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## CORPORATE INFORMATION

### 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

### AUDITORS

M/s Sandy Associates

Chartered Accountant

104 Delhi Chamber, Delhi Gate

New Delhi – 110 002

### COMPANY SECRETARY

Archana Walia

### HEAD – FINANCE & ACCOUNTS

Pragati Agarwal

**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

**BANKERS****State Bank of India**

South Extension Part – I,  
New Delhi – 110 049

**State Bank of Travancore**

Sector 18, Noida  
Uttar Pradesh

**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)

## MESSAGE FROM THE CMD

Dear Shareholders,

The year gone by has been excellent for the company in terms of growth. Your company delivered a pathbreaking performance based on a well thought out growth strategy that was meticulously executed. In the year 2012-13, we register impressive growth in our consolidated revenue of Rs. 487.36 cr. with an increase approx 5% in comparison to last year.

Clearly, a sign that Net4 has picked up momentum and pace. What makes this performance special is that it was achieved against the backdrop of uncertain global economy and turbulent changes in the technology space. Gone are the days of linear thinking, linear approaches and linear technologies. Disruptive technologies like cloud computing, analytics,

social media and enterprise mobility completely transformed the traditional IT business models. Companies needed to re-think, re-look, and re-strategize. And that is precisely what we did at Net4. We continued to invest in upgrading our existing infrastructure and also allocated sizeable amounts of investments in Research & Development. Our infrastructure platform for our web services business has been successfully migrated to a virtualized environment, giving us significant additional capacity to add customers and greater operational efficiencies to manage them.

BELIEVE, BEHAVE and BECOME. At, these are three simple words that define us. For each of us at Net4, these words are ingrained into our very DNA. We firmly BELIEVE that we own the experience paradigm; we firmly believe in ENABLING EXPERIENCE for our customers. This strong and unshakeable belief shapes how we BEHAVE. Our understanding of customers becomes holistic and three-dimensional. Our approach and actions, our solutions and software, our offerings and processes, are all extensions of our strong belief that we can make a difference on an experiential level to customers' needs. And finally, we BECOME what we believe and how we behave. We are one of the few companies in the technology space to have performed exceptionally well in the last year amidst challenging scenarios.

The future is moving towards non linear growth. Opportunities are emerging in newer markets globally, including India. We stand more confident today of significant future growth, than we probably ever have been. Most of the pieces of the jigsaw are in place for us and we are working hard to embrace the current and future opportunities. The coming few years look set to be the ones that will significantly reward all stakeholders who have been a part of this journey. Net4 is ready! Net4 is growing, and fast! Expect more!

With best wishes,



Chairman and Managing Director



## DIRECTOR'S REPORT

Dear Members,

**M/s Net 4 India Limited**

On behalf of the Board of Directors, I am delighted to present Twenty Seventh Annual Report together with the Audited Annual Accounts for the Financial Year ended March 31, 2013 along with Auditor's Report thereon.

### ➤ Financial Results

The Standalone and Consolidated Financial performance of Net 4 India Ltd. for the year ended March 31, 2013 is presented below:

(Rs. In lacs, except per share data)

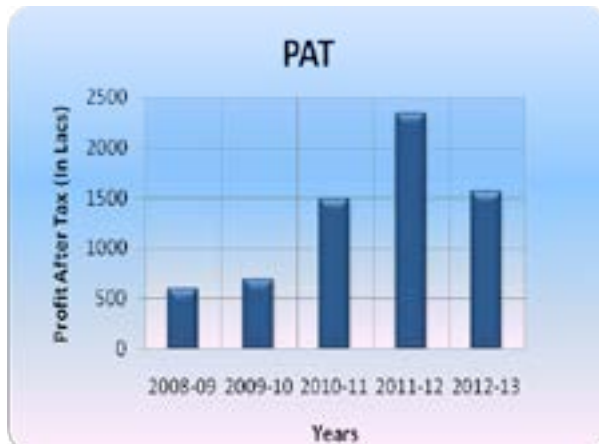
Particulars	Standalone		Consolidated	
	Year Ended 31.03.2013	Year Ended 31.03.2012	Year Ended 31.03.2013	Year Ended 31.03.2012
<b>Total Revenue</b>	32243.95	30,970.00	49184.87	46,942.64
<b>Net Profit before Tax</b>	2318.80	3,460.22	3712.47	5,050.16
<b>Provision for Tax</b>	752.51	1121.44	1204.03	1635.95
<b>Net Profit after Tax/Amount available for Appropriation</b>	1566.29	2,338.78	2508.43	3,414.21
<b>Earning Per Share - Basic &amp; Diluted</b>	7.81	11.66	12.51	17.02

