr. K. Jayaraman | Non-Executive & Non Independent | Nil | Nil | Nil |

* Directorships in Private and Foreign Companies, if any, are excluded.

** Memberships of only Audit Committee and Shareholders' Grievance Committee have been considered.

*** T. Rajaram was appointed as Alternate Director to Mr. K. Jayaraman w.e.f July 30, 2009.

b) Re-appointment of Directors:

Pursuant to the provisions of Sections 255 & 256 of the Companies Act, 1956, Mr. Dilip Worah and Mr. L. K Kannan shall retire by rotation at the forthcoming Annual General Meeting.

The Board has recommended the re-appointment of Mr. Dilip Worah and Mr. L. K Kannan as Directors to the shareholders. The detailed resume of the aforesaid proposed appointees is provided in the notice of the Annual General Meeting.

c) Board Meetings and Annual General Meeting:

During the financial year 2009-10, 8 Board Meetings were held on May 2, 2009, June 30, 2009, July 30, 2009, July 31, 2009, August 25, 2009, September 30, 2009, October 31, 2009 and January 30, 2010. The last Annual General Meeting of the Company was held on 30th September 2009. The details of attendance of Directors in Board Meetings and the last Annual General Meeting are as follows.

| Name of the Director | No. of Board Meetings Attended | Attendance at Last Annual General Meeting |
|-----------------------------|---------------------------------------|--|
| Mr. K. Jayaraman | 2 | No |
| Mr. Kuldeep Puri | 8 | Yes |
| Mr. Milind Karnik | 8 | Yes |
| Mr. Ketan Chokshi * | 0 | Yes |

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

| | | |
|---------------------|---|------|
| Mr. Dilip Worah | 7 | Yes |
| Mr. L. K. Kannan | 8 | Yes |
| Mr. Krishna Parolia | 0 | No |
| Mr T. Rajaram | 5 | N.A. |

- Mr. Ketan Choksi resigned as a director w.e.f March 25, 2010.

d) Code of Conduct

The Board has laid down a code of conduct for all Board members and senior management of the Company.

The Company has obtained the confirmation of the Compliance with the Code from all its Board members and senior management personnel. As required by Clause 49 of the Listing Agreement, the declaration on compliance of the Company's code of conduct signed by Managing Director forms a part of this Annual Report.

3. **Audit Committee**

a) Constitution of Audit Committee:

The Committee comprises three Non-executive Directors majority of whom are independent directors. All members of the Committee are financially literate. The Chairman of the Committee is a member of the Institute of Chartered Accountants of India.

b) Composition of Audit Committee and Number of Meetings Attended:

During the Financial year 2009-10, three Audit Committee Meetings were held on June 30, 2009, July 30, 2009, October 31, 2009 and January 30, 2010. The composition of the audit committee and the number of meeting attended members of the audit committee were as under:

| Committee Members Attending the Meeting | Designation | No. of Meetings Attended |
|--|--------------------|---------------------------------|
| Mr. Dilip Worah | Chairman | 4 |
| Mr. Milind Karnik | Member | 4 |
| Mr. L. K. Kannan | Member | 4 |

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The composition of the audit committee is complied with the requirements of Clause 49 of Listing Agreement and section 292A of the Companies Act, 1956.

c) Attendees:

The Audit Committee invites such executives, as it considers appropriate to be present at its meetings. The Manager – Accounts attends such meetings. The Statutory Auditors are also invited to these meetings.

d) The Terms of Reference of the Audit Committee:

The terms of reference of the Audit Committee are based on the guidelines of the listing agreement as detailed below:

- i) Hold discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.
- ii) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- iii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- iv) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- v) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - (b) Changes, if any, in accounting policies and practices and reasons for the same.
 - (c) Major accounting entries involving estimates based on the exercise of judgement by management.
 - (d) Significant adjustments made in the financial statements arising out of audit findings.
 - (e) Compliance with listing and other legal requirements relating to financial statements.
 - (f) Disclosure of any related party transactions.
 - (g) Qualifications in the draft audit report.

- vi) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
 - vii) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
 - viii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 - ix) Discussion with internal auditors on any significant findings and follow up there on.
 - x) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 - xi) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - xii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
 - xiii) Review of information as prescribed under Clause 49 (II)(E) of the listing agreement.
- e) Powers of the Audit Committee:

The Board has delegated the following powers to the Audit Committee:

- i) Investigating any activity within its terms of reference as above, or in relation to the items specified in Section 292A of the Companies Act, 1956, or as may be referred to it by the Board, from time to time and for this purpose, it shall have full access to information contained in the records of the Company and external professional advice, if necessary
- ii) Seek information from any employee.
- iii) Obtain outside legal or other professional advice, if necessary.
- iv) Secure attendance of outsiders with relevant expertise, if it considers necessary.

4. Remuneration Committee

- a) Constitution of Remuneration Committee:

The Remuneration Committee comprises of four members. All the members are Non-Executive Directors.

| Committee Members Attending the Meeting | Designation |
|--|--------------------|
| Mr. K. Jayaraman | Chairman |
| Mr. Dilip Worah | Member |
| Mr. L. K. Kannan | Member |
| Ms. Krishna Parolia | Member |

- b) Composition of Remuneration Committee and the number of meetings attended:
No meeting of the remuneration committee was held during the Financial Year 2009-10.
- c) Terms of reference:
The committee has the mandate to review and recommend compensation payable to the executive directors and senior management of the company. It shall also administer the company's stock option plans, if any, including the review and grant of the stock options to eligible employees under plans. The committee may review the performance of the Executive Directors, if any and for the said purpose may lay down requisite parameters for each of the executive directors at the beginning of the year.
- d) Remuneration Policy:
- i) Management Staff:
Remuneration of employees largely consists of basic remuneration and perquisites. The components of the total remuneration vary for different grades and are governed by industry patterns, qualifications and experience of the employee, responsibilities handled by him, his individual performance, etc.
- ii) Non-Executive Directors:
The Company pays sitting fees to Non-executive & Independent Directors of the Company. The sitting fees paid is within the limits prescribed under the Companies Act, 1956.

The Remuneration Committee at their Meeting held on November 30, 2006 had approved payment of sitting fees upto Rs.5000/- for each meeting of Board of Directors. During the financial year 2009-10, an amount of Rs.2000/-(per director) was paid to the independent Directors in respect of each Board Meeting attended by them. Details of the Sitting fees paid during the year 2009-10 is as under:

| Name of the Non-Executive Director | Sitting Fees Paid (Amt. in Rs.) |
|---|--|
| Mr. Dilip Worah | 8,000 |
| Mr. L.K. Kannan | 8,000 |
| Mr. Krishna Parolia | - |
| Total | 16,000 |

iii) Executive Directors:

Mr. Kuldeep Puri, Managing Director, is the only Executive Director in the Company. The tenure of Mr. Kuldeep Puri is for a period of 3 years with effect from June 1, 2007. The remuneration of the Executive Director for the period commencing from June 1, 2007 to May 31, 2010, has been approved by the Remuneration Committee of the Board of Directors, the Board of Directors and the Shareholders in the General Meeting.

Details of remuneration paid to Executive Directors during year ended March 31, 2010 are given below:

| Name of the Executive Director | Designation | Salary & Perquisites (Rs.) | Commission (Rs.) | Total (Rs.) |
|---------------------------------------|--------------------|---------------------------------------|-------------------------|--------------------|
| Mr. Kuldeep Puri | Managing Director | 10,20,000 | - | 10,20,000 |

5. Shareholders'/Investors' Grievance Committee

a) Constitution and Composition of Shareholders' Grievance Committee:

The Shareholders'/Investors' Grievance Committee has been constituted to look into investor's complaints like transfer of shares, non-receipt of declared dividends, etc. and to take necessary steps for redressal thereof. The Committee is a Board level committee under the Chairmanship of Mr. Milind Karnik, a Non-Executive Director. No meeting of shareholders/investors' grievance committee was held during the financial year 2009-2010. Mr. Milind Karnik and Mr. K. Jayaraman are the members of the Committee.

b) Mr. Kuldeep Puri, Managing Director, is the Compliance officer of the Company.

c) During the year 2009-10, the Company has received no investor complaints. There were no complaints pending as at end of the year.

d) Share Transfers in Physical Mode:

Shares sent for physical transfer are generally registered and returned within a period of 15 days from the date of receipt, if the documents are clear in all respects. The Shareholders' Committee of the Company meets as often as required. There were no physical transfers during the year under review.

