



# 20th Annual Report

2010 - 2011



**BOARD OF DIRECTORS**

Dr. Santhosh Babu, IAS, Chairman  
Tmt.Unnamalai Thiagarajan, Managing Director  
Thiru C. Ramachandran  
Thiru J. Ravi  
Thiru P.S. Kumar  
Thiru R. Ganapathi  
Thiru H. Karthik Seshadri  
Thiru K.Padmanaban  
Thiru S Paulraj  
Dr. V Dharmalingam  
Thiru G Senrayaperumal  
Thiru K.Kasim

**COMPANY SECRETARY**

Thiru R S Gowdhaman

**STATUTORY AUDITORS**

M/s. S.H. Bhandari & Co.  
Bhandari Towers,  
824, EVR Periyar Road  
Kilpauk, Chennai – 600 010.

**BANKERS**

M/s. State Bank of India  
Industrial Finance Branch,  
Chennai – 600 002.

**REGISTERED OFFICE**

Elnet Software City  
TS 140, Block No. 2&9, Rajiv Gandhi Salai,  
Taramani, Chennai – 600 113  
Phone – 044 - 22541337/1098  
Fax – 044 - 22541955  
E-mail: elnet@md4.vsnl.net.in

**REGISTRARS AND SHARE  
TRANSFER AGENTS**

M/s. Cameo Corporate Services Limited  
“Subramanian Building”, Fifth Floor  
No. 1, Club House Road, Chennai – 600 002  
Phone – 044 - 28460390 (6 lines)  
Fax – 044 - 28460129

## TWENTIETH ANNUAL REPORT 2010-2011

---

### NOTICE

NOTICE is hereby given that the **TWENTIETH** Annual General Meeting of **ELNET TECHNOLOGIES LIMITED** will be held on Tuesday, the 28th June 2011 at 11.00 A.M. at New Woodlands Hotel Pvt. Ltd., No.72-75, Dr.Radhakrishnan Salai, Mylapore, Chennai 600 004 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2011 and the Profit and Loss Account of the Company for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare Dividend
3. To appoint Auditors and to fix their remuneration

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

“RESOLVED THAT M/s S.H.Bhandari & Co, Chartered Accountants, Chennai be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs.2,85,000 /- plus service tax as applicable”.

4. To appoint a Director in place of Thiru R. Ganapathi who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Thiru J.Ravi who retires by rotation and is eligible for re-appointment.
6. To appoint a Director in place of Dr.V. Dharmalingam who retires by rotation and is eligible for re-appointment.

By Order of the Board of Directors

Place : Chennai

**R.S.GOWDHAMAN**

Date : 12.05.2011

DGM(F&A) & COMPANY SECRETARY

## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of Annual General Meeting.
2. The explanatory Statement as required under Sec. 173(2) of the Companies Act 1956, in respect of the Ordinary Business set out above is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 22.06.2011 to 28.06.2011 (Both days inclusive).
4. The payment of dividend, upon declaration by the shareholders, at the ensuing Annual General Meeting will be made within one month from the date of Annual General Meeting.
5. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their Bank details, change in address etc., to their Depository participant only and not to the Company's Registrar and Share Transfer Agent.

Changes intimated to the Depository Participant will then be automatically reflected in the Company's records which will help the Company and its Registrars and Share Transfer Agents to provide efficient and better service to the Members.

Pursuant to the provisions of Sec 205A and 205C of the Companies Act, 1956, dividend declared, which remain unclaimed for a period of seven years will be transferred by the Company to the Investor Education and Protection Fund as shown here under.

Financial Year Ended	Date of Declaration of Dividend	Due date of the proposed transfer to Investor Education and Protection Fund
31.03.2004	29.09.2004	28.09.2011 **
31.03.2005	07.05.2005	06.05.2012
31.03.2006	06.05.2006	05.05.2013
31.03.2007	27.07.2007	26.07.2014
31.03.2008	30.07.2008	29.07.2015
31.03.2009	07.07.2009	06.07.2016
31.03.2010	21.07.2010	20.07.2017

## TWENTIETH ANNUAL REPORT 2010-2011

---

**\*\* Please note that as per sec.205 (c) of the Companies Act, 1956, we have to transfer the pending amount lies in the Unpaid Dividend account to Investor Education and Protection Fund. Hence we will be transferring the said amount accordingly.**

Members who have not so far received / encashed dividend for the aforesaid years are requested to seek payment of dividend by writing to the Company immediately. Members are also requested to note that no claims shall lie against the said fund or the Company in respect of any amounts which were unclaimed and unpaid for seven years from the date they first became due for payment and no payment shall be made in respect of any such claims.

6. Members are requested to bring their copies of this report to the meeting.
7. Members who are holding shares in physical form are requested to intimate to the Registrar and Transfer Agents (R&TA) of the Company immediately about change in their address.
8. Members may contact the Company at Email: *elnet@md4.vsnl.net.in* for any query.
9. Members who are holding shares in more than one folio are requested to intimate to the Registrars the details of all their folio numbers for consolidation into a single folio. Members who hold shares in dematerialized form are requested to write their Client ID and DPID and those hold shares in physical form are requested to write their folio no. in the attendance slip while attending the meeting for easy identification of attendance at the meeting.
10. Members are requested to
  - i) write to the Company at least seven days before the date of the Meeting, in case they desire any information as regards the Audited Accounts for the Financial year ended 31.03.2011, so as to enable the Company to keep the information ready.
  - ii) Quote registered folio number or Client ID in all the correspondence.
  - iii) Send all share transfer lodgments (physical mode) / correspondence to the Registrar and Share Transfer Agents of the Company.
11. Members are informed that trading and settlement of Company's shares through Stock Exchanges has been made compulsory in Demat (Electronic) form. In view of this mandatory requirement the members are requested in their own interest to dematerialize their shareholding in the Company.
12. Members are informed that in case of joint holders attending the meeting, only such joint holder who is higher in the order of the names will be entitled to vote.
13. Corporate Members are requested to forward a Certified Copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

## **ANNEXURE TO THE NOTICE**

### **EXPLANATORY STATEMENT U/S 173 (2) OF COMPANIES ACT 1956**

#### **Item No. 3. Appointment of Auditors**

As more than 25% of the paid up capital is held by M/s Electronics Corporation of Tamil Nadu Limited, a Government of Tamil Nadu Undertaking, the appointment or reappointment at each Annual General Meeting of the Auditors of the Company shall be made by a Special Resolution as per Sec 224 A of the Companies Act, 1956. M/s S.H. Bhandari & Co., Chartered Accountants, who are the Statutory Auditors for the financial year ended 31.03.2011 is being proposed to be appointed as Auditors for the financial year ending 31.03.2012.

Directors recommend the passing of the resolution.

No Director is interested or concerned in this item of business.

By Order of the Board of Directors

Place : Chennai  
Date : 12.05.2011

**R.S.GOWDHAMAN**  
DGM(F&A) & COMPANY SECRETARY

## TWENTIETH ANNUAL REPORT 2010-2011

### INFORMATION ON DIRECTORS RETIRING BY ROTATION SEEKING REAPPOINTMENT AND DIRECTORS PROPOSED TO BE APPOINTED AT THE ANNUAL GENERAL MEETING

Name	Thiru R. Ganapathi	Thiru J.Ravi	Dr.V.Dharmalingam
Date of Birth and age	28.06.1955 & 55 Years	03.10.1954 & 56 Years	07.05.1956 & 54 Years
Appointed on	14.08.2003	08.08.2003	10.07.2006
Qualification	B.Tech - Mechanical Engineering - IIT, Chennai	B.Tech (Chemical Engg..)	B.S.M (Siddha)D.C.M.(Varma),& D.Sc.,
Experience in specific functional areas	Engineering - Management. IT Training, Construction and heavy machinery trading	30 years of experience in international Trading.	Instrumental in establishing the Varma Department at the Aringar Anna Hospital, Chennai. Successful in the treatment of chronic ailments has made him widely known. As an exponent in Indian Medicine,practices internationally.
Directorship/ Chairmanship held in other public companies	Deccan Softlab Pvt. Ltd - Director		
	ETL Infrastructure Service Ltd - Director		
	Elnet Software City Ltd - Director		
	Trigyn Technologies Ltd - Ex-Director		
	Trigyn Technologies (India) Pvt. Ltd - Director		



	Trigyn Technologies Inc., USA - Director		
	Leading Edge Infotech Ltd - Director		
	Orient Green Power Company Ltd - Director		
Memberships/ Chairmanship of Committee across public companies	<b>Audit Committee</b>		
	Elnet Technologies Ltd - Member		
	<b>Shareholders/Investors Grievance Committee</b>		
	Elnet Technologies Ltd - Member		
	<b>Remuneration Committee</b>		
	Elnet Technologies Ltd - Member		

## TWENTIETH ANNUAL REPORT 2010-2011

---

### DIRECTORS' REPORT

To

The Members

Your Directors have great pleasure in presenting the TWENTIETH Annual Report together with the Audited Accounts of your Company for the Financial Year ending 31.03.2011.

Members would be happy to note that your company has had a successful year of operation, which has resulted in an after tax profit of Rs.364.61 Lakhs.

### OPERATIONS

The highlights of the Financial Results of your Company are as under:-

Sl. No.	Particulars	For the year ended 31.3.2011 Rs. in Lacs	For the year ended 31.3.2010 Rs. in Lacs
1.	Income from operations	1606.45	1644.24
2.	Non-operating income	62.03	37 .67
3.	Total expenditure	708.07	690.58
4.	Interest	98.50	124.42
5.	Gross profit (after interest but before depreciation and taxation) [1+2)-(3+4)]	872.78	866.91
6.	Depreciation	291.03	293.25
7.	Provision for deferred tax	(21.72)	(21.57)
8.	Provision for current tax	228.00	220.00
9.	Net Profit	364.61	375.23
10.	Dividend & tax thereon	55.79	55.97
11.	Transfer to General Reserve	200.00	200.00
12.	Balance carried forward to Balance Sheet	108.82	119.26
13.	Paid up Equity Share Capital	400.00	400.00

## **DIVIDEND**

Your Directors are pleased to recommend a dividend at the rate of 12 % on the Equity Share Capital of the Company for the year ended March 31, 2011. The dividend, if approved by the Shareholders will be paid out of the profits of the Company for the year to all those equity shareholders whose names appear on the Register of Members of the Company as on 28th June 2011, being the record date and to those whose names appear as beneficial owners on the records of National Securities Depository Limited and Central Depository Services (I) Limited as on 28th June 2011.

## **FUTURE PROSPECTS**

Your Company currently enjoys 100% occupancy level. The proposal to demolish the administrative block and to erect a new tower in its place will be implemented upon receipt of necessary clearances.

## **SUBSIDIARY COMPANY**

The statement pursuant to Sec 212 of the Companies Act, 1956, containing the relevant details of the Company's subsidiary is attached.

## **CORPORATE GOVERNANCE**

Your Company follows the principles of effective Corporate Governance Practices. The Company has taken steps to comply with the revised Clause 49 of the Listing Agreement with the Stock Exchanges. A report on Corporate Governance is given under separate section titled "Report on Corporate Governance" and forms part of the Annual Report.

The Management Discussion and Analysis Report also form part of the Annual Report.

## **LISTING OF SHARES**

Your Company's shares are listed presently in Madras Stock Exchange Limited and Bombay Stock Exchange Limited. Also, the Company's shares are traded on the National Stock Exchange.

## **DEMATERIALIZATION OF EQUITY SHARES**

As on 31.03.2011, 2242729 numbers of equity shares are held in Dematerialized Form, which constitutes 56.07% of total shareholding.

## **FIXED DEPOSITS**

The company has not invited and accepted Fixed Deposits from the public.

## **TWENTIETH ANNUAL REPORT 2010-2011**

---

### **DIRECTORS**

Under the provisions of the Articles of Association of the Company three of your Directors Thiru R.Ganapathi, Thiru J.Ravi and Dr.V.Dharmalingam retire by rotation at the forth coming Annual General Meeting. All of them, being eligible, offer themselves for reappointment.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Sec. 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable Accounting Standards have been followed and that there are no material departures;
- (ii) that they have 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 at the end of the financial year and of the profit of the company for that period.
- (iii) that they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of the adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that they have prepared the annual accounts on a going concern basis.

### **AUDITORS**

M/s S.H. Bhandari & Co. Chartered Accountants, Chennai, the Statutory Auditors of the Company retire at the conclusion of this Annual General Meeting and have expressed their willingness to continue as auditors of the company for the ensuing financial year. Necessary special resolution has been proposed for appointing them as auditors pursuant to Sec 224A of the Companies Act, 1956.

### **INDUSTRIAL RELATIONS**

Industrial relations, during the period under review, continued to remain cordial.

### **PARTICULARS OF EMPLOYEES**

None of the employees of the Company were in receipt of remuneration, which in the aggregate exceeded the limits fixed under sub-section (2A) of Section 217 of the Companies Act, 1956.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

As the company is not an industrial undertaking, particulars with regard to conservation of energy and technology absorption required to be given under these heads in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

**EARNINGS IN FOREIGN EXCHANGE :           NIL**

**EXPENSES INCURRED IN FOREIGN CURRENCY DURING THE YEAR : NIL**

**ACKNOWLEDGEMENT**

Your Directors wish to express their sincere thanks to the Government of Tamil Nadu, Electronics Corporation of Tamil Nadu Ltd., State Bank of India, Industrial Finance Branch, Chennai and the Company's customers for their support and co-operation extended to the Company. Your Directors also wish to place on record their appreciation for the good work put in by the employees of your Company.

For and on behalf of the Board of Directors,

Place : Chennai  
Date : 12.05.2011

**Dr. Santhosh Babu, IAS**  
Chairman

## TWENTIETH ANNUAL REPORT 2010-2011

---

Dear Shareholder,

As part of the Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21 and 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically.

Recognizing the spirit of the circular issued by MCA, we propose to send documents like the Notice convening the general meetings, Financial Statements, Directors' Report, Auditors' Report etc. for the year ended March 31, 2012, in electronic form, to the email address provided by you and made available to us by the Depositories.

Following the government directive, the full text of these reports will also be made available in an easily navigable format on our website, [www.elnettechnologies.com](http://www.elnettechnologies.com).

We request you to send the information as per the format attached to our email ID [elnet@md4.vsnl.net.in](mailto:elnet@md4.vsnl.net.in).

Thank you for cooperating.

Regards,

Investor Relations Team  
Elnet Technologies Limited  
TS 140, Block 2&9 Rajiv Gandhi Salai,  
Taramani,  
Channi-600 113. Tamil Nadu.

## FORMAT

Name of the Shareholder :

Folio No :

DP ID :

CLIENT ID :

E Mail Id :

Address :

Bank Details :

Account Number :

Name of the bank :

Branch& Address :

IFS Code :

## **TWENTIETH ANNUAL REPORT 2010-2011**

---

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

#### **INDUSTRY STRUCTURE AND DEVELOPMENTS**

Your company is engaged in providing infrastructure to Software and Business Process Outsourcing Industries. The growth and progress of the company depends directly on the prospects of Software and BPO Industry. In the opinion of the Directors, the growth in the Software and BPO Industry is fairly good and the demand for space is expected to grow.

#### **OPPORTUNITIES, THREATS, RISKS AND CONCERNS**

The consistent growth in the Software and BPO sector and turn around in Software and BPO industry are an opportunity while creation of large-scale commercial space which may create pressure on the rate per sq. ft. as well as occupancy are certain areas of concern.

#### **SEGMENTWISE / PRODUCTWISE PERFORMANCE**

Segment wise / product wise performance is not applicable to your company since it is uni-product Company.

#### **INTERNAL CONTROL SYSTEM AND ADEQUACY**

Your Company's internal control system is well defined and is commensurate with the size and nature of the business. The operations are subject to a detailed internal audit and the company implements the remedial measures suggested by the internal auditors.

The Audit Committee of the Board of Directors also meets regularly to review the reports of the Internal Auditors and providing guidance.

#### **MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT**

There were no material developments in relation to Human Resources / Industrial Relations in your Company as the Company has minimum employee strength. The Company has on its Roll 13 employees and the rest of the operations are carried through outsourcing.

#### **FINANCIAL PERFORMANCE**

The financial performance of the Company is given separately in the Directors' Report.

#### **CAUTIONARY STATEMENT**

The above statements are as perceived by the directors based on the current scenario and the input available. Any extraneous developments and force majeure conditions may have an impact on the above perceptions.



## **CORPORATE GOVERNANCE REPORT**

### **1. Company's Philosophy on code of governance**

The Company perceives Corporate Governance as an endeavor for transparency and a whole hearted approach towards establishing professional management aimed at continuous enhancement of shareholder's value.

The Company recognizes that good corporate governance is essential to build and retain the confidence of its stakeholders, its creditors, customers, suppliers and employees. Its policy has been to enhance the long-term interest of the shareholders. It believes that effective Corporate Governance is an essential component of a successful entrepreneur in a globalised economy. To this end, the Company's philosophy on Corporate Governance is to endeavor to ensure

- that system and procedures which monitor compliance with laws, rules and regulations are in place in each area of its business
- that relevant information regarding the company and its operations is disclosed, disseminated and easily available to its stakeholders and
- that the Board of Directors is kept fully informed of all material developments in the Company, the risks in its business and its operation, and the rationale for management decision and recommendation so that the Board of Directors can effectively discharge its responsibilities to the shareholders.

### **2. Board of Directors**

The Board of Directors consists of twelve Directors inclusive of six Independent Directors. Dr. Santhosh Babu, IAS is the non-executive Chairman. The Board of Directors comprise of senior, competent and highly respected persons from their respective fields. The Company has complied with the requirements of Clause 49 of the Listing Agreement as regards Composition of the Board. The day to day operations of the Company are being overseen by the Managing Director.

None of the Directors on the Company's Board is a member on more than ten committees and Chairman of more than five committees across all the companies in which he is a Director. The required information as enumerated in Annexure 1A to Clause 49 of the Listing Agreement is made available to the Board of Directors for discussions and consideration at the Board Meetings.

The Board also reviews the declarations made by the management regarding compliance with the applicable laws on a quarterly basis as also the Board Minutes of its subsidiary company.