The financial performance of your Company was impacted by the adverse changes in the markets during the year. The year under review has been a challenging one for your Company because of the events around the world over which the Company has little control. Some of the other major events across the world which impacted the business are:

- ❖ Slowdown of the Indian Economy brought down the domestic markets
- ❖ Slowdown in other economies which also led to a drop in yields in international markets
- ❖ The weakening of the Indian Rupee vis-à-vis the United States Dollar
- ❖ General stress in the Indian economy which not only meant that interest rates have hardened but also made it difficult for the IT Companies like us to raise short term/ working capital debt.

The Company, on its part, has taken various initiatives to improve its operating efficiency and revenue earning potential to bring down the breakeven load factor. The underlying performance reflects the consolidated and standalone results of the company.

➤ Historical Performance



➤ **Standalone & Consolidated financial results of 2012-13 in comparison to previous year 2011-2012**

Consolidated Results	Standalone Results
❖ <b>Total Income</b> for the year increased by 4.77%. The income recorded as on March 31, 2013 was Rs. 49,184.87 lacs as compared to Rs. 46,942.64 lacs recorded during the previous fiscal year.	❖ <b>Total Income</b> for the year increased by 4.11%. The income recorded as on March 31, 2013 was Rs. 32,243.95 lacs as compared to Rs. 30,970.00 lacs recorded during the previous fiscal year.
❖ <b>Profit After Tax</b> Due to general slowdown of the economy, profits of the company has turned down by 26.52% to Rs. 2,508.43 lacs as compared to Rs. 3414.21 lacs.	❖ <b>Profit After Tax</b> Due to general slowdown of the economy, profits of the company has turned down by 33.02% to Rs. 1,566.29 lacs as compared to Rs. 2338.78.
❖ <b>Earnings per share (EPS)</b> of the company declined by 26.49% to Rs. 12.51 from Rs. 17.02 for the financial year 2012-2013.	❖ <b>Earnings per share (EPS)</b> of the company declined by 33.01% to Rs. 7.81 from Rs 11.66 for the financial year 2012-2013.

➤ **Appropriations**

Out of the profits available for appropriations, your Company has retained Rs. 1566.29 lacs in the Profit and Loss Account. No transfers have been made to General Reserve.

➤ **Business Overview**

Since inception, within a short span of time, your Company 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. However, the slope down of the world economy has considerably tapered off the growth momentum in almost all the sectors, including but limited to IT Sector, on account of rising inflation, depreciating rupee and higher interest costs. General stress in the Indian economy had also made it difficult for IT Companies like us to sustain and achieve the desired targets. But, being the most valued Network and Application Service Provider- with innovative and differentiated offerings", Net 4 worked hard to achieve the objectives and to overcome the influential circumstances with its Q2 and Q3 Results.

➤ **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 does not restricts 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, ensuring value growth for our various stakeholders.

➤ **Subsidiary Companies**

As on 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.

\*(M/s Pipetel Communications Private Limited has made further allotment of its Equity Shares to M/s Prudent Enterprises Private Limited by virtue of with it has ceased to be the wholly owned subsidiary of Net 4 India Limited. However, it still continues to be the subsidiary of the Company)

➤ **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, 2013 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 account 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 2012-13 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**

For the year ended on March 31, 2013, the Board of the Company has had an optimum combination of Executive & Non-Executive Directors with not less than fifty percent of the Board comprising of the Non-Executive Independent Directors.

❖ **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.

However, the Company has received consent from Mr. Kamlesh Gandhi with the requisite deposit pursuant to Section 257 of the Companies Act, 1956 for being appointed as the Director of the Company and at the Annual General Meeting of the Member of the Company held on September 28, 2012; he has been regularized as Director on the Board of the Company.

❖ **Resignation of Directors**

Mr. Desi Subri Valli, Mr. Brijesh Chand Mathur, Mr. Kamlesh Gandhi, Mr. Sandeep Ghosh and Mr. Manish Wadhawan had resigned from the Board of the Company with effect from July 1, 2013; July 29, 2013, August 4, 2013, August 16, 2013, and August 16, 2013, respectively.

