



THIRTEENTH ANNUAL REPORT

2003 - 2004



THIRTEENTH ANNUAL REPORT

BOARD OF DIRECTORS

Thiru Vivek Harinarain, IAS, Chairman
Tmt Unnamalai Thiagarajan, Managing Director
Thiru Sudeep Jain, IAS
Thiru K.Appuswamy
Thiru C.Ramachandran, IAS (Retd.)
Thiru J.Ravi
Thiru P.S.Kumar
Thiru R.Ganapathi
Thiru H.Karthik Seshadri

COMPANY SECRETARY

Thiru T. Kannan

AUDITORS

M/s. Sreedhar, Suresh and Rajagopalan,
Chartered Accountants,
3-B, Green Haven, 26, III Main Road,
Gandhi Nagar, Adyar,
Chennai - 600 020.

BANKERS

M/s. Canara Bank
Kasturba Nagar, Adyar, Chennai - 600 020.
M/s. ICICI Bank Ltd.
1, Cenotaph Road, Chennai - 600 018.

REGISTERED OFFICE

Elnet Software City,
TS 140, Block No. 2 & 9, CPT Road,
Taramani, Chennai - 600 113.
Phone - 2254 1337/1098 Fax - 2254 1955
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 - 2846 0390 (6 lines)
Fax - 28460129

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of ELNET TECHNOLOGIES LIMITED will be held at New Woodlands Hotel Pvt. Ltd., No.72-75, Dr. Radhakrishnan Salai, Mylapore, Chennai - 600 004 on Wednesday, the 29th September, 2004 at 10.30 a.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2004 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 a Director in place of Thiru Sudeep Jain, IAS, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Thiru C Ramachandran, IAS (Retd), who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Thiru P S Kumar, who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and 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 Sreedhar, Suresh & Rajagopalan, Chartered Accountants, Chennai be and is 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 as may be decided by the Audit Committee".

By Order of the Board of Directors

Place : Chennai
Date : 25.08.2004

T. KANNAN
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 the Annual General Meeting.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 23/09/2004 to 29/09/2004 (Both days inclusive).
3. The dividend, as recommended by the Board, if approved at the Meeting, will be payable to those members whose names appear on the Company's Register of Members as on 29th September, 2004, being the record date except in respect of shares held in Electronic form, where the dividend will be payable on the basis of beneficial ownership as per details to be furnished to us by NSDL and CDSL for this purpose.
4. Members are requested to kindly bring with them their copies of this report to the meeting.
5. All correspondence with respect to transfer of shares/change of address and conversion of Physical Shares into Demat form may be sent to the Registrars and Share Transfer Agents of the Company viz., M/s Cameo Corporate Services Ltd., "Subramanyam Building", 5th Floor, No.1, Club House Road, Chennai – 600 002.
6. Members may contact us at E-mail: elnet@md4.vsnl.net.in for any query.
7. 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.

ANNEXURE TO THE NOTICE

STATEMENT REGARDING ITEM NO.6

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 Auditors of the Company have to be appointed by a Special Resolution as per the provisions of the Companies Act, 1956. M/s Sreedhar, Suresh & Rajagopalan, Chartered Accountants, who were the Statutory Auditors for the financial year ended 31.03.2004 have been proposed to be appointed as Statutory Auditors for the financial year ending 31.03.2005 also. Directors recommend the passing of the Resolution.

None of the Directors is interested or concerned in this Resolution.

The brief profile of the Directors are given below for the information of the members.

PROFILE OF THE DIRECTORS

Name of Director	Educational Qualification	Current line of Activity/Business	Area of Specialization	Other Directorship / Committee Membership
Thiru. Sudeep Jain, IAS	B.E. (Hon), M.B.A.	Administrative Service	Administration, Marketing	ELCOT - MD TANITEC - Chairman i/c Director SIPCOT - Director ETL Infrastructure Services Ltd. - Director Tamil Nadu Industrial Guidance and Export Promotion Bureau - Member
Thiru. C.Ramachandran, IAS (Retd)	B.Sc. (Hons), M.A.	Management Consultant	Corporate Management	TPL - Director Leo Utility & Power Ltd. - Director ETL Infrastructure Services Ltd. - Director
Thiru. P.S.Kumar	B.Com., F.C.A., F.C.A. (England & Wales)	Chartered Accountant in Practice	Corporate Audit, International Taxation	Satellite Town Dev. Company Ltd. - Director ETL Infrastructure Services Ltd. - Director Rane (Madras) Ltd. - Director Andhra Chamber of Commerce - Mem. of Exe. Committee

By Order of the Board of Directors

Place : Chennai
Date : 25.08.2004

T. KANNAN
Company Secretary

DIRECTORS' REPORT

To: The Shareholders,
Ladies and Gentlemen,

Your Directors have great pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts of your Company for the financial year ended 31.03.2004.

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.258.41 Lacs.