## TWENTIETH ANNUAL REPORT 2010-2011

The details about the composition of the Board of Directors as also the number of other directorships, memberships/chairmanship in committees across various companies of which the Director is a member/chairman, their attendance at the Board meetings held during the financial year under review and at the last Annual General Meeting are furnished hereunder.

Composition and category of the Board of Directors as on March 31, 2011.

Sl. NO.	Name of the Director & Category	Other Directorships/Mandatory Committee Memberships			
		No. of Directorship / Chairmanship in other public companies		No. of Membership / Chairmanship in other Companies Board Committee	
		Director	Chairman	Member	Chairman
1	Dr.Santhosh Babu IAS, Non-Executive Chairman	3	1	1	-
2	Tmt.Unnamalai Thiagarajan, Managing Director	5	-	-	-
3	Tr. C Ramachandran, Non-Executive Director	7	-	4	2
4	Tr.J.Ravi, Non-Executive Director	-	-	-	-
5	Tr. P S Kumar, Non - Executive Independent Director	4	-	1	-
6	Tr. R Ganapathi, Non-Executive Independent Director	6	-	-	2
7	Tr. H Karthik Seshadri, Non-Executive Independent Director	-	-	-	-
8	Tr. S. Paulraj, Non-Executive Director	-	-	-	-
9	Tr.K.Padmanaban, Non-Executive Director	1	-	-	-
10	Tr. G.Senrayaperumal, Non-Executive Independent Director	-	-	-	-
11	Dr. V. Dharmalingam, Non-Executive Independent Director	-	-	-	-
12	Tr. K.Kasim Non-Executive Independent Director	-	-	-	-

### Board Meetings:

During the Financial year 2010-11 the Board met four times on the following dates namely 14.05.2010, 21.07.2010, 27.10.2010 and 27.01.2011.

Attendance of each Director at the Board Meetings and the last AGM:

Sl. No.	Name of the Director	FY 2010-11 Attendance at		
		Board Meetings		Last AGM
		Attended	No. of meetings held during their tenure	
1.	Dr.Santhosh Babu, IAS	1	4	Yes
2.	Tmt.Unnamalai Thiagarajan	3	4	Yes
3.	Tr.C Ramachandran	4	4	Yes
4.	Tr.P.S. Kumar	2	4	Yes
5.	Tr.J. Ravi	4	4	Yes
6.	Tr.R.Ganapathi	1	4	No
7.	Tr.H.Karthik Seshadri	3	4	Yes
8.	Tr.K.Padmanaban	4	4	Yes
9.	Tr.S.Paulraj	1	4	Yes
10.	Dr.V.Dharmalingam	1	4	No
11.	Tr.G.Senrayaperumal	1	4	No
12.	Tr.K.Kasim	4	4	Yes

Thiru R.Ganapathi, Thiru J. Ravi and Dr.V. Dharmalingam, are liable to retire by rotation and being eligible, offer themselves for re-appointment. Information as required under Clause 49 IV of the Listing Agreement is annexed to the Notice of the AGM

### Board procedure

The Board meets at least once a quarter and the interval between two meetings was not more than four months.

The Board is presented with extensive information on vital matters affecting the working of the company and risk assessment and mitigation procedures. Among others this includes;

- Operating plans, Capital budgets and updates and reviews thereof
- Quarterly results of the company,
- Financial statements such as cash flow, sundry debtors and/or other liabilities or claims substantial nature,

## TWENTIETH ANNUAL REPORT 2010-2011

---

- Risk faced and steps taken to mitigate/minimize the risks,
- Minutes of the meeting of the audit committee and other committees,
- Details of any joint venture or collaboration agreement,
- Developments in the industrial and human relations front,
- Important show cause, demand and penalty notices,
- Compliance of all laws applicable to the company including requirements of Listing Agreement with the Stock Exchanges and steps taken to rectify instances of non-compliances, if any.

### 3. Audit Committee

The Company has a qualified and Independent Audit Committee. In terms of the Listing Agreement executed by the Company with the Stock Exchanges, the Company has complied with the requirements of Clause 49 of the Listing Agreement as regards composition of the Audit Committee. The Audit Committee of the Board was reconstituted on 23.04.2009 comprising of five members, out of which three are non-executive independent Directors. All the members are financially literate and have relevant finance and / or audit exposure. The Committee is chaired by Tr P S Kumar, who is a Fellow Member of the Institute of Chartered Accountants of India and also an FCA (England & Wales).

It is the prerogative of the Audit Committee to invite Senior Executives whom it considers appropriate to be present at the meetings. Almost in all the Audit Committee meetings Senior Executives are invited. The Company's internal auditors and statutory auditors usually attend the meetings.

The Company Secretary acts as the Secretary of the Audit Committee. Members of the Committee are as under:

#### Composition:

Name	Position	Category
1. Tr P S Kumar	Chairman	Non-Executive Independent Director
2. Tr. C Ramachandran	Member	Non-Executive Director
3. Tr. R Ganapathi	Member	Non-Executive Independent Director
4. Tr. H Karthik Seshadri	Member	Non-Executive Independent Director
5. Tr.K. Padmanaban	Member	Non-Executive Director

**The broad terms of reference of the Audit Committee are as follows**

Role:

- Review of the Company’s financial reporting process and the disclosure of its financial information
- Reviewing with management the annual financial statements before submission to the Board, focussing primarily on (i) any change in accounting policies and practices, (ii) major accounting entries based on exercise of judgement by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with the Listing requirements of the Stock Exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit functions.
- Discussion with external auditors before the audit commences nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the company’s various financial and risk management policies and practices

**Audit Committee Meetings:**

During the Financial Year 2010-11, Audit Committee met four times on the following dates namely, 19.04.2010, 07.07.2010, 11.10.2010 & 13.01.2011

Attendance of each member of the Audit Committee during the financial year 2010-11

Sl. No.	Name of the Member	No. of Audit Committee Meetings Attended	No. of Audit Committee Meetings during their tenure
1.	Tr. P S Kumar	4	4
2.	Tr. C Ramachandran	4	4
3.	Tr. R Ganapathi	1	4
4.	Tr. H Karthik Seshadri	3	4
5.	Tr. K Padmanaban	4	4

The minutes of each of the Audit Committee Meeting are placed before the Board of Directors and discussed in the Board Meeting

**4. Remuneration Committee**

The Company has constituted a Remuneration Committee of Directors on 1st September, 2003. The broad terms of reference of the Remuneration Committee are as under.

## TWENTIETH ANNUAL REPORT 2010-2011

1. To deal with appointments, remuneration, promotion and other related aspects in respect of the Managing Director and other Senior Management staff members of the Company
2. To review the Remuneration policy of the Company from time to time, which is in consonance with the existing industry practice i.e. directed towards rewarding performance, based on review of achievement on a periodical basis.
3. Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend/approve.
4. The Board in consultation with the Remuneration Committee decides the remuneration policy for Whole time Directors/Managing Director

The composition of the Remuneration Committee is given hereunder

Name	Position	Category
1. Tr. R Ganapathi	Chairman	Non-Executive Independent Director
2. Tr. P S Kumar	Member	Non-Executive Independent Director
3. Tr. H Karthik Seshadri	Member	Non-Executive Independent Director

Remuneration paid to Managing Director and Sitting Fees paid to Non-Executive Directors during the Financial Year 2010-11 are as under

### I. Managing Director :

Total Remuneration paid to Tmt. Unnamalai Thiagarajan, Managing Director, during the financial year 2010-11 is Rs.14,00,000/-

### II. Non-Executive Directors :

Sl. No.	Name of the Director	Sitting Fees (Rs.)
1.	Dr.Santhosh Babu, IAS	7,000 *
2.	Tr. K. Padmanaban	49,000 *
3.	Tr. S. Paularj	14,000 *
4.	Tr. C Ramachandran	84,000
5.	Tr. J Ravi	1,19,000
6.	Tr. P S Kumar	70,000
7.	Tr. R Ganapathi	21,000
8.	Tr. H Karthik Seshadri	1,54,000
9.	Dr. V.Dharamalingam	7,000
10.	Tr. G. Senrayaperumal	7,000
11.	Tr. K. Kasim	28,000

\* Paid to Electronics Corporation of Tamil Nadu Ltd.

## 5. Shareholders / Investors Grievance Committee

A Shareholders/Investors Grievance Committee of Directors was re-constituted on 08/08/2003. It is empowered to oversee the redressal of investors' complaints pertaining to share transfer, non-receipt of annual reports, dividend payments, transmission of shares and miscellaneous complaints. It also oversees the performance of Registrars and Share Transfer Agents and recommend measures for overall improvement in the quality of investors services. During the year under review four Investors Grievance Committee meetings were held on 19.04.2010, 07.07.2010, 11.10.2010 & 13.01.2011. The Composition of the Committee and the Attendance at its meeting is given hereunder

### Composition:

Sl. No.	Name & Position	Category	No. of Meetings attended
1	Tr. P.S. Kumar, Chairman	Non-Executive Independent Director	4
2	Tr. C.Ramachandran, Member	Non-Executive Director	4
3	Tr. R. Ganapathi, Member	Non-Executive Independent Director	1
4	Tr. H. Karthik Seshadri, Member	Non-Executive Independent Director	3

## 6. Purchase Committee

A Purchase Committee of Directors was constituted on 25/10/2006 under the directions of the Board. It is empowered to identify the qualified vendors for taking advantage of competitive pricing. During the year under review, no meeting was held as it was not necessitated. The Composition of the Committee is given hereunder

### Composition:

Sl.No.	Name & Position	Category
1	Tr. R. Ganapathi, Member	Non-Executive Independent Director
2	Tr. H. Karthik Seshadri, Member	Non-Executive Independent Director

### Compliance Officer:

Tr. R.S. Gowdhaman, DGM (F&A) & Company Secretary  
 Ph : 044 - 22541098 Ext. : 206  
 Email : elnet@md4.vsnl.net.in

## TWENTIETH ANNUAL REPORT 2010-2011

---

Status on the total number of complaints received and resolved during the year

### **Details of Investors/Shareholders' Complaints:-**

Pending complaints at the beginning	-	Nil
Number received during the year	-	123
Number resolved	-	123
Number of pending	-	Nil

### **Code of Conduct**

The Board of Directors has laid down a Code of Conduct for all the Board members and Senior Management of the Company. The text of the same is given hereunder:

All the Board members and Senior Management personnel have affirmed compliance with the code of conduct for the year 2010-11 and

They would:

- 1) Always act in the best interests of the company and the stakeholders
- 2) Adopt the highest standards of personal ethics, integrity, confidentiality and discipline in dealing with all matters relating to the company
- 3) Apply themselves diligently and objectively in discharging their responsibilities and contribute to the conduct of the business and the progress of the company and not to be associated simultaneously with competing organization either as a Director or in any managerial or advisory capacity without the prior approval of the Board
- 4) Always adhere and conform to the various statutory and mandatory regulations/guidelines applicable to the operations of the company avoiding violations or non-conformities
- 5) Not derive personal benefit or undue advantage (financial or otherwise) by virtue of their position or relationship with the company and for this purpose
  - Shall adopt total transparency in their dealings with the Company
  - Shall disclose full details of any direct or indirect personal interests in dealings/ transaction with the company.
  - Shall not be a party to transaction or decisions involving conflict between their personal interest and the company's interest.
- 6) Conduct themselves and their activities outside the company in such manner as not to adversely affect the image or reputation of the company
- 7) Ensure the confidentiality of information they receive whilst being in office and is only disclosed if authorized by the company or the person from whom the information is provided or as required by law
- 8) Always abide by the above code of conduct and shall be accountable to the Board for their actions/violation/defaults



## Risk Management Framework

The Company has laid down procedures to inform Board Members about the risk assessment and minimization procedures. These procedures are being reviewed periodically to ensure that executive management controls risk through means of a properly defined framework

## Disclosure of Accounting Treatment

Necessary disclosures regarding accounting policy and treatment are furnished in the Notes on Accounts (Schedule 18)

## 7. Share Transfer Committee

Share Transfer Committee deals with all matters pertaining to transfers, transmission, and transposition etc. of equity shares of the Company. The Committee was reconstituted on 12.03.2008. The members of the said Committee are

Sl. No.	Name and designation	Category
1	Tr. J. Ravi, Member	Non-Executive Director
2	Tr. H. Karthik Seshadri, Member	Non-Executive Independent Director

The meetings are held regularly. Transfer of shares are processed and registered within the stipulated time, provided all the documents are valid and complete in all respects. As on 31st March, 2011, there were no share transfers pending for registration for more than 30 days.

## 8. General Body Meetings

Location and time of General Meetings

Type	Year	Date	Time	Venue
AGM	2009-10	21/07/2010	11.00 a.m.	New Woodlands Hotel Pvt. Ltd., Chennai
AGM	2008-09	07/07/2009	11.00 a.m.	New Woodlands Hotel Pvt. Ltd., Chennai
AGM	2007-08	30/07/2008	11.00 a.m.	New Woodlands Hotel Pvt. Ltd., Chennai

## Details of Special Resolutions passed :

At all the Annual General Meetings Special Resolution were passed for appointment of Statutory Auditors of the Company since 26% Equity Shares are held by M/s Electronics Corporation of Tamil Nadu Limited, a State Government Company.

## 9. Disclosure

- Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their

## TWENTIETH ANNUAL REPORT 2010-2011

---

subsidiaries or relatives etc., that may have potential conflict with the interests of the company at large.

None of the transactions with any of the related parties were in conflict with the interests of the company. A statement of related party transaction is furnished under Item No B8 of Schedule 18 relating to Notes on Accounts Schedule

- b) Details of non-compliance by the Company, Penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter to capital markets, during the last three years. – No such instances.
- c) Whistle Blower Policy and affirmation that no personnel has been denied access to the Audit Committee.

Being a non-mandatory requirement the company is in the process of defining and codifying a Whistle Blower Policy

- d) Details of Compliance with Mandatory requirements and adoption of the non-mandatory requirements of this clause.

The Company has duly complied with all the requirements.

Non-mandatory requirements is furnished separately under the heading 'Non-Mandatory Requirements'

- e) In preparation of the financial statements, the company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India the significant accounting policies which are consistently applied have been set out in the Notes to the Accounts.
- f) During the financial year 2010-11 the company had no pecuniary relationship with any of the non-executive directors (other than payment of sitting fees as set out above.)

### **10. Means of Communication**

The Un-audited quarterly financial results, "Limited Review by the Auditors" and the audited full year financial results are sent to Stock Exchanges where the Company's shares are listed regularly within the specified time limit. The results are also published in The Financial Express and Malai Murasu. The Company also issues news releases on significant corporate decisions and activities. The Management's Discussion and Analysis Report is a part of the Annual Report.

## 11. General Shareholder Information

Date of Incorporation : 01.08.1990  
Registered Office : Elnet Software City, TS 140, Block 2&9,  
Rajiv Gandhi Salai, Taramani, Chennai – 600 113  
AGM Date and Time : 28th June 2011 at 11.00 A.M.  
Venue : New Woodlands Hotel Pvt. Ltd  
No.72-75, Dr. Radhakrishnan Salai,  
Mylapore, Chennai 600 004

Financial Calendar 2011-12(Tentative and subject to change)

Financial Results for the quarter ending June 30, 2011 : Last week of July 2011  
Financial Results for the quarter ending September 30, 2011 : Last week of Oct 2011  
Financial Results for the quarter ending December 31, 2011 : Last week of Jan 2012  
Financial Results for the quarter ending March 31, 2012 : Before 15th May 2012  
Annual General Meeting for the year ending March 31, 2012 : During July 2012

**Book Closure date** : 22.06.2011 to 28.06.2011 (both days inclusive)

**Dividend Payment Date** : Within 30 days from the date of AGM

**Listing on Stock Exchanges** : (1) The Bombay Stock Exchange Ltd.  
25th Floor, P.J Towers,  
Dalal Street, Mumbai–400 023.  
(2) Madras Stock Exchange Ltd.,  
Exchange Building,  
11, Second Line Beach,  
Chennai – 600 001.

**Demat ISIN Number in NSDL & CDSL** : INE033C01019

**Scrip Code – BSE** : 517477 - ELNET TECHNO

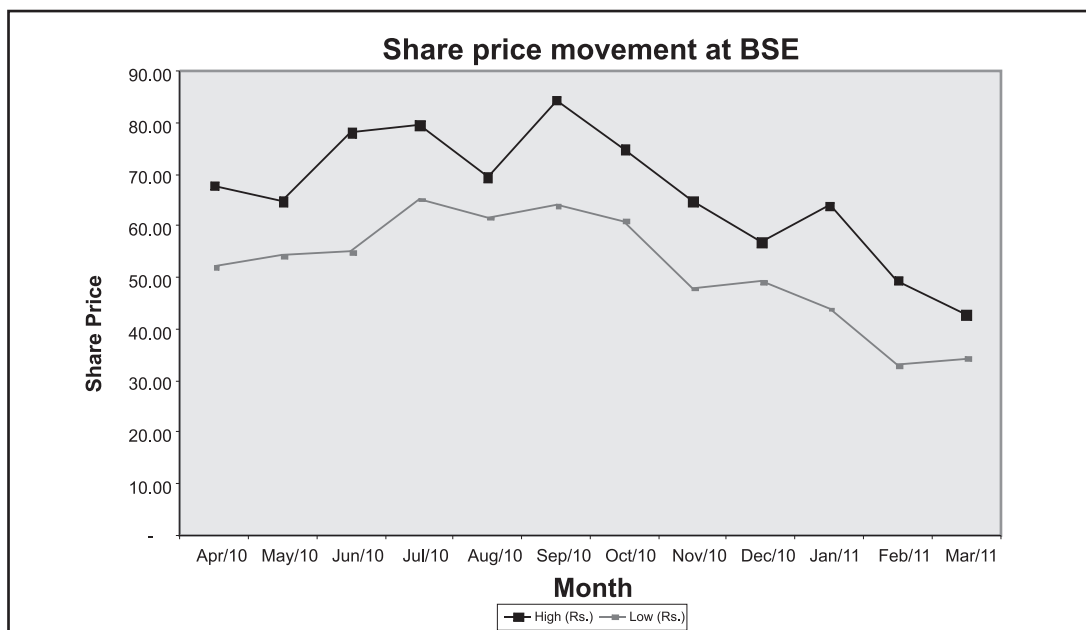
**Address of Registered Office** : Elnet Technologies Ltd., Elnet Software City,  
TS 140, Block 2&9,  
Rajiv Gandhi Salai,  
Chennai – 600 113.