6. General Body Meetings

- i) Location, time and date of holding of the last three Annual General Meetings (AGM) are given below:

| Year | Date | Venue | Time |
|------|------------|---|-----------|
| 2007 | 28.09.2007 | Sanjona Complex, 3rd Floor, Hemu Kalani Marg, Plot 11-A, Sindhi Society, Chembur, Mumbai - 400071 | 4.00 p.m. |
| 2008 | 30.09.2008 | Sanjona Complex, 3rd Floor, Hemu Kalani Marg, Plot 11-A, Sindhi Society, Chembur, Mumbai - 400071 | 4.00 p.m. |
| 2009 | 30.09.2009 | Sanjona Complex, 3 rd Floor, Hemu Kalani Marg, Plot 11-A, Sindhi Society, Chembur, Mumbai – 400071 | 4.00 p.m. |

- ii) There were no Special Resolutions passed during previous three Annual General Meetings.
- iii) During the year 2009-10, the Company has not passed any resolution by way of Postal Ballot.
- iv) Resolutions if any passed by Postal Ballot shall be in accordance with the provisions of Section 192A of the Companies Act, 1956 read with Companies (Procedure for Passing of Postal Ballot) Rules, 2001

7. Means of Communication

- (i) The quarterly results of the Company are generally published in Mumbai Lakshdeep (*Marathi Newspaper*) and Business Standard (*English Newspaper*). The Company proposes that all quarterly, half-yearly and full year financial results be published at least in 2 newspapers. The quarterly results are further submitted to the Bombay Stock Exchange Limited immediately after the conclusion of the respective meetings.
- (ii) No presentations were made to institutional investors or to the analysts during the year under review.
- iii) The Management Discussion and Analysis Report forms a part of this Annual Report.

8 General Shareholder Information

- a. *Date, time and venue of Annual General Meeting of Shareholders* 30th September, 2010 at 4:00 p.m. at Sanjona Complex, 5th Floor, Hemu Kalani Marg, Plot 11-A, Sindhi Society, Chembur, Mumbai – 400 071.

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- b. *Dates of book closures* 26th September, 2010 to 30th September, 2010 (Both days inclusive)
- c. *Dividend Payment* Not Applicable
- d. *Financial Calendar* The Company follows April-March as its financial year. The results for every quarter beginning from April are declared as per the listing agreement.
- e. *Listing on stock exchanges* Bombay Stock Exchange Limited
- f. *Listing fees* Paid to Bombay Stock Exchange Limited
- g. *Registered office* “Rahejas”, 4th Floor, Corner of Main Avenue & V.P. Road, Santacruz (West), Mumbai- 400 054.
Tel: (022) 26001306
Fax: (022) 26001307
- h. *Registrar and Share Transfer agents* **Bigshare Services Private Ltd.**
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri (East), Mumbai – 400 072
Tel.: (022) 28470652/28470653
Fax: (022) 28525207
Email: bigshare@bom7.vsnl.net.in
- i. *Share Transfer System* Shares sent for physical transfer are generally registered and returned within a period of 15-20 days from the date of receipt, if the documents are clear in all respects. The Shareholders/Investor Grievance committee of the Company meets as often as required.
- j. *Plant Locations* The Company does not have any manufacturing activities.
- k. *Stock Market price data* Monthly high and low at Bombay Stock Exchange Limited, for financial year ended 31st March 2010:

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

| Month | High (Rs.) | Low (Rs.) |
|-----------------|-------------------|------------------|
| April, 2009 | 6.8 | 5.0 |
| May, 2009 | 9.4 | 6.1 |
| June, 2009 | 10.9 | 7.4 |
| July, 2009 | 9.3 | 6.7 |
| August, 2009 | 8.7 | 7.3 |
| September, 2009 | 9.4 | 7.7 |
| October, 2009 | 18.3 | 8.5 |
| November, 2009 | 19.2 | 13.3 |
| December, 2009 | 14.5 | 11.4 |
| January, 2010 | 15.3 | 11.3 |
| February, 2010 | 17.6 | 10.1 |
| March, 2010 | 10.8 | 8.5 |

l. a) Distribution of Shareholding:

| Range in Rupees | No. of Shareholders | % of Shareholders | Amount (in Rs.) | % of Total |
|------------------------|----------------------------|--------------------------|------------------------|-------------------|
| 1 - 5,000 | 2162 | 95.03 | 15,49,140 | 19.36 |
| 5,001 - 10,000 | 58 | 2.55 | 4,35,243 | 5.45 |
| 10,001 - 20,000 | 21 | 0.92 | 3,15,325 | 3.94 |
| 20,001 - 30,000 | 12 | 0.53 | 3,03,501 | 3.79 |
| 30,001 - 40,000 | 9 | 0.40 | 3,17,724 | 3.97 |
| 40,001 - 50,000 | 4 | 0.17 | 1,99,812 | 2.50 |
| 50,001 - 1,00,000 | 4 | 0.18 | 3,34,419 | 4.18 |
| 1,00,001 & above | 5 | 0.22 | 45,44,836 | 56.81 |
| Total | 2,275 | 100.00 | 80,00,000 | 100.00 |

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

b) *Category wise Distribution Schedule as on 31st March 2010*

| Sr. No. | Category | No. of Shares held | % |
|---------|-----------------------------|--------------------|---------------|
| 1. | Promoter and Promoter Group | 44,87,567 | 55.85 |
| 2. | Private Bodies Corporate | 4,44,606 | 4.44 |
| 3. | Indian Public | 30,57,716 | 39.24 |
| 4. | NRIs/OCBs | 4,400 | 0.05 |
| 5. | Clearing Members | 5,711 | 0.42 |
| | Total | 80,00,000 | 100.00 |

m. Dematerialisation of shares and liquidity

The Company has established required connectivity with Central Depository Services (India) Limited and National Securities Depository Limited and the same are available in electronic segment under ISIN No. INE 525B01016. As on 31st March 2010, 7,855,579 Equity Shares representing 98.19% had been dematerialized.

- n. *Address for correspondence* "Rahejas", 4th Floor, Corner of Main Avenue & V.P. Road,
For general Correspondence Santacruz (West), Mumbai – 400 054.
Tel: (022) 26001306 Fax: (022) 26001307

For matters related to Share transfers Dematerialisation, etc.

Bigshare Services Private Ltd.
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri (East), Mumbai – 400 072
Tel.: (022) 28470652/28470653
Fax: (022) 28525207
Email: bigshare@bom7.vsnl.net.in

- o. *Stock Exchange Code:-* 509073

9. Other Disclosures

- a. The Company has arrangement with Hathway Cable & Datacom Limited, for revenue sharing for its Internet through Cable Division. The Company also had transactions with Hathway Cable & Datacom Limited for advertisement revenue, purchased of assets and purchase of Set-Top-Boxes. The details of related party transactions are given at Point No. 10 of Part B of Schedule N, being Notes forming part of Accounts. The transactions with other related parties are as per the table given below.

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

| Sr. No. | Name | Nature of Relationship | Amount (in Rs) | Nature of Payment |
|---------|---|--|----------------|--------------------------------------|
| 1. | Mr. Kuldeep Puri | Managing Director –Key Management Personnel | 12,03,270 | Salary, Perquisites & Reimbursements |
| 2. | Mr. Kulbhushan Puri as Karta of M/s Kulbhushan Puri HUF | Relative of Managing Director | 13,22,681 | Consultancy fees & Reimbursements |

There have been no related party transactions for the year ended March 31, 2010, which have potential conflict with the interests of the Company at large.

b. Shareholding of the Non-executive Directors as on 31st March 2010:

| Sr. No. | Name of the Director | No. of Shares held |
|---------|----------------------|--------------------|
| 1 | Mr. K. Jayaraman | Nil |
| 2 | Mr. Milind Karnik | Nil |
| 3 | Mr. Dilip Worah | Nil |
| 4 | Mr. L. K. Kannan | Nil |
| 5 | Mr. Krishna Parolia | Nil |
| 6 | Mr. T. Rajaram | Nil |

- c. The Company has complied with the requirements of regulatory authorities on capital markets and no penalty / stricture was imposed on the Company during the last three years.
- d. The Company has complied with the non-mandatory requirements relating to remuneration Committee. The financial statements of the Company are unqualified.
- e. The Company has not implemented the Whistle Blower Policy which is a non-mandatory requirement under the code of the Corporate Governance.

