



**WEB  
SERVICES**



**DATA  
CENTRE  
& CLOUD**

**NETWORK  
& SYSTEMS  
INTEGRATION**



## WE THANK OUR 4,00,000 STRONG FAMILY OF CUSTOMERS



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## >> CHAIRMAN AND MANAGING DIRECTOR

Jasjit Singh Sawhney

## >> WHOLE-TIME DIRECTOR

Amarjit Singh Sawhney

## >> NON-EXECUTIVE DIRECTORS

Desi Subri Valli

Brijesh Chand Mathur

Manish Wadhawan

Surya S. Chadha

Kamlesh Gandhi

Sandip Kumar Ghosh

## >> STATUTORY AUDITORS

M/s Sandy Associates

Chartered Accountant

104, Delhi Chamber, Delhi Gate

New Delhi – 110 002

## >> COMPANY SECRETARY

Archna Walia

## >> HEAD – FINANCE & ACCOUNTS

Pragati Agarwal

## >> BANKERS

**State Bank of India**

South Extension, Part – I

New Delhi – 110 049

**State Bank of Travancore**

Sector 18, Noida

Uttar Pradesh

>> **OFFICES**

**REGISTERED OFFICE**

AB – 11, Community Centre  
Safdarjung Enclave  
New Delhi – 110 029, India  
Tel: +91 – 11 – 26711150 / 54  
Fax: +91 – 11 – 41653217

**CORPORATE OFFICE**

D – 25, Sector – 3  
Noida  
Uttar Pradesh – 201 301, India  
Tel: +91 – 120 – 4323500  
Fax: +91 – 120 – 4323520

>> **REGISTRAR AND TRANSFER AGENT**

**MCS Limited**

F-65, Okhla Industrial Area  
Phase – I, New Delhi – 110 020  
Tel: +91 – 11 – 41406149/51/52  
Fax: +91 – 11 – 41709881

Email: [admin@mcsdel.com](mailto:admin@mcsdel.com) ; [mcscomplaintsdel@mcsdel.com](mailto:mcscomplaintsdel@mcsdel.com)

Website: [www.mcsdel.com](http://www.mcsdel.com)

**Dear Shareholders,**

It gives me immense pleasure that we are reporting yet another fantastic financial year in FY 2011-12 exceeding all expectations. Your Company has repeatedly and consistently achieved its highest ever quarters of revenue and profit, throughout the year and ended the year with all services performing more than our expectations.

Your Company has ended this year with record revenues and profits since inception. We feel great pride to report consolidated revenue of Rs. 465 cr., an increase of 53% from Rs. 304 cr in the previous year. Our PAT has grown by 62% from Rs 21 cr last year to Rs. 34 cr.

This outstanding performance has been achieved despite the fact that growth in most advanced economies has declined and emerging markets are witnessing a combination of moderation in growth and rising inflation. Wild fluctuation in the rupee exchange rate within a short span of time is unsettling and left its imprint on the rest of the economy.

## **Business Outlook**

This year we invested in highly scalable cloud platforms and continued our investments to add capacity to our Data Center infrastructure. Needless to say this is an area we are very excited about and from this year will have it as separate strategic category – Data Centre & Cloud Services – outside the erstwhile categorisation under web services. Application/SaaS services, regardless of whether they are provisioned in a hosted model or on a cloud platform will be taken as a part of Cloud Services, under this category.

In the web services segment, India stands at less than half of the penetration levels of even the developing markets and one fifth of the developed markets. According to various industry reports, this segment is likely to grow by 250-350% over the next three years.

With the opening up of new Gtlds by ICANN, there is likely to be huge frenzy for applying for brand and generic Gtlds. This will throw up a plethora of opportunities for us as a registrar and as a Gtld solution provider to large corporates and brands.

We continue to see a trend towards increased managed services, especially in Backup and Recovery / DR services and off late in Archival services. Such has been the momentum and uptake of our Cloud/PaaS services that our initial infrastructure got occupied in less than 9 months. We set up a cloud node in Mumbai towards the end of last year and have ordered additional infrastructure to set up a Cloud node in Delhi in Q2 of FY 12-13 and 4th node in Bangalore by Q4 FY 12-13.

The buzz around “clouding” continues unabated and with our data centre and cloud offerings, we are in an ideal position to take advantage of the demand for these hybrid data centre and cloud services.



## Corporate Governance

Good corporate governance has always been the hallmark of your Company. Your Company's philosophy is to ensure transparency in its dealings and compliance of country's laws and regulations in order to promote ethical conduct of business. A separate section on corporate governance furnishing applicable details forms part of the Directors' Report.

## Acknowledgements

On behalf of the Board, I would like to thank our esteemed shareholders for your continuing confidence and support. I thank all the employees of Net4 for their sustained endeavors in meeting the challenges posed before the organization, and on their behalf, seek your continued support.

Sincerely,



**Jasjit Singh Sawhney**  
Chairman and Managing Director

Dear Members,  
M/s Net 4 India Limited

On behalf of the Board of Directors, I am delighted to present Twenty Sixth Annual Report together with the Audited Annual Accounts for the Financial Year ended March 31, 2012 along with Auditor's Report thereon.

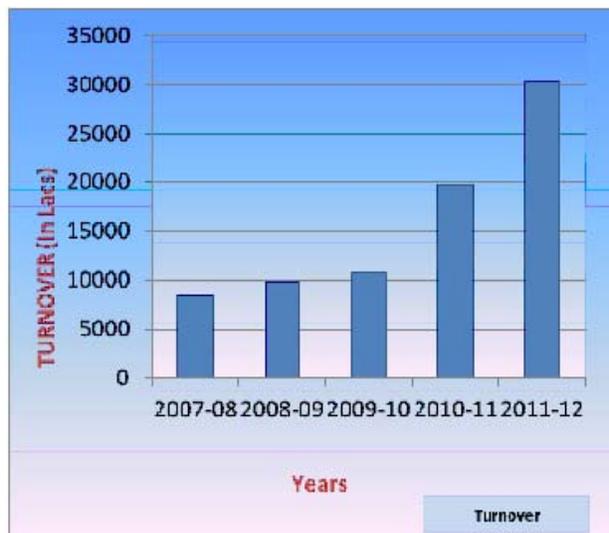
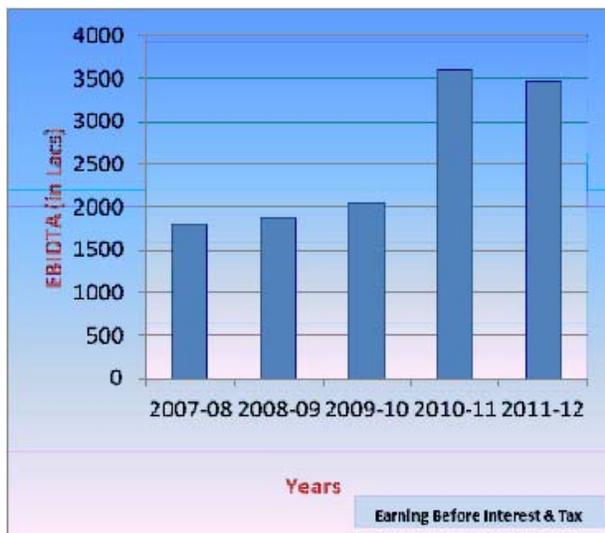
## >> Financial Results

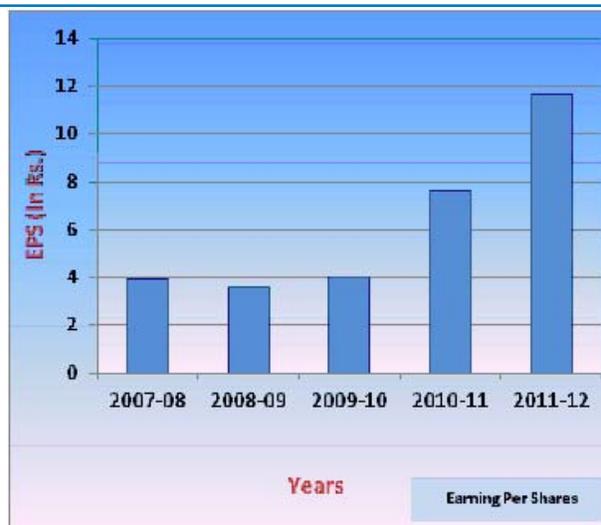
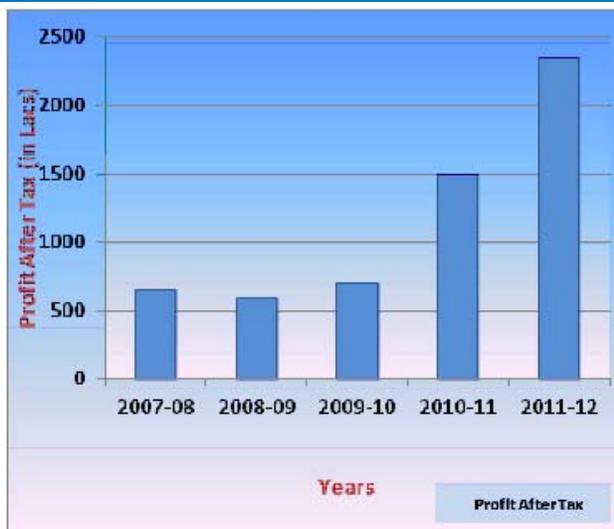
The Standalone and Consolidated Financial performance of Net 4 India Limited for the year ended March 31, 2012 is presented below:

*(Rs. In lacs, except per share data)*

Particulars	Standalone		Consolidated	
	Year Ended 31.03.2012	Year Ended 31.03.2011	Year Ended 31.03.2012	Year Ended 31.03.2011
Total Revenue	30,970.00	20,351.84	46,942.64	30,769.02
Net Profit before Tax	3,460.22	2,222.29	5,050.16	3,197.17
Net Profit after Tax/Amount available for Appropriation	2,338.78	1,488.28	3,414.21	2,113.06
Balance retained in Profit & Loss Account	2,354.74	1,484.75	3,443.99	2,109.66
Earning Per Share - Basic & Diluted	11.66	7.63	17.02	10.84

## Historical performance





## >> Performance

Your Company continuously focused on growth and has posted another year of impressive performance with highest ever top line and highest earnings since inception. This is due to focused plans to work out on the growth strategies of the Company. The underlying performance reflects the inherent strength and operational excellence of your Company.

## >> Consolidated Results

### Consolidated financial results of 2011- 12 in comparison to previous year 2010-11

**Total Income** of the Company increased by 52.56%, to Rs. 46,942.64 Lacs from Rs. 30,769.02 Lacs.

**Profit after Tax** increased by 61.58%, to Rs. 3,414.21 Lacs from Rs. 2,113.06 Lacs .

**Earning per share (EPS)** increased by 57.01%, to Rs. 17.02/- per share from Rs. 10.84/- per share.

## >> Standalone Results

### Standalone financial results of 2011-12 in comparison to previous year 2010-11

**Total Income** for the year increased by 52.17%, to Rs. 30,970.00 Lacs from Rs. 20,351.84 Lacs.

**Profit After Tax** increased by 57.15%, to Rs. 2,338.78 Lacs from Rs. 1,488.28 Lacs

**Earning per share (EPS)** increased by 52.82%, to Rs.11.66/- per share from Rs. 7.63/- per share.

## >> Appropriations

Out of the profits available for appropriations, your Company has retained Rs. 2,354.74 lacs in the Profit and Loss Account. No transfers have been made to General Reserve.

## >> Business Overview

The economy has considerably slowed down during the year and growth momentum was tapered off in almost all the sectors on account of rising inflation, depreciating rupee and higher interest costs, despite that your Company emerged to achieve new heights of growth. It continues to work towards realizing the vision “of being the most valued Network and Application Service Provider- with innovative

and differentiated offerings". Since inception, within a short span of time, it has grown multi-folds and became the largest provider of web hosting services and domain name registration in India. Powered by a pool of talented professionals and equipped with latest technologies, the Company caters to the Web and Application Services, Data Centre and Cloud Computing and Network and System Integration services to its clients.

## >> Corporate Social Responsibility

Your Company is committed in fulfilling the Corporate Social Responsibility by contributing towards social and environmental causes. As a responsible corporate entity, we work towards the preservation of environment through various conservation programs. Your Company, is actively sustaining the spirit of Green Initiative, a worldwide adopted phenomenon to check the constantly increasing Global Warming, by deploying environmental friendly processes at work. The initiatives taken up by the Company includes, but not limited to, Motivational Programmes, E-documentation, Energy Savers and Pollution Checks.

### Motivational programmes

Your Company has implemented various motivational programmes among its employees and also invites them to participate in management decisions, leading to appreciation of their confidence and thereby increasing overall productivity.

### E-documentation

Various steps have been taken to minimize the use of paper. As the constant increase in the use of paper has lead to deforestation thereby increasing Global Warming. Your Company is also planning to adopt recycling of the waste paper. To reduce the usage of paper, the Company is practicing the concept of e-documentation and has also in furtherance to this concept and the Circular issued by Ministry of Corporate Affairs to allow paperless compliances, decided to send its Annual Report to the members through electronic mode.

### Energy Savers

The Company is also making efforts to keep a check on the usage of power by installing energy saver equipments at its work places. Awareness on energy conservation is extended among the employees to control the unnecessary use of power.

### Pollution Checks

Considering the fact that fuel prices are increasing on a continual basis and also to have a check on day-to-day increasing air and noise pollution, the Company is actively urging on the use of video-conferencing wherever possible, rather than travelling down to the respective place. Employees of the Company have also been advised to use the concept of car pooling so as to ensure a pollution free environment.

All these initiatives create a socially and ethically responsible business entity and helps in long term sustainability thus ensuring value growth for our various stakeholders.

## >> **Subsidiary Companies**

As on the date, the Company has four subsidiaries:

**M/s Net 4 Communications Limited** was incorporated in the year 2005 vide Certificate of Incorporation bearing registration number U72900WB2005PLC104025 having its Registered Office at Kolkata. The Company's main business, is Computer-Hardware & Software for Internet Access & Internet Telephony Services including VoIP Solutions.

**M/s Net4 Network Services Limited** was incorporated on May 18, 2011 vide Certificate of Incorporation bearing registration number U72200DL2011PLC219357 in and under the Laws of India. The Company carry on the business of providing Internet Related Services and VoIP Solutions.

**M/s Net4 HK Limited** was incorporated on May 11, 2011 vide Certificate of Incorporation bearing number 1598959 in and under the Laws of Hong Kong. The Company carry on the business of Internet Related Services and VoIP Solutions.

**M/s Pipetel Communications Private Limited** was incorporated on September 4, 2009 vide Certificate of Incorporation bearing registration number U64200DL2009PTC193950 in and under the laws of India. It is mainly engaged into Enterprise Internet Services, VoIP Solutions and Web Services billing and Provisioning Platform solutions.

## >> **Exemption u/s 212 (8) of the Companies Act, 1956**

In terms of the circular No. 2/2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs, general exemption under section 212 of the Companies Act, 1956 has been granted to the Companies from attaching the Balance Sheet, Profit & Loss Account and other document of the subsidiary companies with the Balance Sheet of the Parent/Holding Company. A statement containing brief financial details of the Company's subsidiaries for the financial year ended March 31, 2012 is included in the Annual Report. The Consolidated Financial Statement of the Company includes the financials of its Subsidiary Companies.

The annual accounts of the subsidiary Companies and the related detailed information will be made available to any member of the Company/its subsidiaries seeking such information at any point of time and are also available for inspection by any member of the Company and its subsidiaries at the Registered Office of the Company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the registered offices of the respective subsidiary companies. The Company shall furnish a copy of the details of annual accounts of subsidiaries to any member on demand.

## >> **Consolidated Financial Statements**

In compliance with the Accounting Standard-21 on Consolidated Financial Statements and as per the requirement of the provisions of the Listing Agreements with the Stock Exchanges, a Consolidated Financial Statement of the Company together with its subsidiaries is attached in the Annual Report. The Consolidated Financial Statements have been prepared in accordance with the relevant Accounting Standards as prescribed under section 211 (3C) of the Companies Act, 1956 ("Act").

The Consolidated Financial Statement of the Company and its Subsidiaries will be available on the website of the Company at [www.net4.in](http://www.net4.in)

#### >> **Dividend**

The Company has not recommended any dividend for the year 2011-12 as the Company is utilizing the funds for its expansion plans which would certainly lead to the growth of the Company thereby increasing the value of the shares of your Company.

#### >> **Directors**

The Board of the Company is having an optimum combination of Executive & Non-Executive Directors with not less than fifty percent of the Board comprising of the Non-Executive Independent Directors.

##### **A. Appointment:-**

Mr. Kamlesh Gandhi was appointed as an additional Director of the Company, under Section 260 of the Companies Act, 1956, by the Board of Directors at their meeting held on February 14, 2012. Mr. Kamlesh Gandhi would be designated as Non-Executive Independent Director and shall hold the office until the date of ensuing Annual General Meeting.

However, the Company has received a notice along with the requisite deposit pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Kamlesh Gandhi, for being appointed as the Director of the Company. Accordingly, the necessary resolution shall be put in the Notice of the Annual General Meeting for his appointment as a Director.

##### **B. Re-appointment:-**

In accordance with the provisions of the Section 255 and 256 of the Companies Act, 1956 read with Articles of Association of the Company, Mr. Surya Chadha and Mr. Sandip Kumar Ghosh, Directors of the Company are retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their appointment as Directors.

The tenure of appointment of Mr. Jasjit Singh Sawhney, Chairman & Managing Director and Mr. Amarjit Singh Sawhney, Whole Time Director, of the Company was expired on February 29, 2012 and March 31, 2012, respectively. They were further appointed by the Board of Directors, subject to the approval of shareholders, for afresh period of three years w.e.f. March 01, 2012 and April 01, 2012, respectively.

##### **C. Cessation:-**

During the year 2011-2012, Mr. Bharat Chawla, Director of the company, resigned from the Board of the Company. The Board placed on record the valuable contribution made by Mr. Bharat Chawla during his tenure as Director of the Company.

None of the Director of your Company is disqualified as per the provisions of Section 274(1)(g) of the Companies Act, 1956. Your Directors have made necessary disclosures as required under various provisions of the Act and Clause 49 of the Listing Agreement.

#### **D. Change in Company Secretary & Compliance officer:-**

Mr. Krishan Kumar Nagpal, the Company Secretary & Compliance officer of the Company had resigned from the office and Ms. Archana Walia has been appointed in his place w.e.f March 01, 2012

#### **>> Directors Responsibility Statement**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards were followed and wherever required, proper explanations relating to material departures have been given;
- (ii) the Directors 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 as at March 31, 2012 and of the profit of the Company for the year ended on that date;
- (iii) the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the Annual Accounts of the Company on a going concern basis.

#### **>> Human Resource**

Employees today aspire towards growth opportunities, career options, empowerment and work life balance in an organization. To retain leadership position, the Company continuously innovates and customizes its human resource strategy to meet changing employee needs.

Net4 focuses meticulously on talent engagement, deployment on right projects, role/career progression and benchmark compensation and benefits, which has helped the Company to attract and retain best talent.

Your Company takes great pride in the allegiance, caliber & proficiency shown by its highly motivated human resource that contributed its best to take the Company to its new heights. The productivity of the employees is reflected in the consistent improvement over the years. We have also set up a scalable recruitment and human resources management process, which gives the employees the opportunities to come up with their grievances, suggestions and also give them chance to participate in the decisions. The Company continues to take new initiatives to further align its Human Resource policies to contribute to the growing needs of the business.

Your Company provides an environment which encourages initiative, innovative thinking and rewards performance without regard to various external factors such as race, sex, color, creed, religion, national origin, citizenship, age, marital status or orientation.

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Your Company ensures and focuses on training and development of its personnel through various internal and advanced training programs, succession planning and participation at national and international conferences, job rotation, on-the-job training and various workshops.

#### >> Quality

Quality has been the foundation of your organization's sustenance and growth for all these years. Your Company has a well-defined Quality Management System, which established various process to implement quality and continuously improve organizations overall process capability. Your Company is ISO 9001:2000 certified, the world's most successful International Standard, addressing best practice in the application of Quality Management Systems.

Your Company is also the First Internet Service Provider in the world to get an ISO 27001:2005 certification for its Internet Data Centre(s) certified by BSI (British Standard Instruction), and the company is continually maintaining the standards.

#### >> Fixed Deposit

During the year under review, your Company has accepted the deposits within the meaning of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules, 1975 of Rs. 1,574.13 Lacs (previous year Rs. 1,270.20 Lacs). In terms of the provisions of Investor Education and Protection Fund (IEPF) Rules, 2001, there was no unclaimed interest and/or principal amount due for transfer to Investors Education & Protection Fund, established by the Central Government under Section 205C(1) of the Companies Act, 1956, for the year ended March 31, 2012.

#### >> Corporate Governance

Your Company is adhering with the Corporate Governance guidelines, as laid down in the Clause 49 of the Listing Agreement and mandatory stipulation as prescribed by the Securities Exchange Board of India. The Company has also voluntarily adopted a code of conduct for good governance applicable to all Board Members and the Senior Managerial personnel of the Company. A separate section on Corporate Governance is attached herewith and forms part of the Director's Report.

M/s Sandy Associates, Statutory Auditors of the Company, examined the conformity of the stipulations of Corporate Governance as specified in Clause 49 of the Listing Agreement and have certified the compliance in respect thereof. The Certificate from the Auditor is forming a part of the Annual Report.

Mr. Jasjit Singh Sawhney, Chairman & Managing Director and Mr. Amarjit Singh Sawhney, Whole Time Director of the Company have, pursuant to Clause 49(V) of the Listing Agreement, provided the CEO/ CFO Certification regarding the accuracy of the Financial Statements for the Financial Year ended March 31, 2012. The Certificate in respect thereof also forms part of the Annual Report.

#### >> Management Discussion and Analysis Statement

Management Discussion and Analysis Statement on the Company's performance, industry trends and other material changes with respect to the Company and its Subsidiaries, wherever applicable, is attached herewith and forms part of this Report.

## >> Code of Conduct

Your Company had, in pursuance of Clause 49 of the Listing Agreement, taken up “The Code of Conduct” for all Board Members and Senior Managerial Personnel of the Company. This Code is designed to ensure the follow up of conduct and ethical business practices all over the Company. The Code is articulated to all Board Members and senior managerial personal and all of them have confirmed in writing their compliance with and adherence to the Code of Conduct adopted by the Company. The Code of Conduct is also available on Company’s website at [www.net4.in](http://www.net4.in).

## >> Insider Trading Regulations

The Company has also formulated a ‘Code of Internal Procedures and Conduct for Prevention of Insider Trading in the Shares of the Company’ as per the provisions of SEBI (Prohibition of Insider Trading Regulations) 1992, as amended from time to time, providing guidelines to the designated employees while dealing in the shares of the Company.

## >> Auditor and Auditors’ Report

M/s Sandy Associates, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

The Auditors’ Report and Notes to Accounts referred to in the Auditors’ Report are self-explanatory and therefore, does not call for any further comments.

## >> Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo

Information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 in respect of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo is enclosed and marked as **Annexure-I** to this Report.

## >> Particulars of Employeees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are given in **Annexure- II** to the Director’s Report.

Mr. Jasjit Singh Sawhney, Chairman & Managing Director and Mr. Amarjit Singh Sawhney, Whole-time Director of the Company, are relatives and particulars in their respect are given in the Corporate Governance Report. None of the other employee is relative of any of the Directors of the Company.

