

IFFCO KISAN SANCHAR LIMITED

ANNUAL REPORT

2013-14

DIRECTORS' REPORT
2013-14

Dear Members,

Your Directors have great pleasure in presenting the 7th Annual Report of the Company together with the Audited Statements of Annual Accounts for the Financial Year ended 31st March, 2014.

PERFORMANCE OF COMPANY

Financial performance of the Company during the year 2013-14 was as follows:

<u>Financial Performance</u>	(` In lakh)	
Particulars	2013-14	2012-13
Gross Revenue	29,017.35	23,132.27
Less: Cost of Goods Sold	24,575.55	19,128.46
Employees Remuneration & Benefits	1,945.37	1,449.96
Sales and General Administration Expenses	1,354.97	1,368.05
Prior Period Adjustments (Net)	0.00	4.62
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Profit before Interest, Depreciation & Tax	1,141.47	1,181.18
Less: Depreciation	152.24	123.52
	<hr/>	<hr/>
PBIT	989.22	1,057.66
Less: Interest	0.00	0.00
	<hr/>	<hr/>
PBT	989.22	1,057.66
Less: Provision for Tax	309.51	345.12
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Profit/(Loss) after Tax	679.71	712.54
Balance Brought Forward from the Previous Year	1,373.55	831.45
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Amount available for Appropriations	2,053.26	1,543.99
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Appropriations:		
Proposed Dividend	100.00	100.00
Tax on Proposed Dividend	17.00	17.00
Transfer to General Reserve	50.98	53.44

Balance Carried to Balance Sheet	1,885.28	1,373.55
	<u>2,053.26</u>	<u>1,543.99</u>

Your Company recorded Gross Revenue of ` 29,017.35 lakh during the year 2013-14 (against ` 23,132.27 lakh in 2012-13). The Company recorded Pre-tax Profit of ` 989.22 lakh in the year 2013-14 as against Profit of ` 1,057.66 lakh during the previous financial year. Your company earned a Net Profit of ` 679.71 lakh after making tax provision of ` 309.51 lakh during the year 2013-14.

MARKETING PERFORMANCE

In the year 2013-14, after a gap of two years, the Company registered positive Net Adds of 3,55,380 numbers against 15,53,713 Gross Additions during the year. The Net Adds to Gross Adds ratio was 23%, with five States (Odisha, Himachal Pradesh, Uttar Pradesh (E), Uttar Pradesh (W) & West Bengal) achieving more than 30% Net to Gross ratio. This was possible by high focus on Quality parameters, with 82% of the Acquisitions being through High Value First Recharge (HVFR). Customers acquired were genuine, and the January, 2014 M + 2 decay recorded was as low as 14% down from that in 20% from April, 2013. Consequently, churn was down from 5% to 2.9% registering on increase in Revenue Earning Customers from 25.9 lakh to 29.4 lakh.

During the year, your Company has dealt with primary re-charge of ` 242.6 crore as against ` 187.7 crore during the previous year. Towards this, 3,407 additional transacting societies were enrolled.

Several States such as Odisha, Uttar Pradesh (E), Uttar Pradesh (W), Bihar, West Bengal, Madhya Pradesh and Himachal Pradesh achieved good performance in ensuring quality Gross Additions. A new layer in the form of 'Kisan Mitra' was added

to the channel to acquire & serve farmers in the villages of the Society. This brought significant change in some of the States, where good connect could be established up to the Farmers village, and through activities, farmers could be enrolled. The company has 1,737 Kisan Mitras with 46% of the acquisitions achieved through them.

DIVIDEND

The Board has recommended a dividend of ` 2 per equity share of ` 10 each (20% of face value) for the Financial Year 2013-14. The total dividend payout will amount to ` 1.00 Crore, (Rupees One Crore only). The payment of dividend is subject to the approval by the shareholders in the ensuing Annual General Meeting of the Company.

INDUSTRY SCENARIO

Telecom wireless Subscriber base continues to grow, especially in rural areas. By the end of March 2014, the rural Subscribers accounted for 371.78 million. This has increased the rural tele-density to 43.27%.

The overall wireless tele-density is higher at 72.94%, whereas the urban tele-density is at 139.86%. The share of urban wireless Subscribers has declined from 59.16% to 58.90% whereas the share of rural wireless Subscribers has increased from 40.84% to 41.10% from the previous month.

Bharti Airtel leads the wireless market with 81% nationwide coverage, 31% revenue market share (RMS) and 23% customer market share (CMS) followed by the 2nd player at 23% RMS and 18% CMS.

Telecom sector has seen corrections in tariffs in the last few quarters through cut in freebies and discounts. The average realization per minute has grown to over 37 paisa a minute from 35 paisa, in 4 quarters.