❖ **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, Director of the Company is retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment. The Board recommends for his appointment as Director.

❖ **Resignation of Company Secretary**

Ms. Archana Walia, Company Secretary and the Compliance Officer of the company had resigned from the position as such with effect from July 31, 2013.

➤ **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, 2013 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.

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 processes to implement quality and continuously improve organization's 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**

For the year ended on 31 March, 2013, 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. 1478.26 (previous year Rs. 1574.13 Lacs). In terms of the provisions of Investor Education and Protection Fund (IEPF) Rules, 2001, an amount of Rs. 10,730/- was due on September 30, 2012, towards unclaimed interest and/or principal amount, for being transferred to Investors Education & Protection Fund, established by the Central Government under Section 205C(1) of the Companies Act, 1956, which was duly deposited in Investors Education & Protection Fund on October 29, 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, 2013. 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 Employees

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.

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: 14.08.2013

**Jasjit Singh Sawhney**  
Chairman & Managing Director

## **ANNEXURE – I**

### **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. 1240.53 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**

**Place: Noida  
Dated: 14.08.2013**

**Jasjit Singh Sawhney  
Chairman & Managing Director**

**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>	5 <sup>th</sup> January, 2000	5 <sup>th</sup> January, 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>	2.72%	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 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: 12.11.2013

**Jasjit Singh Sawhney  
Chairman & Managing Director**

## CORPORATE GOVERNANCE REPORT

Corporate Governance pertains to systems, by which companies are directed and controlled, keeping in mind long-term interest of stakeholders. It is a blend of legal, regulatory and voluntary good practices which, enables companies to attract financial and human capital, perform efficiently, and provide sustainable economic value for all its stakeholders. It aims to align interest of the companies with its stakeholders. The incentive for companies, and those who own and manage them, to adopt global governance standards, is that these standards help them to achieve a long term sustainable partnership with its stakeholders efficiently. The principal characteristics of corporate governance are:

- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social Responsibility

### Net4's Philosophy

The elements of transparency, fairness, disclosures and accountability form the cornerstone of corporate governance policy at **Net4**. We value, practice and implement ethical and transparent business practices aimed at building trust amongst various stakeholders. We believe that corporate governance is a key element in improving efficiency and growth as well as enhancing investor confidence. It is the constant endeavour of the Board of Directors to leverage the resources at its disposal and foster an environment for growth and development of human resources. The management team is fully committed and empowered to take the Company forward within the framework of effective accountability, which in turn enables the conversion of opportunities into achievements for the betterment of the Company and its stakeholders.

**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.

Good Corporate Governance standards have enabled **Net4** build and sustain its reputation for quality and also attract and retain the best and brightest talents. Systems are in place for strategic planning, risk management, financial plans and budgets, integrity of internal controls and reporting, emphasis on transparency and full disclosure on the various facets of the Company's operations, its functioning and its financials and total compliance with all statutory/regulatory requirements not only in the letter of the law but also in its spirit.

**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. The Company has also developed a framework for ensuring transparency, disclosure and fairness to all, especially minority shareholders. 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.

To this end, the **Net4's** philosophy on Corporate Governance is to endeavor to ensure

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



- As a part of “Green initiative” in Corporate Governance, Ministry of Corporate Affairs(MCA) vide Circular No.18/2011 dated 29.04.2011 has permitted paperless compliance by recognizing communications through electronic mode to shareholder under the Companies Act, 1956. Accordingly, the company had already sent the request letters for getting the e-mail address to enable the company to circulate the Annual accounts and other communications through e-mail.

### **Board Size and Composition**

For the year ended March 31, 2013, the Board of the Company has had an optimum combination of Executive and Non- Executive Directors who have an in-depth knowledge of business, in addition to the expertise in their areas of specialization. For the year ended as on that date, the Company had total Eight Directors on its Board out of which 50 % of the Board has comprised of Independent Directors. The Company has complied with the requirements of Clause 49 of the Listing Agreement as regards Composition of the Board. The day to day operations of the Company are being overseen by the Managing Director and Whole Time Director of the Company. None of the Directors on the Company's Board is a member on more than ten committees and Chairman of more than five committees across all the companies in which he is a Director/Member.