## >> Acknowledgements

The Directors place on record the appreciation and gratitude for the co-operation and assistance extended by various departments of the Union Government, State Government, Bankers and Financial Institutions.

The Directors also place on record their appreciation of dedicated and sincere services of the employees of the Company at all levels.

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The Company will make every effort to meet the aspirations of its Shareholders/Investors and wish to sincerely thank them for their whole hearted co-operation and support at all times.

**For and on behalf of the Board of Directors  
Net 4 India Limited**

**Place: Noida  
Dated: August 10, 2012**

**Sd/-  
Jasjit Singh Sawhney  
Chairman & Managing Director**

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

The Statement pursuant to Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given as under:-

**A. CONSERVATION OF ENERGY**

Not applicable

**B. RESEARCH AND DEVELOPMENT (R & D)**

**1. Specific areas in which R & D is carried out by the Company are as under:-**

The core business of the Company i.e. Internet and Related Services requires continuous research and development, adoption of new and more efficient technologies and innovation. Your Company has been making sincere efforts to build competence and improve the services in its area of operations by carrying out continuous research and development activities.

**2. Benefits derived as a result of the above R & D:-**

Your Company has been able to develop processes and methodologies that have resulted in constant improvement in quality of the products and services and overall productivity of the Company.

**3. Future plan of action:-**

The Company intends to develop its own R & D division in the near future.

**4. Expenditure on R & D:-**

- (a) Capital
- (b) Recurring
- (c) Total
- (d) Total R & D expenditure as a percentage of total turnover.

Since there is no separate R & D division as such, any separate allocation of funds for R & D and exact amount spent on research and development is not ascertainable.

**C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

**1. Efforts in brief, made towards technology absorption, adaptation and innovation:-**

Since the core business of the Company requires adoption and absorption of emerging technologies, the Company is making continuous efforts in absorbing and deploying the new technologies.

**2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.:-**

The adoption and development of new technologies has resulted in the improvement in quality of its products and services and productivity of the Company.

**3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:-**

- (a) Technology imported - Nil
- (b) Year of Import - N.A.
- (c) Has technology been fully absorbed - N.A.
- (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action - N.A.

**D. FOREIGN EXCHANGE EARNINGS & OUTGO**

Your Company has taken various initiatives to increase exports and development of new export markets for the services. Establishment of overseas Subsidiary Net4 HK Ltd. at Hong Kong and making arrangements with International Call Carriers are some of the steps taken to increase the export in the near future. Your Company is continuously striving for finding out the more avenues of investment. The Company had Rs. 1,240.53 Lacs as Foreign Exchange Earnings during the period under review and incurred Rs. 951.46 Lacs as Foreign Exchange Expenditure during the same period.

**For and on behalf of the Board of Directors  
Net 4 India Limited**

**Sd/-  
Jasjit Singh Sawhney  
Chairman & Managing Director**

**Place: Noida  
Dated: August 10, 2012**

**Annexure - II****STATEMENT PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975**

<b>Name</b>	Mr. Amarjit Singh Sawhney	Mr. Jasjit Singh Sawhney
<b>Designation</b>	Whole Time Director	Chairman & Managing Director
<b>Remuneration received</b>	Rs. 20,40,600/- p.a.	Rs. 30,03,000/- p.a.
<b>Nature of duties</b>	Look after the entire Finance & Legal functions	Look after the entire Operations
<b>Qualifications and Experience</b>	B.A. Economics and more than 42 years experience	B. A. (Hons.) and more than 17 years experience
<b>Date of commencement of employment</b>	January 05, 2000	January 05, 2000
<b>Age of the Employee</b>	72 years	39 years
<b>Last Employment</b>	Business	Director (Operations) in O-Net
<b>Percentage of equity shares held by the Employee in the Company within the meaning of sub-clause (iii) of clause (a) of sub-section (2A) of Section 217 of the Act.</b>	3.99%	0.00%

**Notes:**

- (1) Remuneration received includes Basic Salary, Dearness Allowance, Overtime, Ex-Gratia/ Compensation Payments, Commission, Bonus, Company's Contribution to Provident Fund and monetary value of perquisites.
- (2) Nature of Employment is contractual or as per the agreement wherever applicable. Other terms and conditions applicable to them are as per Company's rules.

**For and on behalf of the Board of Directors  
Net 4 India Limited**

**Place: Noida  
Dated: August 10, 2012**

**Sd/-  
Jasjit Singh Sawhney  
Chairman & Managing Director**

## [Our Philosophy on Corporate Governance](#)

**Net4** believes that Corporate Governance is the set of processes, customs, policies, rules, regulations and laws, by which companies are directed, controlled and administered by the management in the best interest of the stakeholders. It ensures fairness, transparency, accountability and integrity of the management. It is a way of living life rather than a mere legal compulsion and the standards be established which look beyond the legal framework.

**Net4's** premise of Corporate Governance is based on the following value-based drivers thereby ensuring an effective Corporate Governance Framework:

- Adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders including customers, employees and society at large.
- Clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.
- An effective system of internal control to mitigate the risks.
- Compliance of law, rules & regulations in true letter and spirit.
- Strategic supervision by the Board of Directors of appropriate composition, size, varied experience and commitment to discharge their responsibilities.
- Timely and transparent disclosure of all material information to all the stakeholders.
- Clearly defined standards against which performance of responsibilities can be measured.
- A clear delineation of shareholders' rights. Equitable treatment to all shareholders.
- Accuracy and transparency in disclosures regarding operations, performance, risks financial position, performance, ownership and governance of the Company.

Beside the mandatory clause 49 of the stock exchange listing agreement, the Ministry of Corporate Affairs has also published detailed voluntary corporate governance guidelines that inter alia contain provisions relating to the role and responsibilities of the Board, disclosure of information to shareholders and auditors' tenure. Net4 complies to the same.

**Net4** has established a sound framework of Corporate Governance which underlines commitment to quality of governance, transparency disclosures, consistent stakeholders' value enhancement and Corporate Social Responsibility. Our Company endeavors to transcend much beyond the regulatory framework and basic requirements of Corporate Governance focusing consistently towards building confidence of its various stakeholders including shareholders, customers, employees, suppliers and the society at large. The Company has developed a framework for ensuring transparency, disclosure and fairness to all, especially minority shareholders.

**Net4** believes that good governance generates goodwill among business partners, customers and investors, earns respect from society, brings about a consistent sustainable growth for the Company and generates competitive returns for the investors. It is Net4's belief that ethics make good business sense and our business practices are in keeping with the spirit of maintaining highest level of ethics standards. The implementation of Net4's Code of insider trading exemplifies this spirit of good ethics.

## **Governance practices followed at Net4**

Our governance practices go beyond the mere letter of statutory and regulatory requirements. With this in mind, we have implemented a number of policies and set of governance practices:

### **>> Code of ethics**

Our policy document on 'code of ethics' demands that our employees conduct the business with impeccable integrity and by excluding any consideration of personal profit or advantage.

### **>> Business policies**

Our 'business policies' cover a comprehensive range of issues such as fair market practices, insider information, financial records and accounting integrity, external communication, work ethics, personal conduct and policy on prevention of sexual harassment, health, safety, environment and quality.

### **>> Prohibition of insider trading policy**

This document contains the policy on prohibiting trading in the equity shares of the Company based on insider or privileged information.

### **>> Policy on prevention of sexual harassment**

Our policy on prevention of sexual harassment aims at promoting a productive work environment and protects individual rights against sexual harassment.

### **>> Whistle blower policy**

Our Whistle Blower policy encourages disclosure in good faith of any wrongful conduct on a matter of general concern and protects the whistle blower from any adverse personnel action.

### **>> Environment policy**

The Company is committed to achieve excellence in environmental performance, preservation and promotion of clean environment. These are the fundamental concern in all our business activities.

### **>> Risk management**

Our risk management procedures ensure that the management controls various business related risks through means of a properly defined framework.

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## Board of Directors

### >> Composition of the Board

The Company's Board is an optimum mix of Executive, Non-Executive and Independent Directors constituted in conformity with the provisions of the listing agreement and other statutory provisions as applicable to a listed entity.

The Board of Directors consists of 8 Directors, comprising 2 Whole-time Directors including the Chairman and Managing Director, 6 Non-Executive Directors out of which 4 are Independent Directors. The composition of the Board of Directors is in conformity with the Clause 49 of the Listing Agreement.

### >> Independent Directors

Clause 49 of the Listing Agreement entered into with the Stock Exchanges, requires every listed Company to have the requisite number of independent Directors on its Board and also sets out various criteria for a person to be eligible for appointment as an independent director.

Your Company focuses on those criteria's as specified in the listing agreement before appointing a person as independent director on the Board of Director of the Company in regard to his independence, age limits, committee memberships, remuneration and other related terms of appointment. We continuously strive to follow the definition of Independent Director as has been stipulated by the Listing Agreement which is given herein below as:

- a) apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;
- b) is not related to promoters or persons occupying management positions at the board level or at one level below the board;
- c) has not been an executive of the company in the immediately preceding three financial years;
- d) is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
  - i) the statutory audit firm or the internal audit firm that is associated with the company, and
  - ii) the legal firm(s) and consulting firm(s) that have a material association with the company.
- e) is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director.
- f) is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares.
- g) is not less than 21 years of age.

>> The Composition of Board of Directors is as follows:-

Director	Category of Director	No. of Directorships in Other Companies (**)	No. of Memberships/ Chairmanships of Board Committees in other Companies (***)
<b>&gt;&gt; EXECUTIVE DIRECTORS</b>			
Mr. Jasjit Singh Sawhney	Promoter Director/ Chairman & Managing Director	2	1
Mr. Amarjit Singh Sawhney	Promoter Director/ Whole Time Director	2	1
<b>&gt;&gt; NON EXECUTIVE DIRECTORS</b>			
Mr. Sandip Kumar Ghosh	Non –Executive Independent Director	1	1
Mr. Manish Wadhawan	Non –Executive Independent Director	1	-
Mr. Desi S. Valli	Non -Executive Director	2	-
Mr. Brijesh Chand Mathur	Non –Executive Independent Director	-	-
Mr. Kamlesh Gandhi*	Non –Executive Independent Director	5	-
Mr. Surya S. Chadha	Non -Executive Director	-	-

\* Mr. Kamlesh Gandhi was appointed on the Board w.e.f. 14.02.2012

\*\* Excludes Directorships in Indian Private Limited Companies, Foreign Companies, Section 25 Companies, memberships of Managing Committees of various Chambers/Bodies and Alternate Directorships.

\*\*\* Represents Memberships / Chairmanships of Audit Committee, Remuneration Committee and Shareholders & Investors Grievance Committee of all Indian Public Limited Companies.

## >> Conduct of Board Proceedings

The day to day business is conducted by the executives and Business heads of the Company under the direction of whole-time director and the supervision of the board led by the Chairman. The Board holds minimum four meetings every year to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company. The Board performs the following specific functions in addition to overseeing the business and the management:

- review, monitor and approve major financial and business strategies and corporate actions;
- assess critical risks facing the Company – review options for their mitigation;
- provide counsel on the selection, evaluation, development and compensation of senior Management;
- ensure that processes are in place for maintaining the integrity of:
  - a) the Company;
  - b) the financial statements;
  - c) compliance with laws;
  - d) relationships with all the stakeholders;

## >> Attendance of Directors at Board Meetings, Last Annual General Meeting held during the year 2011-12

### 1. Board Meetings

In the year 2011-12, 6 meetings of the Board of Directors were held on 23.05.2011, 15.07.2011, 10.08.2011, 30.08.2011, 14.11.2011 and 14.02.2012 respectively. The periodicity between two Board Meetings was within the maximum time gap as prescribed in the Listing Agreement / Companies Act, 1956.

The attendance of the Directors in the meeting is as follows:

Name of Director	No. of Board Meetings Attended
Mr. Jasjit Singh Sawhney	6
Mr. Amarjit Singh Sawhney	6
Mr. Desi S. Valli	4
Mr. Sandip K. Ghosh	6
Mr. Manish Wadhawan	0
Mr. Brijesh Chand Mathur	6
Mr. Surya S. Chadha	6
Mr. Kamlesh Gandhi*	

\* Mr. Kamlesh Gandhi was appointed on the Board w.e.f. 14.02.2012.

## 2. Annual General Meeting

The Last Annual General Meeting of the members of the Company was held on September 30, 2011. Attendance of Directors in the aforesaid meeting is as under:

Name of Director	Attendance of last AGM Held on September 30, 2011
Mr. Jasjit Singh Sawhney	Absent
Mr. Amarjit Singh Sawhney	Present
Mr. Desi S. Valli	Absent
Mr. Sandip K. Ghosh	Present
Mr. Manish Wadhawan	Present
Mr. Brijesh Chand Mathur	Present
Mr. Surya S. Chadha	Absent

### >> Agenda of Board Meetings

The agenda and the notes thereto are circulated to the Directors by the Company Secretary, well in advance, in the defined agenda format. All material information is incorporated in the agenda in detail for facilitating the meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to agenda, the same is tabled before the meeting with specific reference to this effect in the agenda. In certain exceptional circumstances, additional item(s) on the agenda are permitted. Senior Managerial Personnel of the Company are invited by the Board to attend the Board Meetings, as and when deems necessary.

All Directors on the Board and various departments of the Company, communicate to the Company Secretary the matters requiring approval of the Board, well in advance, so that these can be included in the Agenda for the scheduled Board Meeting.

### >> Compliance

The Company Secretary, while preparing the agenda, minutes etc., is required to ensure adherence to all the applicable laws and regulations including the Companies Act, 1956 read with Rules issued there under and the Secretarial Standards recommended by the Institute of Company Secretaries of India.

### >> Retirement / Appointment and Re-appointment of Directors / Whole Time Directors / Managing Director

In accordance with provisions of Section 255 & 256 of the Companies Act, 1956 read with the Articles of Association of the Company, Mr. Sandip Kumar Ghosh and Mr. Surya S. Chadha, Directors, are liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for being re-appointed to the office of Director. The Board recommends their appointment as Director of the Company. However, their appointment is subject to the approval of Shareholders at the ensuing Annual General Meeting of the Company.

### >> Relationship amongst Directors and their Relatives

Mr. Jasjit Singh Sawhney, Chairman & Managing Director is the son of Mr. Amarjit Singh Sawhney, Whole-time Director of the Company. Apart from the above stated relation between two Directors, none of the other Directors have any of their relatives in the employment or on the Board of the Company.

### >> Loans to Directors:-

No loans have been given to/or outstanding from any of the Directors of the Company.

### 3. Composition of Board Committees

For the purpose of growth of all the functional departments of the organisation, various committees are constituted in accordance with the provisions of Listing Agreement entered into with Stock Exchanges. Herein below is provided the details of the all the Committees in the Company with their respective Composition:

Name of Committee	Name of Director	Chairman / Member
Audit Committee	Mr. Sandip K. Ghosh Mr. Manish Wadhawan Mr. Brijesh Chand Mathur	Chairman Member Member
Shareholders'/Investors' Grievance Committee	Mr. Sandip K. Ghosh Mr. Manish Wadhawan Mr. Brijesh Chand Mathur	Chairman Member Member
Management Committee	Mr. Jasjit Singh Sawhney Mr. Amarjit Singh Sawhney Mr. Desi S. Valli Mr. Sandip K. Ghosh	Chairman Member Member Member
Remuneration Committee	Mr. Sandip K. Ghosh Mr. Manish Wadhawan Mr. Brijesh Chand Mathur	Chairman Member Member

The Board of Directors of your Company has very particularly determined the role and responsibilities of all the Committees while forming these committees. All the members of the Committees have been decided in a very perceptive way by the Board of the Company. Details on the role and composition of these committees, including the number of meetings held during the financial year and the related attendance, are provided below:

## (A) [Audit Committee](#)

### >> [Role](#)

The Audit Committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance with the legal and regulatory requirements. The terms of reference of the Audit Committee are in accordance with Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreement.

The terms of reference of the Audit Committee are broadly as follows:

- To review compliance with internal control systems;
- To review the findings of the Internal Auditor relating to various functions of the Company;
- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors;
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- To make recommendations to the Board on any matter relating to the financial management of the Company, including Statutory & Internal Audit Reports;

### >> [Chairman](#)

The Committee is headed under the stewardship of Mr. Sandip K. Ghosh, a Non -Executive Independent Director. Mr. Sandip K. Ghosh, a Chartered Accountant by profession has vast, varied and multifarious experience in Financial Management, Corporate Affairs and Accounting matters.

### >> [Meetings and Attendance during the year](#)

The Committee, during the year 2011-12, met 4 times. The attendance of each member is given as hereunder:

Name of Director	Chairman / Member	Number of Meetings Attended
Mr. Sandip K. Ghosh	Chairman	4
Mr. Manish Wadhawan	Member	1
Mr. Brijesh Chand Mathur	Member	4

## (B) Shareholders' & Investors' Grievances Committee:-

### >> Role

An Investor Grievances committee was constituted to specifically look into the matter of redressal of investor complaints like transfer of shares, non-receipt of balance sheet and non-receipt of declared dividend etc. The Committee also supervises the working of Registrar and Share Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services. This committee is also headed under the chairmanship of Mr. Sandip K. Ghosh.

### >> Meetings and Attendance during the year

The Committee, during the year 2011-12, met 4 times. The attendance of each member is given as hereunder:

Name of Director	Chairman / Member	Number of Meetings Attended
Mr. Sandip K. Ghosh	Chairman	4
Mr. Manish Wadhawan	Member	0
Mr. Brijesh Chand Mathur	Member	4

### Redressal of Complaints

The Company has received only 1 complaint for non- receipt of Annual Report for the year 2011-12 and that have been resolved promptly. Outstanding complaints as on March 31, 2012 were Nil.

### Change in Company Secretary & Compliance officer

Mr. Krishan Kumar Nagpal, the Company Secretary & Compliance Officer of the Company resigned from the office and in his place, Ms. Archana Walia was appointed as the Company Secretary and Compliance officer w.e.f. March 01, 2012. She is looking after all the statutory and regulatory obligations to be complied with various statutory authorities like SEBI, ROC, RBI etc.

Mr. Krishan Kumar Nagpal had made his valuable contribution in the Company's growth with his vast knowledge and rich experience. As a professional, he is a person with high caliber and have the excellence of handling diverse situations.

### (C) [Management Committee](#)

#### >> [Role](#)

The terms of reference includes:

- (i) Opening/closing/maintaining or operating of bank accounts and authorization for the same;
- (ii) Appointment of attorneys for and on behalf of the Company for specific and general purposes;
- (iii) Supervision of the functioning of all the operational activities and day to day affairs of the Company, and other tasks entrusted or delegated by the Board of Directors from time to time.

#### >> [Chairman](#)

The Committee is headed under the Chairmanship of Mr. Jasjit Singh Sawhney, Chairman and Managing Director of the Company. He is B.A. Hons (Law & Economics) having vast knowledge and expertise in the internet related industry.

#### >> [Meetings and Attendance during the year](#)

The Committee, during the year 2011-12, met 17 times. The attendance of each member is given as hereunder:

Name of Director	Chairman / Member	Number of Meetings Attended
Mr. Jasjit Singh Sawhney	Chairman	17
Mr. Amarjit Singh Sawhney	Member	17
Mr. Desi S. Valli	Member	17
Mr. Sandip K. Ghosh	Member	17

### (D) [Remuneration Committee:-](#)

#### >> [Role](#)

The terms of reference include considering, recommending and reviewing the remuneration of Executive Directors and Senior Management Personnel based on their performance and defined assessment criteria. The Committee, during the year 2011-12, met once.

The Non-Executive Directors have no pecuniary relationship or transactions with the Company in their personal capacity except the sitting fees (as mentioned below). The Company has not granted any stock option to its Directors.

### >> Chairman

This committee is also headed by the chairmanship of Mr. Sandip K. Ghosh.

### >> Meetings and Attendance during the year

During the financial year 2011-12, a meeting of the Remuneration Committee was held on February 14, 2012. The attendance of each member is given as hereunder:

Name of Director	Chairman / Member	Number of Meetings Attended
Mr. Sandip K. Ghosh	Chairman	1
Mr. Manish Wadhawan	Member	0
Mr. Brijesh Chand Mathur	Member	1

### >> Remuneration Policy

The Remuneration Policy of the Company for managerial personnel is primarily based on the following criteria:

Performance of the Company, its divisions, associates and units; • Success, potential and performance of individual managers; and • External competitive environment. The Company's remuneration policy is based on three tenets: pay for responsibility, performance, potential and growth. Individual performance pay is determined by business performance of the business unit and the group as a whole clubbed with performance of individuals measured through the annual appraisal process.

### >> Remuneration of Directors

During the financial year 2011-12, the Company has paid remuneration to its Managing Director and the Whole-Time Director by way of salary, perquisites and other benefits within the limits as approved by the shareholders. The remuneration paid to them is within the ceiling limits of remuneration to be paid under section 198 read with section 309 of the Companies Act, 1956. Besides, other directors are being paid only by way of sitting fees in accordance with the limits as specified under section 310 of the Companies Act, 1956.

Details of remuneration of the Directors for the financial year ended on March 31, 2012:

<i>(in Rupees)</i>					
Director	Relationship with other Director	Salary (#)	Perquisites and Other benefits (##)	Sitting Fees	Total
Mr. Amarjit Singh Sawhney	Father of Mr. Jasjit Singh Sawhney	20,40,600/-	2,41,920/-	-	22,82,520/-
Mr. Jasjit Singh Sawhney	Son of Mr. Amarjit Singh Sawhney	30,03,000/-	2,86,560/-	-	32,89,560/-
Mr. Desi S Valli	-	-	-	5,250/-	5,250/-
Mr. Sandip K. Ghosh	-	-	-	8,000/-	8,000/-
Mr. Manish Wadhawan	-	-	-	250/-	250/-
Mr. Kamlesh Gandhi*	-	-	-	Nil	Nil
Mr. Brijesh Chand Mathur	-	-	-	3,750/-	3,750/-
Mr. Surya S. Chadha	-	-	-	1,500/-	1,500/-
<b>Total</b>					<b>55,90,830/-</b>

\* Mr. Kamlesh Gandhi was appointed on the Board of the Company w.e.f. February 14, 2012.

# Salary also includes Performance Pay.

## Perquisites and other benefits include allowances, contribution to Provident and other funds but exclude Company's contribution to Gratuity Fund.

#### 4. Brief Profile of the Directors proposed to be re-appointed

##### >> Mr. Sandip Kumar Ghosh

Mr. Sandip Kumar Ghosh, a Chartered Accountant by profession has vast, varied and multifarious experience of about 36 years in the fields of account and finance. He joined the Board of Net 4 India Limited on October 1, 2001 and presently associated as a Non-Executive Independent Director with the Company.

Mr. Sandip Ghosh had contributed a lot, through his knowledge and experience, in taking the Company to its present height. His tenure is liable to retire by rotation at the ensuing Annual General Meeting of the Company. He, being eligible, offers himself for re-appointment. The Board of Directors has already recommended his appointment as Director at their meeting held on August 10, 2012.

**Other Companies in which Mr. Sandip Kumar Ghosh holds Directorship:**

Name of Company	Nature of Interest
M/s Net 4 Communications Limited	Director
M/s Network 4 Barter Private Limited	Director

**Shareholding in the Company**

Mr. Sandip Kumar Ghosh does not hold any share(s) of M/s Net 4 India Limited.

**>> Mr. Surya S Chadha**

Mr. Surya S. Chadha is an entrepreneur and appointed as Director on November 9, 2009. He is highly talented executive with experience in several industries. He is presently associated with the Company as a Non – Executive Director.