As the voice market is getting matured, the real action is moving to 'Data'. The Indian industry is expected to have significant upside from 'Data'. Data segment is expected to grow the fastest in the next 5 years, to be driven by low cost Handsets and new technologies (3G/ 4G). The 'Data' revenue which was at 14% of the mobile revenues is expected to grow to 32% by the year 2015.

VALUE ADDED SERVICES (VAS)

Content of value added services was further aligned to the varying information needs of the Subscribers. Voice messages covered the information on the entire spectrum of rural ecosystem, besides regular messages on agriculture, animal husbandry, weather and market rates. Drafting and presentation of voice messages was also improvised considering the ecology and cultural background of the listeners group. Content sourcing was further strengthened by signing Memorandum of Understanding with prestigious organizations such as Indian National Centre for Ocean Information System (INCOIS), The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), Climate Change, Agriculture and Food Security (CCAFS) and National Innovation Foundation (NIF). Identification of potential fishing zones including the availability type and quantity of fish has been one of the main pre-requisite for economical fishing activity. INCOIS is providing Potential Fishing Zone (PFZ) Advisories generated using Sea Surface Temperature and Chlorophyll to the Indian Fishing Community. The information is used to cater to the needs of special Fishery Project assigned to IKSL by the Fisheries Department of Government of Odisha. Commonwealth Agricultural Bureau International (CABI) continued to provide us Content Management and Content Audit Services.

In all, 90,194 messages were recorded during the year, which are 4.76 % higher than the number of messages recorded in the previous year. Number of calls on the Helpline also increased in the same proportion. Subscribers' feedback was regularly taken to improve the content to make it more need based. The Content Management System was redefined and classification of information was further crystallized by grouping them under three major categories of Agriculture, Livelihood and Information. Community formation was geared up with the help of recognized Institutions and organizations. This year with the help of Government of Odisha,

ICRISAT and NABARD, focused group communities were created. The strategies for meeting the information requirements of the Subscribers were monitored under these categories. Implementation of the revised strategies resulted in enhanced listening duration. Also, the number of Subscribers listening to 25 messages or more in a month for more than 42 seconds each, increased substantially from 2.36 lakh in March 2013 to 2.82 lakh in March 2014. Average Listening Duration of the messages during the year under report increased from 39 seconds to 41.7 seconds.. Similarly pick-up percentages of messages increased from 36.9 to 39.4 during the period under report. To engage the Subscribers on IKSL platform Phone-in and Quiz programmes were organized every week in each circle. Feedback on Content services was obtained regularly from the Subscribers through tele-calling. Success stories of the farmers highlighting the benefits derived after calling Helpline or listening to the voice messages were also collected and documented. Some of these have been uploaded on IKSL website also.

In collaboration with CABI, three zonal workshops for North, South and West zones were held during the year with active participation of the Management. The workshops were used to align the Content team on the importance of maintaining high quality services to IKSL Subscribers in rural India.

Content services continued to create awareness about climate change - its impact and mitigation, under the aegis of the Climate Change, Agriculture and Food Security (CCAFS) programme of the Consultative Group on International Agricultural Research (CGIAR). Localized information was provided to the farmers and farm women of Climate Smart Villages in the districts of Karnal (Haryana) and Vaishali (Bihar).

Content creation in IKSL Rural Portal is being developed to fulfill the information needs of the internet savvy farmers and other Subscribers and interactive services required by the users. The content on Rural Portal is provided as text, sound and image related to the specific information capsule.

BUSINESS DEVELOPMENT INITIATIVES

The Business Development function continued to extend support to marketing and VAS teams of various States. The Government of Odisha awarded the job of extending voice message based services to one lakh fishermen of the State. A formal MOU was signed on 2nd Jan 2014 and the services commenced from 26th Jan 2014. As of Mar 2014, about 27,762 fishermen were enrolled and enrolment of remaining fishermen is proceeding at a brisk pace. The fishermen of Odisha are organized into Inland, Marine and Chilika Lake communities to provide relevant and contextual information. Inland fishermen are provided information on various aspects of interest to them such as best practices, fish culture, feed, disease control, care, weather, prices, value addition, gear and insurance, government schemes, financial literacy and alternative livelihoods. The Chilika Lake community is provided with additional information such as, brackish water cultivation / cage culture, gear & crafts maintenance, conservation and eco-tourism. The marine fishermen are provided with information of relevance to them, such as, Potential Fishing Zones, weather alerts, ocean state forecast, prices, conservation, regulatory issues, government schemes, financial literacy and eco-tourism. Efforts are being made to take up similar projects in other States.