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

Composition and Category of the Board of Directors as on March 31, 2013:

Director	Category of Director	Number of Directorships in Other Companies(*)	Number of Memberships/ Chairmanships of Board Committees in other Companies (**)
<b>Executive Director</b>			
Mr. Jasjit Singh Sawhney	Promoter Director/ Chairman & Managing Director	2	1
Mr. Amarjit Singh Sawhney	Promoter Director/ Whole Time Director	2	1
<b>Non Executive Directors</b>			
Mr. Sandip Kumar Ghosh <sup>5</sup>	Non –Executive Independent Director	1	1
Mr.Manish Wadhawan <sup>4</sup>	Non –Executive Independent Director	1	-
Mr. Desi S. Valli <sup>1</sup>	Non -Executive Director	1	-
Mr. Brijesh Chand Mathur <sup>2</sup>	Non –Executive Independent Director	-	-
Mr. Kamlesh Gandhi <sup>3</sup>	Non –Executive Independent Director	5	-
Mr. Surya S. Chadha	Non -Executive Director	-	-

\*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.

1 Mr. Desi S. Valli had resigned from the Board of the Company with effect from 01.07.2013

2 Mr. Brijesh Chand Mathur had resigned from the Board of the Company with effect from 29.07.2013

3 Mr. Kamlesh Gandhi had resigned from the Board of the Company with effect from 04.08.2013

4 Mr. Manish Wadhawan had resigned from the Board of the Company with effect from 16.08.2013

5 Mr. Sandeep K Ghosh had resigned from the Board of the Company with effect from 16.08.2013

### **Directors' Responsibilities**

**(a) The principal responsibility of the Board members is to oversee the management of the Company and in doing so, serve the best interests of the Company and its stockholders. This responsibility shall include:**

- Reviewing and approving fundamental operating, financial and other corporate plans, strategies and objectives.
- Evaluate whether the corporate resources are being used only for appropriate business purposes.
- Establishing a corporate environment that promotes timely and effective disclosure (including robust and appropriate controls, procedures and incentives), fiscal responsibility, high ethical standards and compliance with all applicable laws and regulations.
- Evaluating the performance of the Company and its senior executives and taking appropriate action, including removal, where warranted.
- Evaluating the overall effectiveness of the Board and its Committees.
- To attend the Board, Committee and shareholders meetings.

### **(b) Exercise Business Judgment:**

In discharging their fiduciary duties of care and loyalty, the directors are expected to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its stakeholders.

### **(c) Understand the Company and its Business:**

The directors have an obligation to remain informed about the Company and its business, including the principal operational and financial objectives, strategies and plans of the Company, relative standing of the business segments within the Company and vis-a-vis the competitors of the Company, factors that determine the Company's success, results of operations and financial condition of the Company and the significant subsidiaries and business segments.

### **(d) To establish Effective Systems:**

The directors are responsible for determining that effective systems are in place for periodic and timely reporting to the Board on important matters concerning the Company including the following:

- Current business and financial performance, degree of achievement of approved objectives and the need to address forward-planning issues.
- Compliance programs to assure the Company's compliance with laws and corporate policies.
- Material litigation and governmental and regulatory matters.

### **Board Meetings Functioning and Procedure**

- **Board Meeting - Calendar:** The probable dates of the board meetings for the forthcoming year are decided in advance and are provided to the directors for confirming their availability.
- **Board Meeting - Frequency:** The Board meets at least once a quarter to review the quarterly results and other items of the agenda. Whenever necessary, additional meetings are held. The Company effectively uses teleconferencing facility to enable the participation of Directors who could not attend the same due to certain other urgencies.