Your company has benefited a lot by the knowledge and experience of Mr. Surya S. Chadha. His tenure is liable to retire by rotation at the ensuing Annual General Meeting of the Company. Mr. Surya S. Chadha being eligible, offers himself for re-appointment. The Board of Directors has already recommended his appointment as Director at their meeting held on August 10, 2012.

**Other companies in which Mr. Surya S. Chadha holds Directorship:**

Name of Company	Nature of Interest
Madison India Capital Advisors Private Limited	Director

## Shareholding in the Company

Mr. Surya S Chadha does not hold any shares of Net 4 India Limited.

### 5. Chairman and Managing Director:-

Mr. Jasjit Singh Sawhney is the Chairman and Managing Director (CMD) of the Company. He is also the Founder of Net4 and at a very young age, he has earned a renowned name in the Internet & Technology Industry. He is responsible for mentoring our core management team in transforming us into a world class next generation organization. With his vast knowledge and rich expertise, he has been instrumental and a guiding force in leading Net 4 to this level of success . A true entrepreneur in every manner, his primary role is to provide leadership to the Board and Corporate Management for formulating and achieving the strategic plans and business objectives. He presides over the Board and Shareholders Meetings.

### 6. Code of Conduct :-

As a part of Company's constant endeavour to set a high standard of conduct for its employees, it has formulated 'The Code of Conduct for Board Members and Senior Management Personnel' in compliance with the provisions of Clause 49 of the Listing Agreement. The Code lays down guidelines and advises the Board and the Senior Management Personnel on procedures to be followed, disclosures to be made and to follow ethics as per the rules of the Company. The purpose of this Code is to ensure an ethical and transparent process in managing the affairs of the Company and promote ethical conduct. The Code has been circulated to all the members of the Board and Senior Management Personnel and the compliance of the same is affirmed by them annually. The Company Secretary has been appointed as the Company Secretary and Compliance Officer under this Code. The Senior Managerial Personnel have also affirmed the compliance with the Code. The Chairman & Managing Director and Whole Time Director have also affirmed the same. The Code of Conduct is also available on the Company's website [www.net4.in](http://www.net4.in).

### 7. Publication of Audited/Un-audited Financial Results

The Audited/Un-audited Financial Results have been published in a Hindi Local Newspaper and an English National Newspaper. The results were also sent to the Stock Exchanges on quarterly basis. Details of publication of Financial Results are given below:

Period	Name of Newspaper
Audited Financial Results for the year ended 31.03.2012	The Financial Express (English) & Jansatta (Hindi)
Unaudited Financial Results for the Quarter ended on 31.12.2011	The Financial Express (English) & Jansatta (Hindi)
Unaudited Financial Results for the Quarter ended on 30.09.2011	The Financial Express (English) & Jansatta (Hindi)
Unaudited Financial Results for the Quarter ended on 30.06.2011	Economic Times (English) & Navbharat Times (Hindi)

The audited yearly/un-audited quarterly results of the Company are also displayed on the website of the Company at [www.net4.in](http://www.net4.in) for the reference of the stakeholders of the Company.

## 8. General Body Information

### (a) Particulars of Last three Annual General Meetings:

Year	Date	Time	Venue
2009	30.09.2009	11:00 A.M.	IKON Residency, D-823, New Friends Colony, New Delhi – 110 065
2010	30.09.2010	10.30 A.M.	“The Executive Club”, Chatarpur Mandir Road, Chatarpur, New Delhi – 110 030
2011	30.09.2011	10:00 A.M.	Sundaram Palace, C-1/1, Yamuna Vihar, Delhi- 110 053

### Special Resolutions:-

In the Annual General Meeting held in 2011 and 2009, Special Resolutions for the Alteration in the Articles of Association of the Company were passed. However, in the Annual General Meetings held in 2010, no Special Resolution was passed.

## Resolutions passed through Postal Ballot:-

During the year 2011-12, no resolution was passed by the Company's shareholders through postal ballot.

## 9. Disclosures:-

### (a) Disclosures on materially significant related party transactions:-

There were no such material related party transactions, except with those of Subsidiaries and Associate Companies and/or are in the ordinary course of business, which may have a potential impact on the interest of the Company at large.

The related party transactions during the year are disclosed at Note No. 38 of the Notes to Accounts of the Financials for the year ended March 31, 2012.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to Capital Markets, during the last three years:-

During the last three years, there have been no instances of non compliance by the Company, no penalties or strictures were imposed on the Company by any Stock Exchange, Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter relating to the capital markets.

### (b) Disclosure of Accounting Treatment:-

The Company follows the Accounting Standards laid down by the Institute of Chartered Accountants of India in the preparation of the financial statements of the Company. The accounts are prepared in accordance with the latest Schedule VI as has been amended. There is no change in the accounting policy or treatment of the Company.

### (c) Risk Management:-

The Audit Committee and the management regularly review the risk management strategy of the Company to ensure the effectiveness of risk management policies and procedures. It oversees the risks which are inherent in the business pursued by the Company. It is actively engaged in assessing and monitoring the risk of the Company as a whole and also suggests measures to mitigate the risks.

#### (d) Whistle Blower Policy:-

The Company promotes ethical behavior in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. Employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor or the Company Secretary. The reports received from any employee will be reviewed by the Audit Committee. The Directors and management personnel are obligated to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices. Any employee, if he/she so desires, have free access to meet Senior Level Management and Report any matter of concern. No employee of the Company is denied access to the audit committee to make any representation. During the year, no personnel had approached the audit committee.

#### (e) Compliance with Code of Corporate Governance:-

The Company is regularly complying with the mandatory requirements of Code of Corporate Governance as indicated in Clause 49 of the Listing Agreement.

Clause 49 of the Listing Agreement further states that the non-mandatory requirements may be implemented as per the discretion of the Company. The Company has implemented the following non-mandatory requirements:

#### Remuneration Committee:-

The Company has set up a Remuneration Committee to approve the matters relating to remuneration for appointment/re-appointment of Directors and Senior Management Personnel.

#### Audit Qualification:-

For the financial year 2011-12, there were no qualifications in the Company's financial statements. The Company adopts best practices to ensure the regime of unqualified financial statements.

#### Training of Board Members:-

The Board of the Company comprises of professionals with expertise in the specific industry. They keep themselves updated with the global, economic and legislative changes. However, as matter of good Corporate Governance, the Company has the policy of apprising about the operations, policies and procedures of the Company to the new members on the Board of Directors. They are further informed about the duties and liabilities of a Director in the course of discharging his duties on the Board and are also apprised about the laws, rules and regulations which they should be aware of as a Director.

A brief of relevant statutory changes and landmark pronouncements encompassing important laws such as the Companies Act, 1956, SEBI Act, FEMA etc. is circulated to all the Directors of the Company, every quarter for their reference.

#### (f) Certification:-

The Chairman & Managing Director and the Whole-Time Director of the Company have furnished the requisite certificates to the Board of Directors under Clause 49 (V) of the Listing Agreement with the Stock Exchanges certifying that:

They have reviewed the financial statements and the cash flow statement for the year ended March 31, 2012 and the same does not contain any materially untrue statement or omit any material fact or contain any misleading statement.

The financial statements present a true and fair view of the Company's affairs and are in compliances with the existing Accounting Standards, applicable laws and regulations and no transactions entered into by the Company during the year were fraudulent, illegal or violative of Company's Code of Conduct.

They accepted the responsibility for establishing and maintaining internal controls and their effectiveness, and they have disclosed the deficiencies, if any, in the design and operation of internal controls, significant changes in the accounting policies or in the internal control or the instances of significant fraud, if any, of which they are aware, to the Auditors and the Audit Committee and the steps they have taken to rectify those deficiencies.

#### 10. Means of Communication:-

Quarterly Results: Quarterly Results published in leading financial dailies in English and Hindi.

News Release, Presentation etc: Official News, Releases are displayed on the Company's website.

Annual Report: Annual Report containing, inter-alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditor's Report, and other important information is circulated to the members and others entitled thereto.

Designated E-mail ID: The Company has designated the E-mail ID **investorrelations@net4.in**, exclusively for investor servicing.

#### 11. Shareholders' Information:-

> Annual General Meeting of the Company will be held on:-

Date : September 28, 2012  
Day : Friday  
Time : 9:00 A.M.  
Venue : 564, First Floor, Pocket-C, Gazipur, New Delhi-110096

> **Financial Year:- April 01 – March 31**

Financial reporting for the quarter ending:

Q1- June 30, 2011	- August, 2011
Q2- September 30, 2011	- November, 2011
Q3- December 31, 2011	- February, 2012
Q4- March 31, 2012	- May, 2012

\*where Q refers to Quarter

> **Book Closure:-**

Friday, September 21, 2012 to Thursday, September 27, 2012 (Both days inclusive)

> **Dividend Payment:-**

No Dividend is recommended to be paid for the financial year ended March 31, 2012.

> **Listing on Stock Exchanges and Scrip Code / Name:-**

The shares of the Company are listed at National Stock Exchange Limited, Bombay Stock Exchange Limited and Delhi Stock Exchange Limited. The details regarding the Stock Exchanges and stock codes are as follows:

S.No.	Name and address of Stock Exchange	Scrip Code / Name
1	National Stock Exchange (NSE), 5th Floor, Exchange Plaza, Bandra (E), Mumbai – 400 051, Maharashtra	Net4
2	Bombay Stock Exchange Limited (BSE), P. J. Towers, Dalal Street, Mumbai – 400 001, Maharashtra	532912
3	Delhi Stock Exchange Association Limited (DSE), 3/1, Asaf Ali Road, New Delhi – 110 003	113089

> **Registrar and Transfer Agent:-**

The Company has appointed M/s MCS Limited, having its Registered Office at F-65, Okhla Industrial Area, Phase - I, New Delhi – 110 020, as the Common Registrar and Share Transfer Agents for dealing in the securities of the Company, held in both physical and electronic modes. All correspondence with regard to share transfers and matters related therewith may directly be addressed to the Share Registrar and Transfer Agents at their aforementioned address.

> **Share Transfer system:-**

The Share Transfer System of the Company in the physical segment consists of activities like receipt of share certificates alongwith transfer deeds, its verification and approval of transfers by Shareholders and Investors Grievance Committee and dispatch of certificates to respective transferees. To expedite the process of Share Transfers, the Board has delegated the authority for transfer/transmission of shares to the Shareholders and Investors Grievance Committee.

Majority of share transfer requests are processed and the share certificates are returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

Shares held in the dematerialized form are electronically traded in the Depository and R & T Agent periodically receive from the depository the beneficiary holdings so as to enable them to update their

records.

Every half year, the Company obtains a Compliance Certificate from the Company Secretary in whole time Practice certifying the compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with the Stock Exchanges and submits a copy of such Certificate with the Stock Exchanges as well with in the stipulated time period.

**> Outstanding GDRs/ADRs/Warrants or any Convertible Instruments:-**

The Company had not issued any ADR/ GDR/Warrants or any Convertible Instruments during the year 2011-2012 or any time before this period.

**> Demat ISIN Number in NSDL & CDSL for Equity Shares: INE553E01012**

**> Dematerialization of Shares and Liquidity:-**

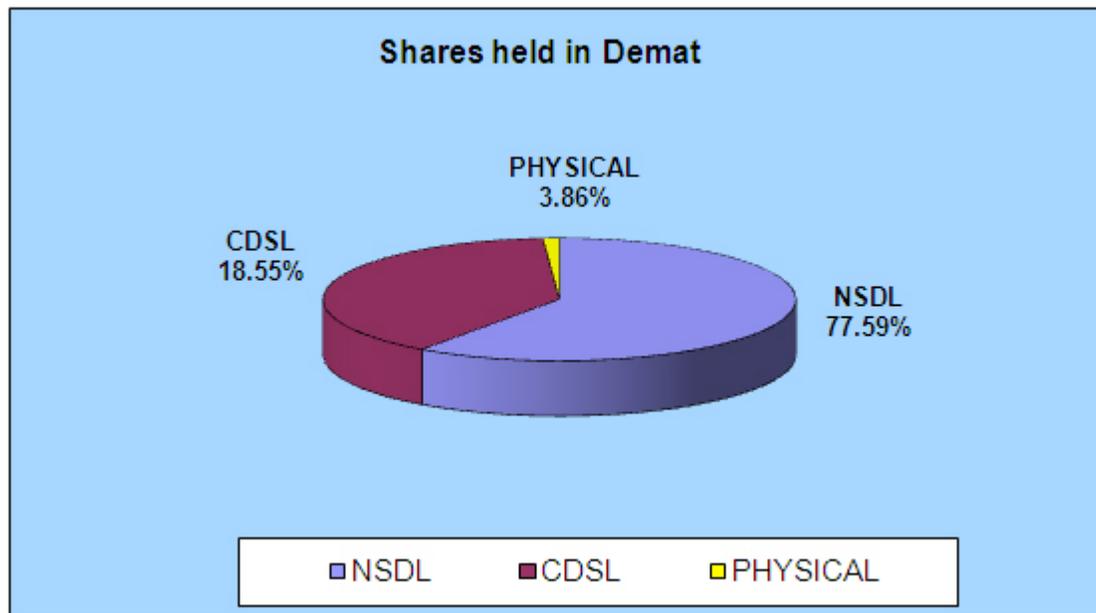
In accordance with the directions of the Securities & Exchange Board of India (SEBI), trading in the shares of the Company by all categories of investors in demat form has been made compulsory w.e.f. April 5, 1999. The Company has executed agreement with both the depositories of the Country i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for admission of its securities under Demat mode. As on March 31, 2012, around 96.14% of the total Equity Share Capital of the Company has been dematerialized by the shareholders and held in their name under NSDL / CDSL.

At present, 96.14% of the Shares of the Company are held in Demat (electronic) mode. The shares of the Company are available for trading at both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Pursuant to Regulation 55A of the SEBI (Depositories and Participants) Regulations, 1996, the Company is duly submitting, the Report on Reconciliation of Share Capital Audit Report quarterly, obtained from the Company Secretary-in-Practice regarding the dematerialization of the shares of the Company and the reconciliation of the total issued capital, whether be in physical or in demat form, the details of changes in the share capital during the respective quarter, if any, and the in-principle approval of the concerned stock exchanges, if any, obtained during the respective quarter.

Below given is the detail of Shares held in dematerialized form as well as physical form:

Capital structure as on March 31.03.2012	No. of Shares	Percentage
Issued Capital	2,00,58,250	100.00
Listed Capital with DSE, NSE & BSE	2,00,58,250	100.00
Held in Demat Form in NSDL & CDSL	1,92,84,125	96.14
Held in Physical Form	774,125	3.86

Graphical representation of Shares held in Dematerialized form and Physical form:-



> Shareholding Pattern as on 31st March 2012

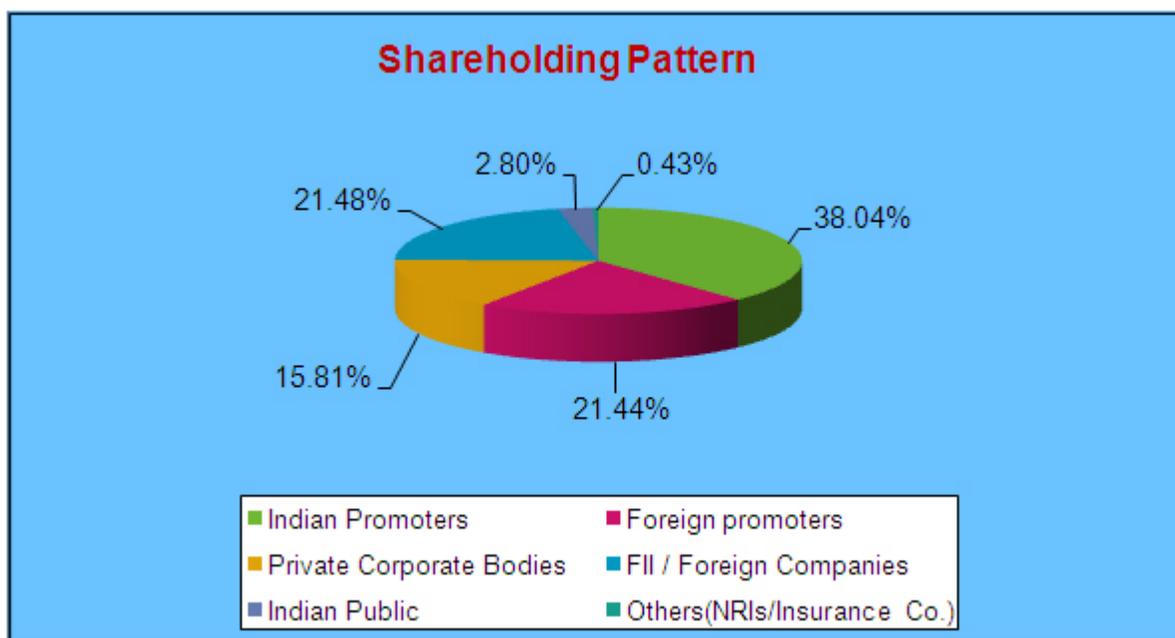
Distribution of Shareholding as on March 31, 2012:-

Range	Shares	Percentage of Shares	No. of Accounts	Percentage of Accounts
1 - 500	79296	0.3953	958	85.0044
501 - 1000	44077	0.2197	50	4.4366
1001 - 2000	39242	0.1956	27	2.3957
2001 - 3000	29915	0.1491	12	1.0648
3001 - 4000	28723	0.1432	8	0.7098
4001 - 5000	23231	0.1158	5	0.4437
5001 - 10000	104873	0.5228	14	1.2422
10001 - 50000	613478	3.0585	21	1.8634
50001 - 100000	618963	3.0858	8	0.7098
and above	18476452	92.1140	24	2.1295
<b>Total</b>	<b>20058250</b>	<b>100.00</b>	<b>1127</b>	<b>100.00</b>

Categories of Equity Shareholders as on March 31, 2012:-

S.No.	Category	No. of Shares	% of Holding
<b>A. PROMOTER'S HOLDING</b>			
	-Indian Promoters	76,29,715	38.04
	-Foreign Promoters	43,00,000	21.44
	<b>SUB TOTAL</b>	<b>1,19,29,715</b>	<b>59.48</b>
<b>B. NON PROMOTER HOLDING</b>			
a.	-Private corporate Bodies	31,70,482	15.81
b.	-FII/Foreign Companies	43,08,250	21.48
c.	-Indian Public	5,63,208	2.80
d.	-Other (NRIs/Insurance Co.)	86,595	0.43
	<b>SUB TOTAL</b>	<b>81,28,535</b>	<b>40.52</b>
<b>GRAND TOTAL</b>		<b>2,00,58,250</b>	<b>100.00</b>

Graphical Presentation of Shareholding Pattern for the quarter ended March 31, 2012



#### > Market Price Data

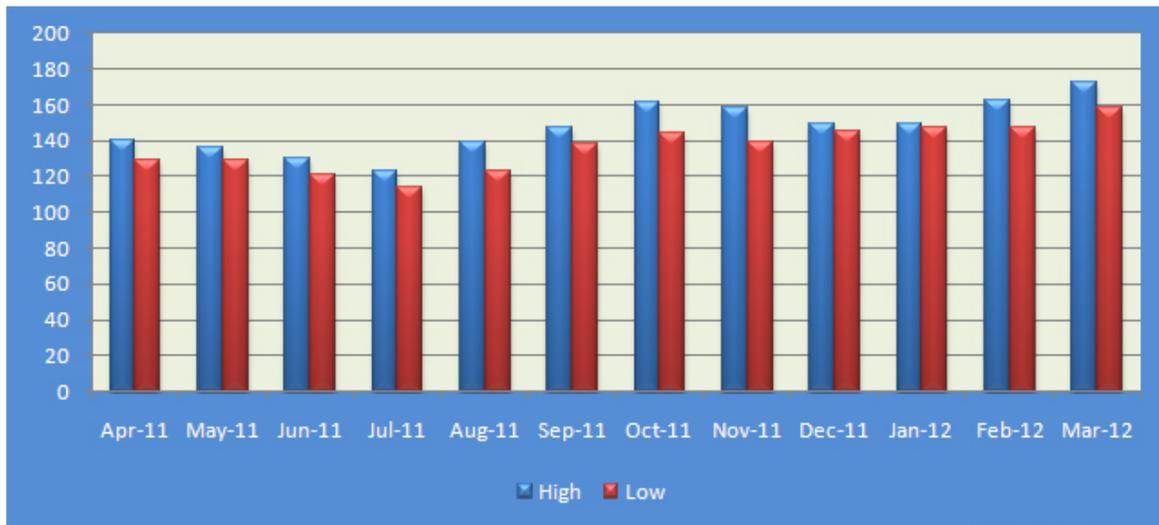
The High, Low Share Price of the Company on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) vis-a-vis BSE Sensex, NSE Nifty & Volume during the period from April, 2011 to March, 2012 are as under:

Period	Bombay Stock Exchange				National Stock Exchange			
Months	Sensex	High	Low	Volume	Nifty	High	Low	Volume
Apr-11	19,135.96	144.50	127.10	3,21,947	5,839.09	139.80	129.05	33,096
May-11	18,503.28	146.00	126.50	4,48,744	5,492.20	136.25	128.80	31,436
Jun-11	18,845.87	138.00	115.20	5,10,957	5,472.64	129.90	120.55	22,262
Jul-11	18,197.2	128.50	113.00	5,55,905	5,596.59	122.45	114.30	27,044
Aug-11	16,676.75	142.50	120.00	5,40,368	5,076.74	138.80	122.45	27,191
Sep-11	16,453.76	151.00	133.20	5,63,745	5,015.58	146.90	137.75	24,447
Oct-11	17,705.01	163.10	130.60	4,97,931	5,060.02	160.90	144.30	29,156
Nov-11	16,123.46	161.00	134.90	4,78,628	5,004.28	158.30	138.85	31,701
Dec-11	15,454.92	153.70	142.00	5,35,482	4,782.36	149.70	144.90	28,557
Jan-12	17,193.55	150.00	145.00	5,17,342	4,920.02	149.65	146.90	24,804
Feb-12	17,752.68	169.45	141.60	6,26,802	5,409.09	162.75	147.70	32,469
Mar-12	17,404.2	180.00	155.00	7,04,347	5,298.48	172.15	158.75	31,438

\*Source: [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com)