Note: Annual Listing Fees for the year 2011-12 was duly paid within the time limit to the above Stock Exchanges pursuant to Clause 38 of Listing Agreement

## TWENTIETH ANNUAL REPORT 2010-2011

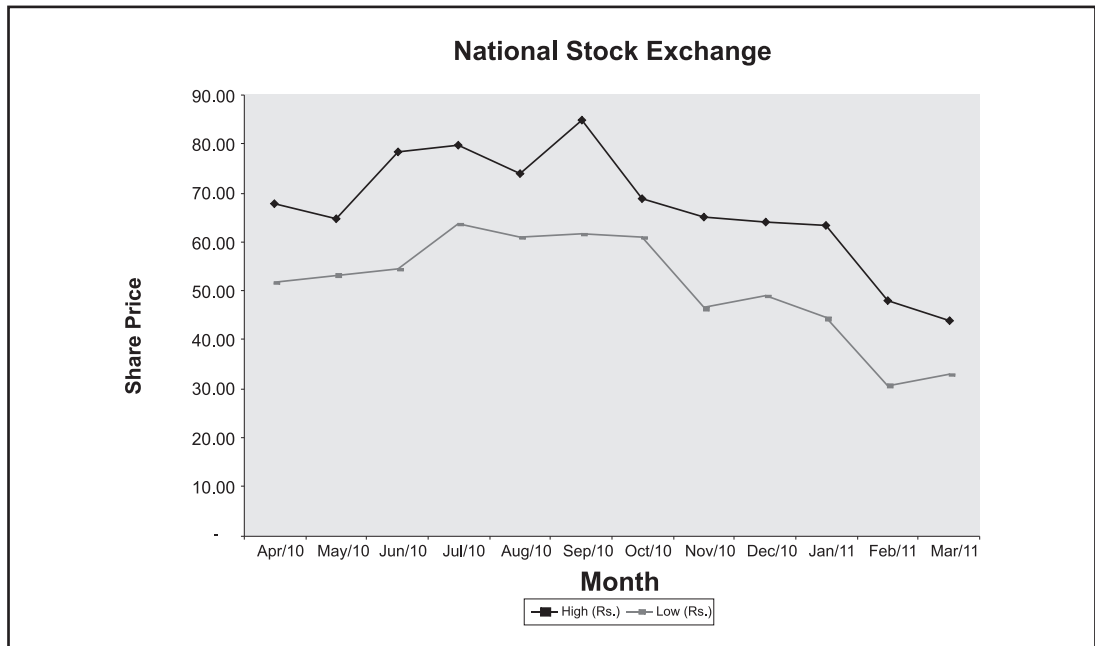
### Stock Market Data

The Stock Exchange, Mumbai				
Month	High (Rs.)	Low (Rs.)	Highest Volume (Nos.)	Lowest Volume (Nos.)
Apr-10	67.90	52.15	167119	2595
May-10	65.00	54.25	70517	325
Jun-10	78.30	55.00	368757	807
Jul-10	79.75	65.15	323763	6093
Aug-10	69.55	61.60	41836	1620
Sep-10	84.50	64.00	518248	5582
Oct-10	75.00	61.00	25767	1761
Nov-10	64.80	47.95	11901	441
Dec-10	56.85	49.25	14598	273
Jan-11	64.00	44.00	26638	39
Feb-11	49.50	33.00	7036	116
Mar-11	42.90	34.30	10772	136

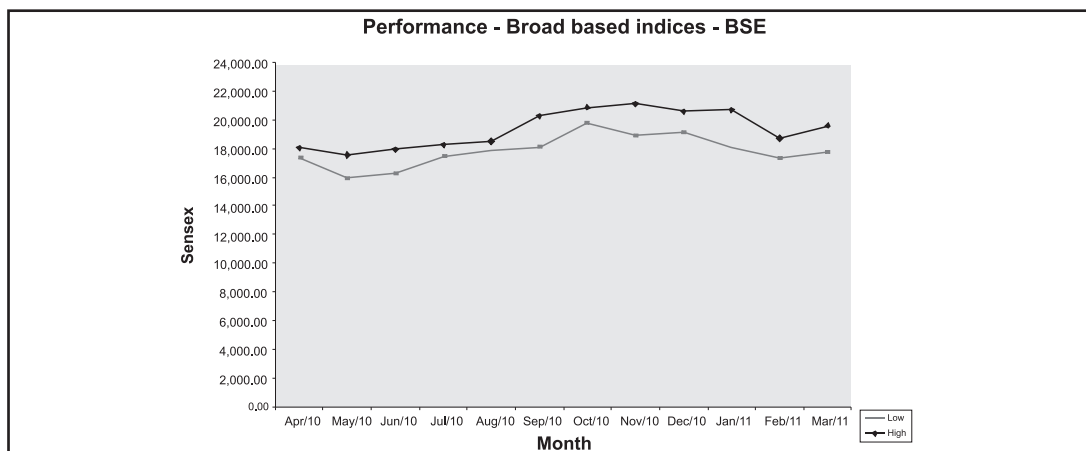


### National Stock Exchange

Month	High (Rs.)	Low (Rs.)	Highest Volume (Nos.)	Lowest Volume (Nos.)
Apr-10	68.00	51.80	174997	1792
May-10	64.90	53.20	16409	178
Jun-10	78.30	54.50	292257	196
Jul-10	79.70	63.70	448967	3054
Aug-10	74.00	61.00	39675	225
Sep-10	84.95	61.65	485452	4648
Oct-10	69.00	61.00	35950	1037
Nov-10	65.00	46.55	8845	653
Dec-10	64.00	49.00	6328	40
Jan-11	63.50	44.50	47971	182
Feb-11	48.00	30.65	3405	240
Mar-11	44.00	33.00	32515	145



## TWENTIETH ANNUAL REPORT 2010-2011



Month	High	Low
Apr-10	18,047.86	17,276.80
May-10	17,536.86	15,960.15
Jun-10	17,919.62	16,318.39
Jul-10	18,237.56	17,395.58
Aug-10	18,475.27	17,819.99
Sep-10	20,267.98	18,027.12
Oct-10	20,854.55	19,768.96
Nov-10	21,108.64	18,954.82
Dec-10	20,552.03	19,074.57
Jan-11	20,664.80	18,038.48
Feb-11	18,690.97	17,295.62
Mar-11	19,575.16	17,792.17

### Registrar and Transfer Agents

(Share transfer and communication regarding share certificates and change of address)

M/s Cameo Corporate Services Limited,  
Subramanian Building, No.1, Club House Road,  
Chennai – 600 002, Tamil Nadu.

Phone : 044 - 2846 0390 Fax : 044 - 2846 0129

### Share Transfer System

Securities lodged for transfer at the Registrar's address are normally processed within 15 days from the date of lodgement, if the documents are clear in all respects. All requests for dematerialisation of securities are processed and confirmation is given to the depositories within 15 days. The transfers of physical shares are approved by the Share Transfer Committee. Company Secretary is empowered to approve the transfer of shares.

Pursuant to Clause 47 of the Listing Agreement with the Stock Exchanges, certificates on half yearly basis are issued by the Company Secretary in Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) regulations 1996 certificate have also been received from a Company Secretary in Practice for timely dematerialisation of the shares of the Company and for conducting a secretarial Audit on a quarterly basis for reconciliation of the share capital of the Company. M/s. Cameo Corporate Services Limited, a SEBI approved Registrars and Share Transfer Agents has been appointed to effect the transfer of shares and other related jobs.

### Dematerialisation of Shares

An extent of 2242729 shares representing 56.07% of the issued share capital have been dematerialised as at 31st March, 2011.

### Distribution of Shareholding as on 31st March, 2011

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
Upto 100	4445	64.78	357888	8.95
101 – 500	1875	27.32	511904	12.80
501 – 1000	284	4.14	229612	5.74
1001 – 2000	135	1.97	208290	5.21
2001 – 3000	44	0.64	110085	2.75
3001 – 4000	26	0.38	89385	2.23
4001 – 5000	16	0.23	74200	1.86
5001 – 10000	24	0.35	185308	4.63
10001 & above	13	0.19	2233335	55.83
<b>Total</b>	<b>6862</b>	<b>100.00</b>	<b>4000007</b>	<b>100.00</b>

### Shareholding Pattern as at 31st March 2011

Category	No. of Shareholders	No. of Shares Held	% of shareholding
Promoter	1	314927	7.87
Promoters - Bodies Corporate	5	1744378	43.61
Other Bodies Corporate	192	177782	4.44
Indian Public	6620	1735818	43.40
NRIs	19	18393	0.46
Others - clearing members	25	8709	0.22
<b>TOTAL</b>	<b>6862</b>	<b>4000007</b>	<b>100.00</b>

Outstanding GDRs/ADRs/Warrants or any convertible instrument, conversion date and likely impact on Equity : N.A.

## **TWENTIETH ANNUAL REPORT 2010-2011**

---

### **Contact Address for Shareholders' communication regarding Transfer of Shares, Payment of Dividend on shares and any other query relating to the shares of the Company**

M/s Cameo Corporate Services Limited,  
Unit : Elnet Technologies Limited,  
Subramanyam Building, No.1, Club House Road,  
Chennai – 600 002, Tamil Nadu.  
Phone : 044 - 2846 0390 Fax : 044 - 2846 0129

#### **Address for Correspondence**

Secretarial Department,  
M/s Elnet Technologies Limited,  
Elnet Software City, TS 140, Block 2&9, Rajiv Gandhi Salai,  
Taramanai, Chennai – 600 113, Tamil Nadu.  
Phone : 91 44 - 22541337 Ext. : 218 Fax : 91 44 22541955

### **NON-MANDATORY REQUIREMENTS**

#### **The Board**

The Company at present has a Non-executive Chairman and he is not claiming any reimbursement of expenses incurred in performance of his duties.

#### **Remuneration Committee**

Please refer Item No. 4 under Corporate Governance Report.

#### **Shareholders Rights**

As the Company's financial results are published in an English newspaper having wide circulation all over India and in a Tamil newspaper widely circulated in Chennai, the same are not sent to the shareholders of the company individually. The Company's quarterly/half yearly/ annual audited results are also posted on to the Company's website.

#### **Audit Qualification**

There are no qualifications in the Auditor's report

#### **Training of Board Members**

The necessary training will be provided to the Board members as and when required.

#### **Mechanism for evaluating Non-Executive Board Members**

The Board does not have a mechanism for evaluating the performance of its Non-Executive Directors

#### **Whistle Blower Policy**

The Company does not have Whistle Blower Policy.



**CERTIFICATE**

**TO THE MEMBERS OF ELNET TECHNOLOGIES LTD.,**

We have examined the compliance of conditions of Corporate Governance by M/s. Elnet Technologies Ltd., for the year ended 31st March 2011, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with Stock Exchange(s)

The compliance of Corporate Governance is the responsibility of the management. Our responsibility was limited to procedures and implementation thereof, adopted by the Company of ensuring 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.

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 above mentioned Listing Agreement.

The Registrar and the Share Transfer Agent of the Company for equity shares have certified that there were no investor grievances remaining unattended / pending for more than 30 days.

We further state that such compliance is neither an assurance as the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

for **S.H. BHANDARI & Co.,**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Sekhar**  
(Partner)  
M.No: 200/21660  
Firm Reg.No. 000438S

## TWENTIETH ANNUAL REPORT 2010-2011

---

### CERTIFICATE BY CEO / CFO

**WE, UNNAMALAI THIAGARAJAN, MANAGING DIRECTOR & R.S.GOWDHAMAN, DGM (F&A) & COMPANY SECRETARY OF ELNET TECHNOLOGIES LTD, TO THE BEST OF OUR KNOWLEDGE AND BELIEF, CERTIFY THAT:**

1. We have reviewed the Balance Sheet and Profit and Loss Account and all its Schedules and Notes on Accounts, as well as the Cash Flow Statement, in respect of the year 2010-11.
2. These Statements do not contain any materially untrue statement or omit any material fact nor do they contain statements that might be misleading.
3. These statements together present true and fair view of the Company and are in compliance with the existing Accounting Standards and / or applicable laws / regulations.
4. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have also disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls for financial reporting, if any, and what we have done or propose to do to rectify these;
5. As there were no instances of fraud, that involves management or employees having a significant role in the Company's internal control systems for financial reporting, no disclosure were required to be made.
6. We have indicated to the Auditors, the Audit Committee and in the notes on accounts, whether or not there were significant changes in internal control for financial reporting and / or of accounting policies during the year.

Place: Chennai

**UNNAMALAI THIAGARAJAN**

**R.S. GOWDHAMAN**

Date : 12.05.2011

MANAGINGDIRECTOR

DGM (F&A) & COMPANY SECRETARY

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF M/S. ELNET TECHNOLOGIES LIMITED**

1. We have audited the attached balance sheet of Elnet Technologies Limited ('the Company') as at 31st March, 2011 and also the profit and loss account, 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 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 (as amended) 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 and profit and loss account dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet and profit and loss account 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 the written representations received from the directors, as on March 31st, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31st, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

## TWENTIETH ANNUAL REPORT 2010-2011

---

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31st, 2011;
- b) in the case of the profit and loss account, of the profit for the year ended on that date;
- c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended 31st March, 2011.

For **S.H. BHANDARI & Co.,**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Sekhar**  
Partner  
M.No: 200/21660  
Firm Reg.No. 000438S

---

### ANNEXURE TO THE AUDITORS' REPORT

[Referred to in Paragraph 3 of the Auditors' Report of even date to the members of Elnet Technologies Limited on the financial statements for the year ended March 31, 2011]

#### 1. FIXED ASSETS

- a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c. There was no substantial disposal of fixed assets during the year.

#### 2. INVENTORIES

The Company does not hold any inventories. Consequently physical verification and maintenance of records for inventory by the management does not arise.

#### 3. LOANS

- a. According to the information and explanation given to us, the company has an unsecured loan of Rs. 60,09,141/- from a company listed in the register maintained u/s. 301 of the Companies Act, 1956 and an unsecured loan of Rs.3,66,24,742/- from a party listed in the register maintained u/s. 301 of the Companies Act, 1956. In pursuance of a joint venture agreement as Promoter's contribution for the company's project. The rate of interest and other terms and conditions are not prima-facie prejudicial to the interest of the company.
- b. The company has not granted any loan to parties covered in the register maintained u/s. 301 of the Act.

#### **4. INTERNAL CONTROL**

- a. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business.
- b. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.

#### **5. CONTRACTS & ARRANGEMENTS**

- a. In respect of transaction entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 ; and based on the audit procedures applied by us and according to the information and explanations given to us, transactions that need to be entered in the register, have been so entered.,

According to the information and explanations given to us, where each such transactions is in excess of Rs. 5 lakhs in respect of any party, the transactions made in pursuance of such contracts or arrangements have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.

#### **6. PUBLIC DEPOSITS**

The Company has not accepted deposits from the Public within the meaning of Section 58A and 58AA of the Companies Act, 1956, and the Rules framed there under.

#### **7. INTERNAL AUDIT SYSTEM**

In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

#### **8. COST RECORDS**

To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products / services of the Company.

#### **9. STATUTORY DUES**

- a. As per the records of the company, the company is generally regular in depositing with the appropriate authorities undisputed statutory dues such as Income Tax, Sales Tax, Service Tax and Wealth Tax. The provisions relating to excise and customs duty are not applicable to the company.
- b. According to the records and information and explanations given to us, there are no dues in respect of, sales tax, service tax, custom duty, excise duty, cess and wealth tax that have not been deposited with the appropriate authorities on account of dispute and the dues in respect of income tax that have not been deposited with the appropriate authorities on account of dispute and the forum where the dispute is pending are given below:-

## TWENTIETH ANNUAL REPORT 2010-2011

Name of the Statute	Nature of the dues	Period [A.Y]	Amount (In Rs.)	Forum where dispute is pending
Income-tax Act, 1961	Income Tax	1996-1997	13,15,839	Madras High Court
Income-tax Act, 1961	Income Tax	1998-1999	12,16,086	Madras High Court
Income-tax Act, 1961	Income Tax	1999-2000	24,36,476	Madras High Court
Income-tax Act, 1961	Income Tax	2000-2001	5,24,847	Madras High Court
Income-tax Act, 1961	Income Tax	2003-2004	1,94,26,689	Madras High Court
Income-tax Act, 1961	Income Tax	2004-2005	2,32,348	Madras High Court
Income-tax Act, 1961	Income Tax	2005-2006	1,40,072	Madras High Court
Income-tax Act, 1961	Income Tax	2007-2008	11,30,593	Madras High Court
Finance Act, 1994	Service tax on Electricity	Notice dtd 31.03.2010	1,49,07,141	Office of the Commissioner of Service Tax, Chennai
Finance Act, 1994	Service tax on Electricity	Notice dtd 30.09.2010	20,45,540	Office of the Commissioner of Service Tax, Chennai.

### 10. ACCUMULATED LOSSES

The Company has no accumulated losses as at 31.03.2011 and it has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

### 11. LIABILITY TO BANKS & FINANCIAL INSTITUTIONS

Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

### 12. LOANS ON PLEDGING OF SHARES ETC.

Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not taken any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

### 13. APPLICABILITY OF PROVISIONS OF SPECIAL STATUTE OF CHIT FUNDS

The Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund / Society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

#### **14. DEALING IN SHARES & SECURITIES**

In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company. However, investments are made out of Surplus funds available with the company as part of its Treasury operations from time to time.

#### **15. GUARANTEE**

Based on our audit procedures and as per the information and explanations given by the management, the Company has not given any guarantee for loans taken by others, from banks or financial institutions during the year.

#### **16. LONG TERM LOANS**

The company has not taken any long term loans during the year ended 31st March, 2011.

#### **17. FUNDS UTILISATION**

According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

#### **18. PREFERENTIAL ALLOTMENT OF SHARES**

The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

#### **19. DEBENTURES**

The Company has not issued any debentures during the year.