CODE OF CONDUCT DECLARATION

Pursuant to Clause 49 I (D) of the Listing Agreement entered into with the Stock Exchanges, I hereby declare that the Company has obtained affirmative compliance with the code of conduct from all the Board members and senior management personnel of the Company.

Kuldeep Puri
Managing Director

Place: Mumbai
Date: August 14, 2010

MANAGEMENT DISCUSSION & ANALYSIS REPORT

OVERALL REVIEW

The financial year 2009–10 was hard- hitting for the entire economy including Cable TV industry as a whole due to outbreak of global recession and increase in operating cost of the business. However, during the year under review your company was in a position to generate marginal profits due to efficient management of resources and good recoveries. The profit after taxation of the Company was Rs. 4.02 Lacs as compared to previous year profit of Rs 20.90 Lacs. The Company was also successful in its dedicated and result oriented efforts to maintain its market share and income from operations.

OPPORTUNITIES, THREATS AND BUSINESS OUTLOOK

The Telecom Regulatory Authority of India (TRAI) has recommended a four phase digitization process for the cable tv networks in India while setting a sunset date of 31st December 2013 for complete switchover to digital cable. Mumbai falls in the first phase and the digitization is to be completed by 31st March, 2011. Our company is already installing the Set Top Boxes (STB's) since many years. Digitisation will put the company in better shape as the revenues from subscriptions will improve vastly. The company will also be able to add more subscribers easily. The company is likely to face stiff competition from DTH and other MSOs.

RISKS AND CONCERNS

Looking at the competition in the DTH space and the rapid technological changes in the industry, company may be required to constantly upgrade its infrastructure, which will entail substantial capital expenditure. Further the Government may regulate the CATV rates.

However, the Company is fully geared up to take on any technological change in the industry. The Company is taking various steps for reducing operating cost and other expenses by:

- a) Improving efficiency through innovative solutions
- b) Curtailing overheads by exercising strict control and regular review mechanism.
- c) Stringent control procedures for fast recoveries.
- d) Retiring off expensive loans.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company has proper and adequate internal control system under which management reports on key performance indicators and variance analysis are made. Regular Management committee meetings are held where these reports and variance analysis are discussed and action plan initiated with proper follow up. Operational Reports are tabled at Board Meetings after being discussed in Audit Committee meetings

SEGMENT-WISE OR PRODUCT WISE PERFORMANCE

The Company operates in a single segment viz. CATV. The reason being CATV & ISP services are provided by using same, common infrastructure. CATV Business comprises of receiving, distributing and transmitting satellite channel programs and ISP Business comprises providing internet services through Cable. Considering the recent business developments and changes that have taken place over the years concerning returns and risks involved in these two activities, the entire business has been considered as one primary segment as per the provisions of Accounting Standard 17. The Company operates within the geographical limits of India and accordingly secondary segments have not been considered.

HUMAN RESOURCES

An Orientation has been given to the personal policy with emphasis on performance Employee strength was increased at various levels with reallocation of responsibilities for better utilization of resources.

Measures are continuing to facilitate higher levels of output and productivity. Managerial Effectiveness is being improved by appropriate development and training programs, better co-ordination and improvement in communications.

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED**COMPANY'S FINANCIAL PERFORMANCE AND ANALYSIS**

(Rs In Lacs)

| | Year 2009-10 | | Year 2008-09 | |
|--|----------------|---------------|----------------|---------------|
| | Rs. | % | Rs. | % |
| INCOME | | | | |
| Income from Operations | 1224.80 | 99.57 | 1223.11 | 99.67 |
| Other Income | 5.25 | 0.43 | 4.11 | 0.33 |
| TOTAL | 1230.05 | 100.00 | 1227.21 | 100.00 |
| EXPENDITURE | | | | |
| Operational Expenses | 881.16 | 71.64 | 845.75 | 68.92 |
| Staff Cost | 104.53 | 8.50 | 107.07 | 8.72 |
| Administration and General Expenses | 164.63 | 13.38 | 175.84 | 14.33 |
| Finance Charges | 7.79 | 0.63 | 5.01 | 0.41 |
| Depreciation / Amortization | 77.76 | 6.32 | 76.36 | 6.22 |
| Miscellaneous Expense written off | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL | 1235.87 | 100.47 | 1210.03 | 98.60 |
| Profit/(Loss) Before Taxation and Exceptional items | (5.82) | (0.47) | 17.18 | 1.40 |
| Provision for Diminution of Investments | 0.00 | | 0.00 | 0.00 |
| Profit / (Loss) Before Taxation | (5.82) | (0.47) | 17.18 | 1.40 |
| Provision for Taxation | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred Tax | 9.84 | 0.80 | 6.38 | 0.52 |
| Fringe Benefit Tax | 0.00 | 0.00 | (2.65) | (0.22) |
| Profit / (Loss) After Taxation | 4.02 | 0.33 | 20.91 | 1.70 |

CAUTIONARY STATEMENT

The Statement in the Management Discussion and Analysis report can not be construed as holding out any forecasts, projections, expectations, invitations, offers etc. within the meaning of applicable securities, laws and regulations. This Report basically seeks to furnish information, as laid down within the different headings to meet the listing agreement requirements.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the members of

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

1. We have examined the compliance of conditions of Corporate Governance by HATHWAY BHAWANI CABLETEL & DATACOM LIMITED ("the Company"), for the year ended on 31st March 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For G. M. KAPADIA & CO.
Chartered Accountants

Mumbai
Dated: 14th August 2010

(VIRENTHAKKAR)
Partner
(Membership No. 49417)

**AUDITOR'S REPORT TO THE MEMBERS OF
HATHWAY BHAWANI CABLETEL & DATACOM LIMITED**

1. We have audited the attached Balance Sheet of **HATHWAY BHAWANI CABLETEL & DATACOM LIMITED** as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v. On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India: -
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010, and
 - b. In the case of the Profit & Loss Account, of the profits of the Company for the year ended on that date.
 - c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For G. M. KAPADIA & CO.
Chartered Accountants
(Firm ICAI Registration No. 104767W)

(VIREN THAKKAR)
Partner
(Membership No. 49417)

Mumbai
Dated : 27th May, 2010

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained records of fixed assets, other than distribution equipments, showing particulars, including quantitative details and location. As explained to us, nature of some of the distribution equipments (like cabling and other line equipments) is such that maintaining location-wise details is impractical. *The management had planned to maintain maps to identify, quantity and location of such equipments. However, updation/ preparation of maps relating to addition/ replacement is in process.*
- (b) According to the information and explanations given to us, fixed assets, other than distribution equipments including Cable TV/ Internet Access Devices with the subscribers, were physically verified during the year as per the programme of verification which, in our opinion, is reasonable. Discrepancies arising on such physical verification have been properly dealt within the books of accounts. *However, in absence of physical verification, discrepancies in distribution equipments have not been ascertained and not dealt within the books of accounts.*
- (c) During the year, Company has not disposed of any substantial / major part of fixed assets.
- (ii) (a) As explained to us, inventories have been physically verified during the year by the management.
- (b) The procedures of physical verification, in our opinion, are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company is maintaining proper records of inventory. No discrepancies were noticed on verification between the physical stocks and the book records.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the sub-clauses (a) to (g) of the clause 4 (iii) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. *In our opinion, the internal control system in respect of certain areas of sale of services needs to be further strengthened.* The Company has initiated necessary steps to strengthen the procedures wherever required. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions for the year that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- (b) In our opinion and according to the information and explanation given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the registers maintained under section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time to the extent the same are available with the Company and in accordance with the approvals obtained from the Central Government, wherever applicable.
- (vi) In our opinion and according to the information and explanation given to us, the Company has not accepted deposits from the public and therefore, the provisions contained in sections 58A, 58AA or any other relevant provisions of the Act and Rules framed there under are not applicable to the Company.
- (vii) The Company has an internal audit system. However there is scope for increasing the coverage so as to commensurate with the size and nature of its business.
- (viii) The Central Government has prescribed maintenance of Cost Records under Section 209(1)(d) of the Act in respect of certain service activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (ix) (a) Based on the records produced before us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues such as provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth tax, Service tax, custom duty, excise duty, cess and other material statutory dues wherever applicable and there are no amounts in arrears as at 31st March , 2010 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, there are no dues payable by the Company on account of any dispute in case of income tax, wealth tax, sales tax, custom duty, service tax, excise duty and cess as on 31st March 2010. Hence the question of depositing such dues on account of any dispute does not arise.
- (x) The accumulated losses at the end of the financial year are in excess of fifty percent of the net worth of the Company. The Company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in the payment of dues to financial institution or bank or debenture holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