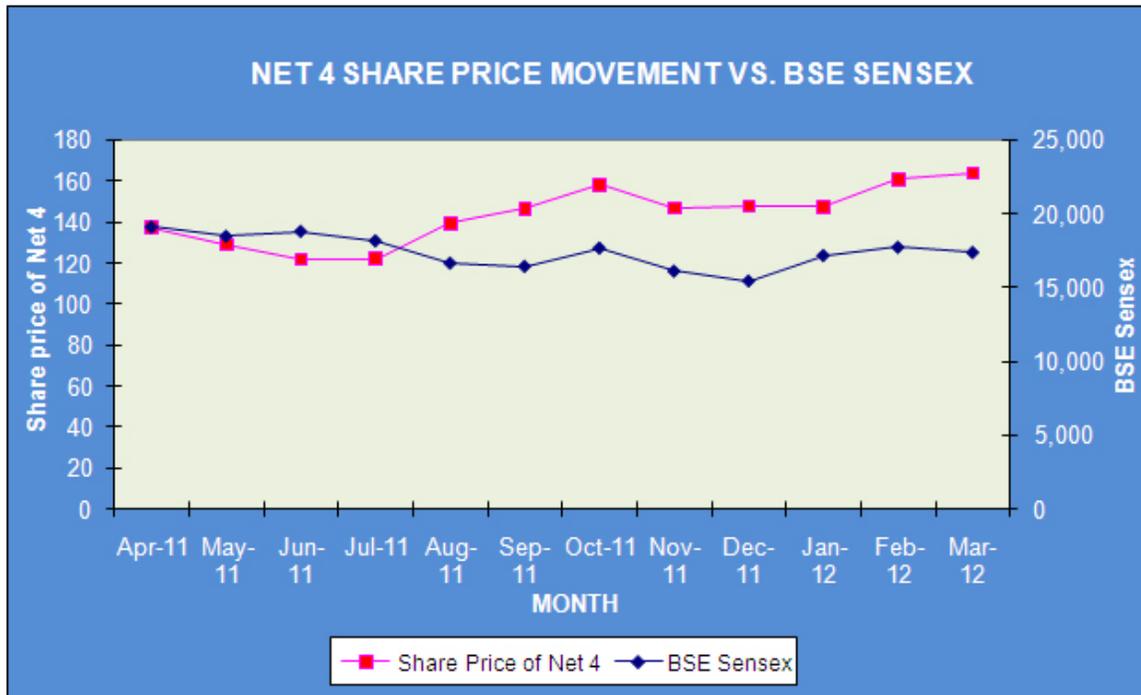


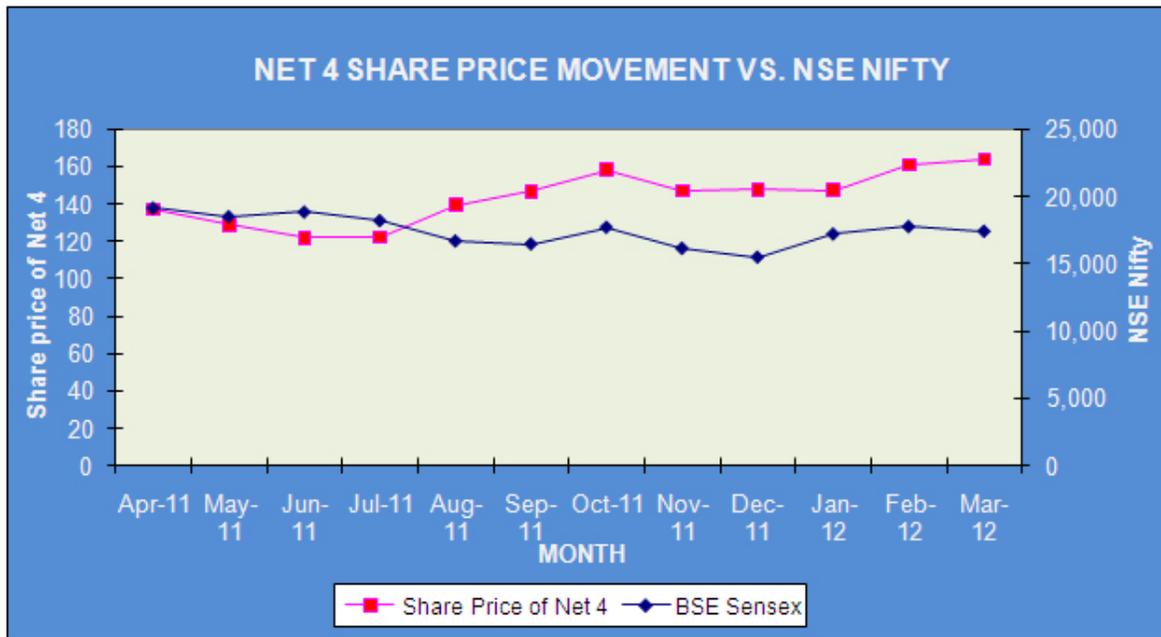
BSE COMPARISON



NSE COMPARISON

The monthly market data relating to the Closing Price of the Shares of the Company vis-à-vis BSE Sensex and NSE Nifty is as under:





#### Address for Correspondence

The shareholders may address their communication/ suggestions/ grievances/ queries to the Registrar and Share Transfer Agents at their address mentioned above or to:

#### The Company Secretary

#### Net 4 India Limited

**Registered Office:** AB-11, Community Centre, 1<sup>st</sup> & 2<sup>nd</sup> Floor, Safdarjung Enclave, New Delhi- 110 029.

**Corporate Office:** D-25, Sector 3, Noida – 201 301, Uttar Pradesh, E-Mail: [investorrelations@net4.in](mailto:investorrelations@net4.in)

**For and on behalf of Board of Directors  
Net 4 India Limited**

Sd/-

**Jasjit Singh Sawhney  
Chairman & Managing Director**

Place: Noida

Dated: August 10, 2012

## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

### CERTIFICATE

To,  
The Members of  
M/s Net 4 India Limited

We have examined the compliance of conditions of Corporate Governance by M/s Net 4 India Limited ("the Company"), for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the concerned Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 abovementioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

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

Place: Noida  
Dated: May 28, 2012

**For Sandy Associates**  
**Chartered Accountants**  
**FRN No: 007337N**

Sd/-  
(Sandeep Gupta)  
Proprietor  
Membership No: 86069

## **Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification**

**To,  
The Board of Directors  
M/s Net 4 India Limited**

Dear Sirs,

### **Sub: CEO / CFO Certificate**

***(Issued in accordance with the provisions of Clause 49(V) of the Listing Agreement)***

We hereby certify that:

- a) *We have reviewed the financial statements, read with the cash flow statement of M/s Net 4 India Limited for the year ended on March 31, 2012 and that to the best of our knowledge and belief:*
- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;*
- (ii) These statements present a true and fair view of the Company`s affairs and are in compliance with current accounting standards, applicable laws and regulations.*
- b) *There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company`s Code of Conduct.*
- c) *We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial statement and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.*
- d) *We have indicated to the Auditors and Audit Committee:*
- (i) That no significant changes have been made in the accounting policies during the year; and*
- (ii) That there were no instances of significant fraud of which we have become aware.*

Yours Sincerely,

**Sd/-  
Jasjit Singh Sawhney  
CMD & CEO**

**Sd/-  
Amarjit Singh Sawhney  
Whole Time Director**

**Place: Noida  
Date: May 28, 2012**



## KEY SERVICE OFFERINGS

### Web Services

- Web Hosting, Business/ Enterprise Emails, Domain Name Registration
- SaaS/ Hosted Application services (Microsoft Exchange, Sharepoint & CRM Dynamics)



### Data Centre & Cloud

- Server Colocation, Rack & Cage Space, Managed Services, Security Services Backup & Recovery
- Cloud Servers, Enterprise Cloud, Hybrid Cloud and associated Managed Services
- Dedicated Bandwidth Ports & Hosted VoIP



### Network & System Integration

- Network & System Integration for medium to large customers
- Recent focus on Data Centre Consulting and Private Cloud and Virtualization solutions

We have had an exceptional year in 2011-12, significantly surpassing even our own expectations. We invested in highly scalable cloud platforms and continue to invest to upgrade, expand and add capacity to our Data Centre, Cloud and Web Services infrastructure. Needless to say these two areas are the ones that we are excited about and hence, from this year will have a separate strategic category – Data Centre & Cloud Services – outside the erstwhile categorisation under web services. Application/SaaS services, regardless of whether they are provisioned in a hosted model or on a cloud platform will be taken as a part of Cloud services, under this category.

One of the major tasks of this year was the work on designing and implementing a highly scalable distributed architecture for our cloud infrastructure and further automating the cloud provisioning and management system. We are near completion on a complicated project to redesign the backend of our web services application to make it capable to handle multiple cctlds (Country specific domain extensions) , various different language versions and front ends, both for partners as a white label and also for our direct customers. We continued to work towards bringing the best in class UI (User Interface) to our users and partners and had one significant and one minor change to our website during this period. Both, these activities, we feel, have resulted in an extremely intuitive & customer friendly online experience and a highly scalable and secure back end.

**Net4 was honoured with the following awards in 2012:**

1. “Emerging India Award”, by ICICI & CNBC TV18, as the most promising growth company in the IT & ITES Sector. (Selected from over 15,000 applications)
2. Deloitte FAST 50 – Among the 50 Fastest growing companies in India

## NET 4 HIGHLIGHTS

### Overview

Leading provider of enterprise services namely: Web Services, Data Centre & Cloud, Enterprise Internet Access, Network Integration and VoIP

Main focus on the small and medium businesses (SMB) with over 400,000 clients spread across various services

Track record of continuous growth in revenues and profits

- 35% sales CAGR (FY07-12)
- 28% EBITDA CAGR (FY07-12)

Listed on BSE & NSE with a market capitalization of Rs. 285 crore (approx.)

- Headquartered in Noida with a pan-India presence

### Financial Snapshot

Financial Snapshot					
(Rs. Cr)	FY08	FY09	FY10	FY11	FY12
Revenue	135	161	195	304	465
Growth	31%	19%	21%	56%	53%
EBITDA	32	34	42	59	97
Margin	24%	21%	22%	19%	21%
PAT	9	8	12	21	34
Margin	7%	5%	6%	7%	7%



## Web & Application Services

A significant driver for this segment has been the massive increase in customer traction we saw during this period. A critical reason for being a top of the mind choice for customers has been the highly user friendly front end/ graphical user interface and flexible application architecture for the services driven from www.net4.in . This impact was seen on both, the quantum of new customers and ratio of renewals achieved vs targeted. This, along with a sustained and continuous innovative pricing and reward models for the reseller market, has enabled us to increase our gains in the reseller/partner segment, where we have had a negligible presence in the past and only broke into, last year.

A major reason for the demand traction is the extremely low levels of domain penetration among Indian businesses and internet users of all these services. India stands at less than half of the penetration levels of even the developing markets and one fifth of the developed markets. According to various industry reports, this segment is likely to, at the very least, double over the next three years.

### MARKET TRENDS

With internet user penetration growing to 17% in 2015 domain penetration in India is expected to grow from 2.2% in 2010 to 4.8% in 2015

2.4 Mn domains for 129 Mn internet users  
2.2 % penetration vs developing Country average between 4% to 8% and Developed

### NET4 HIGHLIGHTS

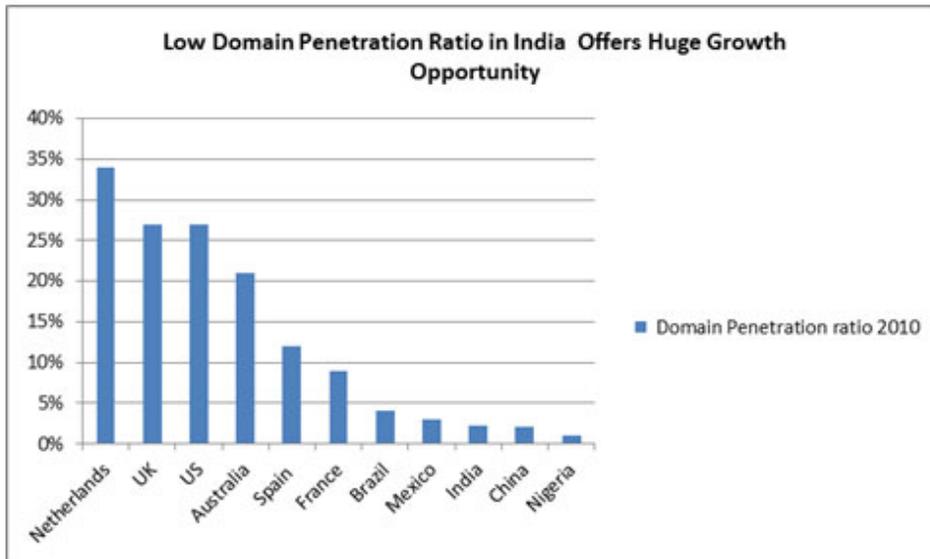
**Over 375,000 domain name registrations – ICANN & .IN accredited++**  
**90,000+ websites hosted – India’s # 1 hosting company**  
**Hosted MS Exchange, Hosted CRM Dynamics.**  
**First to market in India**  
**1.2 million paid mail ids managed for 60,000 customers. # 1 in India**

Country average of 20+%

450-500k Active Websites for 15-26 Mn Businesses  
1.9% to 3% Penetration

Estimated 250k Business Email users  
1% – 1.7% Penetration

Source Analysis Mason,  
Industry Interviews,  
Verisign, Euromonitor



Source Analysis Mason Industry interviews

#### >> **Business Email, Hosting & Domain Registration**

We saw a significant increase in business email services throughout the year, mainly attributed to the following:

Bundling free email ids with domain names and pushing the upsell, increased space and enhanced features, a further enhanced web mail user interface, a highly user friendly administration panel for high end users and our continued high service quality levels.

We feel that there are some gaps in the features set that we provide here and are in the process of identifying suitable long term application partners to address the needs of users who want Unified Communications and collaboration services. This would not only make our product offering future proof, but also enable to us to increase revenue per customer in the medium to long term.

#### >> **Web Hosting**

The increased storage space provided on our Web hosting packages has led to higher site visitor conversions and our partner programme has led to many more, higher space packs being sold. Our investments in storage systems for our Cloud and SaaS services has given us significant breathing room to play with the disk space provided in different hosting packs, thus de-risking potential competitor poaching. A number of self-help features in the new partner and end user admin panels have led to higher customer satisfaction levels and consequently word of mouth referrals.

We also introduced EasySite this year, which is an innovative and user friendly software tool that allows users to create/design their own website, even more easily than creating a power point presentation.

We saw great enthusiasm, usage and trial conversions for this service even in the restricted launch, which was a stripped down version. Our new version will be much more user friendly and have 1000's of templates and modules for specific SME industry segments, including e-commerce capability. This, we feel will be a critical differentiator for us in the hosting and overall web services space. It will also lead to many more customers coming to us directly, rather than through small web designers, leading to higher margin potential.

### >> Domain Registration

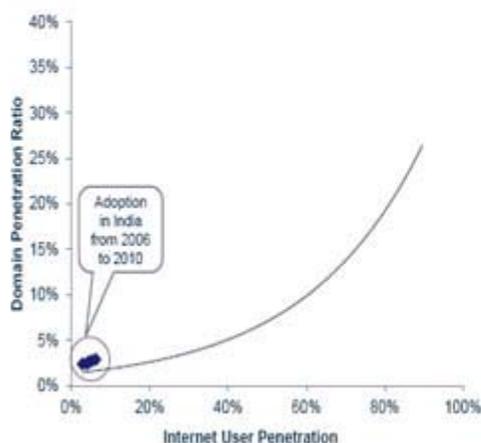
In the domain registration business, new registrations grew at an extremely fast pace this year, both from direct customers as well as partners/resellers. Our focus on reseller market, innovative discounting and a multi year push were the major drivers. In domain registrations, Net4 currently has 15% to 17% market share in India. We have seen excellent traction in the last year, led by an extremely low existing penetration and ourselves and organised competition increasing the decibel level, with advertising and marketing, which has led to creating further awareness.

IDN cctlds in 12 Indian languages did not make it to the market as anticipated last year. It does, however, seem extremely likely to be launched by October 2012. Although we don't see this as being a big contributor to number of domains in the short run, it is an important part of the growth of multilingual content that will drive the whole ecosystem in the long run.

The big thing on the outlook is opening up of Gtlds by ICANN. There is likely to be huge frenzy for applying for brand and generic Gtlds. This will throw up a plethora of opportunities for us as a registrar and as Gtld solution provider to large corporates and brands. We have already signed up 10 large Indian corporates for being a turnkey solution provider and this will directly lead to recurring services revenue in the Data Centre and cloud segment. Customers here include: Reliance Industries, Airtel, Tata Group, SBI, HDFC etc.

New generic extension will only hit the market by June 2013 and we feel that there will be around 10 popular, well marketed and desirable extensions that will have significant registrations. This will lead to at least 150,000 to 200,000 additional new registrations for Net4 over a 2 year period.

### Regression of Domain Penetration Ratio vs. Internet User Penetration for International Markets<sup>1</sup>



Source Analysis Mason, Industry Interviews



## Data Centre & Cloud Services

### MARKET TRENDS

Gartner Forecasts the Indian Data Centre and Colocation market will experience massive growth through 2016 when the market is forecast to total \$1.3 billion( Rs 6,890 Crores)

Gartner Forecast - The global public cloud computing services market (Excluding cloud advertising) is expected to grow 19.6 per cent to reach \$ 58 billion in 2012 with BPaaS at \$ 33 Bn, SaaS at \$14 Bn and IaaS at \$ 6 Bn. Business Process as a Service will remain the largest segment. As the market grows, IaaS will become a larger part of the overall market, while the market share of cloud management and security services will grow as well.

According to IDC - By 2016, public IT cloud services will account for 16 percent of IT revenue in five key technology categories: applications, system infrastructure software, platform as a service (PaaS), servers and basic storage. More significantly, cloud services will generate 41 percent of all growth in these categories by 2016.

Economic times report (Source IDC, V-P) Small and Medium Businesses in India will spend \$ 15 Bn (Rs. 80,000 Crores) on Technology by 2015

Zinnov Study- Cloud Computing Market in India \$ 912 Mn ( Rs 4,830 Crores ) and stated to grow at CAGR of 54%. PaaS, SaaS and IaaS registered CAGR growth of 75%, 46% and 84% respectively, between 2009 to 2011.

TechNavio's analysts forecast the Cloud Computing market in India to grow at a CAGR of 54.5 percent over the period 2011-2015

### NET4 HIGHLIGHTS

Over 1000 servers Co located in 7 ISO 27001 Data Centers.  
Back-up & DR , Security, Managed OS/DB, Managed Apps  
1100 Cloud customers in the 1st full year.  
Fully automated provisioning platform  
850 Bandwidth Customers &2000+ Hosted VoIP Customers

The demand scenario for 3rd party data centre services remains very strong and is probably the only telecom connected area where there is pricing power with service providers. We are seeing a reduced competitive advantage from having multi city Data centres, however, it is still critical to have a significant presence in at least the major cities.

The construction at the Chennai Data Centre is in progress and is likely to be completed and commissioned by the year end. We will be ready to provide occupation to customers shortly thereafter. The New Chennai Data centre is a 50000 sq feet facility with an initial 15,000 sq ft rackable area which will offer Cage space, rack space and server space and also be used for cloud services and our own captive webservices infrastructure. The facility will also house our Managed services delivery unit, Network Operations and Security Operation Centre for our nationwide network.

Current Data Center Infra			
	Location	Real Estate	Total Area (Sq Ft)
1	Chennai	Leased	4,000
2	Mumbai	Leased	3,500
3	Delhi	Owned	3,000
4	Kolkata	Owned	1,500
5	Pune	Leased	1,800
6	Bangalore	Leased	2,000
7	Hyderabad	Leased	1,500
Total Area			17,200

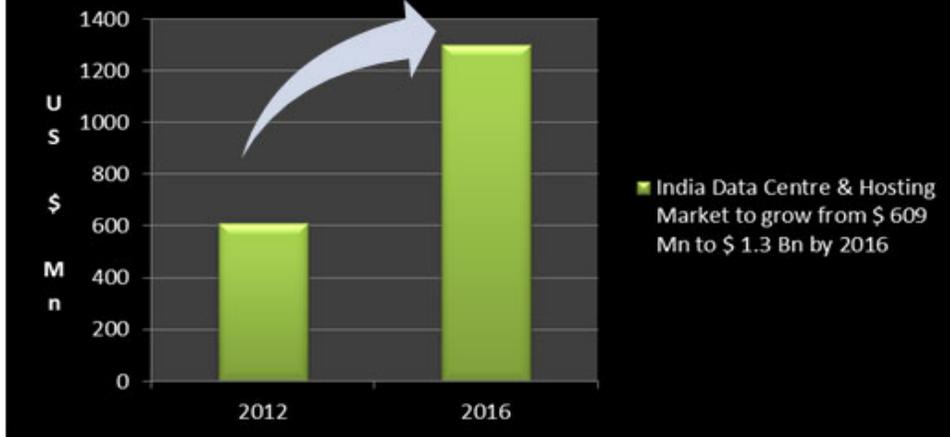
Expanded & Consolidated Data Center Infra			
	Location	Real Estate	Total Area (Sq Ft)
1	Chennai	Owned	15,000 (exp. to 50k)
2	Mumbai	Leased	4,000
3	Delhi	Owned	4,000
4	Kolkata	Owned	0
5	Pune	Leased	0
6	Bangalore	Leased	5,000
7	Hyderabad	Leased	0
Total Area			27,200 ++

We continue to see an upward trend in managed services, especially in Backup and Recovery /DR services and off late in Archival services.

Such has been the momentum and uptake of our Cloud/PaaS services that our initial infrastructure got occupied in less than 9 months. We expanded the capacity in that node and set up a cloud node in Mumbai towards the end of last year. We have also ordered additional infrastructure and shall set up a cloud node in Delhi in Q2 of FY 12-13 and in Bangalore by Q4 FY 12-13.

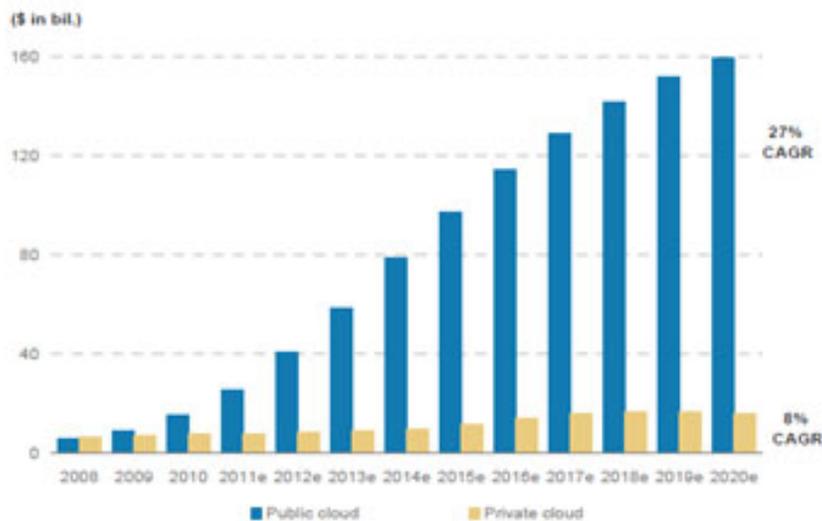
We are now in a position to give even more momentum to these services by offering bundled truly managed network & cloud services, i.e. provide leased line internet connectivity, VPN (S/w based) and Cloud/ Data centre/ Hybrid servers as a bundle. Such integration of services/bundles has been possible as a result of the acquisition of Pipetel Communications Pvt Ltd (ISP license holder) as a 100% subsidiary.