#### **20. PUBLIC ISSUE**

The company has not made any public issue of shares during the year.

#### **21. FRAUDS**

Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S.H. BHANDARI & Co.,**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Sekhar**  
Partner  
M.No: 200/21660  
Firm Reg.No. 000438S

## TWENTIETH ANNUAL REPORT 2010-2011

### BALANCE SHEET AS AT 31/03/2011

	Schedule No.	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	40,000,070	40,000,070
Reserves & Surplus	2	253,281,460	222,399,364
		293,281,530	262,399,434
<b>LOAN FUNDS</b>			
Secured Loans	3	44,710,250	95,528,756
Unsecured Loans	4	42,633,883	42,633,883
		87,344,133	138,162,639
<b>COMPENSATION DEPOSITS</b>			
		92,119,450	84,321,450
<b>DEFERRED TAX</b>			
	5	29,672,569	31,845,023
	<b>Total</b>	<b>502,417,682</b>	<b>516,728,546</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
	6		
Gross Block		536,561,532	533,351,661
Less Depreciation		156,615,313	129,696,701
Net Block		<b>379,946,219</b>	<b>403,654,960</b>
<b>INVESTMENTS</b>			
	7	31,253,000	31,253,000
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Cash and bank balances	8	62,616,849	47,992,024
Sundry Debtors	9	14,420,760	13,153,201
Loans and advances	10	30,146,335	35,787,002
		<b>107,183,944</b>	<b>96,932,227</b>
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
Liabilities	11	10,386,792	9,514,400
Provisions	12	5,578,689	5,597,241
		<b>15,965,481</b>	<b>15,111,641</b>
<b>NET CURRENT ASSETS</b>			
		<b>91,218,463</b>	<b>81,820,586</b>
	<b>Total</b>	<b>502,417,682</b>	<b>516,728,546</b>

For and on behalf of the Board of Directors

As per our report attached

**Unnamalai Thiagarajan**  
Managing Director

**R. Ganapathy**  
Director

**For S.H.Bhandari & Co**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Padmanaban**  
Director

**R.S.Gowdhaman**  
DGM ( F & A ) & Company Secretary

**K Sekhar**  
Partner

M.No: 200/21660  
Firm Reg.No. 000438S



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31/03/2011**

	Schedule No.	For the year ended 31/03/11	For the year ended 31/03/10
<b>INCOME</b>	13	<b>Rs.</b>	<b>Rs.</b>
Income from operations	A	160,645,271	159,394,083
Non Operating Income	B	6,203,551	3,766,786
		<b>166,848,822</b>	<b>163,160,869</b>
<b>EXPENDITURE</b>			
Employee's Cost and Benefit	14	11,008,211	9,545,664
Administrative & Other Expenses	15	5,900,476	7,304,998
Repairs & Maintenance Expenses	16	40,190,950	35,316,996
Electricity Charges		13,708,155	11,860,762
		<b>70,807,792</b>	<b>64,028,420</b>
<b>Operating Profit</b>		<b>96,041,030</b>	<b>99,132,449</b>
Finance Charges	17	9,849,797	12,442,219
Depreciation	6	29,102,902	29,325,111
		<b>38,952,699</b>	<b>41,767,330</b>
Profit before taxation & extra ordinary items		57,088,331	57,365,119
Provision for Deferred Tax		(2,172,454)	(2,157,719)
Provision for Current Tax		22,800,000	22,000,000
<b>Profit after taxation</b>		<b>36,460,785</b>	<b>37,522,838</b>
Profit brought forward from Previous year		63,824,364	51,898,767
<b>Amount available for appropriation</b>		<b>100,285,149</b>	<b>89,421,605</b>
<b>Appropriations</b>			
Proposed Dividend		4,800,008	4,800,008
Tax on Proposed Dividend		778,681	797,233
Amount transferred to General Reserve		20,000,000	20,000,000
Balance carried to Balance Sheet		74,706,460	63,824,364
		<b>100,285,149</b>	<b>89,421,605</b>
Basic Earnings per share of Rs.10/- each		9.12	9.38
Diluted Earnings per share of Rs.10/- each		9.12	9.38

**Significant Accounting Policies and Notes to Accounts** 18

For and on behalf of the Board of Directors

As per our report attached

**Unnamalai Thiagarajan**  
Managing Director

**R. Ganapathy**  
Director

**For S.H.Bhandari & Co**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Padmanaban**  
Director

**R.S.Gowdhaman**  
DGM ( F & A ) & Company Secretary

**K Sekhar**  
Partner

M.No: 200/21660  
Firm Reg.No. 000438S

## TWENTIETH ANNUAL REPORT 2010-2011

### SCHEDULES TO THE BALANCE SHEET AS AT 31/03/2011

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>1 SHARE CAPITAL</b>		
Authorised		
50,00,000 Equity shares of Rs.10/- each	50,000,000	50,000,000
Issued, Subscribed & Paid up		
40,00,007 Equity shares of Rs.10/- each fully paid up	40,000,070	40,000,070
<b>Total</b>	<b>40,000,070</b>	<b>40,000,070</b>
<b>2 RESERVES &amp; SURPLUS -</b>		
SUBSIDY FROM SIPCOT		
As per Last Balance Sheet	2,575,000	2,575,000
	<b>2,575,000</b>	<b>2,575,000</b>
<b>GENERAL RESERVE</b>		
As per Last Balance Sheet	156,000,000	136,000,000
Add : Transfer from Profit and Loss A/c.	20,000,000	20,000,000
	<b>176,000,000</b>	<b>156,000,000</b>
<b>PROFIT AND LOSS ACCOUNT</b>		
Surplus from Profit & Loss A/c.	74,706,460	63,824,364
	<b>74,706,460</b>	<b>63,824,364</b>
<b>Total</b>	<b>253,281,460</b>	<b>222,399,364</b>
<b>3 SECURED LOANS</b>		
( See Note B-1a to the Notes to Accounts )		
Mortgage Loan from State Bank of India -I	-	13,143,588
Mortgage Loan from State Bank of India -II	44,710,250	82,385,168
<b>Total</b>	<b>44,710,250</b>	<b>95,528,756</b>
<b>4 UNSECURED LOANS</b>		
From Promoters	42,633,883	42,633,883
<b>Total</b>	<b>42,633,883</b>	<b>42,633,883</b>
<b>5 DEFERRED TAX</b>		
Deferred Tax Liability	34,723,347	34,723,347
Less : Deferred Tax Asset	5,050,778	2,878,324
<b>Total</b>	<b>29,672,569</b>	<b>31,845,023</b>

## SCHEDULE 6 FIXED ASSETS

Asset Group	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK			
	Assets as at 31st March 2010	Addition During the year	Deletions during the year	Balance as at 31st March 2011	As at 31st March 2010	For the year	Deletion	As at 31st March 2011	Balance as at 31st March 2011	Balance as at 31st March 2010
<b>LAND</b>										
Free Hold	675,000	-	-	675,000	-	-	-	-	675,000	675,000
Lease Hold	115,041,537	-	-	115,041,537	2,829,600	471,670	-	3,301,270	111,740,267	112,211,937
<b>BUILDINGS</b>										
Buildings	218,507,108	215,324	5,380	218,717,052	34,452,592	3,564,803	5,378	38,012,017	180,705,035	184,054,515
Plant&Machinery	12,337,024	-	191,664	12,145,360	6,908,464	852,988	191,664	7,569,788	4,575,572	5,428,560
Wind Mill	27,625,000	-	-	27,625,000	15,714,250	2,866,425	-	18,570,675	9,054,325	11,910,750
Electrical Fittings	54,707,861	183,222	91,346	54,799,737	20,068,084	2,594,577	91,346	22,571,315	32,228,422	34,639,778
Furniture&Fixtures	33,530,302	3,870,563	163,587	37,237,278	15,405,742	8,825,630	163,587	24,067,784	13,169,493	18,124,559
<b>OFFICE EQUIPMENTS</b>										
Computer	941,366	94,700	471,694	564,372	798,891	152,836	471,694	480,033	84,339	142,475
Air Conditioner	16,370,799	100,038	168,391	16,302,446	8,186,788	1,668,000	168,391	9,676,397	6,626,049	8,184,011
UPS	14,741,806	-	641,355	14,100,451	11,440,749	2,533,951	641,355	13,333,345	767,106	3,301,057
Others	15,425,037	-	34,425	15,390,612	8,464,535	3,888,343	34,425	12,268,453	3,122,159	6,960,502
Xerox	372,120	80,620	54,000	398,740	95,048	18,388	13,900	99,536	299,204	277,072
MULTI LEVEL CAR PARK	20,348,801	-	-	20,348,801	3,023,901	1,509,882	-	4,533,783	15,815,018	17,324,900
VEHICLE	2,568,770	698,231	558,096	2,708,905	2,247,596	171,841	402,546	2,016,891	692,016	321,174
Intangible Assets (Computer software)	159,130	347,112	-	506,242	60,460	53,568	-	114,028	392,214	98,670
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-
Total	533,351,661	5,589,810	2,379,938	536,561,532	129,696,701	29,102,902	2,184,286	156,615,313	379,946,219	403,654,960
Total for Previous Year	524,830,767	10,872,894	2,352,000	533,351,661	101,049,413	29,325,111	677,823	129,696,701	403,654,960	423,781,354

1. Depreciation for the year includes amortisation of Land registration charges of Rs 4,71,670

## TWENTIETH ANNUAL REPORT 2010-2011

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>7 INVESTMENTS - UNQUOTED</b>		
<b>LONG TERM INVESTMENT</b>		
<b>NON-TRADE UNQUOTED - AT COST</b>		
<b>INVESTMENT IN EQUITY SHARES</b>		
a) 30,25,300 Equity shares of Rs 10/- each in Indian Green Grid Group Ltd (Formerly ETL Infrastructure Services Ltd.) fully paid up. (Previous Year- 3025300 shares of Rs 10/- each fully paid up)	30,253,000	30,253,000
b) 100% Wholly Owned Subsidiary Company - 1,00,000 Equity Shares of Rs.10/- each in Elnet Software City Ltd., fully paid up	1,000,000	1,000,000
<b>Total</b>	<b>31,253,000</b>	<b>31,253,000</b>
<b>8 CASH AND BANK BALANCES</b>		
Cash on hand	11,496	6,054
Balances with Scheduled Banks		
in Current Accounts	5,105,353	2,985,955
in Deposit Accounts	57,500,000	45,000,015
<b>Total</b>	<b>62,616,849</b>	<b>47,992,024</b>
<b>9 SUNDRY DEBTORS</b>		
<b>(Secured &amp; considered good)</b>		
Outstanding for a period exceeding six months	1,511	-
Others	14,419,249	13,153,201
<b>Total</b>	<b>14,420,760</b>	<b>13,153,201</b>

<b>Particulars</b>	<b>As at 31/03/2011 Rs.</b>	<b>As at 31/03/2010 Rs.</b>
<b>10 LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Tax deducted at Source & Advance Tax - Net	19,000,775	24,756,694
Advance FBT Paid - Net	20,028	20,028
Staff Advance	74,713	81,813
Other Advances	2,086,841	1,066,744
Prepaid Expenses	1,643,722	1,541,147
Interest Receivable	952,792	908,768
Security Deposits	3,352,573	4,248,793
Dividend Account with Bank ( Unpaid )	1,983,985	1,903,012
Gratuity (LIC Fund)	1,387,488	1,616,585
	30,502,917	36,143,584
Less : Provision for doubtful advances	356,582	356,582
<b>Total</b>	<b>30,146,335</b>	<b>35,787,002</b>
<b>11 CURRENT LIABILITIES</b>		
Sundry Creditors		
- for Expenses	3,485,639	2,788,929
Other Liabilities	3,474,379	3,170,171
Unpaid Dividend	1,983,985	1,903,012
Gratuity (Obligation)	1,442,789	1,652,288
<b>Total</b>	<b>10,386,792</b>	<b>9,514,400</b>
<b>12 PROVISIONS</b>		
Proposed Dividend	4,800,008	4,800,008
Provision for tax on proposed Dividend	778,681	797,233
<b>Total</b>	<b>5,578,689</b>	<b>5,597,241</b>

## TWENTIETH ANNUAL REPORT 2010-2011

### SCHEDULES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31/03/2011

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>13 INCOME</b>		
<b>A</b> Compensation Income	118,789,509	119,936,260
Other Income from operations	41,855,762	39,457,823
Total	160,645,271	159,394,083
<b>B</b> Non Operating Income		
Interest Income	4,354,651	2,393,921
(Tax deducted at source Rs.4,51,333/- previous year Rs.2,78,578/-)		
Other Income	1,848,900	1,372,865
Total	6,203,551	3,766,786
<b>Total ( A + B )</b>	<b>166,848,822</b>	<b>163,160,869</b>
<b>14 Employee's Cost and Benefit</b>		
Salary & bonus to staff	8,290,061	6,965,696
Contribution to PF, Gratuity & Other Funds	1,046,288	966,725
Staff Welfare Expenses	271,862	213,243
Managing Director's Remuneration	1,400,000	1,400,000
<b>Total</b>	<b>11,008,211</b>	<b>9,545,664</b>
<b>15 Administrative &amp; Other Expenses</b>		
Printing & Stationery	358,417	344,285
Travelling & Conveyance	202,887	140,908
Communication Expenses	431,353	486,296
Business Promotion Expenses	579,765	1,431,247
Sitting Fees	560,000	560,000
Audit Fees	369,356	314,355
Rent	1	1
Rates & Taxes	1,919,656	2,246,651
Service Tax Paid	-	13,327
Insurance	892,156	689,777
Legal & Professional Charges	199,740	313,501
Loss on sale of Fixed Assets	55,650	174,177
Other General / Misc Expenses	331,495	590,473
<b>Total</b>	<b>5,900,476</b>	<b>7,304,998</b>

<b>Particulars</b>	<b>As at 31/03/2011 Rs.</b>	<b>As at 31/03/2010 Rs.</b>
<b>16 Repairs &amp; Maintenance Expenses</b>		
Diesel account	13,864,684	10,905,780
Water Expenses	930,675	1,118,350
Security Charges	3,516,947	3,313,394
R & M -Air Conditioner	858,023	875,088
R & M - Building	14,241,371	10,937,867
R & M - Electrical	2,969,560	3,324,529
R & M - U P S	910,779	1,412,245
R & M -MLCP	1,278,976	1,746,022
R & M - Others	1,619,935	1,683,721
<b>Total</b>	<b>40,190,950</b>	<b>35,316,996</b>
<b>17 Finance Charges</b>		
Interest charges - term Loan	9,787,406	12,361,254
Interst - Others	34,084	34,804
Bank Charges	28,307	46,161
<b>Total</b>	<b>9,849,797</b>	<b>12,442,219</b>

## TWENTIETH ANNUAL REPORT 2010-2011

---

### SCHEDULE 18 : NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Concepts

Financial statements are prepared under the historical cost convention following the mercantile system of accounting and complying with the provisions of the Companies Act, 1956, and the Accounting Standards issued by the Institute of Chartered Accountants of India as applicable to the Company.

##### 2. Revenue Recognition

Compensation Income and Electricity Income are accounted on accrual basis as and when they are due on monthly basis.

Interest Income is also accounted on accrual basis.

Income from Windmill is taken on a monthly basis upon credit given by Tamil Nadu Electricity Board for the units generated and supplied. During the year 13, 11,299 units were sold to TNEB.

##### 3. Fixed Assets and Intangibles:

Fixed Assets are stated at historical cost less accumulated depreciation. Historical Cost includes expenditure of capital nature and valued at cost of acquisition inclusive of freight, duties, taxes, incidental charges relating to the acquisition and the cost of installation / erection as applicable. In respect of construction of assets forming part of expansion project, directly attributable costs including financing costs relating to specific borrowings are also capitalized.

Advances paid towards acquisition of fixed assets and cost of assets not put to use before the year end are shown under Capital Work – in – Progress.

Land Lease deposit has also been shown under “Lease Hold Land” and not amortized over the period of lease, as the deposit is refundable after the expiry of period of 90 years.

Land Lease registration charges has been shown under “Lease Hold Land” and amortized over a period of ten years.

The Company has classified Accounting Software as Intangible.



#### **4. Impairment of Assets:**

As asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged for when the asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount

#### **5. Depreciation**

Depreciation has been provided on straight-line method on a pro-rata basis as per the rates as indicated in Schedule XIV of the Companies Act, 1956. In respect of diesel generators, UPS, Air-conditioners and Windmill, depreciation on triple shift basis has been provided considering the nature of business of the Company.

Depreciation on fixed assets is applied on the straight line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased/sold during the period is proportionately charged. Individual low cost assets (acquired for less than Rs.5,000) are depreciated within a year of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight line basis, commencing from the date of the asset is available to the Company for its use. From 2008-2009 onwards the management estimates the useful life of the certain assets like Computer, Furniture & Fixtures, Office Equipment, UPS, Plant & Machinery & Vehicles has been revised to higher rate of depreciation @ 25% on straight line basis to the extent unavailed, instead of the rate as per schedule XIV of Companies Act, 1956.

#### **6. Investments**

Investments are held as long term and are stated at Cost.

#### **7. Borrowing Costs**

Borrowing costs that are attributable to the construction of a qualifying asset, forming part of the expansion project or otherwise are capitalized as part of such assets till such time where the assets are ready for its intended use. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

#### **8. Employee benefits**

##### **i) Post –Employment benefit Plans**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

## TWENTIETH ANNUAL REPORT 2010-2011

---

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the Profit and Loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

### ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

## 9. Taxation

Current Tax is provided on the Taxable Income for the year as per provisions of the Income Tax Act, 1961. Deferred tax Liabilities / deferred tax Asset on the timing difference have been fully provided for.

## B. BALANCE SHEET

### 1. Secured Loans

#### a. Mortgage Loan

##### Primary Security

Assignment of rent receivables from all the present and future lessees of building situated at TS No.140, Block no. 2 & 9 , Rajiv Gandhi Salai, Taramani , Chennai 600 113.