- (xiii) In our opinion, the company is not a nidhi / mutual fund / society. Therefore the provisions of clause 4(xiii) of the order are not applicable to the Company.
- (xiv) According to the information and explanations given to us the Company is not dealing or trading in shares, securities, debentures and other investments. All shares, debentures and other investments have been held by the Company in its own name except certain government securities which are held in the name of the officials of the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the short term loans taken during the year and the term loans taken in earlier years were applied for the purposes for which they were raised.
- (xvii) According to the information and explanations given to us and overall examination of the Cash Flow Statement and Balance Sheet of the Company, we report that the funds raised on short-term basis have, prima facie, not been used during the year for long term investment. All the assets have been funded by long term funds.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year hence the question of whether the price at which shares have been issued is prejudicial to the interest of the company does not arise.
- (xix) The Company has not issued any debentures hence the question of whether securities or charge have been created does not arise.
- (xx) The Company has not raised any money by public issues during the year covered by our report.
- (xxi) Based upon the audit procedures performed and the information and explanation given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For G. M. KAPADIA & CO.
Chartered Accountants
(Firm ICAI Registration No. 104767W)

(VIREN THAKKAR)
Partner
(Membership No. 49417)

Mumbai
Dated : 27th May, 2010

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2010

| | Schedule | 31-Mar-10 | | 31-Mar-09 |
|--|-------------------|--------------------------------|--------------------|--------------------|
| | | Rupees | Rupees | Rupees |
| SOURCES OF FUNDS | | | | |
| Shareholders Funds | | | | |
| Share Capital | A | 80,000,000 | | 80,000,000 |
| Reserves and Surplus | B | 15,000,000 | | 15,000,000 |
| | | | 95,000,000 | 95,000,000 |
| Loan Funds | | | | |
| Secured Loans | C | | 8,822,047 | 4,823,434 |
| | | | 4,497,434 | 5,481,535 |
| Deferred Tax Liability (Net of Assets) (Refer Note no. B(11)of Schedule "N") | | | | |
| | | | 108,319,481 | 105,304,969 |
| APPLICATION OF FUNDS | | | | |
| Fixed Assets | | | | |
| Gross Block | D | 120,818,312 | | 115,518,824 |
| Less: Accumulated Depreciation & Amortisation | | 68,830,461 | | 62,711,917 |
| Net Block | | 51,987,851 | | 52,806,907 |
| Capital Work-in-Progress | | 1,084,863 | 53,072,714 | 639,205 |
| | | | 133,000 | 53,446,112 |
| | | | | 133,000 |
| Investments | | | | |
| Net Current Assets, | | | | |
| <u>Current Assets, Loans & Advances</u> | | | | |
| Inventories | F | 523,551 | | 269,109 |
| Sundry Debtors | | 37,892,582 | | 37,379,514 |
| Cash and Bank balances | | 11,185,669 | | 6,825,453 |
| Other Current Assets | | 227,206 | | 551,203 |
| Loans & Advances | | 11,532,955 | | 9,264,666 |
| | | 61,361,963 | | 54,289,945 |
| <u>Less: Current Liabilities & Provisions</u> | | | | |
| Current Liabilities | G | 56,930,227 | | 54,726,614 |
| | | | 4,431,736 | (436,669) |
| Net Current Assets | | | 50,682,031 | 52,162,526 |
| Profit & Loss Account Debit Balance | | | | |
| Significant Accounting Policies and Notes Forming Part of Accounts | N | | 108,319,481 | 105,304,969 |
| As Per Our Report Of Even Date | | For and on behalf of the Board | | |
| For G. M. Kapadia & Co. | | | | |
| Chartered Accountants | | | | |
| VIREN THAKKAR | KULDEEP PURI | K. JAYARAMAN | | |
| (Partner) | Managing Director | (Chairman) | | |
| | MILIND KARNIK | | | |
| | (Director) | | | |
| Mumbai | | Mumbai | | |
| Dated : May 27, 2010 | | Dated : May 27, 2010 | | |

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

| | Schedule | 2009-10 Rupees | 2008-09 Rupees |
|--|-----------------------------------|--------------------------------|---------------------|
| INCOME | | | |
| Income from Operations | H | 122,480,122 | 122,310,702 |
| Other Income | I | 524,518 | 410,775 |
| | | 123,004,640 | 122,721,477 |
| EXPENDITURE | | | |
| Operational Expenses | J | 80,891,467 | 75,224,878 |
| Staff Cost | K | 10,452,795 | 10,707,325 |
| Administration and General Expenses | L | 16,462,855 | 17,584,191 |
| Provision for Bad and Doubtful debts | | 7,225,000 | 9,350,000 |
| | | 115,032,117 | 112,866,394 |
| PROFIT BEFORE INTEREST, DEPRECIATION, AMORTISATION AND TAXATION | | 7,972,523 | 9,855,083 |
| Interest and Finance Charges | M | 779,301 | 500,952 |
| Profit after Operating Expenses & Interest | | 7,193,222 | 9,354,130 |
| Depreciation | | 6,410,249 | 6,268,124 |
| Amortisation | | 1,365,324 | 1,367,536 |
| Profit / (Loss) before Taxation | | (582,351) | 1,718,470 |
| Less : Provision For Taxation | | | |
| Deferred Tax | | (984,101) | (638,081) |
| Fringe Benefit Tax | | - | 265,645 |
| | | 401,750 | 2,090,906 |
| Profit / (Loss) After Taxation | | | |
| Balance b/f from Previous year | | (52,162,527) | (57,155,953) |
| Short Provision of Taxes for earlier year | | (241,962) | - |
| Prior Period Adjustments (Net) | | 1,320,707 | 2,902,520 |
| Balance carried to Balance Sheet | | (50,682,031) | (52,162,527) |
| Earning Per Share (Refer Note No. B (10) of Schedule "N") | | 0.19 | 0.62 |
| Significant Accounting Policies and Notes Forming Part of Accounts | N | | |
| As Per Our Report Of Even Date For G. M. Kapadia & Co. Chartered Accountants | | For and on behalf of the Board | |
| VIREN THAKKAR (Partner) | KULDEEP PURI Managing Director | K. JAYARAMAN (Chairman) | |
| | MILIND KARNIK (Director) | | |
| Mumbai Dated : May 27, 2010 | | Mumbai Dated : May 27, 2010 | |

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| | 2009-10 | | 2008-09 | |
|---|--------------------------------|-----------------------------|--------------|-------------------|
| | Rs. | Rs. | Rs. | Rs. |
| 1 CASH FLOW FROM OPERATING ACTIVITIES: | | | | |
| NET PROFIT / (LOSS) AFTER TAX PRIOR PERIOD | | 496,395 | | 4,089,701 |
| ADJUSTEMENTS | | | | |
| A Adjustment for : | | | | |
| 1 Non Cash Charges | | | | |
| Depreciation \ Amortisation | 7,775,573 | | 7,635,660 | |
| Irrecoverable amount w/off (net) | 68,113 | | 727,026 | |
| Provision for Bad Debts | 7,225,000 | | 9,350,000 | |
| Sundry balance written back | (225,755) | | (56,736) | |
| 2 Item Considered Separately | | | | |
| (Profit) / loss on sale of Fixed Assets net | 159,619 | | (27,405) | |
| Interest Income | (254,036) | | (292,252) | |
| Interest Expense | 779,301 | 15,527,815 | 500,953 | 17,837,246 |
| Operating Profit Before Change in Working Capital | | 16,024,209 | | 21,926,947 |
| Taxes Paid | - | - | - | 265,645 |
| | | 16,024,209 | | 22,192,592 |
| B Change in Working Capital | | | | |
| (Increase) / Decrease in Inventories | (254,442) | | (61,192) | |
| (Increase) / Decrease in Debtors | (7,806,181) | | (19,414,516) | |
| (Increase) / Decrease in Other Current Assets | 323,997 | | (179,318) | |
| (Increase) / Decrease in Loans & Advances | (2,268,289) | | (1,555,761) | |
| Increase / (Decrease) in Current Liabilities | 2,429,367 | (7,575,548) | 6,127,208 | (15,083,579) |
| Net Cash from Operation Activities | | 8,448,661 | | 7,109,013 |
| 2 CASH FLOW FROM INVESTING ACTIVITIES: | | | | |
| Interest received | 254,036 | | 292,252 | |
| Proceeds for sale of Fixed assets | 245,741 | | 253,637 | |
| Purchase of Fixed Assets | (7,807,534) | | (8,315,166) | |
| Purchase of Investments | - | | (3,000) | |
| Proceeds on Sale of Investment | - | | 1,063,800 | |
| Net cash Realised from Investing Activities | | (7,307,757) | | (6,708,477) |
| 3 CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Loan taken during the year | 9,469,950 | | - | |
| Loan repaid during the year | (5,471,337) | | (387,769) | |
| Interest charges | (779,301) | | (500,952) | |
| Net cash Realised from Financing Activities | | 3,219,312 | | (888,722) |
| Net increase in Cash and Cash equivalent | | 4,360,216 | | (488,186) |
| Cash & Cash equivalents at the beginning of year | | 6,825,453 | | 7,313,639 |
| Cash & Cash equivalents at the end of year | | 11,185,669 | | 6,825,453 |
| As Per Our Report Of Even Date | For and on behalf of the Board | | | |
| For G. M. Kapadia & Co. | | | | |
| Chartered Accountants | | | | |
| VIRENTHAKKAR | KULDEEP PURI | K. JAYARAMAN | | |
| (Partner) | Managing Director | (Chairman) | | |
| | MILIND KARNIK | | | |
| | (Director) | | | |
| Mumbai | | Mumbai | | |
| Dated : May 27, 2010 | | Dated : May 27, 2010 | | |