## Gartner Forecast on India Data Centre and Hosting Market



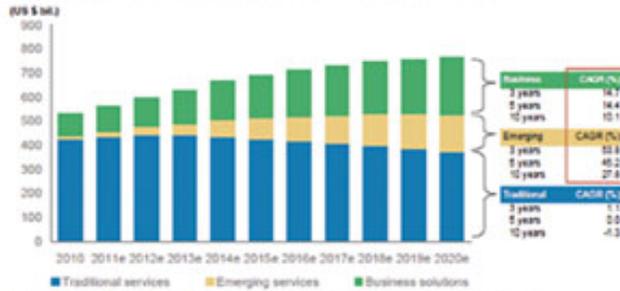
Source Gartner Forecast

## Forrester Expects Public Cloud (SaaS/PaaS/IaaS) to Reach Nearly \$160 Billion by 2020



e=Forrester estimates.  
Source: Forrester Research

### New Cloud-Based Offerings Are Likely to Drive Continued Growth in the IT Services Market



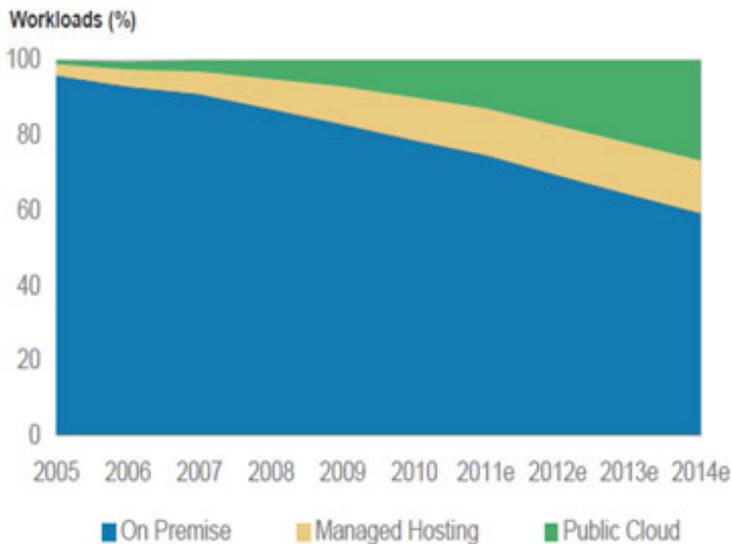
Note: As defined by Forrester Research and CSC, business solutions includes business services and vertical software (or leveraged BPO), emerging services includes consulting and implementation, service orchestration, software/platform as a service, security as a service, and infrastructure as a service; and traditional services includes IT consulting, systems integration, and outsourcing.  
e=Company estimates.  
Source: Forrester Research, Inc.; CSC Research

### IaaS has the Highest Forecasted CAGR in the Public Cloud



Note: For more information see reports by The 451 Group, *Cloud Heavyweights Shape the IaaS Landscape*, August 2010, and *Cloud Computing: As-A-Service Market Sizing*, October 2010.  
e=The 451 Group estimates.  
Source: The 451 Group, Morgan Stanley Research.

### Workloads are Moving Away from On-Premise Environments



e=Morgan Stanley Research estimates.  
Source: IDC, Morgan Stanley Research



## Network & Systems Integration

### MARKET TRENDS

According to NASSCOM the market of computer software integration services (these include network services, project management services, engineering and design and GIS) grew from USD 2.10 billion (Rs 11,130 Crores) in 2009 to USD 2.8 billion (Rs 15,000 Crores) by March, 2011 and is expected to see revenues of more than USD 6 billion (Rs 31,800 Crores) by the year 2015.

VoIP market worldwide to reach Rs 3,078 crores (\$ 581 Mn) in 2012

Greater smartphone & tablet adoption and long term cost savings for enterprise's phone bills will further fuel market adoption of VoIP, reports Frost & Sullivan

### NET4 HIGHLIGHTS

200+ Clients

Deep expertise in Cloud & virtualization solutions

Significant experience in designing and building Low cost, Enterprise and 3rd party data

Centre Infrastructure

2ND Largest Provider of Internet telephony in terms of minutes per quarter for the last three Quarters (TRAI)

This year was a superb year for this segment of business. All subheads of products and services grew strongly in this segment and we were also able to maintain our margins here, which had improved in the previous year.

Whilst this is a huge market of over 15,000 crore, excluding government, the challenge for us in the coming years is on how much to grow this business. Further it is to concentrate on the higher margin services within this business so we are able to justify the high working capital intensity that comes inherent with this industry segment.

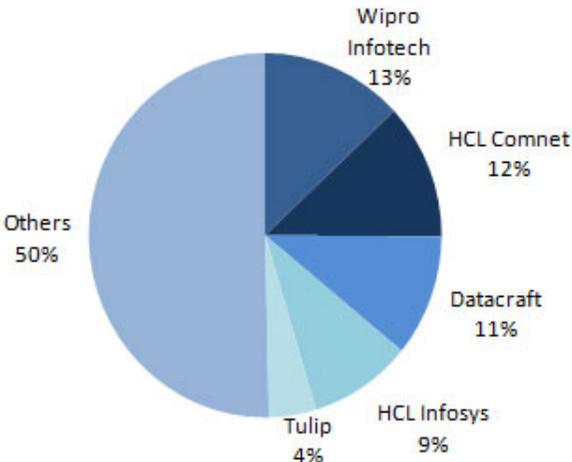
The coming year is again likely to have very strong potential for this business, but our aim would be, not try and increase significantly over what we have achieved last year. The buzz around “clouding” continues unabated and with our data centre and cloud offerings we are in a unique position to take advantage of the demand for hybrid(Enterprise and Public)data centre and cloud integration and services.

Network and System Integration is huge and massive market with low margins and high working capital intensity. Although there is a lot of growth potential, we need to be picky on its higher margin segments, with a greater focus towards conversion/cross sell of Data centre and Cloud services.

VOIP-Our anticipated shift in the market trend, that most large Telco’s will look to increase calling rates in the near term, has not fully played out in this year, but with all the developments in the last year now seems extremely likely. Such a move will surely spur demand for VoIP services.

We had to reduce prices to win business in the last year and did not get a corresponding reduction in our termination rates as the volume increase was not as significant. We are in the process of renegotiating with existing and new suppliers and also working with other VoIP companies for increasing our destination specific buying power, to help reduce our cost of termination.

**Market Share Network and System Integration**



Source V&D Estimates, Cybermedia research Fy09 market share

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**STANDALONE  
FINANCIAL STATEMENTS  
AND NOTES  
THERE TO**

## AUDITORS' REPORT

### **The Members**

#### **M/s NET 4 INDIA LTD.**

1. We have audited the attached Balance Sheet of M/s. NET 4 INDIA LTD. as at March 31, 2012, the Profit and Loss Account and also the Cash Flow Statement for the period 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. presentation. We believe that our audit provides a reasonable basis for our opinion.
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 by the Companies (Auditor's Report) (Amendment) Order, 2004, 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 in paragraph 3 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 and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
  - (iii) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

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- (i) 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:
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2012; and
  - (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Sandy Associates  
Chartered Accountants**

**Sd/-  
(Sandeep Gupta)  
Proprietor  
Membership No: 86069  
FRN No: 007337N**

**Place: Noida  
Dated: May 28, 2012**

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF M/S NET 4 INDIA LIMITED ON THEIR ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011.**

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

2. As explained to us, inventory (excluding stock with third parties) has been physically verified by the management at regular intervals during the year. In our opinion, the frequency of verification is reasonable having regard to size of the company and the nature of its business.

In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

The company is maintaining proper records of inventory. No material discrepancies have been noticed by the management on verification between the physical stocks and the book records.

3. The Company has taken interest free unsecured loan from a party listed in the register maintained under section 301 of the Companies Act, 1956, (maximum amount Rs. 205 lakhs) the terms and conditions of which are prima facie not prejudicial to the interests of the Company.

The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

The company has given interest free advances in the nature of loans to the employees of the company, the repayment in respect of which is regular and as stipulated, where such stipulations exist.

4. 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 for the purchase of finished goods, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls system in respect of these areas.

5. In our opinion, and according to the information and explanations given to us, the transactions that need to be entered in the register in pursuance of section 301 of the Act have been entered, and the transactions have been made at prices which are reasonable with regard to the prevailing market prices at the relevant time.
6. The Company has accepted deposits from the public and the provisions of Sections 58A of the Companies Act, 1956 and the rules framed there under, wherever applicable, have been complied with.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government has not prescribed maintenance of Cost records under section 209(1) (d) of the Companies Act, 1956 in respect to the company.
9. According to the information and explanations given to us, and on the basis of our examination of the books of account, the Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Sales-Tax, Customs Duty, investor education and protection fund and any other material statutory dues applicable to it. Interest has been deposited wherever applicable.

According to the information and explanations given to us, no undisputed dues payable in respect of Provident Fund, Investor Education and Protection Fund, Income tax, Wealth tax, Sales tax, Customs duty, Cess and other material statutory dues were outstanding at March 31, 2012 for a period of more than six months from the date they become payable.

According to the information and explanations given to us, Income Tax for the AY 2008-09 of Rs. 40.28 lakhs (including interest) and for AY 2009-10 of Rs. 265.61 lakhs (including interest) has not been deposited with the appropriate authorities on account of dispute. The company has filed the appeal before the Commissioner of Income Tax (Appeals). However based on past experience, there is a highly fair chance of liability being quashed.

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the financial year immediately proceeding such financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank or financial institution. The Company has not issued any debentures.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
13. The Company is not a chit fund, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order is not applicable.

14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not prima-facie prejudicial to the interests of the Company.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. According to the Cash Flow Statement and records examined by us and according to the information and explanations given to us, on overall basis, funds raised on short-term basis have not been used during the year for long term investment and vice versa.
18. The Company has not made any preferential allotment to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, clause 4(xviii) of the order is not applicable.
19. The Company has not issued any debentures. Accordingly, clause 4(xix) of the order is not applicable.
20. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the order is not applicable.
21. 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 was noticed or reported during the year.

**For Sandy Associates  
Chartered Accountants**

**Sd/-  
(Sandeep Gupta)  
Proprietor  
Membership No: 86069  
FRN No: 007337N**

**Place: Noida  
Dated: May 28, 2012**

# NET4 INDIA LTD. BALANCE SHEET AS AT 31ST MARCH, 2012

(in Rs. Lakhs)

	Note	March 31, 2012	March 31, 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's Fund</b>			
Share Capital	3	2,005.83	2,005.83
Reserves & Surplus	4	10,498.32	8,087.48
<b>Non Current Liabilities</b>			
Long Term Borrowings	5	1,253.07	1,303.76
Deferred Tax Liabilities		777.00	652.60
Long Term Provisions	6	107.42	159.18
<b>Current Liabilities</b>			
Short Term Borrowings	7	7,516.05	4,252.73
Trade Payables	8	4,342.30	2,965.74
Other Current Liabilities	9	1,876.07	2,071.09
Short Term Provisions	10	404.49	107.54
		<b>28,780.55</b>	<b>21,605.95</b>
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Fixed Assets	11		
Tangible Assets		4,810.92	4,397.72
Intangible Assets		363.62	403.04
Capital Work in Progress		508.80	202.02
Long Term Investment	12	2,500.38	2,156.58
Long Term Loans and Advances	13	412.27	598.48
<b>Current Assets</b>			
Current Investments		1.56	2.00
Inventories	14	4,646.04	2,199.85
Trade Receivables	15	8,136.75	5,693.64
Cash and Cash Equivalents	16	955.67	437.76
Short Term loans & Advances	17	6,433.77	5,513.86
Other Current Assets	18	10.77	1.00
		<b>28,780.55</b>	<b>21,605.95</b>
Significant Accounting Policies	2		
The accompanying notes are an integral part of the financial statements			

As per our report of even date attached,

**For Sandy Associates**

Chartered Accountants,

Sd/-  
Sandeep Gupta  
Proprietor  
Membership No : 86069  
FRN No: 007337N

Place : Noida  
Date : May 28, 2012

**For and on behalf of the Board of Directors**

Sd/-  
Amarjit S. Sawhney  
Director

Sd/-  
Desi S. Valli  
Director

Sd/-  
Jasjit S. Sawhney  
CMD

Sd/-  
Archana Walia  
Company Secretary

# NET4 INDIA LTD. PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012

(in Rs. Lakhs)

	Note	2011-12	2010-11
<b>CONTINUING OPERATIONS</b>			
<b>Revenue from operations</b>			
Domestic		29,023.50	18,164.08
Overseas		1,240.53	1,533.42
		<b>30,264.03</b>	<b>19,697.50</b>
<b>Other Income</b>	19	705.97	654.34
<b>Total Revenue</b>		<b>30,970.00</b>	<b>20,351.84</b>
<b>Expenses</b>			
Cost of Sales and Services	20	21,171.51	12,590.70
Employee Benefit Expenses	21	1,364.56	1,298.19
Finance Costs	22	1,267.55	803.36
Depreciation & Amortization Expenses	11	1,707.75	1,383.96
Other Expenses	23	1,998.41	2,053.34
<b>Total Expenses</b>		<b>27,509.78</b>	<b>18,129.55</b>
<b>Profit Before Tax</b>		<b>3,460.22</b>	<b>2,222.29</b>
<b>Tax Expense</b>			
Current Tax		997.05	657.00
Deferred Tax		124.39	77.00
<b>Profit for the year</b>		<b>2,338.78</b>	<b>1,488.28</b>
Earning per Equity Share - Basic and Diluted (Rs)		11.66	7.63
Significant Accounting Policies	2		
The accompanying notes are an integral part of the financial statements			

As per our report of even date attached,

**For Sandy Associates**

Chartered Accountants,

Sd/-  
Sandeep Gupta  
Proprietor  
Membership No : 86069  
FRN No: 007337N

Place : Noida  
Date : May 28, 2012

**For and on behalf of the Board of Directors**

Sd/-  
Amarjit S. Sawhney  
Director

Sd/-  
Desi S. Valli  
Director

Sd/-  
Jasjit S. Sawhney  
CMD

Sd/-  
Archana Walia  
Company Secretary

# NET4 INDIA LTD. CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(in Rs. Lakhs)

	2011-12	2010-11
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and Extraordinary items	3,460.22	2,222.29
Adjustments for :		
Depreciation & Amortisation	1,707.75	1,383.96
Assets discarded/ Loss on sale of fixed assets	8.16	3.15
Loss on sale of Investment	13.71	
Provision for Diminution in value of investment	0.44	
Bad debts	1.40	24.32
Interest costs	1,267.55	803.36
Interest and dividend income	(286.22)	(231.12)
Preliminary Exp written off	0.50	0.50
<b>Operating Profit before Working Capital Changes</b>	<b>6,173.51</b>	<b>4,206.46</b>
Adjustments for :		
Trade Receivables	(2,444.51)	(2,821.35)
Inventories	(2,446.19)	(249.48)
Current Assets, Loans and Advances	(913.70)	(2,295.42)
Provision for retirement benefits	(53.81)	41.86
Current Liabilities	1,632.07	2,268.61
<b>Cash generated from Operations</b>	<b>1,947.37</b>	<b>1,150.68</b>
Taxes paid	(692.13)	(571.81)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>1,255.24</b>	<b>578.87</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and change in capital work in progress	(2,641.82)	(2,696.46)
Proceeds on disposal of fixed assets	245.35	204.21
Investment in shares	(357.51)	(50.71)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,753.98)</b>	<b>(2,542.96)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	-	161.05
Proceeds from securities premium		1,448.16
Proceeds from secured loans	2,651.57	1,086.60
Nett proceeds from unsecured loans	346.41	(55.01)
Dividends paid during the period	-	(74.35)
Dividend tax paid during the period	-	(3.10)
Interest Income	286.22	231.12
Interest costs	(1,267.55)	(803.36)
<b>NET CASH USED FROM FINANCING ACTIVITIES</b>	<b>2,016.65</b>	<b>1,991.11</b>

(in Rs 'Lakhs)

	2011-12	2010-11
<b>D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)</b>	<b>517.91</b>	<b>27.02</b>
CASH AND CASH EQUIVALENTS, beginning of period (Refer Note)	437.76	410.74
CASH AND CASH EQUIVALENTS, end of the year (Refer Note)	955.67	437.76

**Notes : (1) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard -3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.**

**(2) Previous year's figures have been regrouped wherever necessary.**

**For and on behalf of the Board of Directors**

Sd/-  
Amarjit S. Sawhney  
Director

Sd/-  
Jasjit S. Sawhney  
CMD

Place : Noida  
Date : May 28, 2012

Sd/-  
Desi S. Valli  
Director

Sd/-  
Archna Walia  
Company Secretary

**AUDITORS' CERTIFICATE**

We have verified the above Cash Flow Statement of Net 4 India Ltd derived from the audited financial statements for the year ended March 31, 2012, and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the listing agreement with stock exchange.

**For Sandy Associates**

Chartered Accountants,

Sd/-  
Sandeep Gupta  
Proprietor  
Membership No : 86069  
FRN No: 007337N

Place : Noida  
Date : May 28, 2012

## 1. Corporate Information

Net 4 India Limited (the company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on BSE & NSE stock exchanges in India. The Company is India's leading Data Centre, Cloud Hosting and Network services provider. Net4 focuses on providing services to businesses (small, medium and large) and its offerings include Data Centre & Cloud Solutions Enterprise Internet Services, VoIP Solutions, and Enterprise Messaging & Hosting Solutions and Domain name registration. The company caters to both domestic and international markets. Net4 has the distinction of being the first Internet services company in the World to be ISO 27001 certified, for Information Security standards adopted at its Data Centers. It is also ISO 9001:2000 certified, a Microsoft Gold Partner and an ICANN & .IN accredited Domain Name Registrar.

## 2. Significant Accounting Policies

### a. Basis of accounting and preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting principles ("GAAP") under the historical cost convention on an accrual basis. GAAP comprises mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956, and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates all recently issued or revised accounting standards on an ongoing basis.

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements.

### b. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. The management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

Where no reliable estimate can be made; a disclosure is made as contingent liability. Actual results could differ from those estimates and the difference between the actual results and the estimates are recognized in the periods in which the results are known.

### c. Inventories

Inventories are valued at the lower of cost (determined on First in First out basis) and estimated net realizable value.

Cost is inclusive of all purchase costs and other costs incurred in bringing the inventories to their present location and conditions.

### d. Fixed Assets and Depreciation

#### (i) Tangible Assets:

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Costs directly attributable to the purchase of fixed assets are capitalized until fixed assets are ready for use. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use before the balance sheet date.

**(ii) Depreciation:**

Depreciation of Fixed Assets is provided on a pro-rata basis on the written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956, on all assets, except for the following: Leasehold improvements are depreciated over the remaining period of lease or 10 years whichever is lesser.

Individual low cost assets (acquired for less than Rs.5,000/-) are depreciated within a year of acquisition.

**(iii) Intangible Assets and amortization:**

Intangible assets are amortized over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the company for its use. Management, using reasonable and supportable assumptions, has estimated the useful lives for the intangible assets as follows:

Trademarks      20 years

Goodwill          10 years

Trademarks represent the brand image of the company and constitute an asset with no limited useful life. Based on advice received by the management and as per the provisions of the Trade Marks and Merchandise Act of 1999, the company can retain the ownership and registration of the trademarks perpetually by renewing the registration at the end of every ten years, leading to the view that the useful life of its trademarks are unlimited.

However, as a matter of abandon precaution, the cost of the Trademarks is being amortized over a period of 20 years.

**e. Impairment of Assets**

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss, except in case of revalued assets.

**f. Investments**

Trade investments are the investments made to enhance the company's business interests. Investments are either classified as current or noncurrent based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Non Current Investments are stated at cost. Provision for diminution in their value is made only if such a decline is other than temporary in the opinion of the management.

**g. Revenue Recognition**Sale of Goods

The Company recognizes revenue on accrual basis. Revenue from the sale of hardware/software products is recognized when the sale is completed with the passing of title.

Income from Services

Revenue from services is recognized in the ratio of period expired over the total agreement period.

Revenue from Fixed Price Contracts is recognized proportionately over the period in which services are rendered. The consideration received from the customer's in respect of certain online services for an extended period is accounted for as revenue in the financial year in which consideration is received. Costs related to the revenue are also recognized in the same period. Hence the gross margin is not impacted (i.e. not overstated or understated). This method of revenue recognition and cost related to it is being consistently followed from previous year.

### **Other Income**

Other income is recognized on accrual basis. Dividend income is recognized when the company's right to receive dividend is established.

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and the carrying value of the investment.

### **h. Foreign Currency Transactions**

#### **Initial recognition**

Transactions in foreign currencies entered into by the company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of transaction.

#### **Measurement of foreign currency monetary items at the Balance Sheet date**

Foreign currency monetary items (other than derivative contracts) of the Company and its net investment in non-integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates.

In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the Balance Sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at the exchange rates on the date of transaction. Exchange differences arising out of these translations are charged to the Statement of Profit and Loss.

#### **Treatment of Exchange Difference**

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company and its integral foreign operations are recognized as income or expense in the Statement of Profit and Loss. The exchange differences on restatement / settlement of loans to non-integral foreign operations that are considered as net investment in such operations are accumulated in a "Foreign currency translation reserve" until disposal / recovery of the net investment. The exchange differences arising on restatement / settlement of long-term foreign currency monetary items are capitalized as part of the depreciable fixed assets to which the monetary item relates and depreciated over the remaining useful life of such assets or amortized on settlement / over the maturity period of such items if such items do not relate to acquisition of depreciable fixed assets. The unamortized balance is carried in the Balance Sheet as "Foreign currency monetary item translation difference account" net of the tax effect thereon.

#### **Accounting of forward contracts**

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortized over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

#### **i. Employee Benefits**

Employee benefits include provident fund, gratuity fund, compensated absences and long service awards.

#### **Defined contribution plans**

The Company's contributions to provident fund are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

#### **Defined benefit plans**

For defined benefit plans in the form of gratuity fund and leave encashment, 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 the Statement of Profit and Loss in 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 a 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 benefit obligation as adjusted for unrecognized past service cost, 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 schemes.

#### **j. Research and Development**

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure is included in the respective heads under fixed assets and depreciation thereon is charged to the profit and loss account.

#### **k. Borrowing Cost**

Borrowing costs include interest, amortization of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilized for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset up to the date of capitalization of such asset is added to the cost of the assets. Capitalization of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

#### **l. Leases**

Lease rentals in respect of assets taken on 'Operating Lease' are charged to the profit & loss Account on straight line basis over the lease term.

#### **m. Earnings per Share**

Basic earnings per share (EPS) is calculated by dividing the net profit after tax for the year (including the post-tax effect of extraordinary items, if any) attributable to equity shareholders by the weighted

average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue and share split.

#### **n. Taxes on Income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realize such assets. Deferred tax assets are recognized for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their reliability.

#### **o. Cash Flow Statement**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing, and investing activities of the company are segregated.

#### **p. Provision and contingencies**

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

The disclosure is made for all possible or present obligations that may but probably will not require outflow of resources as contingent liability. Contingent liabilities are disclosed in the Notes.