##### Collateral Security

Registered mortgage of commercial property belonging to the company situated at TS No.140, Block 2 & 9, Rajiv Gandhi Salai, Taramani, Chennai -600 113 admeasuring land area of 3.16 acres with super built up area of 2.50 lacs sq.ft of ground floor + 7 floors.

First charge on other fixed assets of the company (including Windmill property)

## 2. Deferred Tax Liability /Asset

As per the Accounting Standard “AS 22” issued by the Institute of Chartered Accountants of India (ICAI), the Company is required to make a provision for “deferred tax liability/ asset”. During the year an amount of Rs. 21,72,454/-has been recognized for deferred tax asset.

The balance deferred tax liability (net) outstanding as on 31.03.2011 is Rs.2,96,72,569/- the details of which are as follows:

**Rupees in lakhs**

	As at 31.3.2010	Tax effect for the year	As at 31.3.2011
<b>Deferred Tax ( Liability)</b>			
Fixed Assets	327.09	(20.33)	306.76
<b>Sub Total</b>	<b>327.09</b>	<b>(20.33)</b>	<b>306.76</b>
Deferred Tax Asset			
Amortization of Land registration Charges	8.64	1.39	10.03
<b>Sub Total</b>	<b>8.64</b>	<b>1.39</b>	<b>10.03</b>
<b>Deferred Tax Asset / ( Liability)</b>	318.45	21.72	296.73

## 3. Disclosure of leases under AS 19, Accounting for leases.

During the year 1995-96, the Company has completed the construction of its IT Park at Taramani, Chennai and leased out the entire completed portion of the premises. The disclosure required for operating leases under AS 19 is given below:

	As at 31-03-2011	As at 31-03-2010
Cost of Buildings leased	21,87,17,054	21,85,07,108
Depreciation providing during year on Buildings leased	35,54,603	35,52,057
Accumulated depreciation on buildings leased	3,80,12,017	3,44,52,592
Impairment loss recognized in Profit & Loss account	Nil	Nil
Impairment loss reversed in Profit & Loss account	Nil	Nil

Future minimum lease payments

	31.3.2011	31.3.2010
Not later than one year	12,33,06,866	11,13,04,789
Later than one year and not later than five years	16,84,58,983	22,19,63,557
Later than five years	1,75,12,260	1,17,53,910

## TWENTIETH ANNUAL REPORT 2010-2011

---

### 4. INVESTMENTS

30,25,300 Equity shares of Rs 10/- each in Indian Green Grid Group Ltd., (Formerly ETL Infrastructure Services Ltd) Fully paid up.	<b>Rs.3,02,53,000 /-</b>
100% Wholly Owned Subsidiary Company - 1,00,000 Equity Shares of Rs.10/- each in Elnet Software City Ltd fully paid up	<b>Rs. 10,00,000 /-</b>

### 5. CURRENT LIABILITIES

- (A) The company continues to hold the amount of Rs.1,46,503/- on account of Interest payable on FD made out of disputed dividend for the years 2000-01 and 2001-02 .
- (B) There are no amounts due to the Central Government on account of Investor Education and Protection Fund as on 31.3.2011. The balance amount lying under the Unpaid Dividend Account 2003–2004 declared on 29.09.2004 for the year 2003-04 falls due on 28.09.2011.
- (C) Provision for Taxation (Income Tax payable) has been netted off against Tax Deducted at source & Advance Tax paid.

### 6. PROFIT & LOSS ACCOUNT

- A) Electricity Expenses have been reduced to the extent of Rs.48,64,920/- (previous year Rs.50,30,154/-)from sale of electricity generated from windmill. There is no impact on the Profit & Loss Account.
- B) Retirement benefits to employees

#### (1) Defined Contribution Plan

##### **Provident fund**

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the Employee's Provident Fund scheme administer by Government of India equal to a specified percentage of the covered employee's salary.

The Company recognized Rs. 4,99,151/= for provident fund contribution in the P&L account. Further an additional contribution of Rs.2,51,675/- has to be paid to the Trust to meet the shortfall in managing the trust, being the "excess of expenditure over income".

**(ii) Defined benefit plan**

**1) Gratuity**

The Company provides for gratuity, a defined benefit retirement plan (the “Gratuity Plan”) covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee’s salary and the tenure of employment. Vesting occurs upon completion of five years of service. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes all the ascertained liabilities to the Elnet Technologies Ltd Employees’ Gratuity Fund Trust (the “Trust”). Trustees administer contributions by means of a group gratuity policy with Life Insurance Corporation of India.

The following table set out the status of the gratuity plan as required under AS 15

**a) Change in benefit obligations:**

**Rupees in lakhs**

<b>Particulars</b>	<b>Gratuity Plan 31.3.2011</b>	<b>Gratuity Plan 31.3.2010</b>
Projected benefit obligation at beginning of the year	16.53	9.95
Service Cost	0.51	0.57
Interest cost	1.32	0.79
Actuarial (gain)/loss	0.81	5.22
Benefits paid	(4.74)	----
Projected benefit obligation, end of the year	14.43	16.53

**b) Change in plan assets:**

**Rupees in lakhs**

<b>Particulars</b>	<b>Gratuity Plan 31.3.2011</b>	<b>Gratuity Plan 31.3.2010</b>
Plan assets at beginning of the year at fair value	16.17	13.88
Expected return on plan assets	1.25	1.31
Actuarial (gain)/loss	----	----
Employer’s Contributions	1.20	0.98
Benefits paid	(4.74)	----
Plans assets at end of the year at fair value	13.87	16.17

## TWENTIETH ANNUAL REPORT 2010-2011

### c) Reconciliation of present value of the obligation and the fair value of the plan assets

Rupees in lakhs

Particulars	Gratuity Plan 31.3.2011	Gratuity Plan 31.3.2010
Fair value of plan assets at the end of the year	13.87	16.17
Present value of the defined benefit obligations at the end of the period	14.43	16.53
( Liability ) / Asset	(0.56)	(0.36)

### d) Gratuity cost for the year ended March 31 2011

Rupees in lakhs

Particulars	Gratuity Plan 31.03.11	Gratuity Plan 31.03.10
Service cost	0.51	0.57
Interest cost	1.32	0.79
Expected return on plan assets	(1.25)	(1.31)
Actuarial (gain)/ loss	0.81	5.27
Net cost	1.39	5.22
Actual return on plan assets	7.67%	9.44%

e) **Investment details of plan assets:** Deposited with Life Insurance Corporation of India (Group gratuity policy).

### f) Assumptions

Particulars	Gratuity Plan	Gratuity Plan
Discount rate	8%	8%
Salary escalation rate	8%	8%
Estimated rate of return on plan assets	8%	8%

### (2) Leave encashment

The employees of the Company are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 180 days. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actual valuations.

## 7. Payment to Auditors

Particulars	2010 –11 (Rs.)	2009–10 (Rs.)
1. Statutory Audit	1,75,000	1,75,000
2. Tax Audit Fees	50,000	50,000
3. Certification	60,000	60,000
4. Service Tax	29,355	29,355

## 8. GENERAL

### Related Party Disclosures

<b>I. Name of the related party</b>	<b>Electronic Corporation of Tamil Nadu Ltd (ELCOT)</b>
Description of the relationship between the parties	Joint venture partner holding 26% Equity capital of the company
Description of the nature of transaction	1. Lease of land presently occupied by the Company. 2. Land Lease Rentals
Volume of transactions during the year	Re.1/- towards lease rent
Any other element of the transaction necessary for understanding the transaction	Nil
Amount outstanding at the balance sheet date	Rs. 11,03,25,537
Amount written back during the year	Nil
<b>II Name of the related party</b>	<b>Indian Green Grid Group Ltd.,( Formerly ETL Infrastructure Service Ltd)</b>
Description of the relationship between the parties	A company in which the Managing Director is also the Managing Director
Description of the nature of transaction	a) Compensation & electricity Charges for Space occupied by them in Elnet Software City. b) Purchase of Car
Volume of transactions during the year	a) Rs.1,78,537/- b) Rs. 6,98,231/-
Any other element of the transaction necessary for understanding the transaction	NIL

## TWENTIETH ANNUAL REPORT 2010-2011

Amount outstanding at the balance sheet date – (Investment in Equity Shares)	Rs. 3,02,53,000/-
Amount written back during the year	NIL
<b>III Name of the related party</b>	<b>Elnet Software City Limited</b>
Description of the relationship between the parties	Subsidiary Company
Description of the nature of transaction	a) Investment in equity shares b) Payment for pre-operative and Other expenses
Volume of transactions during the year	a) Rs.120/-
Any other element of the transaction necessary for understanding the transaction	None
Amount outstanding at the balance sheet date – Investment in Equity Shares)	Rs.10,00,000/-
Amount written back during the year	NIL
<b>IV Name of the related party</b>	<b>Stur Technologies Pvt Ltd., (Formerly New Era Technologies Pvt Ltd)</b>
Description of the relationship between the parties	Promoter
Description of the nature of transaction	a) The unsecured loan from the company to the tune of Rs.60,09,141.20 continues to exist. b) Interest payable on FD made out of disputed dividend for the years 2000-01 and 2001-02
Volume of transactions during the year	NIL
Any other element of the transaction necessary for understanding the transaction	None
Amount outstanding at the balance sheet date	a) Rs.60,09,141.20 b) Rs.1,46,503
Amount written back during the year	NIL
<b>V Name of the related party</b>	<b>Shri. Shanmugam Thiagarajan (Formerly shri Thiagaraj S Chettiar)</b>
Description of the relationship between the parties	Spouse of Managing Director
Description of the nature of transaction	Unsecured Loan of Rs.3,66,24,741.91
Volume of transactions during the year	NIL
Any other element of the transaction necessary for understanding the transaction	None



Amount outstanding at the balance sheet date	Rs.3,66,24,741.91
Amount written back during the year	NIL
<b>KEY MANAGEMENT PERSONNEL</b>	
<b>VI Name of the related party</b>	<b>Mrs. Unnamalai Thiagarajan</b>
Description of the relationship between the parties	Managing Director of the Company
Description of the nature of transaction	Remuneration
Volume of transactions during the year	Rs.14,00,000/-
Any other element of the transaction necessary for understanding the transaction	NIL
Amount outstanding at the balance sheet date	NIL
Amount written back during the year	NIL

#### **VII Earnings Per Share**

	<b>2010-11</b>	<b>2009 -10</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
a. Net Profit available for Equity Shareholders	3, 64, 60,785	3, 75, 22,838
b. Number of Equity Shares	40, 00,007	40, 00,007
c. Basic & adjusted EPS	9.12	9.38

9. a) There were no dues to Small Scale Industrial undertakings to whom the Company owes any sum which is outstanding for more than 30 days.
- b) Outstanding dues to Micro, Small and Medium Enterprises

There are no Micro and Small Enterprises to whom the Company owes dues, which are outstanding for more than forty five days as at 31st March 2011. The identification of Micro and Small Enterprises and the information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act,2006 has been determined on the basis of vendor information available with the company.

The disclosure pursuant to the said Act is as under:

	Rs.
i. Principle amount and the interest thereon	--
ii. Interest paid (along with payment made to suppliers) beyond the appointed day during the year	--
iii. Interest due and payable for delay in making the payment	--
iv. Interest accrued and remaining unpaid at the end of the year	--
v. Further interest remaining due and payable in succeeding years	--

## TWENTIETH ANNUAL REPORT 2010-2011

---

10. Segment wise reporting as per standard AS 17 is not applicable to the company
11. Estimated amount of liability on capital contracts as on 31.03.2011 not provided for is Rs.28,48,967/-(Previous year Rs.1,17,485/-)
12. Contingent Liabilities in respect of:

**a) Claims against the Company not acknowledged as debts**

(i) Claim by Department of Telecommunication

The Department of Telecommunication (DoT) filed a claim against the company for Rs.20,82,233/- before the Sole Arbitrator in the matter of payment towards license fees and interest thereon. The Arbitrator's award was made in June 2005 according to which a sum of Rs.5,48,288 and interest there on is payable by the company to DoT. The company has accepted the award and had decided to effect the payment after waiting for the appeal period provided DoT does not prefer an appeal against the said award. However it is learnt that DoT has preferred an appeal in Delhi High Court against the Arbitrator's award. The Company has accordingly recognized the total liability at Rs.10,04,865/- (License fee of Rs.5 lacs and interest there on Rs.5,04,865/- up to 31.03.2011) and has provided a sum of Rs.32,897 being interest since the amount of Rs 9,71,968 had already been provided in the previous years. The difference in claim amounting to Rs.10, 77,366/- is shown under "claims against the company not acknowledged as debts".

(ii) Income Tax demand

The following is the status of the Income Tax matters which are pending for various assessment years. In all cases, the company has been admitting the income from its operations under the head "Income from Business". The Income Tax Department has however, assessed it under the head "Income from Other Sources". In respect of the assessment years, 1995-96,1996-97,1998-99, 2000-01, 2001-02 and 2003-04 the company has disputed this in the Appellate Forums before the Commissioner of Income Tax and thereafter before the Income Tax Appellate Tribunal. The matter has been decided in favour of the Company.

However, the Income Tax Department has disputed the same before the Hon'ble High Court of Madras Jurisdiction for the Assessment years 1995-96, 1996-97,1998-99, 2000-01, 2001-02 and 2003-04. In the event of the decision not being in favour of the company, the tax initially demanded will be Rs.264.23

lacs along with penal interest till the date of passing the order which is not quantifiable at this point of time.

Considering that the orders of the higher authorities have been in favor of the company, the company has not provided any liability towards income tax demanded.

The Income Tax assessments are completed up to the AY 2007-2008. The necessary adjustments have been made to net off the advance tax paid and TDS receivable against the provision made for those years in respect of assessments were completed. The provision for Taxation and TDS & Advance are duly net off in the accounts.

(iii) Contingent liability not provided for:

During the year, the company has received a show cause notice from the Service Tax department on the applicability of service tax on Electricity charges reimbursed from the occupants including generation from Genset. The company based on a legal opinion, is opined that it shall not be liable for Service Tax on this issue. The company has obtained an interim order from the Madras High Court against the operation of the show cause notice issued by the Office of the Commissioner of Service Tax. This liability is contingent in nature and of materialization shall lead to outflow of Rs.1,69,52,681/-.

(iv) During the year as well as in the previous year the company has received a persistent communication from ELCOT claiming a sum of Rs.9.56 crores towards difference in the computation of Lease Rent for the period from 14.02.1991 to 14.01.1999. The Company prima-facie has strong reason that the claim is not tenable and is evaluating various options, including legal recourse. Pending any such actions no provision has been made.

(v) Other pending items under dispute - NIL (P.Y. – NIL)

**13.** Previous year's figures have been regrouped wherever required to conform to current year Figures which has no impact on the Profit and Loss Account.

For and on behalf of the Board of Directors

As per our report attached

**Unnamalai Thiagarajan**  
Managing Director

**R. Ganapathy**  
Director

**For S.H.Bhandari & Co**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Padmanaban**  
Director

**R.S.Gowdhaman**  
DGM ( F & A ) & Company Secretary

**K Sekhar**  
Partner

M.No: 200/21660  
Firm Reg.No. 000438S

## TWENTIETH ANNUAL REPORT 2010-2011

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011

PARTICULARS	Year ended 31.03.2011 Rs.	Year ended 31.03.2010 Rs.
<b>A. Cash flow from Operating activities:</b>		
Net Profit before tax and extraordinary items	57,088,331	57,365,118
<b>Adjustments for:</b>		
Add: Depreciation	29,102,902	29,325,111
Interest & Financial Charges paid	9,849,797	12,442,219
Loss on sale of Fixed Assets	55,650	174,177
	<b>96,096,680</b>	<b>99,306,625</b>
Less : Interest income	4,354,651	2,393,921
Sale of Scrapped Assets	432,692	-
<b>Operating Profit Before Working Capital Changes</b>	<b>91,309,337</b>	<b>96,912,704</b>
<b>Adjustments for:</b>		
(Increase) / Decrease in Trade & Other receivables	(2,955,372)	3,296,903
Increase / (Decrease) in Trade Payables & other liabilities	2,488,976	(566,696)
<b>Cash Generated from Operations</b>	<b>90,842,941</b>	<b>99,642,911</b>
Income tax paid( Net of Refunds)	17,044,081	21,323,225
<b>Net Cash from Operating Activities</b>	<b>73,798,860</b>	<b>78,319,686</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(5,589,810)	(10,872,894)
Proceeds from Sale of Fixed Assets	572,692	1,500,000
Interest received	4,310,627	2,670,797
<b>Net cash from Investing activities</b>	<b>(706,491)</b>	<b>(6,702,097)</b>
<b>C: Cash flow from Financing Activities</b>		
Repayment of Compensation Deposit	(15,396,000)	(46,411,278)
Increase in Compensation Deposits	23,194,000	34,627,378
Repayment of Secured Loans	(50,818,506)	(32,901,270)

<b>PARTICULARS</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31.03.2011</b>	<b>31.03.2010</b>
	<b>Rs.</b>	<b>Rs.</b>
Interest Paid	(9,849,797)	(12,442,219)
Dividend Paid (Including dividend tax)	(5,597,241)	(5,615,770)
<b>Net Cash from Financing Activities</b>	<b>(58,467,544)</b>	<b>(62,743,159)</b>
<b>Net Increase in Cash and Cash Equivalents ( A+B+C )</b>	<b>14,624,825</b>	<b>8,874,429</b>
Cash and cash equivalents at the beginning of the year	47,992,024	39,117,595
<b>Cash and cash equivalents at the end of the year</b>	<b>62,616,849</b>	<b>47,992,024</b>

For and on behalf of the Board of Directors

**Unnamalai Thiagarajan**  
Managing Director

**R. Ganapathy**  
Director

**K. Padmanaban**  
Director

Place : Chennai  
Date : 12.05.2011

**R.S.Gowdhaman**  
DGM ( F & A ) & Company Secretary

### **AUDITOR'S CERTIFICATE**

We have examined the above Cash Flow Statement for the period ended 31st March, 2011. The statement has been prepared by the Company in accordance with the requirements of Listing Agreement, Clause 32 with Bombay Stock Exchange and Madras Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report to the members of the Company.

for **S.H. BHANDARI & Co.,**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Sekhar**  
(Partner)  
M.No: 200/21660  
Firm Reg.No. 000438S

## TWENTIETH ANNUAL REPORT 2010-2011

---

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

#### I. Registration Details

Registration No	18-19459	State Code 18
Balance Sheet Date	31st March 2011	

#### II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue - Nil	Rights Issue - Nil
Bonus Issue - Nil	Private Placement - Nil

#### III. Position of Mobilization and Deployment of Funds (Amounts in Rs. Thousands)

	Total Liabilities	Total Assets
	502418	502418
Sources of Funds	Paid up capital	Reserves and surplus
	40000	253281
	Secured Loans	Unsecured Loans
	44710	42634
Application of Funds	Net Fixed Assets	Investments
	379946	31253
	Net Current Assets	Misc. Expenditure
	91218	—

#### IV. Performance of Company ( Amount in Rs. Thousands )

Turnover Total	Expenditure
160645	109760
Proposed Dividend	
48000	
Profit before Tax	Profit after Tax
57088	36461
Earnings per share	9.12
Dividend @	12% on equity share

Generic Names of Three Principal Products / Services of company (As per Monetary Product / Description: SoftwareTechnology Park (Proposed)

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956  
RELATING TO SUBSIDIARY COMPANY**

<b>Sl.No.</b>	<b>Particulars</b>
1	Name of the Subsidiary Company Elnet Software City Limited
2	Financial year of the Subsidiary Company ended on 31.03.2011
3	Holding Company's Interest
	a) No. of Shares (Rs.10/- each) (Including Nominees) 1,00,000
	b) Extent of holding (%) 100.00%
4	Net aggregate amount of the Subsidiary's Profit / (Losses) not dealt with in the Holding Company's accounts
	i) for the Subsidiary's Financial Year NIL
	ii) for its Previous Financial Year NIL
5	Net aggregate amount of the Subsidiary's Profit / (Losses) not dealt with in the Holding Company's accounts
	i) for the Subsidiary's Financial Year NIL
	ii) for its Previous Financial Year NIL

For and on behalf of the Board of Directors

Place : Chennai  
Date : 12.05.2011

**Unnamalai Thiagarajan**      **R. Ganapathy**  
Managing Director                      Director

**K. Padmanaban**  
Director

# TWENTIETH ANNUAL REPORT 2010-2011

---

## CONSOLIDATED ACCOUNTS

### AUDITORS' REPORT

To the Members OF M/S. ELNET TECHNOLOGIES LTD., on the Consolidated Financial Statements of ELNET TECHNOLOGIES LTD., and its subsidiary, ELNET SOFTWARE CITY LIMITED.