- **Board Meeting - Location:** The meetings are generally held at the corporate office of the Company at D-25, Sector-3, Noida. Each director is expected to attend the Board meetings.
- **Board Meeting - Matters:** All divisions/ departments of the Company are advised to schedule their work plans in advance, particularly with regard to matters requiring discussions/ approval/ decision of the Board/ Committee meetings. All such matters are communicated to the Company Secretary in advance so that the same could be included in the Agenda for the Board/Committee meetings.
- **Board material/ Agenda distributed in advance:** The agenda for each board meeting is circulated in advance to the Board members. All material information is incorporated in the agenda facilitating meaningful and focused discussions in the meeting where it is not practicable to attach any document in the agenda, the same is tabled before the meeting. Every board member is free to suggest items for inclusion in the agenda.
- **Presentations by management:** The Board is given presentations covering finance, sales, marketing, major business segments and operations of the Company, global business environment including business opportunities, business strategy and the risk management practices before taking on record the financial results of the Company.
- **Availability of information to Board members:** The information placed before the Board includes annual operating plans and budgets, including operating & capital expenditure budgets, quarterly financial results of the Company, both consolidated and standalone, financials of each of the subsidiaries and investments made by the subsidiaries, update on the state of the market for the business and the strategy, minutes of subsidiaries, minutes of all the Board committees, related party transactions, details of the treasury investments, details of foreign exchange exposure, update on statutory compliance report and reports of any non compliances, if any, information on recruitment/remuneration of senior officers, show cause/ demand notices if any, significant changes in the accounting policies etc.
- **Post meeting follow-up mechanism:** The guidelines for Board and Committee(s) meetings facilitate an effective post meeting follow up review and reporting process for the decisions taken by the Board and Committee(s) thereof. The important decisions taken at the Board/ Committee(s) meetings are promptly communicated to the concerned departments/ divisions. Action taken report on the decisions of the previous meeting(s) is placed at the immediately succeeding meeting of the Board/ Committee(s) for information and review by the Board/Committee(s).

**Number of Board Meetings and the dates on which it held**

There were four Board meetings held during the year ended March 31, 2013 explicitly on May 28, 2012, August 10, 2012, November 09, 2012 and February 12, 2013. The periodicity between the two Board Meetings was within the maximum time gap as prescribed in the Listing Agreement and the Companies Act, 1956.

The following table gives the attendance record of the directors meetings and at the last Annual General Meeting:

Name of the Director	Designation	No. of board meetings attended	Whether attended last AGM
Mr. Jasjit Singh Sawhney	Chairman & Managing Director	4	No
Mr. Amarjit Singh Sawhney	Whole Time Director	4	Yes
Mr. Sandip Kumar Ghosh*	Director	3	Yes
Mr. Brijesh Chand Mathur*	Director	2	No
Mr. Surya S. Chadha	Director	4	No
Mr. Desi S. Valli*	Director	4	No
Mr. Kamlesh Gandhi*	Director	3	No
Mr. Manish Wadhawan*	Director	0	No

\*Resigned

**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. Surya Chadha, Director, is liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer himself for being re-appointed to the office of Director. The Board recommends for his appointment as Director of the Company. However, his 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 relationship between the 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.

**Board Committees**

The Board Committees play a crucial role in the governance structure of the Company and are being set out to deal with specific areas /activities which concern the Company and need a closer review. They are set up under the formal approval of the Board, to carry out the clearly defined role which is considered to be performed by members of the Board, as a part of good Corporate Governance. The Board supervises the execution of its responsibilities by the committees and is responsible for their action.

Currently, the Board has four Committees viz. Audit Committee, Shareholders`/Investors` Grievance Committee, Management Committee and Remuneration Committee.

Keeping in view the requirements of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement, the Board decides the terms of reference of various committees which set forth the purposes, goals and responsibilities of the Committees. All observations, recommendations and decisions of the committees are placed before the Board for information or approval.

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 appointed in a very perceptive manner by the Board.

**Chairmanship/ Membership of Directors in Committees of the Board of Directors of the Company as on March 31, 2013**

SN	Name	Audit Committee	Shareholders`/Investors` Grievance Committee	Management Committee	Remuneration Committee
1.	Mr. Jasjit Singh Sawhney	N.A.	N.A.	Chairman	N.A.
2.	Mr. Amarjit Singh Sawhney	N.A.	N.A.	Member	N.A.
3.	Mr. Sandip Kumar Ghosh*	Chairman	Chairman	Member	Chairman
4.	Mr. Brijesh Chand Mathur*	Member	Member	N.A.	Member
5.	Mr. Surya S. Chadha	N.A.	N.A.	N.A.	N.A.
6.	Mr. Desi S. Valli*	N.A.	N.A.	Member	N.A.
7.	Mr. Kamlesh Gandhi*	N.A.	N.A.	N.A.	N.A.
8.	Mr. Manish Wadhawan*	Member	Member	N.A.	Member

\*Resigned

**Audit Committee**

The Audit Committee has been constituted in line with the provisions of Clause 49 of the listing agreement and also meets the requirements of Section 292A of the Companies Act, 1956.