(in Rs. Lakhs)

	March 31, 2012		March 31, 2011	
	No.	Rs.	No.	Rs.
<b>NOTE '3'</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity Shares of Rs 10 each with voting rights	24,000,000	2,400.00	24,000,000	2,400.00
Preference Shares of Rs 10 each	1,000,000	100.00	1,000,000	100.00
		2,500.00		2,500.00
<b>Issued, Subscribed and Paid -up</b>				
2,00,58,250 (P.Y.2,00,58,250) Equity Shares of Rs.10 each fully paid up	20,058,250	2,005.83	20,058,250	2,005.83
		2,005.83		2,005.83
<b>a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period.</b>	<b>No.</b>	<b>Rs.</b>	<b>No.</b>	<b>Rs.</b>
Equity Shares with voting rights				
At the beginning of the period	20,058,250	2,005.83	18,447,812	1,844.78
Issued during the period	-	-	1,610,438	161.05
At the end of the period	<b>20,058,250</b>	<b>2,005.83</b>	20,058,250	2,005.83
<b>b) Details of shareholders holding more than 5% shares in the company</b>	<b>No.</b>	<b>% holding</b>	<b>No.</b>	<b>% holding</b>
Equity shares with voting rights				
Jiwan Financial Holdings Limited	3,500,000	17.45%	3,500,000	17.45%
Trak Online Net India (P) Limited	4,900,000	24.43%	4,900,000	24.43%
Sterling Capital (P) Limited	2,387,167	11.90%	2,387,167	11.90%
Madison India Capital HC	1,697,812	8.46%	1,697,812	8.46%

(in Rs. Lakhs)

	March 31, 2012	March 31, 2011
<b>NOTE '4'</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Securities Premium Reserve</b>		
Opening Balance	4,068.38	2,620.22
Addition during the year	-	1,448.16
<b>Closing balance</b>	<b>4,068.38</b>	<b>4,068.38</b>
<b>General Reserve</b>		
Opening Balance	454.20	454.20
Add: Transferred from Surplus in statement of Profit & Loss Account		
<b>Closing balance</b>	<b>454.20</b>	<b>454.20</b>
<b>Foreign currency translation reserve</b>		
Opening balance		
Add : Effect of foreign exchange rate variations during the year	56.10	-
Add / (Less): Transferred to Statement of Profit and Loss on disposal of the net investment in non-integral foreign operations		-
<b>Closing balance</b>	<b>56.10</b>	<b>-</b>
<b>Surplus/ (deficit) in the statement of Profit and loss</b>		
Balance as per last financial statement	3,564.90	2,080.15
Profit for the year	2,338.78	1,488.28
Proposed Dividend & Tax thereon written back	-	10.73
Excess provision for tax for earlier years, written back	15.96	7.20
<b>Net surplus in the statement of profit &amp; loss</b>	<b>5,919.64</b>	<b>3,564.90</b>
<b>Total Reserves &amp; Surplus</b>	<b>10,498.32</b>	<b>8,087.48</b>

(in Rs. Lakhs)

	March 31, 2012	March 31, 2011
<b>NOTE '5'</b>		
<b>LONG TERM BORROWINGS</b>		
Secured		
- Term Loan from Banks	297.97	257.23
- Vehicle Loans	9.39	35.95
Unsecured		
- From Banks/Institutions	40.19	168.40
- From Others	205.00	205.00
- Fixed Deposits	700.52	637.18
	<b>1,253.07</b>	<b>1,303.76</b>

a. Term Loan SBI was taken in FY 2011-12 and carries interest @ 5%+SBI Base Rate p.a. The loan is repayable in 60 monthly installments. Term Loan is secured by hypothecation of entire current assets and fixed assets of the company, It is also secured against residential properties of situated at Brighton, East Sussex, London and B-4/39, Safdarjung Enclave New Delhi, Land and Building at D 25, Sector 3, Noida, Agricultural Land in Gurgaon Further, the loan has been secured by personal guarantee of the directors.

b. Vehicle loan from Kotak Mahindra and ICICI Bank is secured by hypothecation of vehicles. The loan is repayable in monthly installments and carries interest @ 10%-12% p.a.

c. Unsecured Loan from Banks and Financial Institutions carries interest @ 7% to 19% p.a. and is repayable in monthly installments. Deposits from public carry interest @ 11% to 12.5 % and are repayable on maturity. Inter Corporate deposits from carry interest @ 15% to 17% and are repayable on maturity

	March 31, 2012	March 31, 2011
<b>NOTE '6'</b>		
<b>LONG TERM PROVISIONS</b>		
Provision for employee benefits	83.09	125.50
- Provision for gratuity	24.33	33.68
- Provision for leave encashment	<b>107.42</b>	<b>159.18</b>

(in Rs. Lakhs)

	March 31, 2012	March 31, 2011
<b>NOTE '7'</b>		
<b>SHORT TERM BORROWINGS</b>		
Secured		
- Cash Credit / Working Capital Loans (Secured against entire current assets)	5,699.51	2,952.13
Unsecured		
Fixed Deposits	649.98	608.93
Inter Corporate Loans	1,166.56	691.67
	<u>7,516.05</u>	<u>4,252.73</u>

a.Cash Credit from State Bank of India is secured by hypothecation of entire current assets and fixed assets of the company. It is also secured against residential properties of situated at Brighton, East Sussex, London and B-4/39, Safdarjung Enclave New Delhi, Land and Building at D 25, Sector 3, Noida, Agricultural Land in Gurgaon Further, the loan has been secured by personal guarantee of the directors. The cash credit is repayable on demand and carries interest @ 4%+SBI Base rate p.a.

b.Cash Credit from State Bank of Travancore is secured by margin money and hypothecation of entire current assets of the company and Fixed Deposit of 25% of sanctioned facilities. The loan has been guaranteed by corporate guarantee of Net 4 Communications Ltd and personal guarantee of the directors. The cash credit is repayable on demand and carries interest @ 4.5%+SBT Base rate p.a.

	March 31, 2012	March 31, 2011
<b>NOTE '8'</b>		
<b>TRADE PAYABLES</b>		
- Trade Payables	4,342.30	2,965.74
	<u>4,342.30</u>	<u>2,965.74</u>

(in Rs. Lakhs)

	March 31, 2012	March 31, 2011
<b>NOTE '9'</b>		
<b>OTHER CURRENT LIABILITIES</b>		
Current Maturities of Long term Debts*	472.81	923.34
Interest Accrued but not due	57.97	27.37
Unearned revenue	30.61	28.15
Unclaimed dividend	0.23	0.23
Advances from customers	707.38	611.01
Accrued salaries and benefits	110.45	98.74
Expenses Payable	60.76	42.08
Withholding and other taxes payable	379.36	304.17
Other liabilities	56.50	36.00
	<b>1,876.07</b>	<b>2,071.09</b>
<b>NOTE '10'</b>		
<b>SHORT TERM PROVISIONS</b>		
Provision for employee benefits		
- Provision for gratuity	1.60	-
- Provision for leave encashment	0.50	4.15
Provision for Tax (Net of Advance Tax)	402.39	103.39
	<b>404.49</b>	<b>107.54</b>

**NOTE '11'**  
**FIXED ASSETS**

(in Rs. Lakhs)

Name	ORIGINAL COST			DEPRICIATION & AMORTIZATION			NET BLOCK VALUE	
	As at 01.04.11	Additions during year	Deductions As at 31.03.12	01.04.11	For the year	Deductions As at 31.03.12	As at 31.03.12	As at 31.03.11
<b>TANGIBLE</b>								
Land	293.44		293.44	-			293.44	293.44
Building	383.78		383.78	95.74	14.40	110.14	273.64	288.04
Leasehold Improvements	20.66	15.26	35.92	11.01	2.95	13.96	21.96	9.65
Computers	5,863.61	2,301.39	6,637.81	2,518.46	1,573.24	2,809.71	3,828.10	3,345.15
Office Equipment	529.32	13.28	531.92	214.31	44.75	251.60	280.32	315.01
Furniture & Fixtures	295.65	3.86	280.96	215.49	14.59	216.59	64.38	80.16
Vehicles	190.75		190.52	124.48	17.15	141.44	49.08	66.27
Sub Total	7,577.21	2,333.79	8,354.35	3,179.49	1,667.08	3,543.44	4,810.92	4,397.72
<b>INTANGIBLE</b>								
Goodwill	45.49	1.24	46.73	42.45	3.16	45.61	1.12	3.04
Trademarks	750.00	-	750.00	350.00	37.50	387.50	362.50	400.00
Hosting Platform	65.00	-	65.00	65.00	-	65.00	-	-
Technology	257.50	-	257.50	257.50	-	257.50	-	-
Sub Total	1,117.99	1.24	1,119.23	714.95	40.66	755.61	363.62	403.04
Capital work in progress	202.02	306.78	508.80	-	-	-	508.80	202.02
<b>Grand Total</b>	<b>8,897.22</b>	<b>2,641.82</b>	<b>9,982.39</b>	<b>3,894.44</b>	<b>1,707.74</b>	<b>4,299.05</b>	<b>5,683.34</b>	<b>5,002.78</b>
Previous Year	7,492.73	2,829.54	8,897.22	3,728.17	1,383.96	3,894.44	5,002.78	-

Notes:-

1. Deductions include cost of assets sold/scrapped during the year

2. Depreciation and Amortization relates to continuing operations

(in Rs. Lakhs)

	March 31, 2012	March 31, 2011
<b>NOTE '12'</b>		
<b>INVESTMENTS</b>		
<b>(a) LONG TERM INVESTMENTS (UNQUOTED) AT COST</b>		
Non Trade		
In subsidiary companies		
2,805,000 (P.Y.2,805,000) shares of Rs.10 each fully paid up of Net 4 Communications Ltd, a wholly owned subsidiary	2,007.00	2,007.00
100,000 (P.Y.1,00,000) shares of SGD 1 each fully paid up of Net 4 Singapore Pte Ltd, a wholly owned subsidiary	-	27.38
64,775 (P.Y.NIL) shares of Rs.10 each fully paid up of Pipetel Communications Pvt Ltd, a wholly owned subsidiary	415.26	-
50,000 (P.Y.NIL) shares of Rs.10 each fully paid up of Net 4 Network Services, a wholly owned subsidiary	5.00	-
10,000 (P.Y.NIL) shares of HKD 1 each fully paid up of Net 4 Honk Kong, a wholly owned subsidiary	0.67	-
In other companies		
9,900 (P.Y. 9,900) shares of Rs.10 each fully paid up of Net 4 Technology Ltd	0.99	0.99
70,500 (P.Y. 70,500) shares of Rs.100 each fully paid up of Net 4 Barter Pvt Ltd	70.50	70.50
NIL (P.Y.8,400) shares of Rs.10 each fully paid up at a premium of Rs. 500 per share of P Net Solutions Pvt Ltd.	-	42.84
NIL (P.Y.1,290) shares of Rs.10 each fully paid up at a premium of Rs. 600 per share of Masatya Technologies Pvt Ltd.	-	7.87
1 (P.Y.Nil) shares of 1500 euro each fully paid up of Denic EG	0.96	-
	<b>2,500.38</b>	<b>2,156.58</b>
<b>(b) CURRENT INVESTMENTS</b>		
SBI Infrastructure Fund - Series I		
20,000 (P.Y. 20,000) units of Rs. 10 each	2.00	2.00
Less : Provision for Dimunition in value of investment	(0.44)	-
	<b>1.56</b>	<b>2.00</b>
	<b>2,501.94</b>	<b>2,158.58</b>
Aggregate book value of quoted investments	2.00	2.00
Market Value of quoted investments	1.56	1.87
<b>NOTE '13'</b>		
<b>LONG TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Security Deposits	412.27	598.48
	<b>412.27</b>	<b>598.48</b>

(in Rs. Lakhs)

	March 31, 2012	March 31, 2011
<b>NOTE '14'</b>		
<b>INVENTORIES</b>		
(At lower of cost or net realisable value)		
Stock in trade	4,646.04	2,199.85
	<b>4,646.04</b>	2,199.85
<b>NOTE '15'</b>		
<b>TRADE RECEIVABLE</b>		
(Unsecured and considered good)		
Over six months	548.12	189.37
Others	7,588.63	5,504.27
	<b>8,136.75</b>	5,693.64
<b>NOTE '16'</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash in hand	1.65	1.25
Cheques in hand and Remittances in transit	-	0.23
With scheduled banks in:		
Current Accounts	115.94	222.88
Deposit Accounts as margin money	732.72	185.72
Deposit Accounts	105.15	27.47
Unclaimed dividend accounts	0.21	0.21
	<b>955.67</b>	437.76
<b>NOTE '17'</b>		
<b>SHORT TERM LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advance income tax	172.67	162.53
Advance fringe benefit tax	0.83	0.92
Interest accrued	100.43	54.48
Prepaid expenses	61.21	30.32
Intercorporate Loans	1,554.07	1,554.07
Advances recoverable in cash or in kind or for value to be received	4,544.56	3,711.54
	<b>6,433.77</b>	5,513.86
<b>NOTE '18'</b>		
<b>OTHER CURRENT ASSETS</b>		
Miscellaneous Expenditure (to the extent not written off)	0.50	1.00
Deferred premium	10.27	-
	<b>10.77</b>	1.00

(in Rs. Lakhs)

	March 31, 2012	March 31, 2011
<b>NOTE '19'</b>		
<b>OTHER INCOME</b>		
Sale of shared services including facilities and personnel	236.07	221.20
Dividend from subsidiary company	-	56.10
Balances written back	-	6.26
Interest	286.22	175.02
Miscellaneous income	3.68	15.76
Income from Infrastructure and support services	180.00	180.00
	<b>705.97</b>	<b>654.34</b>
<b>NOTE '20'</b>		
<b>COST OF SALES AND SERVICES</b>		
(Increase)/decrease in stock	(2,446.20)	(249.48)
Purchases and other direct cost	23,617.71	12,840.18
	<b>21,171.51</b>	<b>12,590.70</b>
<b>NOTE '21'</b>		
<b>EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, wages and bonus (*includes contribution to providend and other funds, staff welfare, staff training and other expenses)	1,364.56	1,298.19
	<b>1,364.56</b>	<b>1,298.19</b>
<b>NOTE '22'</b>		
<b>FINANCE COST</b>		
Interest on borrowings	910.46	662.16
Other Borrowing Cost	130.55	90.91
Loss on foreign currency transaction & translation	226.54	50.29
	<b>1,267.55</b>	<b>803.36</b>

(in Rs. Lakhs)

	March 31, 2012	March 31, 2011
<b>NOTE '23'</b>		
<b>OTHER EXPENSES</b>		
Rent	266.65	273.59
Electricity and water charges	218.88	210.57
Communication	98.64	94.18
Travelling and conveyance	157.72	149.30
Repair, maintenance and office expenses	200.87	180.35
Legal and Professional charges	169.16	156.29
Bank Charges	118.10	97.84
Security and support staff	49.94	44.43
Lease Rental	348.41	251.78
Membership and subscription	11.79	6.46
Printing and stationery	18.20	13.74
Loss on sale/discarding of fixed assets	8.16	3.15
Loss on sale of Investment	13.71	-
Insurance premium	25.77	23.78
Auditors remuneration	1.99	1.99
Bad debts written off	1.40	24.32
Directors' sitting fees	0.18	0.23
Conferences & Meetings	20.11	9.49
Miscellaneous expenses	42.51	68.37
Preliminary Exp written off	0.50	0.50
Exchange Differences	4.04	5.96
Provision for Diminution in value of investment	0.44	-
Advertising and marketing	98.59	329.91
Entertainment and business promotion	98.17	83.81
Sales commission and incentives	22.78	20.66
Exhibition expenses	1.70	2.64
	<b>1,998.41</b>	<b>2,053.34</b>
<b>Payments to the auditor</b>		
As Auditor:		
Audit Fee	1.65	1.66
Tax Audit Fee	0.33	0.33
Limited Review	0.88	0.88
In Other Capacity:		
Other services	2.73	1.76

24. All amounts in the financial statements are presented in Rupees lakhs.
25. Previous year's figures have been regrouped, rearranged and reclassified, wherever necessary to confirm to current year's classification.

**26. Deferred Tax**

Provision for deferred tax for the year ended March 31, 2012 has been made in accordance with the provisions of Accounting Standard 22 on Accounting for Taxes on Income, issued by The Institute of Chartered Accountants of India. The deferred tax charge of Rs. 124.39/- (Previous year - Rs. 77/-), for the current year has been recognized in the Profit & Loss Account and comprises of the following:

	2011-12	2010-11
Related to fixed assets	124.39	97.01
Provisions charged in the financial statements but allowed as a deduction under the Income Tax Act in future years (To the extent considered realizable)	-	20.01
	<b>124.39</b>	<b>77.00</b>

**27. Value of Imports on CIF Basis (on accrual basis)**

	2011-12	2010-11
Capital Goods	5.19	133.26
	<b>5.19</b>	<b>133.26</b>

**28. Earnings in Foreign Exchange (on accrual basis)**

	2011-12	2010-11
Income from sales and services	1,240.53	1,533.42
	<b>1,240.53</b>	<b>1,533.42</b>

### 29. Expenditure in Foreign Currency (on accrual basis)

	2011-12	2010-11
Domains	898.65	788.67
Travelling	0.98	4.20
Consultancy	34.86	30.63
Membership and Subscription Charges	4.50	4.11
Others	12.47	16.43
	<b>951.46</b>	<b>844.04</b>

### 30. Managerial Remuneration

	2011-12	2010-11
Salary	50.44	50.44
Contributions to Provident and other funds	5.28	5.28
Sitting Fees	0.18	0.23
Total Remuneration	<b>55.90</b>	<b>55.95</b>

The computation of net profits in accordance with Section 309(5) read with section 349 of the Companies Act, 1956, has not been given as the company does not envisage any payment of commission to directors.

### 31. Provision for Doubtful Debts

Periodically the company evaluates all customer dues to the company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, and general economic factors, which could affect the customer's ability to settle. As at March 31, 2012, the company has not provided for any doubtful debts as the company is confident of collecting all amounts due nor written off any amount as bad debts during the year.

The company has written off Rs. 1.40/- (P.Y. Rs. 24.32/-) as bad debts during the year.

### 32. Segment Information

The company's operations predominantly relate to providing IP Communications sales and services. There is thus only one reportable business segment encompassing a comprehensive range of services, including software development, packaged software integration, collocation, web hosting, web development, web mailing solutions, internet telephony and sales and integration of related networking equipment.

Secondary segmental reporting is performed on the basis of the geographical location of customers.

#### Geographical Segment

(Rs. in Lakhs)

Particulars	Year ended March 31,2012		Year ended March 31,2011	
	Domestic	Overseas	Domestic	Overseas
Revenues	29,023.50	1,240.53	18,164.08	1,533.42
Net Fixed Assets	5,683.34	-	5,002.79	-
Debtors	7,896.00	240.75	5,693.64	-
Current Assets (Other than Debtors)	12,047.81	-	1,040.13	-

33. Term Deposits aggregating to Rs.732.72/- (P.Y.Rs. 185.72/-) have been pledged with Bank as a security towards facilities availed from Bank.

34. Sundry Creditors, to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company, do not include amounts greater than Rs. One Lakh outstanding for more than thirty days.

### 35. Leases

The Company's leasing arrangements are in respect of operating leases for premises (residential, office, stores etc). These leasing arrangements which are not non cancellable range between 11 months and 3 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are shown as Lease Rentals under Note '23'.

The Company also has leased facilities under non – cancellable operating leases for equipments for a period of 3 years. The future lease payments in respect of these leases are as follows:

	March 31, 2012
Obligations on non cancellable leases :	
Not later than one year	488.04
Later than one year but not later than five years	566.94
Total	1,054.98

### 36. Borrowing Costs

The amount of borrowing costs capitalized during the year is Rs. 58.74.

### 37. Employee Benefits

#### Defined Benefit Plans

In accordance with Accounting Standard 15 (AS 15)-“Employee Benefits (Revised 2005)”, an actuarial valuation has been carried out in respect of gratuity and compensated absences. The discount rate assumed is 8%. The retirement age has been considered at 58 years and mortality table is as per LIC (1994-96).

The following table’s sets out the disclosures relating to gratuity and leave encashment benefits as required by Accounting Standard-15, ‘Employee Benefits’:

Changes in the present value of obligations :	Gratuity As at 31/03/2012	Leave Encashment As at 31/03/2012
Present Value of Obligation at Beginning of year	49.15	9.75
Acquisition Adjustment	--	--
Interest Cost	3.92	0.61
Past Service Cost	--	--
Current Service Cost	13.31	4.52
Curtailement cost	--	--
Settlement Cost	--	--
Benefits Paid	0.31	4.15
Actuarial gain/loss on Obligations	18.62	14.09
<b>Present Value of Obligation at end of Year</b>	<b>84.69</b>	<b>24.82</b>

Changes in the fair value of plan assets :	Gratuity As at 31/03/2012
Fair Value of Plan Asset at Beginning of year	14.62
Acquisition Adjustment	--
Expected Return on Plan Asset	1.17
Contributions	11.06
Benefits Paid	0.31
Actuarial gain/loss on Plan Asset	(0.86)
<b>Fair Value of Plan Asset at End of year</b>	<b>25.68</b>

Reconciliation of present value of defined benefit obligation and the fair value of plan assets :	Gratuity As at 31/03/2012
Present Value of Obligation at end of Year	84.69
Fair Value of Plan Asset at end of year	25.68
Funded Status	(59.01)
Unrecognized actuarial gain/loss at end of the year	--
<b>Net Asset(Liability) Recognized in Balance Sheet</b>	<b>(59.01)</b>

Expenses recognized in the Profit & Loss Account :	Gratuity As at 31/03/2012	Leave Encashment As at 31/03/2012
Current Service Cost	13.31	4.52
Past Service Cost	--	--
Interest Cost	3.92	0.61
Expected Return on Plan Assets	1.17	--
Curtailement Cost	--	--
Settlement Cost	--	--
Actuarial gain/loss recognized in the year	19.47	14.09
<b>Expense recognized in Statement of Profit/Loss</b>	<b>35.54</b>	<b>19.23</b>

The following table sets out the assumptions used in valuation of gratuity and leave encashment:

Actuarial Assumptions	Gratuity As at 31/03/2012	Leave Encashment As at 31/03/2012
Mortality Rate	LICI 1994-1996	LICI 1994-1996
Superannuation Age	58	58
Early Retirement & Disablement	21.23 %	21.23 %
Discount Rate	8.00 %	8.00 %
Inflation Rate	5.00 %	5.00 %
Return on Asset	8.00 %	0.00 %
Remaining Working Life	25	25
Formula used	Projected Unit Credit Method	Projected Unit Credit Method

**38. Related Party Disclosures as required by Accounting Standard-18:**

List of Related Parties and Relationships:

**i) Holding Companies:**

Nil

**ii) Subsidiaries of the Company:**

Domestic

Net 4 Communications Ltd

Pipetel Communications Private Limited

Net 4 Network Services Limited

Overseas

Net 4 HK Limited

**iii) Entity having Significant Influence:**

Trak Online Net India Pvt Ltd.

Jiwan Financial Holdings Ltd

**iv) Key Management Personnel and relatives of such personnel:**

Executive Directors

Jasjit Sawhney\*

Amarjit S. Sawhney\*

Non Executive Directors

Desi Subri Valli

Relative of Director

Pawanjot Kaur Sawhney

Suzane S Pai

\* Details of remuneration paid to directors are given in Note 30 above.

**v) Entity where relative of Key Management Personnel exercises significant influence:**  
Sterling Capital Pvt Ltd

**Significant Related Party Transactions**

(Rs. in lakhs)

Nature of Transaction	Subsidiary Company	Entity having significant influence	Key Management Personnel and their relatives	Total
Revenue Transactions				
Purchase of goods and services	973.10	--	--	973.10
Previous year	--	1,388.74	--	1,388.74
Sale of Goods & Services	--	0.51	--	0.51
Previous year				
Sharing of costs and services including facilities and personnel	376.07	60.00	--	436.07
Previous year	241.20	180.00	--	421.20
Dividend received	--	--	--	--
Previous year	56.00	--	--	56.00
Balances at the end of the year				
Unsecured Loans	--	--	205.00	205.00
Current Liabilities	49.91	--	--	49.91
Current Assets	209.80	--	--	209.80

**39. Basic Earnings Per Share**

	2011-12	2010-11
Net Profit after tax available for equity shareholders	2,338.78	1,488.28
Weighted average number of equity shares	20,058,250	19,497,793
Basic earnings per share (Rs.)	11.66	7.63

The Company does not have any outstanding dilutive potential equity shares. Consequently, the basic and diluted earnings per share of the company remain the same.