OPERATIONS

The financial results of your Company are as follows:

Sl. No.	Particulars	For the year ended 31.03.2004 Rs. in Lacs	For the year ended 31.03.2003 Rs. in Lacs
1)	Income from Operations	800.06	821.43
2)	Non-operating Income	58.37	24.54
3)	Total Expenditure	438.29	395.62
4)	Interest	59.03	62.71
5)	Gross Profit (after interest but before depreciation and taxation) [(1+2)-(3+4)]	361.10	387.64
6)	Prior period adjustment	—	179.43
7)	Extra ordinary items	(118.82)	(285.46)
8)	Depreciation	59.26	54.66
9)	Provision for Deferred Tax	17.85	126.19
10)	Provision for Current Tax	81.25	60.00
11)	Provision for tax on Extraordinary items	171.75	—
12)	Provision for Deferred Tax made in earlier year written back	(108.59)	—
13)	Net Profit	258.41	252.82
14)	Preliminary Expenses written off	—	13.54
15)	Dividend & Tax thereon	67.84	45.01
16)	Transfer to General Reserve	150.00	150.00
17)	Balance carried forward to Balance Sheet	40.57	44.27
18)	Paid up Equity Share Capital	400.00	400.00

BORROWINGS FROM FINANCIAL INSTITUTIONS AND BANK

Your Company has during the year under review repaid its high interest bearing borrowings obtained from Industrial Development Bank of India and ICICI Bank Limited and paid a prepayment premium of Rs.23,23,983/-.

Your Company obtained a fresh financial assistance by way of a Term Loan of Rs.14.45 Crores from State Bank of India, Industrial Finance Branch, Chennai for construction of V & VI Floors and for refurbishing the Fixed Assets of the Company, subsequent to the date of the Balance Sheet.

LAND LEASE

Your Company had been advised about the revised terms of Land Lease by ELCOT and the highlights of the terms are as follows:

- * The tenure of the lease would be 90 years commencing from 14.02.1999.
- * The Company would pay a lease rent of Rs.35,84,991/- for the period from 14.02.1991 to 14.01.1999.
- * The Company would pay an annual lease rent of Re.1/- for the remaining period.
- * The Company would pay a refundable lease deposit of Rs.11,03,25,537/-.
- * The Company would pay one-time service charge of Rs.38,61,394/-.

Your Directors have at their meeting held on 30/07/2004 accepted the revised terms offered and the Lease Deed is expected to be entered into during Current Year upon payment of amounts as mentioned above.

Kind attention of the Members is also invited to Item No.B-1 of Notes on Accounts forming part of the Accounts (Schedule 19) wherein a detailed note on the accounting treatment of land lease issue has been detailed.

DIVIDEND

Your Directors are pleased to recommend a dividend of 15% on the Equity Share Capital of the Company for the year ended March 31, 2004. 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 name appear on the Register of Members of the Company as on 29/09/2004, being the record date and to those whose name appear as beneficial owners on the records of National Securities Depository Limited and Central Depository Services (I) Limited as on 29/09/2004.



FUTURE PROSPECTS

Your Company currently enjoys 100% occupancy level and there are sustained enquires for additional space. As informed to the Shareholders, in the Extra-ordinary General Meeting held on 18.03.2004 the Company has taken-up vertical expansion of V & VI Floors, which would result in addition of super built-up area of 60,000 sq. ft. and lettable area of 54,000 sq. ft. The operation in the additional floors is slated to commence from January 2005

ETL INFRASTRUCTURE SERVICES LIMITED

Your Company's quest for quality of service and Customer satisfaction has resulted in the conception of a separate BPO Park under the aegis of ETL Infrastructure Services Limited (EISL). The Park will be located near the Company at Pallikaranai on Perungudi-Velacherry Road in the cyber corridor of Chennai. The structure envisaged is a Mega Structure with a built-in space of 6.50 Lacs sq. ft. and would have the most modern and state-of-the-art features, which would take care of all infrastructure requirements of the BPO Companies to provide a ready to start atmosphere. The construction of the BPO Park is expected to commence by September 2004. Your Company had subscribed a sum of Rs.5 Lacs for Equity Shares as per the Memorandum of Association of EISL and also advanced a sum of Rs.313.75 Lakhs being Advance towards Equity Share Capital upto 25.08.2004.

LISTING OF SHARES

Your Company's shares are listed presently in Madras Stock Exchange Limited and The Stock Exchange, Mumbai.

DEMATERIALISATION OF EQUITY SHARES

As on 31.03.2004, 18,19,835 number of equity shares are held in Dematerialized Form, which constitutes 45.50% of total shareholding.

FIXED DEPOSITS

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

CIVIL SUITS

The two Civil Suits bearing No.93/1998 filed by the Company against Thiru Thiagaraj S. Chettiar and No.328/1998 filed by the Company against Thiru Thiagaraj S. Chettiar and M/s. Dun & Bradstreet Satyam Software Pvt. Ltd. (now known as M/s. Cognizant Technology Solutions Pvt. Ltd.) stand withdrawn.

DIRECTORS

Under the provisions of the Articles of Association of the Company three of your Directors, viz. Tr Sudeep Jain, IAS, Tr C Ramachandran, IAS (Retd) and Tr P S Kumar retire by rotation (determined by lot) at the forthcoming Annual General Meeting. All of them, being eligible, offer themselves for re-appointment.

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, 2004, 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 Sreedhar, Suresh and Rajagopalan, Chartered Accountants, Chennai retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. Necessary special resolution is proposed for their reappointment pursuant to Sec.224(A) 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 and adaptation 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

CORPORATE GOVERNANCE

Your Company has complied with all mandatory provisions of Corporate Governance as prescribed under the Listing Agreements of the Stock Exchanges with which the Company is registered.

The Management Discussion and Analysis Report and Corporate Governance Report are produced as a part of the Annual Report.

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 bankers ICICI Bank Ltd. and Canara Bank 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 : 25.08.2004

VIVEK HARINARAIN, IAS
Chairman