SCHEDULES TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| SCHEDULE A | 31-Mar-10 Rupees | 31-Mar-09 Rupees |
|---|-----------------------------|-----------------------------|
| <u>SHARE CAPITAL</u> | | |
| Authorised Capital 10,000,000 Equity Shares of Rs.10/- each | 100,000,000 | 100,000,000 |
| Issued, Subscribed and Paid up Capital 8,000,000 (8,000,000) Equity Shares of Rs.10/- each, fully paid up (Out of the above 4,080,000 (4,080,000) Equity Shares are being Directly and Indirectly held by the Holding company, Hathway Cable & Datacom Limited) | 80,000,000 | 80,000,000 |
| | 80,000,000 | 80,000,000 |
| | | |
| SCHEDULE B | 31-Mar-10 Rupees | 31-Mar-09 Rupees |
| <u>RESERVES & SURPLUS</u> | | |
| Share Premium Balance as per last balance sheet | 15,000,000 | 15,000,000 |
| | 15,000,000 | 15,000,000 |
| | | |
| SCHEDULE C | 31-Mar-09 Rupees | 31-Mar-08 Rupees |
| <u>SECURED LOANS</u> | | |
| <u>Loan & Advances - From Bank</u> | | |
| Cash Credit (Secured against Hypothecation of Book Debts, Headend Equipments, & Fixed Deposit Receipt of Rs. 27.89 Lakhs) | 4,000,000 | 4,000,000 |
| Bank of Maharashtra (Term.Loan) (Secured against director FDR) | 4,000,000 | - |
| Car Loan (Secured against Hypothecation of Vehicles) | 822,047 | 823,434 |
| | 8,822,047 | 4,823,434 |
| | | |

SCHEDULE TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

(In Rupees)

| SCHEDULE D | Gross Block (at Cost) | | | | Depreciation / Amortization | | | | Net Block | |
|---------------------------------|-----------------------|---------------------------------|----------------------------------|---------------------|-----------------------------|---------------------------------|----------------------------------|---------------------|---------------------|--------------------|
| | As at 01.4.2009 | Additions during the year | Deductions during the year | As at 31.03.2010 | As at 01.4.2009 | Additions during the year | Deductions during the year | As at 31.03.2010 | As at 31.03.2010 | As at 31.3.2009 |
| FIXED ASSETS | | | | | | | | | | |
| INTANGIBLE ASSETS | | | | | | | | | | |
| Cable Television Franchise | 26,706,420 | - | - | 26,706,420 | 12,416,823 | 1,335,324 | - | 13,752,147 | 12,954,273 | 14,289,597 |
| Goodwill | 150,000 | - | - | 150,000 | 18,337 | 30,000 | - | 48,337 | 101,663 | 131,663 |
| Computers Software | 227,418 | 244,840 | - | 472,258 | 62,269 | 78,224 | - | 140,493 | 331,765 | 165,149 |
| | 27,083,838 | 244,840 | - | 27,328,678 | 12,497,429 | 1,443,548 | - | 13,940,977 | 13,387,701 | 14,586,409 |
| TANGIBLE ASSETS | | | | | | | | | | |
| Distribution Equipments | 58,484,790 | 5,662,478 | 638,932 | 63,508,336 | 30,765,489 | 4,307,502 | 460,505 | 34,612,486 | 28,895,850 | 27,719,301 |
| Headend Equipments | 17,766,302 | 367,040 | 83,982 | 18,049,360 | 11,505,843 | 900,362 | 63,660 | 12,342,545 | 5,706,815 | 6,260,459 |
| Furniture & Fixtures | 4,499,766 | 24,209 | - | 4,523,975 | 2,878,320 | 293,494 | - | 3,171,814 | 1,352,161 | 1,621,447 |
| Office Equipments | 504,286 | 86,675 | - | 590,961 | 180,029 | 51,077 | - | 231,106 | 359,855 | 324,257 |
| Electrical Fittings | 295,274 | 12,500 | - | 307,774 | 125,186 | 25,022 | - | 150,208 | 157,566 | 170,088 |
| Structural Fittings | 108,275 | - | - | 108,275 | 108,275 | - | - | 108,275 | - | - |
| Airconditioners | 549,213 | - | - | 549,213 | 313,891 | 32,733 | - | 346,624 | 202,589 | 235,321 |
| Pagers & Mobiles | 389,119 | 7,450 | - | 396,569 | 254,817 | 26,131 | - | 280,948 | 115,621 | 134,302 |
| Computers | 2,510,445 | 376,582 | 217,000 | 2,670,027 | 2,085,668 | 270,905 | 210,626 | 2,145,947 | 524,080 | 424,777 |
| Vehicles | 3,327,516 | 580,102 | 1,122,474 | 2,785,144 | 1,996,970 | 424,798 | 922,237 | 1,499,531 | 1,285,613 | 1,330,546 |
| | 88,434,986 | 7,117,036 | 2,062,388 | 93,489,634 | 50,214,488 | 6,332,024 | 1,657,028 | 54,889,484 | 38,600,150 | 38,220,498 |
| Total | 115,518,824 | 7,361,876 | 2,062,388 | 120,818,312 | 62,711,917 | 7,775,572 | 1,657,028 | 68,830,461 | 51,987,851 | 52,806,907 |
| Capital Work-in-Progress | | | | | | | | | 1,084,863 | 639,205 |
| Previous Year | 108,551,530 | 8,436,470 | 1,469,174 | 115,518,824 | 56,319,201 | 7,635,660 | 1,242,942 | 62,711,917 | 52,806,907 | 52,232,329 |

Note

Range of remaining period of ammortisation of intangible asset is as below

Cable Television Franchise 1 to 19 year

Goodwill 1 to 4 year

Computers Software 1 to 5 year

SCHEDULES TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| SCHEDULE E | 31-Mar-10 | | 31-Mar-09 |
|--|------------|-------------------|-------------------|
| | Rupees | Rupees | Rupees |
| INVESTMENTS | | | |
| Investments in Govt. - Securities | | | |
| National Saving Certificates | | 133,000 | 133,000 |
| (Pledged with Government Authorities) | | 133,000 | 133,000 |
| | | | |
| | | | |
| SCHEDULE F | | | |
| CURRENT ASSETS, LOAN & ADVANCES | | | |
| CURRENT ASSETS | | | |
| Inventories (As taken, valued certified by the Management) (Traded Goods including Set Top Boxes are valued at lower of cost or net realizable value) | | 523,551 | 269,109 |
| SUNDRY DEBTORS | | | |
| (Unsecured but Considered Good, to the extent not provided for) | | | |
| - Outstanding for more than 6 Months | 29,545,494 | | 18,313,505 |
| - Others | 28,375,153 | | 34,890,130 |
| | 57,920,647 | | 53,203,635 |
| Less: Provision for bad and doubtful debts | 20,028,065 | | 15,824,121 |
| | | 37,892,582 | 37,379,514 |
| CASH AND BANK BALANCES | | | |
| Cash on hand | 121,310 | | 131,225 |
| Balance with Scheduled Banks | | | |
| - In Current Accounts | 7,699,746 | | 3,426,703 |
| - Cheques on Hand | 98,014 | | - |
| - In Fixed Deposit Account * | 3,266,599 | | 3,267,525 |
| (As security Rs. 478,090 - Against Outstanding Bank Guarantees, Rs. 2,788,509/- against cash credit limit with Bank of Maharashtra) | | 11,185,669 | 6,825,453 |
| LOANS AND ADVANCES | | | |
| Sundry Deposits | 2,612,524 | | 2,575,200 |
| Advances recoverable in cash or in kind or for value to be received | | | |
| Prepaid Expenses | 134,262 | | 179,071 |
| Direct Taxes Paid (Net to Provision) | 5,155,163 | | 3,755,452 |
| Staff Advances | 66,368 | | 108,276 |
| Staff Loan | 27,467 | | 30,613 |
| Sundry Advances | 1,944,897 | | 621,218 |
| CENVAT Receivable | 1,592,274 | | 1,994,836 |
| | 8,920,431 | | 6,689,466 |
| | | 11,532,955 | 9,264,666 |
| OTHER CURRENT ASSETS | | | |
| Interest Accrued on Investment | | 227,206 | 551,203 |
| | | 61,361,963 | 54,289,945 |
| | | | |
| | | | |