#### 40. Contingent Liabilities

	2011-12	2010-11
(a) Claims against the company not acknowledged as debts	2.56	2.56
(b) Guarantees		
▪ Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others	206.96	10.60
▪ Guarantees to banks against credit facilities extended to subsidiary	6,832	4,112
▪ Guarantees to Banks against credit facilities extended to associates	--	1,000
(c) Others		
▪ Disputed Income tax demand for A/Y 09-10, including interest, though appeal filed*	265.61	--
▪ Disputed Income tax demand for A/Y 08-09, including interest, though appeal filed*	40.28	40.28

\* Based on past experience, there is a highly fair chance of liability being quashed.

41. It is not possible to furnish details of the quantities, due to heterogeneity of the items involved. Also, the Company is primarily engaged in the provision of services related to internet, which cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under revised Schedule VI to the Companies Act, 1956.
42. Note '1' to '42' form an integral part of the Balance Sheet and Profit and Loss Account.

Signatures to Schedule '1' to '42'

#### For Sandy Associates

Chartered Accountants,

Sd/-  
Sandeep Gupta  
Proprietor  
Membership No : 86069  
FRN No. :0007337N

Place : Noida  
Date : May 28, 2012

#### For and on behalf of the Board of Directors

Sd/-  
Amarjit S. Sawhney  
Director

Sd/-  
Jasjit S. Sawhney  
CMD

Sd/-  
Desi S. Valli  
Director

Sd/-  
Archna Walia  
Company Secretary

## Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary companies

1	Name of Subsidiary Company	Net 4 Communications Ltd	Pipetel Communication Pvt Ltd.	Net 4 HK Ltd.	Net 4 Network services Ltd
2	Financial year ended	31.03.2012	31.03.2012	31.03.2012	31.03.2012
3	Date from which it became Subsidiary Company	08.07.2005	27.05.2011	11.05.2011	18.05.2011
4	a Shares held by the holding company in the Subsidiary at the end of the financial year of the Subsidiary	28,05,000 equity shares of Rs.10 each fully paid up	64,775 equity shares of Rs.10 each fully paid up	10,000 equity shares of HKD 1 each fully paid up	5,000 equity shares of Rs.10 each fully paid up
	b Extent of interest of holding company at the end of the financial year of the Subsidiary companies	100%	100%	100%	100%
5	The net aggregate amount of profits or losses of the Subsidiary so far as it concerns the members of holding company				
	a Not dealt with in the holding company's accounts:				
	i) For the financial year ended 31st March 2012	Rs. 833.44 lakhs	Rs. 237.82 lakhs	Loss: Rs. .002 lakhs	Loss: Rs. .20 lakhs
	ii) For the previous financial years	Rs. 680.70 lakhs	N.A	N.A	N.A
	b Dealt with in the holding company's accounts:				
	i) For the financial year ended 31st March 2012	Nil	Nil	Nil	Nil
	ii) For the previous financial years	Nil	Nil	Nil	Nil
6	Changes in the interest of the Company between the end of the Subsidiary's financial year and 31st March 2012:	N.A	N.A	N.A	N.A
	Number of Shares acquired				
7	Material changes between the end of the Subsidiary's financial year and 31st march 2011 (Rs in lakhs)				
	a Fixed Assets (net additions)	N.A	N.A	N.A	N.A
	b Investments made	N.A	N.A	N.A	N.A
	c Investments sold	N.A	N.A	N.A	N.A
	d Moneys lent by the Subsidiary Company	N.A	N.A	N.A	N.A
	e Moneys borrowed by the Subsidiary Company other than for meeting current liabilities	N.A	N.A	N.A	N.A

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**For and on behalf of the Board of Directors**

Sd/-  
Amarjit S. Sawhney  
Director

Sd/-  
Jasjit S. Sawhney  
CMD

Place : Noida  
Date : May 28, 2012

Sd/-  
Desi S. Valli  
Director

Sd/-  
Archana Walia  
Company Secretary

## Details of Subsidiary Companies

(Rs. in lakhs)

1	Name of Subsidiary Company	Net 4 Communications Ltd	Pipetel Communication Pvt Ltd.	Net 4 HK Ltd.	Net 4 Network services Ltd
2	Capital	280.50	7.20	0.67	5.00
3	Reserves	4,578.24	1,125.77	(0.00)	(0.20)
4	Total Assets	13,280.43	2,836.18	0.67	5.19
5	Total Liabilities	13,280.43	2,836.18	0.67	5.19
6	Investments	-	-	-	-
7	Total Income	14,529.98	2,909.90	-	-
8	Profit Before taxation	1,233.73	352.04	(0.00)	(0.20)
9	Provision for taxation	400.29	114.22	-	-
10	Profit After taxation	833.44	237.82	(0.00)	(0.20)
11	Proposed Dividend	-	-	-	-
12	Tax on dividend	-	-	-	-

### For and on behalf of the Board of Directors

Sd/-  
Amarjit S. Sawhney  
Director

Sd/-  
Jasjit S. Sawhney  
CMD

Place : Noida  
Date : May 28, 2012

Sd/-  
Desi S. Valli  
Director

Sd/-  
Archana Walia  
Company Secretary

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**CONSOLIDATED  
FINANCIAL STATEMENTS  
AND NOTES  
THERE TO**

To,  
The Board of Directors of Net 4 India Ltd.

1. We have audited the attached consolidated Balance Sheet of M/s. Net 4 India Ltd Group, as at March 31, 2012, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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. We did not audit the financial statements of the subsidiaries (Net 4 Communications Limited and Net 4 HK Limited), whose financial statements reflect total assets of Rs. 13,281.10 lakhs as at March 31, 2012 and total revenues of Rs. 14,529.98 lakhs for the year than ended and cash outflows amounting to Rs. 46.35 lakhs. These financial statements and other financial information have been audited by other auditors whose report have been furnished to us, and our opinion, is based solely on the report of such other auditors. Financial Statements of foreign subsidiary have been accounted based on unaudited financial results.

4. We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of the information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Net 4 India Ltd Group as at 31<sup>st</sup> March, 2012; and
- (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Net 4 India Ltd Group for the year ended on that date; and
- (c) In the case of the Consolidated Cash Flow Statement, of the cash flows of the Net 4 India Ltd Group for the year ended on that date.

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**Place: Noida**  
**Dated: May 28, 2012**

**For Sandy Associates**  
**Chartered Accountants**

**Sd/-**  
**(Sandeep Gupta)**  
**Proprietor**  
**Membership No: 86069**  
**FRN No: 007337N**

# CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2012

(in Rs. Lakhs)

	Note	March 31, 2012	March 31, 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's Fund</b>			
Share Capital	2	2,006.55	2,005.83
Reserves & Surplus	3	14,051.63	10,072.37
<b>Non Current Liabilities</b>			
Long Term Borrowings	4	2,389.21	1,953.69
Deferred Tax Liabilities		1,261.74	1,026.48
Long Term Provisions	5	112.97	166.02
<b>Current Liabilities</b>			
Short Term Borrowings	6	10,614.32	5,659.51
Trade Payables	7	7,748.85	5,230.39
Other Current Liabilities	8	3,539.85	2,740.69
Short Term Provisions	9	472.46	172.20
		<b>42,197.58</b>	<b>29,027.18</b>
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Fixed Assets	10		
Tangible assets		8,320.54	7,098.84
Intangible assets		382.10	403.04
Capital Work in Progress		508.80	202.02
Long Term Investment	11	72.45	137.76
Long Term loans and Advances	12	1,395.92	959.67
<b>Current Assets</b>			
Current Investments	11	1.56	2.00
Inventories	13	7,478.70	3,459.03
Trade Receivables	14	12,939.57	8,878.36
Cash and Cash Equivalents	15	1,412.25	695.19
Short Term Loans & Advances	16	9,657.82	7,190.27
Other Current Assets	17	27.87	1.00
		<b>42,197.58</b>	<b>29,027.18</b>
Significant accounting policies	1		

As per our report of even date attached,

**For Sandy Associates**

Chartered Accountants,

Sd/-  
Sandeep Gupta  
Proprietor  
Membership No : 86069  
FRN No: 007337N

Place : Noida  
Date : May 28, 2012

**For and on behalf of the Board of Directors**

Sd/-  
Amarjit S. Sawhney  
Director

Sd/-  
Desi S. Valli  
Director

Sd/-  
Jasjit S. Sawhney  
CMD

Sd/-  
Archna Walia  
Company Secretary

# CONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012

(in Rs. Lakhs)

	Note	2011 - 12	2010 - 11
<b>CONTINUING OPERATIONS</b>			
<b>Revenue from operations</b>			
Domestic		44,493.18	28,466.10
Overseas		2,015.51	1,891.34
		<u>46,508.69</u>	<u>30,357.44</u>
<b>Other Income</b>	18	<u>433.95</u>	<u>411.58</u>
<b>Total Revenue (1+2)</b>		<b><u>46,942.64</u></b>	<b><u>30,769.02</u></b>
<b>Expenses</b>			
Cost of Sales and Services	19	32,814.61	20,560.97
Employee Benefit Expenses	20	1,478.28	1,416.25
Finance Costs	21	1,999.62	1,179.26
Depreciation & Amortization Expense	10	3,076.87	2,128.20
Other Expenses	22	2,523.10	2,287.17
		<u>41,892.48</u>	<u>27,571.85</u>
<b>Total Expenses</b>		<b><u>41,892.48</u></b>	<b><u>27,571.85</u></b>
<b>Profit Before Tax (3-5)</b>		<b><u>5,050.16</u></b>	<b><u>3,197.17</u></b>
<b>Tax Expense</b>			
Current Tax expense for current year		1,400.68	966.00
Deferred Tax		235.27	118.11
		<u>1,635.95</u>	<u>1,084.11</u>
<b>Profit for the year</b>		<b><u>3,414.21</u></b>	<b><u>2,113.06</u></b>
Earning per Equity Share - Basic (Rs.)		17.02	10.84
Earning per Equity Share - Diluted (Rs.)		17.02	10.84
Significant Accounting Policies	1		

As per our report of even date attached,

**For Sandy Associates**

Chartered Accountants,

Sd/-

Sandeep Gupta

Proprietor

Membership No : 86069

FRN No: 007337N

Place : Noida

Date : May 28, 2012

**For and on behalf of the Board of Directors**

Sd/-

Amarjit S. Sawhney

Director

Sd/-

Desi S. Valli

Director

Sd/-

Jasjit S. Sawhney

CMD

Sd/-

Archna Walia  
Company Secretary

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(in Rs. Lakhs)

	2011-12	2010-11
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and Extraordinary items	5,050.16	3,197.17
Adjustments for :		
Depreciation & amortisation	3,076.87	2,128.20
Assets discarded/ Loss on sale of fixed assets	6.83	1.68
Loss on sale of investment	13.72	
Bad debts	1.73	24.32
Interest costs	1,999.62	1,003.83
Interest and dividend income	(357.61)	(206.64)
Preliminary Exp written off	1.83	0.59
Provision for dimunition in value of investment	0.44	
<b>Operating Profit before Working Capital Changes</b>	<b>9,793.59</b>	<b>6,149.15</b>
Adjustments for :		
Trade Receivables	(4,062.95)	(3,467.92)
Inventories	(4,019.67)	(711.10)
Current Assets, Loans and Advances	(2,446.71)	(2,502.69)
Provision for retirement benefits	(55.01)	43.95
Current Liabilities	3,141.95	3,594.87
<b>Cash generated from Operations</b>	<b>2,351.20</b>	<b>3,106.26</b>
Taxes paid	(1,092.56)	(816.36)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>1,258.64</b>	<b>2,289.90</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>B. Purchase of fixed assets and change in capital work in progress</b>	(4,991.97)	(4,232.65)
Proceeds on disposal of fixed assets	400.72	308.46
Investment in shares	51.59	(66.27)
Adjustment of opening reserve for subsidiaries formed during the year	51.82	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(4,487.84)</b>	<b>(3,990.46)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	0.73	161.05
Proceeds from securities premium	422.74	1,448.16
Proceeds from secured loans	3,486.95	1,092.81
Nett proceeds from unsecured loans	1,677.85	(142.49)
Dividends paid during the period	-	(74.35)
Dividend tax paid during the period	-	(12.63)
Interest costs	(1,999.62)	(1,003.83)
Interest income	357.61	206.64
<b>NET CASH USED FROM FINANCING ACTIVITIES</b>	<b>3,946.26</b>	<b>1,675.36</b>

(in Rs. Lakhs)

	2011-12	2010-11
<b>D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)</b>	717.06	(25.20)
CASH AND CASH EQUIVALENTS , beginning of period (Refer Note)	695.19	720.39
CASH AND CASH EQUIVALENTS , end of the year (Refer Note)	1,412.25	695.19

**Note: (1) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard -3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.**

**(2) Previous year's figures have been regrouped wherever necessary.**

**For and on behalf of the Board of Directors**

Sd/-  
Amarjit S. Sawhney  
Director

Sd/-  
Jasjit S. Sawhney  
CMD

Place : Noida  
Date : May 28, 2012

Sd/-  
Desi S. Valli  
Director

Sd/-  
Archana Walia  
Company Secretary

**AUDITORS' CERTIFICATE**

We have verified the above Cash Flow Statement of Net 4 India Ltd derived from the audited financial statements for the year ended March 31, 2012, and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the listing agreement with stock exchange.

**For Sandy Associates**  
Chartered Accountants,

Sd/-  
Sandeep Gupta  
Proprietor  
Membership No : 86069  
FRN No: 007337N

Place : Noida  
Date : May 28, 2012

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

## 1. Significant Accounting Policies

### a. Basis of accounting and preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting principles ("GAAP") under the historical cost convention on an accrual basis. GAAP comprises mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956, and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates all recently issued or revised accounting standards on an ongoing basis.

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements.

### b. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. The management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

Where no reliable estimate can be made; a disclosure is made as contingent liability. Actual results could differ from those estimates and the difference between the actual results and the estimates are recognized in the periods in which the results are known.

### c. Inventories

Inventories are valued at the lower of cost (determined on First in First out basis) and estimated net realizable value.

Cost is inclusive of all purchase costs and other costs incurred in bringing the inventories to their present location and conditions.

### d. Fixed Assets and Depreciation

#### (i) Tangible Assets:

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Costs directly attributable to the purchase of fixed assets are capitalized until fixed assets are ready for use. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use before the balance sheet date.

All assets discarded/ dismantled are written off assuming that the scrap value for the same is Nil. If and when such discarded assets are disposed off partially or fully, the amounts realized during the year are credited to the profit and loss account of that year.

(ii) **Depreciation:**

Depreciation of Fixed Assets is provided on a pro-rata basis on the written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956, on all assets, except for the following:

Leasehold improvements are depreciated over the remaining period of lease or 10 years whichever is lesser.

Individual low cost assets (acquired for less than Rs.5,000/-) are depreciated within a year of acquisition.

(iii) **Intangible Assets and amortization:**

Intangible assets are amortized over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the company for its use. Management, using reasonable and supportable assumptions, has estimated the useful lives for the intangible assets as follows:

Trademarks      20 years

Goodwill         10 years

Trademarks represent the brand image of the company and constitute an asset with no limited useful life. Based on advice received by the management and as per the provisions of the Trade Marks and Merchandise Act of 1999, the company can retain the ownership and registration of the trademarks perpetually by renewing the registration at the end of every ten years, leading to the view that the useful life of its trademarks are unlimited.

However, as a matter of abandon precaution, the cost of the Trademarks is being amortized over a period of 20 years.

**e. Impairment of Assets**

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss, except in case of revalued assets.

**f. Investments**

Trade investments are the investments made to enhance the company's business interests. Investments are either classified as current or noncurrent based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Non Current Investments are stated at cost. Provision for diminution in their value is made only if such a decline is other than temporary in the opinion of the management.

**g. Revenue Recognition**

**Sale of Goods**

The Company recognizes revenue on accrual basis. Revenue from the sale of hardware/software products is recognized when the sale is completed with the passing of title.

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### [Income from Services](#)

Revenue from services is recognized in the ratio of period expired over the total agreement period. Revenue from Fixed Price Contracts is recognized proportionately over the period in which services are rendered. The consideration received from the customer's in respect of certain online services for an extended period is accounted for as revenue in the financial year in which consideration is received. Costs related to the revenue are also recognized in the same period. Hence the gross margin is not impacted (i.e. not overstated or understated). This method of revenue recognition and cost related to it is being consistently followed from previous year.

### [Other Income](#)

Other income is recognized on accrual basis. Dividend income is recognized when the company's right to receive dividend is established.

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and the carrying value of the investment.

## **h. Foreign Currency Transactions**

### [Initial recognition](#)

Transactions in foreign currencies entered into by the company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of transaction.

### [Measurement of foreign currency monetary items at the Balance Sheet date](#)

Foreign currency monetary items (other than derivative contracts) of the Company and its net investment in non-integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates.

In the case of integral operations, assets and liabilities (other than non-monetary items), are translated at the exchange rate prevailing on the Balance Sheet date. Non-monetary items are carried at historical cost. Revenue and expenses are translated at the exchange rates on the date of transaction. Exchange differences arising out of these translations are charged to the Statement of Profit and Loss.

### [Treatment of Exchange Difference](#)

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company and its integral foreign operations are recognized as income or expense in the Statement of Profit and Loss. The exchange differences on restatement / settlement of loans to non-integral foreign operations that are considered as net investment in such operations are accumulated in a "Foreign currency translation reserve" until disposal / recovery of the net investment.

The exchange differences arising on restatement / settlement of long-term foreign currency monetary items are capitalized as part of the depreciable fixed assets to which the monetary item relates and depreciated over the remaining useful life of such assets or amortized on settlement / over the maturity period of such items if such items do not relate to acquisition of depreciable fixed assets. The unamortized balance is carried in the Balance Sheet as “Foreign currency monetary item translation difference account” net of the tax effect thereon.

#### [Accounting of forward contracts](#)

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortized over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

#### i. [Employee Benefits](#)

Employee benefits include provident fund, gratuity fund, compensated absences and long service awards

#### [Defined contribution plans](#)

The Company’s contributions to provident fund are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

#### [Defined benefit plans](#)

For defined benefit plans in the form of gratuity fund, 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 the Statement of Profit and Loss in 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 a 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 benefit obligation as adjusted for unrecognized past service cost, 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 schemes.

#### j. [Research and Development](#)

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure is included in the respective heads under fixed assets and depreciation thereon is charged to the profit and loss account.

#### **k. Borrowing Cost**

Borrowing costs include interest; amortization of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilized for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset up to the date of capitalization of such asset is added to the cost of the assets. Capitalization of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

#### **l. Leases**

Lease rentals in respect of assets taken on 'Operating Lease' are charged to the profit & loss Account on straight line basis over the lease term.

#### **m. Earnings per Share**

Basic earnings per share (EPS) is calculated by dividing the net profit after tax for the year (including the post-tax effect of extraordinary items, if any) attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue and share split.

Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

#### **n. Taxes on Income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realize such assets. Deferred tax assets are recognized for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their reliability.

**o. Cash Flow Statement**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing, and investing activities of the company are segregated.

**p. Provision and contingencies**

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

The disclosure is made for all possible or present obligations that may but probably will not require outflow of resources as contingent liability. Contingent liabilities are disclosed in the Notes.

(in Rs. Lakhs)

	March 31,2012		March 31,2011	
	No.	Rs.	No.	Rs.
<b>NOTE '2'</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity Shares of Rs 10 each with voting rights	24,000,000	2,400.00	24,000,000	2,400.00
Preference Shares of Rs 10 each	1,000,000	100.00	1,000,000	100.00
		<b>2,500.00</b>		<b>2,500.00</b>
<b>Issued, Subscribed and Paid -up</b>				
2,00,58,250 (P.Y.2,00,58,250) Equity Shares of Rs.10 each fully paid up	20,058,250	2,005.83	20,058,250	2,005.83
7,198 Preference Shares of Rs 10 each	7,198	0.72		-
		<b>2,006.55</b>		<b>2,005.83</b>
<b>a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period.</b>				
	No.	Rs.	No.	Rs.
Equity Shares with voting rights				
At the begning of the period	20,058,250	2,005.83	18,447,812	1,844.78
Issued during the period	-	-	1,610,438	161.05
At the end of the period	<b>20,058,250</b>	<b>2,005.83</b>	20,058,250	2,005.83
<b>b) Details of shareholders holding more than 5% shares in the company</b>				
	No.	% holding	No.	% holding
Equity shares with voting rights				
Jiwan Financial Holdings Limited	3,500,000	17.45%	3,500,000	17.45%
Trak Online Net India (P) Limited	4,900,000	24.43%	4,900,000	24.43%
Sterling Capital (P) Limited	2,387,167	11.90%	2,387,167	11.90%
Madison India Capital HC	1,697,812	8.46%	1,697,812	8.46%

(in Rs. Lakhs)

	March 31,2012	March 31,2011
<b>NOTE '3'</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Securities Premium Reserve</b>		
Opening Balance	4,491.12	2,620.22
Addition during the year	-	1,448.16
<b>Closing balance</b>	<b>4,491.12</b>	<b>4,068.38</b>
<b>General Reserve</b>		
Opening Balance	542.85	542.85
Add: Transferred from Surplus in statement of Profit & Loss Account		
<b>Closing balance</b>	<b>542.85</b>	<b>542.85</b>
<b>Foreign currency translation reserve</b>		
Opening balance		
Add / (Less): Effect of foreign exchange rate variations during the year	56.10	-
Add / (Less): Transferred to Statement of Profit and Loss on disposal of the net investment in non-integral foreign operations	-	-
<b>Closing balance</b>	<b>56.10</b>	<b>-</b>
<b>Surplus/ (deficit) in the statement of Profit and loss</b>		
Opening balance	5,517.57	3,351.48
Add: Profit for the year	3,414.21	2,113.06
Less: Proposed Dividend & Tax thereon written back	-	
Add: Excess provision for tax for earlier years, written back	15.96	10.73
Add: Reserve for the subsidiary deregistered	13.82	7.33
<b>Net surplus in the statement of profit &amp; loss</b>	<b>8,961.56</b>	<b>5,461.14</b>
<b>Total Reserves &amp; Surplus</b>	<b>14,051.63</b>	<b>10,072.37</b>

(in Rs. Lakhs)

	March 31,2012	March 31,2011
<b>NOTE '4'</b>		
<b>LONG TERM BORROWINGS</b>		
Secured		
- Term Loan from Banks	469.21	619.52
- Vehicle Loans	9.39	35.95
Unsecured		
- From Banks/Institutions	1,005.09	456.04
- From Others	205.00	205.00
- Fixed Deposits	700.52	637.18
	<u>2,389.21</u>	<u>1,953.69</u>

a. Term Loan SBI was taken in FY 2011-12 and carries interest @ 5%+SBI Base Rate p.a. The loan is repayable in 60 monthly installments. Term Loan is secured by hypothecation of entire current assets and fixed assets of the company, It is also secured against residential property situated at Brighton, East Sussex, London and B-4/39, Safdarjung Enclave New Delhi, Land and Building at D 25, Sector 3, Noida, negative lien marked on agricultural Land in Gurgaon. Further, the loan has been secured by personal guarantees of the directors.

b. Vehicle loan from Kotak Mahindra and ICICI Bank is secured by hypothecation of vehicles. The loan is repayable in monthly installments and carries interest @ 10%-12% p.a.

c. Unsecured Loan from Banks and Financial Institutions carries interest @ 7% to 19% p.a. and is repayable in monthly installments. Deposits from public carry interest @ 11% to 12.5 % and are repayable on maturity. Inter Corporate deposits from carry interest @ 15% to 17% and are repayable on maturity

d. Term Loan I from UBI was taken in FY 07-08 and carries interest @ 5%+UBI Base Rate p.a. The loan is repayable in 60 monthly installments of 3.5 lakhs each. Term Loan II from UBI was taken in FY 2008-09 and carries interest @ 5%+UBI Base Rate p.a. The loan is repayable in 48 monthly installments of 14.3 lakhs each, starting from April 2010. Term Loans are secured by hypothecation of entire current assets and fixed assets of the company. It is also secured against residential property of Mr Amarjit Singh Sawhney, Poorvi Marg, Vasant Vihar New Delhi, and Commercial Property at Abdul Hamid Street, Kolkata. Further, the loan has been guaranteed by corporate guarantees of Net 4 India and personal guarantees of the directors.