We have audited the attached Consolidated Balance Sheet of M/s. ELNET TECHNOLOGIES LTD., and its subsidiary, ELNET SOFTWARE CITY LIMITED as at 31st March 2011, consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year ended on that date, annexed hereto. 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.

1. We conducted our audit in accordance with the 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 examining, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the financial Statement of the subsidiary whose financial statements reflects total assets of Rs.10,00,000/- as at 31st March 2011. These financial Statements have been audited by other auditor, whose report have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of the subsidiary, is based solely on the reports of other auditor.
3. We report that the consolidated financial statements have been prepared by the company in accordance with requirements of Accounting Standards (AS) 21, "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the company and its subsidiary included in the consolidated financial statements.
4. On the basis of information and explanations given to us and on the consideration of separate audit report on individual audited financial statements of the company and its subsidiary, we are of the opinion that the said consolidated financial statements gives a true and fair view in conformity with the accounting principles generally accepted in India:



- i) in the case of the Consolidated Balance Sheet, of the Consolidated state of affairs of the Company and its subsidiary as at 31st March 2011.
- ii) in the case of the Consolidated Profit and Loss Account, consolidated result of operation of the company and its subsidiary for the year ended 31st March 2011.
- iii) in the case of the Consolidated Cash Flow Statement, of the consolidated Cash Flows of the company and its subsidiary for the year ended 31st March 2011.

for **S.H. BHANDARI & Co.**,  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Sekhar**  
(Partner)

M.No: 200/21660  
Firm Reg.No. 000438S

## TWENTIETH ANNUAL REPORT 2010-2011

### CONSOLIDATED BALANCE SHEET AS AT 31/03/2011

	Schedule No.	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	40,000,070	40,000,070
Reserves & Surplus	2	253,281,460	222,399,364
<b>Total</b>		<b>293,281,530</b>	<b>262,399,434</b>
<b>LOAN FUNDS</b>			
Secured Loans	3	44,710,250	95,528,756
Unsecured Loans	4	42,633,883	42,633,883
		87,344,133	138,162,639
<b>COMPENSATION DEPOSITS</b>			
		92,119,450	84,321,450
<b>DEFERRED TAX</b>			
	5	29,672,569	31,845,023
<b>Total</b>		<b>502,417,682</b>	<b>516,728,546</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
	6		
Gross Block		536,792,801	533,558,587
Less Depreciation		156,615,313	129,696,701
Net Block		380,177,488	403,861,886
<b>INVESTMENTS</b>			
	7	30,253,000	30,253,000
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Cash and bank balances	8	63,359,904	48,752,720
Sundry Debtors	9	14,420,760	13,153,201
Loans and advances	10	30,146,335	35,787,002
		107,926,999	97,692,923
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
	11		
Liabilities	11 A	10,401,768	9,522,674
Provisions	11 B	5,578,689	5,597,241
<b>Total</b>		<b>15,980,457</b>	<b>15,119,915</b>
<b>NET CURRENT ASSETS</b>			
		91,946,542	82,573,008
Miscellaneous Expenditure (To the extent not written off)			
Preliminary expenses	12	40,652	40,652
<b>Total</b>		<b>502,417,682</b>	<b>516,728,546</b>

For and on behalf of the Board of Directors

As per our report attached

**Unnamalai Thiagarajan**  
Managing Director

**R. Ganapathy**  
Director

**For S.H.Bhandari & Co**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Padmanaban**  
Director

**R.S.Gowdhaman**  
DGM ( F & A ) & Company Secretary

**K Sekhar**  
Partner

M.No: 200/21660  
Firm Reg.No. 000438S

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31/03/2011**

	Schedule No.	For the year ended 31/03/11	For the year ended 31/03/10
<b>INCOME</b>	13	<b>Rs.</b>	<b>Rs.</b>
Income from operations	A	160,645,271	159,394,083
Non Operating Income	B	6,203,551	3,766,786
		<b>166,848,822</b>	<b>163,160,869</b>
<b>EXPENDITURE</b>			
Employee's Cost and Benefit	14	11,008,211	9,545,664
Administrative & Other Expenses	15	5,900,476	7,304,998
Repairs & Maintenance Expenses	16	40,190,950	35,316,996
Electricity Charges		13,708,155	11,860,762
		<b>70,807,792</b>	<b>64,028,420</b>
<b>Operating Profit</b>		<b>96,041,030</b>	<b>99,132,449</b>
Finance Charges	17	9,849,797	12,442,219
Depreciation	6	29,102,902	29,325,111
		<b>38,952,699</b>	<b>41,767,330</b>
Profit before taxation & extra ordinary items		57,088,331	57,365,119
Provision for Deferred Tax		(2,172,454)	(2,157,719)
Provision for Current Tax		22,800,000	22,000,000
<b>Profit after taxation</b>		<b>36,460,785</b>	<b>37,522,838</b>
Profit brought forward from Previous year		63,824,364	51,898,767
<b>Amount available for appropriation</b>		<b>100,285,149</b>	<b>89,421,605</b>
<b>Appropriations</b>			
Proposed Dividend		4,800,008	4,800,008
Tax on Proposed Dividend		778,681	797,233
Amount transferred to General Reserve		20,000,000	20,000,000
Balance carried to Balance Sheet		74,706,460	63,824,364
		<b>100,285,149</b>	<b>89,421,605</b>
Basic Earnings per share of Rs.10/- each		9.12	9.38
Diluted Earnings per share of Rs.10/- each		9.12	9.38

**Significant Accounting Policies and Notes to Accounts 18**

For and on behalf of the Board of Directors

As per our report attached

**Unnamalai Thiagarajan**  
Managing Director

**R. Ganapathy**  
Director

**For S.H.Bhandari & Co**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Padmanaban**  
Director

**R.S.Gowdhaman**  
DGM ( F & A ) & Company Secretary

**K Sekhar**  
Partner

M.No: 200/21660  
Firm Reg.No. 000438S

## TWENTIETH ANNUAL REPORT 2010-2011

### SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT 31/03/2011

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>1 SHARE CAPITAL</b>		
<b>Authorised</b>		
50,00,000 Equity shares of Rs.10/- each	50,000,000	50,000,000
<b>Issued, Subscribed &amp; Paid up</b>		
40,00,007 Equity shares of Rs.10/- each fully paid up	40,000,070	40,000,070
	<b>40,000,070</b>	<b>40,000,070</b>
<b>2 RESERVES &amp; SURPLUS - SUBSIDY FROM SIPCOT</b>		
As per Last Balance Sheet	2,575,000	2,575,000
	2,575,000	2,575,000
<b>GENERAL RESERVE</b>		
As per Last Balance Sheet	156,000,000	136,000,000
Add : Transfer from Profit and Loss A/c.	20,000,000	20,000,000
	<b>176,000,000</b>	<b>156,000,000</b>
<b>PROFIT AND LOSS ACCOUNT</b>		
Surplus from Profit & Loss A/c.	74,706,460	63,824,364
	<b>253,281,460</b>	<b>222,399,364</b>
<b>3 SECURED LOANS</b>		
( See Note B-1a to the Notes to Accounts )		
Mortgage Loan from State Bank of India -I	-	13,143,588
Mortgage Loan from State Bank of India -II	44,710,250	82,385,168
	<b>44,710,250</b>	<b>95,528,756</b>
<b>4 UNSECURED LOANS</b>		
From Promoters	42,633,883	42,633,883
	<b>42,633,883</b>	<b>42,633,883</b>
<b>5 DEFERRED TAX</b>		
Deferred Tax Liability	34,723,347	34,723,347
Less : Deferred Tax Asset	5,050,778	2,878,324
	<b>29,672,569</b>	<b>31,845,023</b>

## SCHEDULE 6 FIXED ASSETS (Consolidated)

Asset Group	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	Assets as at 31st March 2010	Addition During the year	Deletions during the year	Balance as at 31st March 2011	As at 31st March 2010	For the year	Deletion	As at 31st March 2011	Balance as at 31st March 2011	Balance as at 31st March 2010
<b>LAND</b>										
Free Hold	675,000	-	-	675,000	-	-	-	-	675,000	675,000
Lease Hold	115,041,537	-	-	115,041,537	2,829,600	471,670	-	3,301,270	111,740,267	112,211,937
<b>BUILDINGS</b>										
Buildings	218,507,108	215,324	5,380	218,717,052	34,462,592	3,564,803	5,378	38,012,017	180,705,034	184,054,515
Plant & Machinery	12,337,024	-	191,664	12,145,360	6,908,464	852,988	191,664	7,569,788	4,575,572	5,428,560
Wind Mill	27,625,000	-	-	27,625,000	15,714,250	2,856,425	-	18,570,675	9,054,325	11,910,750
Electrical Fittings	54,707,861	183,222	91,346	54,799,737	20,068,084	2,594,577	91,346	22,571,315	32,228,423	34,639,778
Furniture & Fixtures	33,530,302	3,870,563	163,587	37,237,278	15,405,742	8,825,630	163,587	24,067,784	13,169,494	18,124,559
<b>OFFICE EQUIPMENTS</b>										
Computers	941,366	94,700	471,694	564,372	798,891	152,836	471,694	480,033	84,339	142,475
Air Conditioner	16,370,799	100,038	168,391	16,302,446	8,186,788	1,658,000	168,391	9,676,397	6,626,049	8,184,011
U P S	14,741,806	-	641,355	14,100,451	11,440,749	2,533,951	641,355	13,333,345	767,106	3,301,057
Others	15,425,037	-	34,425	15,390,612	8,464,535	3,838,343	34,425	12,268,453	3,122,159	6,960,502
Xerox	372,120	80,620	54,000	398,740	95,048	18,388	13,900	99,536	299,204	277,072
MULTI LEVEL CAR PARK	20,348,801	-	-	20,348,801	3,023,901	1,509,882	-	4,533,783	15,815,018	17,324,900
<b>VEHICLE</b>										
Car	2,568,770	698,231	558,096	2,708,905	2,247,596	171,841	402,546	2,016,891	692,014	321,174
Intangible Assets (Computer Software)	159,130	347,112	-	506,242	60,460	53,568	-	114,028	392,214,40	98,670
Capital Work in Progress	206,926	24,343	-	231,269	-	-	-	-	231,269	206,926
Total	533,558,587	5,614,153	2,379,938	536,792,801	129,696,701	29,102,902	2,184,286	156,615,313	380,177,488	403,861,886
Total for Previous Year	525,020,850	10,889,737	2,352,000	533,558,587	101,049,413	29,325,111	677,823	129,696,701	403,861,886	423,971,437

1. Depreciation for the year includes amortisation of Land registration charges of Rs 4,71,670

## TWENTIETH ANNUAL REPORT 2010-2011

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>7 INVESTMENTS - UNQUOTED</b>		
<b>LONG TERM INVESTMENT</b>		
<b>NON-TRADE UNQUOTED - AT COST</b>		
<b>INVESTMENT IN EQUITY SHARES</b>		
30,25,300 Equity shares of Rs 10/- each in Indian Green Grid Group Ltd (Formerly ETL Infrastructure Services Ltd.,) fully paid up. (Previous Year- 3025300 shares of Rs 10/- each fully paid up)	30,253,000	30,253,000
	<b>30,253,000</b>	<b>30,253,000</b>
<b>8 CASH AND BANK BALANCES</b>		
Cash on hand	11,496	6,055
Balances with Scheduled Banks		
in Current Accounts	5,848,408	3,746,650
in Deposit Accounts	57,500,000	45,000,015
	<b>63,359,904</b>	<b>48,752,720</b>
<b>9 SUNDRY DEBTORS</b>		
<b>(Secured and considered good)</b>		
Outstanding for a period exceeding six months	1,511	-
Others	14,419,249	13,153,201
	<b>14,420,760</b>	<b>13,153,201</b>
<b>10 LOANS AND ADVANCES</b>		
Tax deducted at Source & Advance Tax Net	19,000,775	24,756,694
Advance FBT Paid Net	20,028	20,028
Staff Advance	74,713	81,813
Other Advances	2,086,841	1,066,744
Prepaid Expenses	1,643,722	1,541,147
Interest Receivable	952,792	908,768
Security Deposits	3,352,573	4,248,793
Dividend Account with Bank ( Unpaid )	1,983,985	1,903,012
Gratuity (LIC Fund)	1,387,488	1,616,585
	<b>30,502,917</b>	<b>36,143,584</b>
Less : Provision for doubtful advances & deposits	356,582	356,582
	<b>30,146,335</b>	<b>35,787,002</b>

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>11 A. CURRENT LIABILITIES</b>		
Sundry Creditors		
- for Expenses	3,499,866	2,796,375
Other Liabilities	3,475,128	3,206,701
Unpaid Dividend	1,983,985	1,903,012
Gratuity (Obligation)	1,442,789	1,652,288
	<b>10,401,768</b>	<b>9,558,376</b>
<b>11 B. PROVISIONS</b>		
Proposed Dividend	4,800,008	4,800,008
Provision for tax on proposed Dividend	778,681	797,233
<b>Total</b>	<b>5,578,689</b>	<b>5,597,241</b>
<b>12 MISCELLANEOUS EXPENDITURE (To the extent not written off)</b>		
Preliminary Expenses	40,652	40,652
<b>Total</b>	<b>40,652</b>	<b>40,652</b>

## TWENTIETH ANNUAL REPORT 2010-2011

### SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31/03/2011

Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>13 INCOME</b>		
<b>A. Compensation Income</b>	118,789,509	119,936,260
Other Income from operations	41,855,762	39,457,823
Total	160,645,271	159,394,083
<b>B. Non Operating Income</b>		
Interest Income	4,354,651	2,393,921
(Tax deducted at source Rs.4,51,333/- previous year Rs.2,78,578/-)		
Other Income	1,848,900	1,372,865
Total	6,203,551	3,766,786
Total ( A + B)	<b>166,848,822</b>	<b>163,160,869</b>
<b>14 Employee's Cost and Benefit</b>		
Salary & bonus to staff	8,290,061	6,965,696
Contribution to PF, Gratuity & Other Funds	1,046,288	966,725
Staff Welfare Expenses	271,862	213,243
Managing Director's Remuneration	1,400,000	1,400,000
Total	<b>11,008,211</b>	<b>9,545,664</b>



Particulars	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>15 Administrative &amp; Other Expenses</b>		
Printing and stationery	358,417	344,285
Travelling & Conveyance	202,887	140,908
Communication Expenses	431,353	486,296
Business Promotion Expenses	579,765	1,431,247
Sitting Fees	560,000	560,000
Audit Fees	369,356	314,355
Rent	1	1
Rates & Taxes	1,919,656	2,246,651
Service Tax Paid	-	13,327
Insurance	892,156	689,777
Legal & Professional Charges	199,740	313,501
Loss on sale of Fixed Assets	55,650	174,177
Other General / Misc Expenses	331,495	590,473
<b>Total</b>	<b>5,900,476</b>	<b>7,304,998</b>
<b>16 Repairs &amp; Maintenance Expenses</b>		
Diesel account	13,864,684	10,905,780
Water Expenses	930,675	1,118,350
Security Charges	3,516,947	3,313,394
R & M -Air Conditioner	858,023	875,088
R & M - Building	14,241,371	10,937,867
R & M - Electrical	2,969,560	3,324,529
R & M - U P S	910,779	1,412,245
R & M -MLCP	1,278,976	1,746,022
R & M - Others	1,619,935	1,683,721
<b>Total</b>	<b>40,190,950</b>	<b>35,316,996</b>
<b>17 Finance Charges</b>		
Interest charges - term Loan	9,787,406	12,361,254
Interst - Others	34,084	34,804
Bank Charges	28,307	46,161
<b>Total</b>	<b>9,849,797</b>	<b>12,442,219</b>

## TWENTIETH ANNUAL REPORT 2010-2011

---

### SCHEDULE 18 :

### NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

#### BASIS OF CONSOLIDATION

The consolidated financial statements comprise of financial statements of Elnet Technologies Ltd and its subsidiary company, namely, Elnet Software City Ltd. These consolidated financial statements have been prepared in accordance with AS 21 – Consolidated Financial statements issued by the Institute of Chartered Accountants of India.

