



REPORT JUNCTION.COM

FOURTEENTH ANNUAL REPORT

2004 - 2005



FOURTEENTH ANNUAL REPORT

BOARD OF DIRECTORS

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

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. State Bank of India
Industrial Finance Branch, Chennai - 600 002.

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-rnail: 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 FOURTEENTH 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 Saturday, the 7th May, 2005 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 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

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 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 of Rs.1,25,000/- plus service tax as applicable, be and is hereby approved"

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 H Karthik Seshadri, who retires by rotation and is eligible for re-appointment.
6. To appoint a Director in place of Thiru J Ravi, who retires by rotation and being eligible offers himself for re-appointment.

ITEM No.7

SPECIAL BUSINESS

7-A. To promote a subsidiary company under the name and style "Elnet Software City Limited"

To pass the following resolution with or without modification as a Special resolution:

"RESOLVED THAT the proposal to promote a wholly owned subsidiary Company under the name and style "ELNET SOFTWARE CITY LIMITED" and the proposal to transfer



the Business development rights of approximately 2,44,000 sq.ft to "Elnet Software City Limited" for a consideration of Rs1690 Lakhs to be paid by means of fully paid up Equity shares of "ELNET SOFTWARE CITY LIMITED" be and is hereby approved".

"RESOLVED FURTHER THAT the Board of Directors and/or any committee thereof and /or person(s) to whom the Board may delegate, be and is hereby authorised to do all such acts, deeds, matters and things to settle all questions and matters arising out of or incidental to give effect to the above proposal as may be desirable or expedient for implementing the above resolution".

7-B. To enhance the remuneration of Managing Director for the year 2005-06.

To consider, and if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT the proposal to enhance the Managing Director's remuneration from Rs.9,60,000/- to Rs.14,00,000/- per annum with effect from 1.4.2005 as recommended by the remuneration committee / Board be and is hereby approved".

By Order of the Board of Directors

Place : Chennai
Date : 07.04.2005

UNNAMALAI THIAGARAJAN
Managing Director

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 01/05/2005 to 07/05/2005 (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 7th May, 2005, 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.

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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.
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ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT U/S 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO.3

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 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 31.03.2005 have communicated their inability to continue as Auditors for the financial year ending 31.03.2006.

Your Directors have recommended the appointment of M/s.S.H. Bhandari & Co. Chartered Accountant as Auditors of the company in the place of M/s. Sreedhar, Suresh & Rajagopalan, Chartered Accountants who retires at this meeting. Members may kindly approve the appointment of M/s.S.H. Bhandari & Co. as Auditors of the company by passing the resolution.

None of the Directors is interested or concerned in this Resolution

Directors recommend the passing of the Resolution.

EXPLANATORY STATEMENT U/S 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO.7-A

7.A. To promote a subsidiary company under the name and style "Elnet Software City Limited"

As the members are aware your Company has paid a substantial amount as Land Lease deposit as a result of which the per Sq Ft cost of land held by your Company is far above the industry norms. Further the relaxed FSI Norms applicable to the Software Technology Parks has not been fully exploited resulting in under utilization of valuable space. With a view to



address this bottleneck your Directors have proposed to demolish the existing Admin Block in the Software city and construct a tower in its place. and also interconnect the same with the existing Software block thereby creating an additional area of 2,44,000 Sq Ft. With a buoyant software market Your Directors are confident of marketing the space. The Board was advised that the proposal could be executed through an SPV to be created in this regard. The Board was advised that the SPV could acquire the development right at a pre determined price based on market rate and the consideration could be paid by way of fully paid up shares of the SPV. Further it was also suggested that the SPV could also pay recurring annual royalty which would compensate the revenue stream loss to ETL. The lump sum Royalty would be based on market value the value so arrived would be more than equal the goodwill and the locational advantage of the Development rights to be vested in the SPV. The Board after careful consideration of all related issues decided that it would be better to constitute the SPV as a subsidiary of ETL so that the control and management of the SPV would continue to vest in ETL. Hence the proposal to float the SPV under the name and style "ELNET SOFTWARE CITY LIMITED" (ESCL) was approved in principle by the Board. The business development rights would be transferred to ESCL for a consideration of Rs.1690 lacs to be paid by way of fully paid equity shares of ESCL if the proposal is approved by the members.

The following Directors who are also Directors in "ELNET SOFTWARE CITY LIMITED" are deemed to be interested in the above resolution.

1. Thiru Vivek Harinarain, IAS
2. Thiru C. Ramachandran, IAS (Retd.)
3. Thirumathi Unnamalai Thiagarajan
4. Thiru P.S. Kumar
5. Thiru H. Karthik Seshadri
6. Thiru R. Ganapathi.

Except the above Directors no other Director is concerned or interested in the resolution.

Your Directors recommend passing the above resolution.

EXPLANATORY STATEMENT U/S 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO.7-B

7.B. Revision in remuneration to Managing Director

The Board had at its meeting held on 14.8.03 approved the proposal for the appointment of Tmt. Unnamalai Thiagarajan as Managing Director of the company with effect from 14.8.03 which was confirmed by the members at the AGM held on 30.9.2003. The members had at that time fixed the remuneration of Rs.80000/- per month. With the expansion in business and in keeping with the Industry trend the need for revising the Managing Director's remuneration has been felt by the management. Accordingly the issue was referred to the

Remuneration Committee / Board who had recommended a remuneration of Rs.14,00,000/- per annum as against Rs.9,60,000/- per annum. The proposal if approved by the members would be effective from 1.4.05.