(in Rs. Lakhs)

	March 31,2012	March 31,2011
<b>NOTE '5'</b>		
<b>LONG TERM BORROWINGS</b>		
Provision for employee benefits		
- Provision for gratuity	87.07	130.19
- Provision for leave encashment	25.90	35.83
	<u>112.97</u>	<u>166.02</u>
<b>NOTE '6'</b>		
<b>SHORT TERM BORROWINGS</b>		
Secured		
- Cash Credit / Working Capital Loans (Secured against entire current assets)	8,797.78	4,358.91
Unsecured		
Fixed Deposits	649.98	608.93
Inter Corporate Loans	1,166.56	691.67
	<u>10,614.32</u>	<u>5,659.51</u>

a. Cash Credit from State Bank of India is secured by hypothecation of entire current assets and fixed assets of the company. It is also secured against residential property situated at Brighton, East Sussex, London and B-4/39, Safdarjung Enclave New Delhi, Land and Building at D 25, Sector 3, Noida, Agricultural Land in Gurgaon Further, the loan has been secured by personal guarantees of the directors. The cash credit is repayable on demand and carries interest @ 4%+SBI Base rate p.a.

b. Cash Credit from State Bank of Travancore is secured by margin money and hypothecation of entire current assets of the company and Fixed Deposit of 25% of sanctioned facilities. The loan has been guaranteed by corporate guarantees of Net 4 Communications Ltd and personal guarantees of the directors. The cash credit is repayable on demand and carries interest @ 4.5%+SBT Base rate p.a.

c. Cash Credit from State Bank of Hyderabad and United Bank of India is secured by hypothecation of entire current assets and fixed assets of the company. It is also secured against residential property of Mr Amarjit Singh Sawhney, Poorvi Marg, Vasant Vihar New Delhi, and Commercial Property at Abdul Hamid Street, Kolkata. Further, the loan has been guaranteed by corporate guarantee of Net 4 India and personal guarantee of the directors. The cash credit is repayable on demand and carries interest @ 4.25%+SBH Base rate p.a. for SBH and 5%+UBI Base Rate p.a. for UBI

d. Cash Credit State Bank of Travancore and Yes Bank is secured by hypothecation of entire current assets and fixed assets of the company, SBT being further secured by Fixed Deposit of 25% of sanctioned facilities. Further, the loan has been guaranteed by corporate guarantees of Net 4 India and personal guarantees of the directors. The cash credit is repayable on demand and carries interest @ 4%+SBT Base Rate p.a. for SBT and 4.75%+Yes Bank Base p.a. for Yes Bank.

(in Rs. Lakhs)

	March 31,2012	March 31,2011
<b>NOTE '7'</b>		
<b>TRADE PAYABLES</b>		
- Trade Payables	7,748.85	5230.39
	<u>7,748.85</u>	<u>5230.39</u>
<b>NOTE '8'</b>		
<b>OTHER CURRENT LIABILITIES</b>		
Current Maturities of Long term Debts	1,594.36	1,418.71
Interest Accrued but not due	57.97	27.37
Unearned revenue	70.66	28.72
Unclaimed dividend	0.23	0.23
Advances from customers	1,020.68	641.60
Accrued salaries and benefits	118.78	107.80
Expenses Payable	103.81	45.41
Withholding and other taxes payable	541.40	440.81
Other liabilities	31.96	30.04
	<u>3,539.85</u>	<u>2,740.69</u>
<b>NOTE '9'</b>		
<b>SHORT TERM PROVISIONS</b>		
Provision for employee benefits		
- Provision for gratuity	1.67	-
- Provision for leave encashment	0.53	4.15
Provision for Tax (Net of Advance Tax)	470.26	168.05
	<u>472.46</u>	<u>172.20</u>

(in Rs. Lakhs)

As at  
31.03.12Notes '10'  
FIXED ASSETS

Name	ORIGINAL COST				DEPRECIATION & AMORTIZATION				
	As at 01.04.11	Additions during year	Deductions	As at 31.03.12	As at 01.04.11	For the year	Deductions #	As at 31.03.12	As at 31.03.12
<b>TANGIBLE</b>									
Land	293.44	-	-	293.44	-	-	-	-	293.44
Building	571.58	-	-	571.58	113.20	22.92	-	136.12	435.46
Leasehold Improvements	33.78	15.26	-	49.04	12.93	4.49	-	17.42	31.62
Computers	11,144.22	4,509.29	3,016.89	12,636.62	5,475.60	2,885.64	2,617.64	5,743.60	6,893.02
Office Equipment	902.28	134.91	10.68	1,026.51	403.11	87.10	7.46	482.75	543.76
Furniture & Fixtures	326.91	3.97	18.54	312.34	234.80	16.86	13.49	238.17	74.17
Vehicles	190.75	-	0.23	190.52	124.49	17.15	0.19	141.45	49.07
Sub total	13,462.96	4,663.43	3,046.34	15,080.05	6,364.13	3,034.16	2,638.78	6,759.51	8,320.54
<b>INTANGIBLE</b>									
Goodwill	45.49	21.77	-	67.26	42.45	5.21	-	47.66	19.60
Trademarks	750.00	-	-	750.00	350.00	37.50	-	387.50	362.50
Hosting Platform	65.00	-	-	65.00	65.00	-	-	65.00	-
Technology	257.50	-	-	257.50	257.50	-	-	257.50	-
Sub total	1,117.99	21.77	-	1,139.76	714.95	42.71	-	757.66	382.10
Capital work in progress	202.02	306.78	-	508.80	-	-	-	-	508.80
Grand Total	14,782.97	4,991.98	3,046.34	16,728.62	7,079.08	3,076.87	2,638.78	7,517.17	9,211.43
Previous Year	13,245.70	4,365.73	2,828.46	14,782.97	7,469.20	2,128.20	2,518.32	7,079.08	7,703.89

(in Rs. Lakhs)

	March 31,2012	March 31,2011
<b>NOTE '11'</b>		
<b>INVESTMENTS</b>		
<b>(a) LONG TERM INVESTMENTS (UNQUOTED) AT COST</b>		
<b>Non Trade</b>		
9,900 (P.Y. 9,900) shares of Rs.10 each fully paid up of Net 4 Technology Ltd	0.99	0.99
70,500 (P.Y. 70,500) shares of Rs.100 each fully paid up of Net 4 Barter Pvt Ltd	70.50	70.50
NIL (P.Y.8,400) shares of Rs.10 each fully paid up at a premium of Rs. 500 per share of P Net Solutions Pvt Ltd.	-	42.84
NIL (P.Y.1,290) shares of Rs.10 each fully paid up at a premium of Rs. 600 per share of Masatya Technologies Pvt Ltd.	-	7.87
1 (P.Y.Nil) shares of 1500 Euro each fully paid up of Denic EG	0.96	-
NIL (P.Y.2550) shares of Rs.10 each fully paid up at a premium of Rs. 600 per share of Masatya Technologies Pvt Ltd.	-	15.56
	<u>72.45</u>	<u>137.76</u>
<b>(b) CURRENT INVESTMENTS</b>		
20,000 (P.Y. 20,000) units of Rs. 10 each	2.00	2
Less : Provision for Diminution in value of investment	(0.44)	-
	<u>1.56</u>	<u>2</u>
	<u>74.01</u>	<u>139.76</u>
Aggregate book value of quoted investments	2.00	2.00
Market Value of quoted investments	1.56	1.87
<b>NOTE '12'</b>		
<b>LONG TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Security Deposits	<u>1,395.92</u>	<u>959.67</u>
	<u><b>1,395.92</b></u>	<u><b>959.67</b></u>

(in Rs. Lakhs)

	March 31,2012	March 31,2011
<b>NOTE '13'</b>		
<b>INVENTORIES</b>		
(At lower of cost or net realisable value)		
Stock in trade	7,478.70	3,459.03
	<u>7,478.70</u>	<u>3,459.03</u>
<b>NOTE '14'</b>		
<b>TRADE RECEIVABLE</b>		
(Unsecured and considered good)		
Over six months	1,084.84	560.82
Others	11,854.73	8,317.54
	<u>12,939.57</u>	<u>8,878.36</u>
<b>NOTE '15'</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash in hand	2.27	1.80
Cheques in hand and Remittances in transit	-	0.23
With scheduled banks in:		
Current Accounts	156.80	296.31
Deposit Accounts as margin money	964.30	369.17
Deposit Accounts	288.67	27.47
Unclaimed dividend accounts	0.21	0.21
	<u>1,412.25</u>	<u>695.19</u>

(in Rs. Lakhs)

	March 31,2012	March 31,2011
<b>NOTE '16'</b>		
<b>SHORT TERM LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advance income tax	233.34	223.20
Advance fringe benefit tax	0.86	0.95
Interest accrued	115.75	55.15
Prepaid expenses	80.37	31.76
Intercompany Loans	1,554.07	1,554.07
Advances recoverable in cash or in kind or for value to be received	7,673.43	5,325.14
	<u>9,657.82</u>	<u>7,190.27</u>
<b>NOTE '17'</b>		
<b>OTHER CURRENT ASSETS</b>		
Miscellaneous Expenditure (to the extent not written off)	17.60	1.00
Deferred premium	10.27	-
	<u>27.87</u>	<u>1.00</u>

(in Rs. Lakhs)

	March 31, 2012	March 31, 2011
<b>NOTE '18'</b>		
<b>OTHER INCOME</b>		
Balances written back	6.61	6.26
Interest	357.61	206.64
Miscellaneous income	9.73	18.68
Income from Infrastructure and support services	60.00	180.00
	<u>433.95</u>	<u>411.58</u>
<b>NOTE '19'</b>		
<b>COST OF SALES AND SERVICES</b>		
(Increase)/decrease in stock	(4,019.68)	(711.11)
Purchases and other direct cost	36,834.29	21,272.08
	<u>32,814.61</u>	<u>20,560.97</u>
<b>NOTE '20'</b>		
<b>EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, wages and bonus (*includes contribution to providend and other funds, staff welfare, staff training and other expenses)	1,478.28	1,416.25
	<u>1,478.28</u>	<u>1,416.25</u>
<b>NOTE '21'</b>		
<b>FINANCE COST</b>		
Interest on borrowings	1,434.76	1,003.83
Other Borrowing Cost	338.32	125.14
Loss on foreign currency transaction & translation	226.54	50.29
	<u>1,999.62</u>	<u>1,179.26</u>

(in Rs. Lakhs)

	March 31, 2012	March 31, 2011
<b>NOTE '22'</b>		
<b>OTHER EXPENSES</b>		
Rent	284.79	291.18
Electricity and water charges	252.34	240.61
Communication	102.13	96.72
Travelling and conveyance	166.19	157.02
Repair, maintenance and office expenses	212.79	187.04
Legal and Professional charges	206.50	189.12
Bank Charges	216.49	152.63
Security and support staff	49.94	44.43
Lease Rental	608.92	300.12
Membership and subscription	11.96	6.64
Printing and stationery	19.64	14.07
Loss on sale/discarding of fixed assets	6.83	1.68
Loss on sale of investment	13.72	-
Insurance premium	31.86	28.17
Auditors remuneration	2.96	2.54
Bad debts written off	1.73	24.32
Directors' sitting fees	0.39	0.30
Conferences & Meetings	20.38	9.49
Miscellaneous expenses	68.62	95.15
Preliminary Exp written off	1.83	0.59
Exchange Differences	1.80	6.05
Provision for Diminution in value of investment	0.44	-
Advertising and marketing	98.69	330.11
Entertainment and business promotion	100.12	85.29
Sales commission and incentives	40.34	21.26
Exhibition expenses	1.70	2.64
	<b>2,523.10</b>	<b>2,287.17</b>
Payments to the auditor		
As Auditor:		
Audit Fee	2.18	2.04
Tax Audit Fee	0.63	0.50
Limited Review	0.88	0.88
In Other Capacity:		
Other services	2.73	1.76

23. All amounts in the financial statements are presented in Rupees lakhs.

24. Previous year's figures have been regrouped, rearranged and reclassified, wherever necessary to conform to current year's classification.

#### 25. Deferred Tax

Provision for deferred tax for the year ended March 31, 2012 has been made in accordance with the provisions of Accounting Standard 22 on Accounting for Taxes on Income, issued by The Institute of Chartered Accountants of India. The deferred tax charge of Rs. 235.27/- (Previous year - Rs. 118.11/-), for the current year has been recognized in the Profit & Loss Account and comprises of the following:

	2011-12	2010-11
Related to fixed assets	235.27	138.99
Provisions charged in the financial statements but allowed as a deduction under the Income Tax Act in future years (To the extent considered realizable)	--	20.88
	<u>235.27</u>	<u>118.11</u>

#### 26. Value of Imports on CIF Basis (on accrual basis)

	2011-12	2010-11
Capital Goods	5.19	133.26
	<u>5.19</u>	<u>133.26</u>

#### 27. Earnings in Foreign Exchange (on accrual basis)

	2011-12	2010-11
Income from sales and services	2,015.51	1,891.34
	<u>2,015.51</u>	<u>1,891.34</u>

## 28. Expenditure in Foreign Currency (on accrual basis)

	2011-12	2010-11
Domains		
Travelling	898.65	788.67
Consultancy	0.98	4.20
Membership and Subscription Charges	34.86	30.63
Others	4.50	4.11
	<u>28.17</u>	<u>16.43</u>
	<u><b>967.16</b></u>	<u><b>844.04</b></u>

## 29. Managerial Remuneration

	2011-12	2010-11
Salary		
Contributions to Provident and other funds	65.69	65.69
Sitting Fees	7.08	7.08
Total Remuneration	<u>0.27</u>	<u>0.30</u>
	<u><b>73.04</b></u>	<u><b>73.07</b></u>

The computation of net profits in accordance with Section 309(5) read with section 349 of the Companies Act, 1956, has not been given as the company does not envisage any payment of commission to directors.

## 30. Provision for Doubtful Debts

Periodically the company evaluates all customer dues to the company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, and general economic factors, which could affect the customer's ability to settle. As at March 31, 2012, the company has not provided for any doubtful debts as the company is confident of collecting all amounts due.

The company has written off Rs. 1.73/- (P.Y. Rs. 24.32/-) as bad debts during the year.

## 31. Segment Information

The company's operations predominantly relate to providing IP Communications sales and services. There is thus only one reportable business segment encompassing a comprehensive range of services, including software development, packaged software integration, colocation, web hosting, web development, web mailing solutions, internet telephony and sales and integration of related networking equipment.

Secondary segmental reporting is performed on the basis of the geographical location of customers.

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
	Domestic	Overseas	Domestic	Overseas
Revenues	44,493.18	2,015.51	28,466.10	1,891.34
Net Fixed Assets	9,211.44	-	7,703.90	-
Debtors	12,295.87	643.70	8,878.36	-
Current Assets (Other than Debtors)	18,578.21	-	14,541.61	-

**32.** Term Deposits aggregating to Rs.1,147.81/- (P.Y.Rs. 369.17/-) have been pledged with Bank as a security towards facilities availed from Bank.

**33.** Sundry Creditors, to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company, do not include amounts greater than Rs. One Lakhs outstanding for more than thirty days.

#### **34. Leases**

The Company's leasing arrangements are in respect of operating leases for premises (residential, office, stores etc). These leasing arrangements which are not non cancellable range between 11 months and 3 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are shown as Lease Rentals under Note '22'.

The Company also has leased facilities under non – cancellable operating leases for equipments for a period of 3 years. The future lease payments in respect of these leases are as follows:

	March 31, 2012
Obligations on non cancellable leases :	
Not later than one year	748.55
Later than one year but not later than five years	827.45
<b>Total</b>	<b>1,576.00</b>

#### **35. Borrowing Costs**

The amount of borrowing costs capitalized during the year is Rs. 58.74.

#### **36. Employee Benefits**

##### Defined Benefit Plans

In accordance with Accounting Standard 15 (AS 15)-“Employee Benefits (Revised 2005)”, an actuarial valuation has been carried out in respect of gratuity and compensated absences. The discount rate assumed is 8%. The retirement age has been considered at 58 years and mortality table is as per LIC (1994-96).

**The following tables' sets out the disclosures relating to gratuity and leave encashment benefits as required by Accounting Standard-15, 'Employee Benefits':**

<b>Changes in the present value of obligations :</b>	<b>Gratuity As at 31/03/2012</b>	<b>Leave Encashment As at 31/03/2012</b>
Present Value of Obligation at Beginning of year	51.09	10.37
Acquisition Adjustment	--	--
Interest Cost	4.07	0.66
Past Service Cost	--	--
Current Service Cost	14.20	4.84
Curtailment cost	--	--
Settlement Cost	--	--
Benefits Paid	0.31	4.25
Actuarial gain/loss on Obligations	19.69	14.81
<b>Present Value of Obligation at end of Year</b>	<b>88.74</b>	<b>26.43</b>

<b>Changes in the fair value of plan assets:</b>	<b>Gratuity As at 31/03/2012</b>
Fair Value of Plan Asset at Beginning of year	14.62
Acquisition Adjustment	--
Expected Return on Plan Asset	1.17
Contributions	13.74
Benefits Paid	0.31
Actuarial gain/loss on Plan Asset	(0.86)
<b>Fair Value of Plan Asset at End of year</b>	<b>28.36</b>

<b>Reconciliation of present value of defined benefit obligation and the fair value of plan assets</b>	<b>Gratuity As at 31/03/2012</b>
Present Value of Obligation at end of Year	88.74
Fair Value of Plan Asset at end of year	28.36
Funded Status	(60.39)
Unrecognized actuarial gain/loss at end of the year	--
<b>Net Asset(Liability) Recognized in Balance Sheet</b>	<b>(60.39)</b>

<b>Expenses recognized in the Profit &amp; Loss Account:</b>	<b>Gratuity As at 31/03/2012</b>	<b>Leave Encashment As at 31/03/2012</b>
Current Service Cost	14.20	4.84
Past Service Cost	--	--
Interest Cost	4.07	0.66
Expected Return on Plan Assets	1.17	--
Curtailment Cost	--	--
Settlement Cost	--	--
Actuarial gain/loss recognized in the year	20.54	14.81
<b>Expense Recognized in Statement of Profit/Loss</b>	<b>37.65</b>	<b>20.31</b>

The following table sets out the assumptions used in valuation of gratuity and leave encashment:

<b>Actuarial Assumptions</b>	<b>Gratuity As at 31/03/2012</b>	<b>Leave Encashment As at 31/03/2012</b>
Mortality Rate	LICI 1994-1996	LICI 1994-1996
Superannuation Age	58	58
Early Retirement & Disablement	21.23 %	21.23 %
Discount Rate	8.00 %	8.00 %
Inflation Rate	5.00 %	5.00 %
Return on Asset	8.00 %	0.00 %
Remaining Working Life	25	25
Formula used	Projected Unit Credit Method	Projected Unit Credit Method

### 37. Related Party Disclosures as required by Accounting Standard-18:

List of Related Parties and Relationships

#### i) Holding Companies

Nil

#### ii) Entity having Significant Influence

Trak Online Net India Pvt Ltd.  
Jiwan Financial Holdings Ltd

#### iii) Key Management Personnel and relatives of such personnel

Jasjit Sawhney\*  
Amarjit S. Sawhney\*  
Desi Subri Valli\*  
Relative of Director  
Pawanjot Kaur Sawhney  
Suzane S Pai

\* Details of remuneration paid to directors are given in note 29 above.

#### iv) Entity where relative of key management personnel exercises significant influence

Sterling Capital Pvt. Ltd.

**Significant Related Party Transactions***(in Rs. lakhs)*

Nature of Transaction	Entity having significant influence	Key Management Personnel and their relatives	Total
<u>Revenue Transactions</u>			
Purchase of goods and services previous year	1,522	--	1,522
Sale of goods and services previous year	0.51	--	--
Sharing of costs and services including facilities and personnel	60	--	60
Previous year	180	--	180
Payment for Services	--	--	--
Previous year	--	2	2
<u>Balances at the end of the year</u>			
Unsecured Loans	--	205	205

**38. Earnings Per Share**

	2011-12	2010-11
Net Profit after tax available for equity shareholders	3414.21	2113.06
Weighted average number of equity shares(for Basic EPS)	20,058,250	19,497,793
Basic earnings per share (Rs.)	17.02	10.84
Weighted average number of equity shares(for Diluted EPS)	20,065,448	19,497,793
Diluted earnings per share (Rs.)	17.02	10.84

**39. Contingent Liabilities (to the extent not provided for)**

	2011-12	2010-11
(a) Claims against the company not acknowledged as debts	2.56	2.56
(b) Guarantees		
• Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others	216.96	10.65
• Guarantees to banks against credit facilities extended to associates	100	1000
(c) Others		
• Disputed Income tax demand for A/Y 09-10, including interest, though appeal filed*	265.61	--
• Disputed Income tax demand for A/Y 08-09, including interest, though appeal filed*	40.28	40.28

\* Based on past experience, there is a highly fair chance of liability being quashed.

**40.** It is not possible to furnish details of the quantities, due to heterogeneity of the items involved. Also, the Company is primarily engaged in the provision of services related to internet, which cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under revised Schedule VI to the Companies Act, 1956.

**41.** Note '1' to '41' form an integral part of the Balance Sheet and Profit and Loss Account.

Signatures to Note '1' to '41'

For Sandy Associates  
Chartered Accountants

For and on behalf of the Board of Directors

Sandeep Gupta  
Proprietor  
Membership No:  
86069  
FRN No: 007337N

Sd/-  
Amarjit S. Sawhney  
Director

Sd/-  
Jasjit S. Sawhney  
CMD

Place: Noida  
Date: May 28, 2012

Sd/-  
Desi S. Valli  
Director

Sd/-  
Archana Walia  
Company Secretary



“ We thank our employees, shareholders, customers, partners, bankers, advisors and vendors for enabling yet another successful year. We hope for their continued support in the years to come. ”

Board of Directors  
Net 4 India Limited



## STARS OF 2011-2012



**SAMEER BHATNAGAR**  
(Customer Care)



**ARATHI NAIR M**  
(Customer Care)



**VIKAS CHOUDHARY**  
(Online Business Unit)



**SANGITA KUMARI**  
(Finance & Accounts)



**ANKUR GUPTA**  
(Online Business Unit)



**TALISEEF ALAM**  
(Online Business Unit)



**RAHUL SRIVASTAVA**  
(Online Business Unit)



**VIJAY M**  
(Network operations)



**ULLAS PALIT**  
(Online Business Unit)



**GAURAV RISHI**  
(Customer Care)



**MOHIT SHARMA**  
(Customer Care)



**SURENDRA SHARMA**  
(Online Business Unit)

### **Net4 India Ltd.**

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