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Concepts

Financial statements are prepared under the historical cost convention following the mercantile system of accounting and complying with the provisions of the Companies Act, 1956, and the Accounting Standards issued by the Institute of Chartered Accountants of India as applicable to the Company.

##### 2. Revenue Recognition

Compensation Income and Electricity Income are accounted on accrual basis as and when they are due on monthly basis.

Interest Income is also accounted on accrual basis.

Income from Windmill is taken on a monthly basis upon credit given by Tamil Nadu Electricity Board for the units generated and supplied. During the year 13,11,299 units were sold to TNEB.

##### 3. Fixed Assets and Intangibles:

Fixed Assets are stated at historical cost less accumulated depreciation. Historical Cost includes expenditure of capital nature and valued at cost of acquisition inclusive of freight, duties, taxes, incidental charges relating to the acquisition and the cost of installation / erection as applicable. In respect of construction of assets forming part of expansion project, directly attributable costs including financing costs relating to specific borrowings are also capitalized.

Advances paid towards acquisition of fixed assets and cost of assets not put to use before the year end are shown under Capital Work – in – Progress.

Land Lease deposit has also been shown under “Lease Hold Land” and not amortized over the period of lease, as the deposit is refundable after the expiry of period of 90 years.

Land Lease registration charges has been shown under “Lease Hold Land” and amortized over a period of ten years.

The Company has classified Accounting Software as Intangible.

#### **4. Impairment of Assets:**

As asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged for when the asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount

#### **5. Depreciation**

Depreciation has been provided on straight-line method on a pro-rata basis as per the rates as indicated in Schedule XIV of the Companies Act, 1956. In respect of diesel generators, UPS, Air-conditioners and Windmill, depreciation on triple shift basis has been provided considering the nature of business of the Company.

Depreciation on fixed assets is applied on the straight line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased/sold during the period is proportionately charged. Individual low cost assets (acquired for less than Rs.5,000) are depreciated within a year of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight line basis, commencing from the date of the asset is available to the Company for its use. From 2008-2009 onwards the management estimates the useful life of the certain assets like Computer, Furniture & Fixtures, Office Equipment, UPS, Plant & Machinery & Vehicles has been revised to higher rate of depreciation @ 25% on straight line basis to the extent unavailed, instead of the rate as per schedule XIV of Companies Act, 1956.

#### **6. Investments**

Investments are held as long term and are stated at Cost.

#### **7. Borrowing Costs**

Borrowing costs, that are attributable to the construction of a qualifying asset, forming part of the expansion project or otherwise are capitalized as part of such assets till such time where the assets are ready for its intended use. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

#### **8. Employee benefits**

##### **i) Post –Employment benefit Plans**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

## TWENTIETH ANNUAL REPORT 2010-2011

---

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the Profit and Loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

ii) **Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

### **9. Taxation**

Current Tax is provided on the Taxable Income for the year as per provisions of the Income Tax Act, 1961. Deferred tax Liabilities / deferred tax Asset on the timing difference have been fully provided for.

### **B. BALANCE SHEET**

#### **1. Secured Loans**

##### **Mortgage Loan**

##### **a) Primary Security**

Assignment of rent receivables from all the present and future lessees of building situated at TS No.140, Block no. 2 & 9 , Rajiv Gandhi Salai, Taramani , Chennai 600 113.

##### **b) Collateral Security**

Registered mortgage of commercial property belonging to the company situated at TS No.140, Block 2 & 9, Rajiv Gandhi Salai, Taramani, Chennai -600 113 admeasuring land area of 3.16 acres with super built up area of 2.50 lacs sq.ft of ground floor + 7 floors. First charge on other fixed assets of the company (including Windmill property)

#### **2. Deferred Tax Liability /Asset**

As per the Accounting Standard "AS 22" issued by the Institute of Chartered Accountants of India (ICAI), the Company is required to make a provision for "deferred tax liability/ asset". During the year an amount of Rs.21,72,454/-has been recognized for deferred tax asset.

The balance deferred tax liability (net) outstanding as on 31.03.11 is Rs.2,96,72,569/- the details of which are as follows:

Rupees in lakhs

	As at 31.3.2010	Tax effect for the year	As at 31.3.2011
<b>Deferred Tax ( Liability)</b>			
Fixed Assets	327.10	( 20.33)	306.76
<b>Sub Total</b>	<b>327.10</b>	<b>(20.33)</b>	<b>306.76</b>
<b>Deferred Tax Asset</b>			
Amortization of Land registration Charges	8.64	1.39	10.03
<b>Sub Total</b>	<b>8.64</b>	<b>1.39</b>	<b>10.03</b>
<b>Deferred Tax Asset / ( Liability)</b>	<b>318.46</b>	<b>21.72</b>	<b>296.73</b>

## 2. Disclosure of leases under AS 19, Accounting for leases.

During the year 1995-96, the Company has completed the construction of its IT Park at Taramani, Chennai and leased out the entire completed portion of the premises. The disclosure required for operating leases under AS 19 is given below:

	As at 31-03-2011	As at 31-03-2010
Cost of Buildings leased	21,87,17,054	21,85,07,108
Depreciation provided during year on Buildings leased	35,54,603	35,52,057
Accumulated depreciation on buildings leased	3,80,12,017	3,44,52,592
Impairment loss recognised in Profit & Loss account	Nil	Nil
Impairment loss reversed in Profit & Loss account	Nil	Nil

## Future minimum lease payments

	As at 31-03-2011	As at 31-03-2010
Not later than one year	12,33,06,866	11,13,04,789
Later than one year and not later than five years	16.84,58,983	22,19,63,557
Later than five years	1,75,12,260	1,17,53,910

## TWENTIETH ANNUAL REPORT 2010-2011

---

### 4. INVESTMENTS

30,25,300 Equity shares of Rs 10/- each in Indian Green Grid Group Ltd.,( Formerly ETL Infrastructure Services Ltd) Fully paid up.	Rs.3,02,53,000 /-
100% Wholly Owned Subsidiary Company - 1,00,000 Equity Shares of Rs.10/- each in Elnet Software City Ltd fully paid up	Rs. 10,00,000 /-

### CURRENT LIABILITIES

5. (A) The company continues to hold the amount of Rs.1,46,503/- on account of Interest payable on FD made out of disputed dividend for the years 2000-01 and 2001-02 .
- (B) There are no amounts due to the Central Government on account of Investor Education and Protection Fund as on 31.3.2011. The balance amount lying under the Unpaid Dividend Account 2003–2004 declared on 29.09.2004 for the year 2003-04 falls due on 28.09.2011.
- (C) Provision for Taxation (Income Tax payable) has been netted off against Tax Detected at source & Advance Tax paid.

### 6. PROFIT & LOSS ACCOUNT

- A) Electricity Expenses have been reduced to the extent of Rs.48,64,920/- (previous year Rs.50,30,154/-) from sale of electricity generated from windmill. There is no impact on the Profit & Loss Account.

#### B) Retirement benefits to employees

##### (i) Defined Contribution Plan

###### Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the Employee's Provident Fund scheme administer by Government of India equal to a specified percentage of the covered employee's salary.

The Company recognized Rs.4,99,151/-for provident fund contribution in the profit and loss account. Further an additional contribution of Rs.2,51,675/- has to be paid to the Trust to meet the shortfall in managing the trust, being the "excess of expenditure over income".

##### (ii) Defined benefit plan

###### 1) Gratuity

The Company provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or

termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes all the ascertained liabilities to the Elnet Technologies Ltd Employees' Gratuity Fund Trust (the "Trust"). Trustees administer contributions by means of a group gratuity policy with Life Insurance Corporation of India.

The following table set out the status of the gratuity plan as required under AS 15

**a) Change in benefit obligations:**

**Rupees in lakhs**

<b>Particulars</b>	<b>Gratuity Plan 31.3.2011</b>	<b>Gratuity Plan 31.3.2010</b>
Projected benefit obligation at beginning of the year	16.53	9.95
Service Cost	0.51	0.57
Interest cost	1.32	0.79
Actuarial (gain)/loss	0.81	5.27
Benefits paid	(4.74)	----
Projected benefit obligation, end of the year	14.43	16.53

**b) Change in plan assets:**

**Rupees in lakhs**

<b>Particulars</b>	<b>Gratuity Plan 31.3.2011</b>	<b>Gratuity Plan 31.3.2010</b>
Plan assets at beginning of the year at fair value	16.17	13.88
Expected return on plan assets	1.25	1.31
Actuarial (gain)/loss	----	----
Employer's Contributions	1.20	0.98
Benefits paid	(4.74)	----
Plans assets at end of the year at fair value	13.87	16.17

**c) Reconciliation of present value of the obligation and the fair value of the plan assets**

<b>Particulars</b>	<b>31.3.2011</b>	<b>31.3.2010</b>
Fair value of plan assets at the end of the year	13.87	16.17
Present value of the defined benefit obligations at the end of the period	14.43	16.53
( Liability ) / Asset	(0.56)	(0.36)

## TWENTIETH ANNUAL REPORT 2010-2011

### d) Gratuity cost for the year ended March 31 2011

Particulars	Gratuity Plan	Gratuity Plan
Service cost	0.51	0.57
Interest cost	1.32	0.79
Expected return on plan assets	(1.25)	(1.31)
Actuarial (gain)/ loss	0.81	5.22
Net cost	1.39	5.22
Actual return on plan assets	7.67%	9.44%

### e) Investment details of plan assets : Deposited with Life Insurance Corporation of India (Group gratuity policy).

### f) Assumptions

Particulars	Gratuity Plan	Gratuity Plan
Discount rate	8%	8%
Salary escalation rate	8%	8%
Estimated rate of return on plan assets	8%	8%

### (2) Leave encashment

The employees of the Company are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 180 days. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

### 7. Payments to Auditors

(Rs.)

Particulars	2010 – 11	2009 –10
1. Statutory Audit	1,82,500	1,82,500
2. Tax Audit Fees	50,000	50,000
3. Certification	60,000	60,000
4. Service Tax	30,128	30128



## 8. GENERAL

### Related Party Disclosures

<b>I. Name of the related party</b>	<b>Electronics Corporation of Tamil Nadu Ltd (ELCOT)</b>
Description of the relationship between the parties	Joint venture partner holding 26% Equity capital of the company
Description of the nature of transaction	1. Lease of land presently occupied by the Company. 2. Land Lease Rentals
Volume of transactions during the year	Re.1/- towards lease rent
Any other element of the transaction necessary for understanding the transaction	Nil
Amount outstanding at the balance sheet date as lease deposit	Rs. 11,03,25,537
Amount written back during the year	Nil
<b>II Name of the related party</b>	<b>Indian Green Grid Group Ltd., ( Formerly ETL Infrastructure Services Ltd)</b>
Description of the relationship between the parties	A company in which the Managing Director is also the Managing Director
Description of the nature of transaction	a) Compensation & Electricity charges for space occupied by them in Elnet Software City b) Purchase of Car
Volume of transactions	a) Rs.1,78,537/- b) Rs. 698231/
Any other element of the transaction necessary for understanding the transaction	NIL
Amount outstanding at the balance sheet date	Rs. 3,02,53,000/-
Amount written back during the year	NIL
<b>III Name of the related party</b>	<b>Elnet Software City Limited</b>
Description of the relationship between the parties	Subsidiary Company
Description of the nature of transaction	a) Investment in equity shares b) Payment for preoperative and other expenses
Volume of transactions during the year	a) Rs. 120/-
Any other element of the transaction necessary for understanding the transaction	None
Amount outstanding at the balance sheet date	Rs.10,00,000/-

## TWENTIETH ANNUAL REPORT 2010-2011

Amount written back during the year	NIL
<b>IV Name of the related party</b>	<b>Stur Technologies Pvt Ltd., (Formerly New Era Technologies Pvt Ltd)</b>
Description of the relationship between the parties	Promoter
Description of the nature of transaction	a) The unsecured loan from the company to the tune of Rs.60,09,141.20 continues to exist. b) Interest payable on FD made out of disputed dividend for the years 2000-01 and 2001-02
Volume of transactions during the year	NIL
Any other element of the transaction necessary for understanding the transaction	None
Amount outstanding at the balance sheet date	a) Rs.60,09,141.20 b) Rs.1,46,503
Amount written back during the year	NIL

<b>V Name of the related party</b>	<b>Shri Shanmugam Thiagarajan ( formerly Shri Thiagaraj S Chettiar)</b>
Description of the relationship between the parties	Spouse of Managing Director
Description of the nature of transaction	Unsecured Loan of Rs.3,66,24,741.91
Volume of transactions during the year	NIL
Any other element of the transaction necessary for understanding the transaction	None
Amount outstanding at the balance sheet date	Rs.3,66,24,741.91-
Amount written back during the year	NIL

### KEY MANAGEMENT PERSONNEL

VI Name of the related party	Mrs. Unnamalai Thiagarajan
Description of the relationship between the parties	Managing Director of the Company
Description of the nature of transaction	Remuneration
Volume of transactions	Rs.14,00,000/-
Any other element of the transaction necessary for understanding the transaction	NIL
Amount outstanding at the balance sheet date	NIL
Amount written back during the year	NIL

<b>VII Earnings Per Share</b>	<b>2010-11</b>	<b>2009 -10</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
a. Net Profit available for Equity Shareholders	3,64,60,785	3,75,22,838
b. Number of Equity Shares	40,00,007	40,00,007
c. Basic & adjusted EPS	9.12	9.38

9. a) There were no dues to Small Scale Industrial undertakings to whom the Company owes any sum which is outstanding for more than 30 days.

b) Outstanding dues to Micro , Small and Medium Enterprises

There are no Micro and Small Enterprises to whom the Company owes dues, which are outstanding for more than forty five days as at 31st March 2011. The identification of Micro and Small Enterprises and the information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined on the basis of vendor information available with the company.

The disclosure pursuant to the said Act is as under: Rs.

- |   |    |
|---|----|
| i. Principle amount and the interest thereon  | -- |
| ii. Interest paid (along with payment made to suppliers) beyond the appointed day during the year | -- |
| iii. Interest due and payable for delay in making the payment                                     | -- |
| iv. Interest accrued and remaining unpaid at the end of the year                                  | -- |
| v. Further interest remaining due and payable in succeeding years                                 | -- |

**10. Segment wise reporting as per standard AS 17 is not applicable to the company**

**11. Disclosure in pursuance of AS 21**

The Company having a wholly owned subsidiary as on 31.03.2011 as detailed below :-

Name of the subsidiary	Country of Incorporation	Proportion of ownership interest as at 31st March 2011	Proportion of ownership interest as at 31st March 2010
Elnet Software City Ltd	India	100%	100%
Elnet Software City Ltd was incorporated on 22.03.2005 as a 100% subsidiary of Elnet Technologies Ltd.			

**12. Estimated amount of liability on capital contracts as on 31.3.2011 not provided for is Rs.28,48,967/-(Previous year Rs.1,17,485/-)**

## TWENTIETH ANNUAL REPORT 2010-2011

---

### 13. Contingent Liabilities in respect of:

#### a) Claims against the Company not acknowledged as debts

##### (i) Claim by Department of Telecommunication

The Department of Telecommunication (DoT) filed a claim against the company for Rs.20,82,233/- before the Sole Arbitrator in the matter of payment towards license fees and interest thereon. The Arbitrator's award was made in June 2005 according to which a sum of Rs.5,48,288 and interest there on is payable by the company to DoT. The company has accepted the award and had decided to effect the payment after waiting for the appeal period provided DoT does not prefer an appeal against the said award. However it is learnt that DoT has preferred an appeal in Delhi High Court against the Arbitrator's award.

The Company has accordingly recognized the total liability at Rs.10,04,865/- (License fee of Rs.5 lacs and interest there on Rs.5,04,865/- up to 31.03.2011) and has provided a sum of Rs.32,897/- being interest since the amount of Rs 9,71,968/- had already been provided in the previous years. The difference in claim amounting to Rs.10,77,366/- is shown under "claims against the company not acknowledged as debts".

##### (ii) Income Tax demand

The following is the status of the Income Tax matters which are pending for various assessment years. In all cases, the company has been admitting the income from its operations under the head "Income from Business". The Income Tax Department has however, assessed it under the head "Income from Other Sources". In respect of the assessment years, 1995-96, 1998-99, 2000-01, 2001-02 and 2003-04 the company has disputed this in the Appellate Forums before the Commissioner of Income Tax and thereafter before the Income Tax Appellate Tribunal. The matter has been decided in favour of the Company.

However, the Income Tax Department has disputed the same before the Hon'ble High Court of Madras Judicature for the Assessment years 1995-96, 1998-99, 2000-01, 2001-02 and 2003-04. In the event of the decision not being in favour of the company, the tax initially demanded will be Rs.264.23 lacs along with penal interest till the date of passing the order which is not quantifiable at this point of time.

Considering that the orders of the higher authorities have been in favor of the company, the company has not provided any liability towards income tax demanded.

The Income Tax assessments are completed up to the AY 2007-2008. The necessary adjustments have been made to net off the advance tax paid and TDS receivable against the provision made for those years in respect of assessments were completed. The provision for Taxation and TDS & Advance are duly net off in the accounts.

(iii) Contingent liability not provided for:

During the year, the company has received a show cause notice from the Service Tax department on the applicability of service tax on Electricity charges reimbursed from the occupants including generation from genset. The company based on a legal opinion, is opined that it shall not be liable for Service Tax on this issue. The company has obtained an interim order from the Madras High Court against the operation of the show cause notice issued by the Office of the Commissioner of Service Tax. This liability is contingent in nature and of materialization shall lead to outflow of Rs.1,69,52,681/-.