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED**SCHEDULES TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010**

| SCHEDULE G | 31-Mar-10 | | 31-Mar-09 |
|---|------------------|-------------------|-------------------|
| | Rupees | Rupees | Rupees |
| CURRENT LIABILITIES & PROVISIONS | | | |
| CURRENT LIABILITIES | | | |
| Sundry Creditors for Capital Goods | 845,164 | | 867,376 |
| Sundry Creditors for Expenses and Trade Liabilities | 28,930,883 | | 27,552,374 |
| Income Recd.In Advance | 5,221,387 | | 4,460,858 |
| Credit Balance in Bank Account | 6,464,870 | | 7,468,511 |
| Outstanding Liabilities for expenses | 3,863,019 | | 3,398,225 |
| Service Tax accrued but not due | 5,788,322 | | 5,782,762 |
| Deposits from Subscribers | 4,447,007 | | 3,931,128 |
| | | 55,560,652 | 53,461,234 |
| PROVISIONS | | | |
| Provision for Retirement Benefits | | 1,369,575 | 1,265,380 |
| | | 56,930,227 | 54,726,614 |

SCHEDULES TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

| SCHEDULE H | 2009-10 | | 2008-09 |
|-------------------------------|-----------|--------------------|--------------------|
| | | Rupees | Rupees |
| INCOME FROM OPERATIONS | | | |
| Subscription Income | | 118,991,373 | 118,029,319 |
| Advertisement Income | | 2,297,665 | 2,529,006 |
| Installation Charges | | 942,399 | 1,057,128 |
| Equipment Rent | | 298,232 | 386,115 |
| Sale of Devices | | 1,384,229 | 1,840,623 |
| Less : Cost of Goods sold | | | |
| Opening Stock | 269,109 | | 207,917 |
| Add : Purchases | 1,688,218 | | 1,592,681 |
| | 1,957,327 | | 1,800,598 |
| Less : Closing Stock | 523,551 | | 269,109 |
| | | 1,433,776 | 1,531,489 |
| | | (49,547) | 309,134 |
| | | 122,480,122 | 122,310,702 |

| SCHEDULE I | 2009-10 | | 2008-09 |
|--|---------|----------------|----------------|
| | | Rupees | Rupees |
| OTHER INCOME | | | |
| Interest on Term Deposit (Tax deducted at source Rs.17170/- (Previous year Rs.35930) | | 254,036 | 280,286 |
| Interest From Bonds & Debenture (Tax deducted at source Rs. Nil (Previous year Rs. Nil)) | | - | 11,965 |
| Profit on Sale of Assets (Net) | | - | 27,405 |
| Sundry Balances Written Back | | 225,755 | 56,736 |
| Other Income | | 44,727 | 34,383 |
| | | 524,518 | 410,775 |

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

SCHEDULES TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

| SCHEDULE J | 2009-10 | | 2008-09 |
|---------------------------------------|-----------|-------------------|-------------------|
| | Rupees | Rupees | Rupees |
| OPERATIONAL EXPENSES | | | |
| ISP Access Expenses | | 12,032,382 | 10,669,086 |
| Pay Channel Cost | | 60,673,620 | 55,166,265 |
| Consultancy Charges | | 1,345,632 | 1,403,789 |
| Commission | | 195,816 | 168,111 |
| Feed Charges | | 1,498,735 | 1,370,129 |
| Rent | | 1,089,613 | 931,181 |
| Transport Charges | | 24,837 | 37,835 |
| Repairs & Mainenance - Machinery | | 117,658 | 237,171 |
| Software & Programming Cost | | 347,722 | 213,470 |
| Other Operating Expenses | | 3,497,339 | 4,300,815 |
| Irrecoverable amounts written off | 3,167,348 | | |
| Less : Adjusted against PFDD provided | 3,099,235 | 68,113 | 727,026 |
| | | 80,891,467 | 75,224,878 |

| SCHEDULE K | 2009-10 Rupees | 2008-09 Rupees |
|-------------------------------|-------------------|-------------------|
| STAFF COST | | |
| Salary & Bonus | 9,003,381 | 9,245,419 |
| Contribution to Funds | 528,549 | 461,216 |
| Other Staff Cost | 406,425 | 338,028 |
| Employee Compensation Expense | 224,592 | 401,319 |
| Staff Welfare | 289,848 | 261,343 |
| | 10,452,795 | 10,707,325 |

SCHEDULES TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

| SCHEDULE L | 2009-10 Rupees | 2008-09 Rupees |
|--|---------------------------|---------------------------|
| ADMINISTRATION AND GENERAL EXPENSES | | |
| Advertisement & Promotion expenses | 169,162 | 1,000,975 |
| Business Promotion expenses | 332,881 | 808,443 |
| Communication Charges | 604,015 | 663,415 |
| Donation | 11,003 | 2,100 |
| Insurance Others | 81,313 | 106,921 |
| Electricity Charges | 1,597,293 | 1,820,459 |
| Legal & Professional charges | 584,339 | 320,762 |
| Miscellaneous Expenses | 340,318 | 55,684 |
| Office Expenses | 2,071,920 | 1,827,297 |
| Printing & Stationery | 581,536 | 657,333 |
| Rates & Taxes | 4,230,324 | 4,406,230 |
| Rent - Office | 1,941,852 | 1,890,198 |
| Repairs & Maintenance - Others | 920,441 | 1,051,341 |
| Service Charges | 1,338,432 | 1,271,748 |
| Conveyance | 1,312,407 | 1,520,285 |
| Loss on Sale of Asset (Net) | 159,619 | - |
| Auditors Remuneration: | | |
| - Audit Fees | 100,000 | 100,000 |
| - Tax Audit Fees | 50,000 | 50,000 |
| - For Other Services | 20,000 | 15,000 |
| Managerial Remuneration | | |
| Sitting Fees | 16,000 | 16,000 |
| | 16,462,855 | 17,584,191 |

| SCHEDULE M | 2009-10 Rupees | 2008-09 Rupees |
|-------------------------------------|---------------------------|---------------------------|
| Interest and Finance Charges | | |
| Interest and Finance Charges Loans | 700,462 | 429,031 |
| Bank Charge | 78,839 | 71,921 |
| | 779,301 | 500,952 |

SCHEDULE N

A. SIGNIFICANT ACCOUNTING POLICIES

1) METHOD OF ACCOUNTING:

These financial statements are prepared on accrual basis of accounting, following historical cost convention, in accordance with the provisions of the Companies Act, 1956 ('the Act'), accounting principles generally accepted in India and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

2) USE OF ESTIMATES:

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of financial statements and reported amounts of revenue and expenses during the reported period. Such estimates are on a reasonable and prudent basis taking into account all available information; actual results could differ from estimates. Differences on account of revision of estimates actual outcome and existing estimates are recognised prospectively once such results are known / materialized in accordance with the requirements of the respective accounting standard, as may be applicable.

3) FIXED ASSETS

a) Intangible Assets

Intangible assets are recognized if they are separately identifiable and the Company controls the future economic benefits arising out of them. All other expenses on intangible items are charged to the profit and loss account. Internally generated brands, customer lists and items similar in substance are not capitalized. Intangible assets are stated at cost less accumulated amortization less impairment.