The Business Development team worked with State teams to forge partnerships with like-minded institutions for content enrichment and expansion of business activities. Your company has signed MOUs with ICRISAT on 5th Jul 2013, with INCOIS on 15th Nov 2013, and with National Innovation Foundation on 20th Feb 2014. A dialogue is also opened with other institutions with commitment to rural India.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

ICT Systems were further augmented during the financial year 2013-14 to meet the growing functional needs of the organization. New features were added in the business ERP and the 'Integrated Information Management System (IIMS)'. A new application titled 'Content Correspondent Portal (CCP)' was developed during the year to expand the base of content sources and to add more localized information. The system provides for inducting freelance correspondents who can contribute

local information in local dialect. The useful information provided by such correspondents, duly approved by content team of the State, is delivered as voice messages in the location for which it is recorded. The system also supports scheduling of the voice messages, recommending of good voice messages to other locations and sharing of reports on a daily basis. During the year, a Rural Portal was designed and developed based on voice message content, reference material and success stories. Information on various subjects was also added which is of relevance to rural India. The Portal can be customized to view content from a specific State or a subject of information. The system is being augmented to introduce more services to meet the needs of people living in our villages.

KISAN CALL CENTRE (KCC) MANAGEMENT SERVICES

Your Company was retained by the Ministry of Agriculture, Department of Agriculture & Cooperation (DAC), Government of India as Service Provider in May, 2012 for managing Kisan Call Centre services. It has successfully completed two years of operations at fourteen locations, namely, Jammu, Chandigarh, Ahmedabad, Jaipur, Pune, Bangalore, Hyderabad, Jabalpur, Kanpur, Kolkata, Guwahati, Patna, Bhubaneswar and Coimbatore. During the year 2013-14, a total of 95,76,888 calls were received from farmers all over the Country. The call answering rate which was 55% during 2012-13 improved to 65% during 2013-14. To handle increased call traffic the manpower strength which was 212 in May 2012 was progressively augmented to 376 Agents till March 2014.

The information provided by Kisan Call Centres through toll free telephone lines has helped address, to a large extent, the queries/ problems being faced by the farmers.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors presently consisted of members, namely, Shri Ranjan Sharma, Shri Rakesh Kapur, Shri S.C.Mittal, Shri Manish Gupta, Shri Nilanjan Roy and Shri Arabinda Roy. As per the provisions of Section

292A of Companies Act, 1956, four meetings of Audit Committee were held on 20.06.2013, 25.09.2013, 30.12.2013 and on 24.03.2014.

DIRECTORS

As per Section 255 & 256 of Companies Act 1956 (corresponding to the provision of Section 152 of the Companies Act 2013), Shri Ranjan Sharma, Shri Manish Gupta Mittal and Shri Arabinda Roy, Directors of the Company will retire at the ensuing Annual General Meeting of the Company. All the retiring Directors, being eligible, have given their consent for re-appointment at the forthcoming Annual General Meeting. Your Directors also recommended the re-appointment of retiring Directors.

AUDITORS

Board has proposed to re-appoint M/s Rajnish & Associates, Chartered Accountants as Auditors of the Company from ensuing Annual General Meeting until the conclusion of next Annual General Meeting.

The observations of the Auditors in their Report on Accounts read with the relevant notes are self- explanatory.

PUBLIC DEPOSITS

Your Company has not accepted or renewed any public deposits during the year under report.

PARTICULARS OF EMPLOYEES

The Company had no employee in the category specified under Section 217 (2A) of the Companies Act, 1956 during the period ended 31st March, 2014.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state that:

- (i) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures in the financial statement;
- (ii) the Accounting Policies have been selected and applied consistently and judgments and estimates have been reasonably and prudently made when required so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (iii) 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; and
- (iv) the annual accounts for the financial year have been prepared on a going concern basis.

INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

As the Company primarily deals with the trading and service provider industry, and is engaged in the business of providing value added services on mobile telephony in rural and semi urban areas of the country, particulars related to the energy conservation, technology absorption, etc. are not applicable to the Company. There

was no foreign exchange income during the year 2013-14. However, foreign exchange outgo during the year was USD 320 equivalent to INR 20,255.

ACKNOWLEDGEMENT:

Your Directors take this opportunity to express their gratitude to all the employees for their significant personal efforts and their collective contribution to enable the company to achieve good performance and maintain steady progress.

The Board of Directors places on record its deep appreciation of the valuable services and dedicated efforts of the members of the Company in the achievements during 2013-14. The Board also wishes to thank the Government of India, particularly, the Ministry of Agriculture, Department of Telecommunications as well as various State Governments, regulatory and statutory authorities for their valuable support and guidance.

The Directors also place on record their appreciation of the continued support extended by the Member Shareholders, Joint Venture Partners, Content Partners, Institutional Partners, Community Partners and Business Partners in the Company's activities.

Finally, your Directors express their sincere thanks to the Statutory Auditors, Internal Auditors, Company's Bankers and Vendors.

**On behalf of the Board,
For IFFCO Kisan Sanchar Limited**

Date:
Place: New Delhi

Chairman