Tmt. Unnamalai Thiagarajan is interested in the resolution. No other Director except Unnamalai Thiagarajan is interested in the resolution.

Directors recommend passing the resolution.

RE-APPOINTMENT OF DIRECTORS

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.R.Ganapathi | B.Tech | IT Training, Construction and heavy machinery trading | Engineering, Management | Director - ETL Infrastructure Services Ltd Director - Elnet Software City Ltd Director - Deccan Softlab Pvt Ltd Director - Nevadha Engg Constructions Pvt Ltd Director - Projelec Mktg Mgt Services Pvt Ltd |
| Thiru.H.Karthik Seshadri | B.A, LLB (Hons) | Practising Lawyer | Civil & Corporate Lawyer | Director - ETL Infrastructure Services Ltd Director - Elnet Software City Ltd |
| Thiru.J.Ravi | B.Tech (Chemical Engg) | Minerals & Chemicals | Shipping & Chartering | Alternate Director - Trimex Industries Ltd |

By Order of the Board of Directors

Place : Chennai
Date : 07.04.2005

UNNAMALAI THIAGARAJAN
Managing Director



DIRECTORS' REPORT

To: The Shareholders,
Ladies and Gentlemen,

Your Directors have great pleasure in presenting the FOURTEENTH Annual Report together with the Audited Accounts of your Company for the financial year ended 31.03.2005.

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.292.35 Lacs.

OPERATIONS

The financial results of your Company are as follows:

| Sl. No. | Particulars | For the year ended 31.03.2005 Rs. in Lacs | For the year ended 31.03.2004 Rs. in Lacs |
|---------|--|---|---|
| 1) | Income from Operations | 893.58 | 800.06 |
| 2) | Non-operating Income | 126.24 | 58.37 |
| 3) | Total Expenditure | 406.53 | 437.75 |
| 4) | Interest | 60.54 | 59.57 |
| 5) | Gross Profit (after interest but before depreciation and taxation) [(1+2)-(3+4)] | 552.75 | 361.10 |
| 6) | Extra ordinary items | — | (118.82) |
| 7) | Depreciation | 80.75 | 59.26 |
| 8) | Provision for Deferred Tax | 81.99 | 17.85 |
| 9) | Provision for Current Tax | 95.00 | 81.25 |
| 10) | Provision for tax for earlier year | 2.66 | — |
| 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 | 292.35 | 258.41 |
| 14) | Dividend & Tax thereon | 68.42 | 67.84 |
| 15) | Transfer to General Reserve | 200.00 | 150.00 |
| 16) | Balance carried forward to Balance Sheet | 23.93 | 40.57 |
| 17) | Paid up Equity Share Capital | 400.00 | 400.00 |

BORROWINGS FROM FINANCIAL INSTITUTIONS AND BANK

During the year your Company has obtained a fresh financial assistance by way of a Term Loan from State Bank of India, Industrial Finance Branch, Chennai for construction of V & VI Floors refurbishing the Fixed Assets, Erection of a 500 KVA Windmill and for Payment of Land Lease Deposit totaling Rs.2300 lacs.

LAND LEASE

Your Company has during the year under review entered into a lease agreement with "ELCOT" for taking on lease 3.10 acres of land, on which our building stands, for a 90 year period from 14.1.1999. The lease deed has since been registered with the Sub-Registrar.

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, 2005. 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 7th May 2005, 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 7.5.2005.

GUARANTEE TO FORMER SUBSIDIARY COMPANY

A postal ballot is being arranged by your company as per the relevant governing regulations in respect of this guarantee. Members kind attention is invited to note no.10 of Notes on Accounts (Schedule 18).

FUTURE PROSPECTS

Your company currently enjoys 100% occupancy level and the additional space of 60,000 sq.ft of space has already been created and firm contracts for the space has already been entered into and the facilities are expected to be operational by early May. Barring unforeseen circumstances, your Directors are confident of a sustained performance in the years to come.

FUTURE PLANS

With a view to exploit the relaxed FSI norms available to Software Technology Parks, your Management has proposed to constitute a SPV, for which a separate Agenda item no.7-A has been proposed at the ensuing AGM. The proposal if approved by members would be implemented during the current financial year.

ETL INFRASTRUCTURE SERVICES LIMITED

Your company has invested in the Equity of this company to the extent of Rs.302.53 lakhs by way of Equity Shares and your Directors are glad to inform you that the project is progressing as per Schedule.



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 31.03.2005, 19,65,685/- numbers of equity shares are held in Dematerialized Form, which constitutes 49.14% of total shareholding.

FIXED DEPOSITS

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

DIRECTORS

During the year under review Thiru Sudeep Jain, IAS resigned from the Board, consequent to his transfer from M/s Electronics Corporation of Tamil Nadu Ltd., (ELCOT) with effect from 19-2-2005 and your Directors wish to place on record their deep appreciation for the valuable service rendered by him during the period he held the office.

Under the provisions of the Articles of Association of the Company, three of your Directors would resign 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, 2005 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 have expressed their inability to continue as