Intangible assets include Cable Television Franchisee and Goodwill. The aggregate consideration paid to acquire Subscribers connected to a network along with Network assets and all the rights attached thereto are disclosed under the head Cable Television Franchisee. In cases where value for assets acquired along with Subscribers connected to the network are separately ascertained, the assets are capitalised under the relevant heads. The consideration paid for non-compete as per the underlying agreements are included in Goodwill.

b) Tangible Assets

- The fixed assets are stated at cost less accumulated depreciation and impairment if any. Cost comprises of all expenses incurred in bringing the assets to its present location including installation and commissioning expenses. The indirect expenditure incurred during pre-commencement period is allocated proportionately over the cost of the relevant assets.
- Cable Modems and Routers lying on hand at the year-end are included in Capital Work in Progress. On installation, such devices are capitalized or treated as sale based on scheme opted by the customers.
- Nature of some of the items included in Capital Work in Progress is such that the same may be used for repairs and maintenance.

4) DEPRECIATION \AMORTISATION

- a) The intangible assets are amortized on a straight line basis over their expected useful lives as follows:
- (i) Cable Television Franchise is amortized over a period of twenty years.
 - (ii) Non Compete Fees included in Goodwill is amortized over the non-compete period or ten years in the event of absence of specific tenor in the relevant agreement.
 - (iii) Goodwill arising on transfer of business of subsidiaries is fully amortized in the same year.
 - (iv) Goodwill other than mentioned above is amortized over the specific tenor in the relevant agreement or ten years in the event of specific tenor in the relevant agreement.
- b) Depreciation on fixed assets is computed on written down value method, at the rates and manner prescribed in Schedule XIV to the Companies Act, 1956, other than Structural Fitting which have been depreciated according to the rental agreement for the period of three years.

5) INVESTMENTS

a. Long-Term Investments:

Long-term investments in shares are stated at cost. The provision for diminution in value of such investments is made if such diminution is considered other than temporary.

b. Current Investments:

Current investments are recorded at lower of cost or fair value.

6) INVENTORIES

Inventories comprise of Spare and maintenance items and Stock of STB (Set Top Boxes) which are valued at lower of cost or net realizable value.

7) PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

- a) A Provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources would be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are reviewed on each balance sheet date and are adjusted to effect the current best estimation.
- b) Contingent liabilities are disclosed separately by way of note to financial statements after careful evaluation by the management of the facts and legal aspects of the matter involved in case of
- i. a present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation.
 - ii. a possible obligation, unless the probability of outflow of resources is remote.
- c) Contingent Assets are neither recognised, nor disclosed.

8) RETIREMENT BENEFITS

- a) Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- b) Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense

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is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

9) **TAXATION**

- a) Provision for Current Tax is made on the basis of taxable profits computed for the current accounting period (reporting period) in accordance with the Income Tax Act, 1961
- b) Deferred Tax is calculated at the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet date and is recognized on timing difference that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable income. Other deferred tax assets are recognized only to the extent that there is a reasonable certainty of realisation in future.
- c) Provision for Fringe Benefit Tax is made in accordance with the Income Tax Act, 1961.

10) **REVENUE RECOGNITION:**

Income from Operations is recognized on accrual basis based on agreements / arrangements with the concerned parties.

Revenue from sale of prepaid Internet Service plans is recognized on time proportion basis, in those cases where such plans are active at the year end. In all other cases, entire revenue is recognized in the year of sale.

Subscription Income from Cable TV Operators is accrued monthly based on number of connections declared by the said operators to the Company. In cases where revision of number of connections and rate is under negotiations at the time of recognition of revenue, the Company recognizes revenue as per invoice raised. Adjustments for the year, if any, arising on settlement is adjusted against the Revenue. Other cases are reviewed at the year-end and provision for doubtful debts is made wherever ultimate realization is considered uncertain.

Interest income is recognized on accrual basis.

11) **ACCOUNTING FOR LEASES**

Rentals in respect of agreements in the nature of operating leases as defined in Accounting Standard 19 on "Leases" are treated as revenue.

12) **IMPAIRMENT**

The Company assesses at each balance sheet whether there is any indication that an asset may be impaired, If any such indications exist, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

13) **FOREIGN EXCHANGE TRANSACTIONS:**

- a) Foreign currency transactions are recorded at the exchange rate prevailing at the date of

transactions. Exchange difference arising on settlement of transactions is recognized as income or expense in the year in which they arise except for transactions covered under (c) below.

- b) Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are restated at the year-end rate and difference in translations and realized gains / (losses) on foreign currency transactions are recognized in the profit & loss account except for transactions covered under (c) below.
- c) Exchange differences on settlement / conversion other than in respect of long term monetary items, in respect of accounting period commencing on or after 07th December, 2006 are recognised in the profit and loss account. The exchange difference in respect of long-term monetary items arising in respect of accounting period commencing on or after 07th December, 2006 to the extent they relate to the acquisition of depreciable capital assets are added to or deducted from the cost of the assets and are depreciated over the balance life of the assets.

14) BORROWING COST :

Borrowing Costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of such assets. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other Borrowing costs are recognized as an expense in the period in which they are incurred.

B. Notes on Accounts

- 1) Additional Information as required under Part II of Schedule VI of the Companies Act, 1956, have been given to the extent applicable to the Company.

| | <u>Current Year</u> | <u>Previous Year</u> |
|---------------------------------|---------------------|----------------------|
| | <u>Rs.</u> | <u>Rs.</u> |
| CIF Value of Imports | 2,877,944 | 1,549,838 |
| Expenditure in foreign currency | Nil | Nil |
| Earning in foreign currency | Nil | Nil |

- 2) Director's Remuneration:

| | <u>Current Year</u> | <u>Previous Year</u> |
|-----------------------------------|---------------------|----------------------|
| | <u>Rs.</u> | <u>Rs.</u> |
| Remuneration to Managing Director | 1,020,000 | 1,020,000 |
| Reimbursement of Expenses | 183,270 | 231,991 |

- 3) Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro & Small Enterprises. The Company is in the process of compiling relevant information from it's supplier about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of this Act is not expected to be material.
- 4) Debtors, Creditors, Loans & advances and deposits are taken as appearing in the books and are subject to confirmation. In the opinion of the management, the Debtors and Loans & advances have a realisable value in the ordinary course of business not less than the amount at which they are stated in the Balance Sheet and wherever necessary, adequate provision have been made.

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

5) CONTINGENT LIABILITIES

- (a) Claims against the Company not acknowledged, as debts are Rs.2,100,000/- (Previous Year Rs. 2,532,647/-).
- (b) Outstanding Bank Guarantees Rs.1,228,090 /- (Previous Year Rs. 1,714,090/-).

6) REVISED ACCOUNTING STANDARD 15

a) Defined Benefit Plans:

The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

The following table provides the disclosures in accordance with Revised AS 15.

Reconciliation of opening and closing balance of the present value of the defined benefit obligation and plan assets:

| Category | As at 31 st March 2010 [Gratuity (Rs.)] | As at 31 st March 2009 [Gratuity (Rs.)] |
|--|--|--|
| 1 Change in benefit obligations: | | |
| Projected benefit obligations at beginning of the year | 676,209 | 530,495 |
| Current Service Cost | 125,852 | 108,482 |
| Interest Cost | 62,225 | 49,898 |
| Benefits Paid | (12,046) | (29,607) |
| Actuarial (Gain) / (Loss) | (203,500) | 16,941 |
| Past Service Cost | 44,112 | - |
| Projected benefit obligations at end of the year | 692,852 | 676,209 |
| 2 Change in plan assets: | | |
| Contributions by Employer | 12,046 | 29,607 |
| Benefits Paid | (12,046) | (29,607) |
| 3 Reconciliation of present value of the obligation and the fair value of plan assets | | |
| Present value of the defined benefit obligations at the end of the year | 692,852 | 676,209 |
| Liability / (Asset) recognised in the Balance Sheet | 692,852 | 676,209 |
| 4 Cost for the year | | |
| Current Service Cost | 125,852 | 108,482 |
| Interest Cost | 62,225 | 49,898 |
| Actuarial (Gain) / (Loss) | (203,500) | 16,941 |
| Net Cost recognised in the Profit and Loss Account | 28,689 | 175,321 |
| 5 Assumptions | | |
| Interest rate for discount | 8.30% | 7.95% |
| Estimated rate of return on plan assets | 0% | 0% |
| Mortality | LIC (94-96) Mortality Table | LIC (94-96) Mortality Table |
| Salary Escalation | 3% - 7% | 3% - 7% |

b) Defined Contribution Plans:

"Contribution to provident and other funds" is recognised as an expense in Schedule L of the Profit and Loss Account.