(iv) During the year as well as in the previous year, the company has received persistent communication from ELCOT claiming a sum of Rs.9.56 crores towards difference in the computation of Lease Rent for the period from 14.02.1991 to 14.01.1999. The Company prima-facie has strong reason that the claim is not tenable and is evaluating various options, including legal recourse. Pending any such actions no provision has been made.

(v) Other pending items under dispute - NIL (P.Y. – NIL)

**14.** Previous year's figures have been regrouped wherever required to conform to current year figures.

For and on behalf of the Board of Directors

As per our report attached

**Unnamalai Thiagarajan**  
Managing Director

**R. Ganapathy**  
Director

**For S.H.Bhandari & Co**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Padmanaban**  
Director

**R.S.Gowdhaman**  
DGM ( F & A ) & Company Secretary

**K Sekhar**  
Partner

M.No: 200/21660  
Firm Reg.No. 000438S

## TWENTIETH ANNUAL REPORT 2010-2011

### CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011

	Year ended 31.03.2011 Rs.	Year ended 31.03.2010 Rs.
<b>A. Cash flow from Operating activities:</b>		
Net Profit before tax and extraordinary items	57,088,331	57,365,118
<b>Adjustments for:</b>		
Add: Depreciation	29,102,902	29,325,111
Interest & Financial Charges paid	9,849,797	12,442,219
Loss on sale of Fixed Assets	55,650	174,177
	<b>96,096,680</b>	<b>99,306,625</b>
Less : Interest income	4,354,651	2,393,921
Sale of Scrapped Assets	432,692	-
<b>Operating Profit Before Working Capital Changes</b>	<b>91,309,337</b>	<b>96,912,704</b>
<b>Adjustments for:</b>		
(Increase) / Decrease in Trade & Other receivables	(2,979,715)	3,296,903
Increase / (Decrease) in Trade Payables & other liabilities	2,495,678	(566,696)
<b>Cash Generated from Operations</b>	<b>90,825,300</b>	<b>99,642,911</b>
Income tax paid( Net of Refunds)	17,044,081	21,323,225
<b>Net Cash from Operating Activities</b>	<b>73,781,219</b>	<b>78,319,686</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(5,589,810)	(10,889,737)
Proceeds from Sale of Fixed Assets	572,692	1,500,000
Interest received	4,310,627	2,670,797
<b>Net cash from Investing activities</b>	<b>(706,491)</b>	<b>(6,718,940)</b>

	Year ended 31.03.2011 Rs.	Year ended 31.03.2010 Rs.
<b>C: Cash flow from Financing Activities</b>		
Repayment of Compensation Deposit	(15,396,000)	(46,411,278)
Increase in Compensation Deposits	23,194,000	34,627,378
Repayment of Secured Loans	(50,818,506)	(32,901,270)
Interest Paid	(9,849,797)	(12,442,219)
Dividend Paid (Including dividend tax)	(5,597,241)	(5,615,770)
<b>Net Cash from Financing Activities</b>	<b>(58,467,544)</b>	<b>(62,743,159)</b>
<b>Net Increase in Cash and Cash Equivalents ( A+B+C )</b>	<b>14,607,184</b>	<b>8,857,587</b>
Cash and cash equivalents at the beginning of the year	48,752,720	39,895,133
<b>Cash and cash equivalents at the end of the year</b>	<b>63,359,904</b>	<b>48,752,720</b>

For and on behalf of the Board of Directors

**Unnamalai Thiagarajan**  
Managing Director

**R. Ganapathy**  
Director

**K. Padmanaban**  
Director

Place : Chennai  
Date : 12.05.2011

**R.S.Gowdhaman**  
DGM ( F & A ) & Company Secretary

### AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement for the period ended 31st March, 2011. The statement has been prepared by the Company in accordance with the requirements of Listing Agreement, Clause 32 with Bombay Stock Exchange and Madras Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report to the members of the Company.

for **S.H. BHANDARI & Co.,**  
Chartered Accountants

Place : Chennai  
Date : 12.05.2011

**K. Sekhar**  
(Partner)  
M.No: 200/21660  
Firm Reg.No. 000438S

## TWENTIETH ANNUAL REPORT 2010-2011

---

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE (CONSOLIDATED)

#### I. Registration Details

Registration No	18-19459	State Code 18
Balance Sheet Date	31 <sup>st</sup> March 2011	

#### II. Capital Raised during the Year ( Amount in Rs. Thousands )

Public Issue	- Nil	Rights Issue	- Nil
Bonus Issue	- Nil	Private Placement	- Nil

#### III. Position of Mobilization and Deployment of Funds (Amounts in Rs. Thousands)

	Total Liabilities	Total Assets
	502418	502418
Sources of Funds	Paid up capital	Reserves and surplus
	40000	253281
	Secured Loans	Unsecured Loans
	44710	42634
Application of Funds	Net Fixed Assets	Investments
	380177	30253
	Net Current Assets	Misc. Expenditure
	91947	-

#### IV. Performance of Company ( Amount in Rs. Thousands )

Turnover Total	Expenditure
160645	109760
Proposed Dividend	
48000	
Profit before Tax	Profit after Tax
57088	36461
Earnings per share	9.12
Dividend	12% on equity share

Generic Names of Three Principal Products / Services of company (As per Monetary Product / Description: Software Technology Park (Proposed)



# **SUBSIDIARY COMPANY'S ACCOUNTS**

## **TWENTIETH ANNUAL REPORT 2010-2011**

---

### **DIRECTORS' REPORT**

To the Shareholders

Your Directors have pleasure in presenting the Annual Report and the Audited Accounts of the Company for the year ended 31st March 2011.

### **OPERATIONS**

The Company is yet to commence its operation.

### **FIXED DEPOSITISTS**

The Company has not invited and accepted Fixed Deposits from the public.

### **DIRECTORS**

Tmt. Unnamalai Thiagarajan and Thiru P.S.Kumar retires by rotation are eligible for reappointment.

### **COMPLIANCE CERTIFICATE**

Your Company has obtained a Compliance Certificate as required under the provision to Section 383A(1) of the Companies Act 1956 from Thiru G. Porselvam, Practising Company Secretary.

### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Sec.217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March 2011 the applicable Accounting Standards have been followed and that there are no material departures;
- (ii) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year.
- (iii) that they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of the adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that they have prepared the annual accounts on a going concern basis.

## **AUDITORS**

M/s. Padmnabhan Prakash & Co., Chartered Accountants, the Statutory Auditors of the Company retire at the conclusion of the Annual General Meeting and have expressed their willingness to continue as Auditors of the Company for the next financial year. Your Directors recommend their reappointment at the ensuing AGM for your approval.

## **PARTICULARS OF EMPLOYEES**

The Company has not made any recruitment of staff during the year.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO**

As the Company is not an industrial undertaking, particulars with regard to conservation of energy and technology absorption required to be given under these heads in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

**EARNINGS IN FOREIGN EXCHANGE : NIL**

**EXPENSES INCURRED IN FOREIGN CURRENCY DURING THE YEAR : NIL**

## **ACKNOWLEDGEMENT**

Your Directors wish to express their sincere thanks to the Bankers for their support and co-operation extended to the Company.

For and on behalf of the Board of Directors

Place : Chennai  
Date : 08.04.2011

**Unnamalai Thiagarajan**    **C. Ramachandran**  
Managing Director                      Director

## **TWENTIETH ANNUAL REPORT 2010-2011**

---

### **AUDITORS' REPORT**

#### **TO THE MEMBERS OF ELNET SOFTWARE CITY LIMITED,**

1. We have audited the attached balance sheet of ELNET SOFTWARE CITY LIMITED, as at 31st March 2011. This financial statement is the responsibility of the company's management. Our responsibility is to express an opinion on this financial statement based on our audit.
2. We conducted our audit in accordance with the 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 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 in so far as it appears from examination of those books.
  - (iii) The Balance Sheet dealt with by this report is in agreement with the books of account
  - (iv) In our opinion, the balance sheet dealt with by this report complies with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - (v) On the basis of written representation received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2011 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

In the case of Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2011.

For **Padmanabhan Prakash & Co.**  
Chartered Accountants,

**P R Venkatagopalakrishnan**

Place : Chennai

Partner

Date : 08.04.2011

M.No:200/18507

FIRM REG.NO:2509S

---

## **ANNEXURE TO THE AUDITORS' REPORT**

**Re: ELNET SOFTWARE CITY LIMITED,**

**Referred to in paragraph 3 of our report of even date,**

- (i) The Company has no fixed assets. Therefore the provisions of Clause 4(I) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (ii) The company has not commenced its operations, hence Clause 4(II) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company
- (iii) The Company has not granted/taken any loans, secured or unsecured, to/from Companies, Firms or other Parties covered in the register maintained under Sec. 301 of the Companies Act, 1956
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) There were no transactions during the year which warranted recording in the Register maintained in pursuance of Sec. 301 of the Companies Act, 1956.

## TWENTIETH ANNUAL REPORT 2010-2011

---

- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted deposits from public within the meaning Section 58A and hence the directives issued by Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and rules framed there under, are not applicable.
- (vii) According to the information and explanations given to us, the provisions of Clause 4 (vii) of the Companies (Auditor's Report) Order 2003 relating to internal audit system are not applicable to the company
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956.
- (ix) Since there have been no business transactions and no recruitment of employees during the year, payment of any kind of statutory dues does not arise.
- (x) The company has not started the operations; hence there are no accumulated losses.
- (xi) The company has not taken any loan from financial institutions or bank or issued any debentures. Accordingly, clause 4(xi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's report) Order, 2003 are not applicable to the company.
- (xiii) The company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's report) Order, 2003 are not applicable to the company.
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's report) Order, 2003 are not applicable to the company.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions. Therefore the provisions of clause 4(xv) of the Companies (Auditor's report) Order, 2003 are not applicable to the company.

- (xvi) The company has not carried on any activity during the financial year. Therefore , the provisions of clause 4 (xvii) of the Companies ( Auditor's report )Order, 2003 are not applicable to the company.
- (xvii) The Company has not availed any term loans. Therefore the provisions of clause 4(xvi) of the Companies (Auditor's report) Order, 2003 are not applicable to the company.
- (xviii) According to the information and explanations given to us, during the year the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company
- (xix) According to the information and explanations given to us, during the year covered by our audit report, the company has not issued debentures. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company
- (xx) The company has not raised any money through public issue during the financial year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For **Padmanabhan Prakash & Co.**  
Chartered Accountants,

**P R Venkatagopalakrishnan**

Partner

M.No:200/18507

FIRM REG.NO:2509S

Place : Chennai  
Date : 08.04.2011

## TWENTIETH ANNUAL REPORT 2010-2011

### BALANCE SHEET AS AT 31/03/2011

	Schedule	As at 31.3.2011 Rs.	As at 31.03.2010 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	1,000,000	10,00,000
Reserves & Surplus		-	-
		1,000,000	1,000,000
<b>LOAN FUNDS</b>			
Secured Loans		-	-
Unsecured Loans		-	-
<b>Total</b>		1,000,000	1,000,000
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block		-	-
Less Depreciation		-	-
Net Block		-	-
<b>PREOPERATIVE EXPENSES</b>	2	231,269	206,926
<b>INVESTMENTS</b>		-	-
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Cash and bank balances	3	743,055	760,695
Sundry Debtors		-	-
Loans and advances		-	-
		974,324	967,621
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	4		
Liabilities		14,976	8,273
Provisions		-	-
		14,976	8,273
<b>NET CURRENT ASSETS</b>		959,348	959,348
<b>MISCELLANEOUS EXPENDITURE</b>			
<b>(To the extent not written off)</b>			
Preliminary Expenses	5	40,652	40,652
<b>Total</b>		1,000,000	1,000,000
<b>Notes to Accounts</b>	6		

For and on behalf of the Board of Directors

**Unnamalai Thiagarajan**  
Director

**C. Ramachandran**  
Director

As per our audit report attached

**for Padmanabhan Prakash & Co.**  
Chartered Accountants

Place : Chennai  
Date : 08.04.2011

**P.R. Venkatagopalakrishnan**  
Partner  
M.No.200/18507



**SCHEDULES TO THE BALANCE SHEET AS AT 31.3.2011**

	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>1 SHARE CAPITAL</b>		
Authorised		
1,00,000 Equity shares of Rs.10/- each	1,000,000	1,000,000
<b><u>Issued, Subscribed &amp; Paid up</u></b>		
1,00,000 Equity shares of Rs.10/- each fully paid up (The shares are held by Elnet Technologies Ltd and its nominees )	10,00,000	10,00,000
<b>Total</b>	<b>10,00,000</b>	<b>10,00,000</b>
<b>2 Preoperative expenses</b>		
Rates & Taxes	10,794	10,674
Prt & Stationery	8,340	8,340
Professional Charges	47,920	42,520
Audit / Certification Fees	151,795	138,522
Others	12,420	6,870
<b>Total</b>	<b>231,269</b>	<b>206,926</b>
<b>3 CASH AND BANK BALANCES</b>		
Cash on hand	-	-
Balances with Scheduled Banks in Current Accounts	743,055	760,695
<b>Total</b>	<b>743,055</b>	<b>760,695</b>
<b>4 CURRENT LIABILITIES</b>		
Elnet Technologies Ltd	-	-
Stautory Audit / Professional Fees	14,226	7,446
TDS - Professionals	750	827
<b>Total</b>	<b>14,976</b>	<b>8,273</b>
<b>5 MISCELLANEOUS EXPENDITURE</b> (To the extent not written off)		
<b>Preliminary Expenses</b>		
Registration Charges	28,600	28,600
Printing Expenses	2,736	2,736
Other charges in connection with preparation of the Memorandum and Articles of Association	9,316	9,316
<b>Total</b>	<b>40,652</b>	<b>40,652</b>

## TWENTIETH ANNUAL REPORT 2010-2011

### SCHEDULE 6 : NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011.

#### 1. Significant Accounting Policies :

Accounting Concepts: Financial statements are prepared under the historical cost convention following the mercantile system of accounting and complying with the provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India as applicable to the Company.

2. As the company is yet to commence operation, no Profit & Loss A/c or Statement of Income & Expenditure during construction period has been made.

#### 3. Payment to Auditors

Particulars	2010-11	2009-10
	Current year (Rs.)	Previous year (Rs.)
1. Statutory Audit Fees	7,500	7,500
2. Service Tax	773	773

4. The other particulars as set in Part II of Sch VI of the Companies Act, 1956 are not applicable to the company and hence not furnished.

#### 5. GENERAL

Name of the of the related party	ELNET TECHNOLOGIES LTD
Description of the relationship between the parties	Holding Company
Description of the nature of transaction	Amount advanced by the Holding Company towards preoperative and other expenses, since refunded .
Volume of transactions	Rs.120/-
Any other element of the transaction necessary for understanding the transaction	NIL
Amount outstanding at the balance sheet date	NIL

For and on behalf of the Board of Directors

As per our report attached

**Unnamalai Thiagarajan**  
Director

**C. Ramachandran**  
Director

**for Padmanabhan Prakash & Co.**  
Chartered Accountants

Place : Chennai  
Date : 08.04.2011

**P.R. Venkatagopalakrishnan**  
Partner  
M.No.200/18507

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

### I. Registration Details

Registration No	CINU45209TN2005PLCO55728	State Code 18
Balance Sheet Date	31 <sup>st</sup> March 2011	

### II. Capital Raised during the Year ( Amount in Rs. Thousands )

Public Issue	- Nil	Rights Issue	- Nil
Bonus Issue	- Nil	Private Placement	- Nil

### III. Position of Mobilization and Deployment of Funds (Amounts in Rs. Thousands)

	Total Liabilities	Total Assets
	1,000	1,000
Sources of Funds	Paid up capital	Reserves and surplus
	1,000	Nil
	Secured Loans	Unsecured Loans
	Nil	Nil
Application of Funds	Net Fixed Assets	Investments
	Nil	Nil
	Net Current Assets	Misc. Expenditure
	959	41

### IV. Performance of Company ( Amount in Rs. Thousands )

Turnover Total	Nil
Expenditure	Nil
Profit before Tax	Profit after Tax
Nil	Nil
Earnings per share	Nil
Dividend	Nil

Generic Names of Three Principal Products / Services of company (As per Monetary Product / Description: Software Technology Park (Proposed))

**TWENTIETH ANNUAL REPORT 2010-2011**

---



**ELNET TECHNOLOGIES LIMITED**

Regd. Office : TS 140, Block 2 & 9, Rajiv Gandhi Salai, Taramani, Chennai 600 113

**PROXY FORM**

I/We .....of.....being a member/members of Elnet Technologies Ltd., hereby appoint.....of .....or failing him/her..... of .....as my/our proxy to vote for me / us on my / our behalf at the 20th Annual General Meeting to be held at New Woodlands Hotel Pvt. Ltd., No.72-75, Dr. Radhakrishnan Salai, Mylapore, Chennai 600 004 on Tuesday, the 28th June, 2011 at 11.00 a.m. and at any adjournment thereof.

Signed this ..... day of ..... 2011

Regd. Folio No. .... or

Affix  
Re.1/-  
Revenue  
Stamp

\*Client ID No. ....DP ID No. .... Signature of Member

Note: This form duly completed and signed must be deposited at the Registered Office of the Company at Elnet Software City, TS 140, Block 2&9, Rajiv Gandhi Salai, Taramani, Chennai 600 113, not less than 48 hours before the meeting.



**ELNET TECHNOLOGIES LIMITED**

Regd. Office : TS 140, Block 2 & 9, Rajiv Gandhi Salai, Taramani, Chennai 600 113

**ATTENDANCE SLIP**

20th Annual General Meeting 28th June, 2011

Regd. Folio No. .... (or)

\*Client ID No. .... DP ID No. ....

Name and Address of Shareholders(s) :

Proxy's Name:

I certify that I am a registered shareholder/proxy for the registered shareholder of the company. I hereby record my presence at the 20th Annual General Meeting of the Company held at New Woodlands Hotel Pvt. Ltd. No.72-75, Dr.RadhakrishnanSalai, Mylapore, Chennai 600 004 on Tuesday, the 28th June 2011 at 11.00 a.m.

Signature of Member / Proxy

\*Those who hold shares in demat form to quote their Client ID No. and Depository Participant (DP) ID No.