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

9) LEASES

The Company has leasing arrangements in terms of Accounting Standard 19 on "Leases" as applicable. These leasing arrangements, which are not non-cancelable generally, range between 11 months to 33 months and are usually renewable by mutual consent on mutually agreeable terms. The amount of such lease rentals debited to the Profit & Loss Account for the year is Rs. 3,250,532 (Previous Year Rs. 2,821,379).

10) EARNING PER SHARE

| Particulars | Current Year | Previous Year |
|---|--------------|---------------|
| Profit \ (Loss) after tax (including prior period adjustment and adjustment for short provision of earlier years) – (Rs.) | 1,480,496 | 4,993,427 |
| No. of ordinary shares (No.'s) | 8,000,000 | 8,000,000 |
| Nominal value of ordinary shares (Rs.) | 10.00 | 10.00 |
| Basic Earnings per share (Rs.) | 0.19 | 0.62 |

11) DEFERRED TAX LIABILITY (NET OF ASSETS)

| | Deferred Tax Liabilities / Assets as at 31.3.2010 | Deferred Tax Liabilities / Assets as at 31.3.2009 |
|--|---|---|
| <u>Deferred Tax Liabilities</u> | | |
| a) Difference between book and tax depreciation | 5,157,899 | 6,172,631 |
| b) Other deferred tax liabilities | Nil | Nil |
| | <u>5,157,899</u> | <u>6,172,631</u> |
| <u>Deferred Tax Assets</u> | | |
| a) Provision for Gratuity | 214,091 | 229,843 |
| b) Disallowance under section 43B | 209,107 | 200,258 |
| c) Income earned during the pre- commencement period | 237,267 | 260,995 |
| | <u>660,465</u> | <u>691,096</u> |
| Deferred Tax Liability (Net of Assets) | <u>4,497,434</u> | <u>5,481,535</u> |

In the absence of virtual certainty of availability of taxable business income in near future against which the deferred tax assets can be adjusted, the Company has not recognized deferred tax assets on unabsorbed depreciation and business losses.

12) INTANGIBLE ASSETS

Based on factors such as past experience, industry trends, value added services and quality of services provided by the Company, trends in other countries, various changes proposed in the regulations governing the industry, future business plans, estimated residual value etc., the Company is of the opinion that the useful life of the Cable Television Franchise acquired by the company will exceed twenty years. Accordingly, the same has been amortised over a period of twenty years from date of acquisition.

13) PRIOR PERIOD ADJUSTMENTS (NET)

Particulars of income or expenditure of prior period credited or debited to the Profit & Loss Account is as under :

| Particulars | (In Rupees) | |
|---|-------------------------|-------------------------|
| | <u>Current Year</u> | <u>Previous Year</u> |
| <u>Income</u> | | |
| a) Income of earlier years credited to Profit and Loss Account | 3,882,573 | 2,809,658 |
| b) Reversal of income of earlier years debited to the Profit and Loss Account | (1,707,737) | (960) |
| | <u>2,174,836</u> | <u>2,808,698</u> |
| <u>Expenses</u> | | |
| a) Expenses of earlier years debited to the Profit and Loss Account | (1,330,285) | (1,186,512) |
| b) Reversal of Expense earlier years Credited to the Profit and Loss Account | 476,157 | 1,280,334 |
| | <u>(854,128)</u> | <u>93,822</u> |
| Prior Period Adjustments (Net) | <u>1,320,708</u> | <u>2,902,520</u> |

14) TURNOVER, CLOSING AND OPENING STOCK

Quantitative Details of Cable Television and Internet Access Devices

| Particulars | <u>Current Year</u> | | <u>Previous Year</u> | |
|--------------------|---------------------|--------------|----------------------|--------------|
| | Units | Amount (Rs.) | Units | Amount (Rs.) |
| Opening Stock | 387 | 269,109 | 468 | 207,916 |
| Add: Purchases | 2050 | 1,834,440 | 4115 | 2,181,566 |
| Less: Sales | 1675 | (1,384,229) | 3007 | (1,840,623) |
| Less: Distribution | 173 | (146,222) | 1189 | (588,885) |
| Closing Stocks | 589 | 523,551 | 387 | 269,109 |

15) Supplementary statutory information required to be given pursuant to Clause 32 of the listing agreement. Nil

16) Previous year figures are rearranged and regrouped, wherever considered necessary.

As Per Our Report Of Even Date

For and on behalf of the Board

For G. M. Kapadia & Co.
Chartered Accountants

VIREN THAKKAR
(Partner)
(Membership No. 49417)

KULDEEP PURI
Managing Director

K. JAYARAMAN
(Chairman)

MILIND KARNIK
(Director)

Mumbai
Dated : May 27, 2010

Mumbai
Dated : May 27, 2010

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

Registration No : 11-34514 of 1984

Balance Sheet Date : 31-3-2010

II CAPITAL RAISED DURING THE YEAR (Rupees in thousands)

Public Issue : Nil

Rights Issue : Nil

Bonus Issue : Nil

Private Placement : Nil

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Rupees in thousands)

Total Liabilities : 108,319

Total Assets : 108,319

SOURCES OF FUNDS (Rupees in thousands)

Paid-up Capital : 80,000

Share Application Money : Nil

Reserves and Surplus : 15,000

Secured Loans : 8,822

Unsecured Loans : Nil

Deferred Tax Liability (Net of Assets) : 4,497

APPLICATION OF FUNDS (Rupees in thousands)

Net Fixed Assets : 53,073

Investments : 133

Net Current assets : 4,431

Miscellaneous Expenditure : Nil

Accumulated Losses : 50,682

IV PERFORMANCE OF THE COMPANY (Rupees in thousands)

Turnover : 123,005

Total expenditure : 123,587

Profit/(Loss) Before Tax : (582)

Profit/(Loss) After Tax : 402

Prior Period Income / (Income) : 1,321

Short provision of Taxes for earlier year : (242)

Earnings Per Share in Rs. (Basic & Diluted) : 0.19

Dividend rate % : Nil

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY.

(AS PER MONETARY TERMS)

Item Code No. (ITC Code) : N.A.

Product Description : N.A.

K. Jayaraman
(Chairman)

Place : Mumbai
Date : May 27, 2010

Kuldeep Puri
(Managing Director)

Milind Karnik
(Director)

HATHWAY BHAWANI CABLETEL & DATACOM LIMITED

26th Annual Report : 2009-2010

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Hathway Bhawani Cabletel & Datacom Limited

Regd. Office: "Rahejas", 4th Floor, Corner of Main Avenue & V.P. Road, Santacruz (West), Mumbai - 400 054

Attendance Slip

To be handed over at the entrance of the meeting place.

Name of the Attending Member (In Block Letters): _____

Folio No/ Client ID no.*: _____ No. of Shares held: _____

DP ID No.*: _____

Name of the Proxy (In Block Letters): _____

(To be filled in if the Proxy attends instead of the Member)

I hereby record my presence at the 26th Annual General Meeting of the Company at Sanjona Complex, 5th Floor, Hemu Kalani Marg, Plot 11-A, Sindhi Society, Chembur, Mumbai – 400 071, at 4.00 P.M. on Thursday, 30th September 2010.

Member's / Proxy's Signature
(To be signed at the time of handling over this slip)

Note : Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand over at the entrance duly signed.

* Applicable if the shares are held in dematerialised form.

_____ Please cut here _____

Hathway Bhawani Cabletel & Datacom Limited

Regd. Office: "Rahejas", 4th Floor, Corner of Main Avenue & V.P. Road, Santacruz (West), Mumbai - 400 054

Proxy Form

I/We _____ of _____ being a Member / Members of the above named Company, hereby appoint _____ or failing him _____ as my/ our Proxy to attend and vote for me/us and on my /our behalf at the 26th Annual General Meeting of the Company to be held on Thursday, 30th September, 2010 at 4.00 P.M. and at any adjournment thereof. Unless otherwise instructed, the proxy will act as he thinks fit.

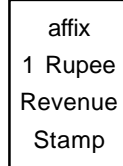
Signed this _____ day of _____ 2010.

Folio No/ Client ID no*.: _____

DP ID No.*: _____

No. of Shares: _____

Signature



Note: Proxy form must reach the Company's Registered Office not less than 48 Hours before the Meeting

* Applicable if the shares are held in dematerialised form.



**HATHWAY BHAWANI
CABLETEL & DATACOM LIMITED**

26th

Annual Report
2009-2010

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