**Composition**

For the year ended on March 31, 2013, the Audit Committee has had an optimum composition of directors whose details are as follows:

- a) Mr. Sandip Kumar Ghosh, Chairman;
- b) Mr. Manish Wadhawan, Member &
- c) Mr. Brijesh Chand Mathur

However, Mr. Brijesh Chand Mathur, Mr. Sandip Kumar Ghosh and Mr. Manish Wadhawan had resigned from the directorship of the company with effect from July 29<sup>th</sup>, 2013, August 16<sup>th</sup>, 2013 and August 16<sup>th</sup>, 2013, respectively. The vacancy arising out of his resignations will be fulfilled within the prescribed time limit as specified in the listing agreement..

### **Terms of Reference**

The constitution and terms of reference of the Audit Committee meets all the requirements of Section 292A of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement.

The Terms of Reference for the Audit Committee are as under.

#### **a) Statutory Auditors**

Recommend to the Board the appointment, re-appointment and if required, the replacement or removal of the Statutory Auditors, fixation of audit fee and also approve payment for any other services rendered by the statutory auditors.

#### **b) Review Independence of Statutory Auditors**

In connection with recommending the firm to be retained as the Company's Statutory Auditors, review the information provided by the management relating to the independence of such firm, including, among other things, information relating to the non-audit services provided and expected to be provided by the Statutory Auditors.

The Committee is also responsible for:

- ❖ Actively engaging in dialogue with the Statutory Auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the statutory auditors, and
- ❖ Recommending that the Board takes appropriate action in response to the Statutory Auditors' Report to satisfy itself of their independence.

#### **c) Review Audit Plan**

Review with the Statutory Auditors their plans for, and the scope of, their annual audit and other examinations.

#### **d) Conduct of Audit**

Discuss with the Statutory Auditors the matters required to be discussed for the conduct of the audit.

#### **e) Review Audit Results**

Review with the Statutory Auditors the proposed report on the annual audit, areas of concern, the accompanying management letter, if any, the reports of their reviews of the Company's interim financial statements, and the reports of the results of such other examinations outside of the course of the statutory auditors' normal audit procedures that they may from time to time undertake.

#### **f) Review Financial Statements**

Review the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are accurate, sufficient and credible. The Audit Committee reviews with appropriate officers of the Company and the Statutory Auditors, the annual financial statements of the Company prior to submission to the Board or public release thereof, focusing primarily on:

- ❖ Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms

of clause (2AA) of Section 217 of the Companies Act, 1956;

- ❖ Any changes in accounting policies and practices and reasons for the same.
- ❖ Major accounting entries based on exercise of judgment by management.
- ❖ Qualifications in draft audit report.
- ❖ Significant adjustments made in the financial statements arising out of audit.
- ❖ The going concern assumption.
- ❖ Compliance with accounting standards.
- ❖ Compliance with stock exchanges and legal requirements concerning financial statements.
- ❖ Any related party transactions i.e. transactions of the Company with its subsidiaries, promoters or the management, or their relatives, etc. that may have conflict with the interest of the Company at large.
- ❖ Contingent liabilities.
- ❖ Status of litigations by or against the Company.
- ❖ Claims against the Company and their effects on the accounts.

#### **g) Review Quarterly Results**

Reviewing with the management, the quarterly/interim financial statements before submission to the Board for approval.

#### **h) Review the performance of the Internal and External Auditors**

Review with the management, the performance of the statutory and internal auditors and adequacy of the internal control systems.

#### **i) Oversight Role**

Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure the financial statement is correct, sufficient and credible.

#### **j) Review policies**

Review the Company's financial and risk management policies.

#### **k) Review internal audit function**

Review the adequacy of internal audit function, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

#### **l) Review Internal Audit plans**

Review with the senior internal auditing executives and appropriate members of the staff of the internal auditing department, the plans for and the scope of their ongoing audit activities.

#### **m) Review Internal Audit reports**

Review with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the annual report of the audit activities, examinations and results thereof of the internal auditing department, any significant findings and follow up thereon. The Audit Committee also reviews the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.

**n) Review systems of internal accounting controls**

Review with the statutory auditors, the senior internal auditing executives and, if and to the extent deemed appropriate by the Chairman of the Committee, members of their respective staffs, the adequacy of the Company's internal accounting controls, the Company's financial, auditing and accounting organizations and personnel and the Company's policies and compliance procedures with respect to business practices.

**o) Review recommendations of auditors**

Review with the senior internal auditing executive and the appropriate members of the staff of the internal auditing department, the recommendations made by the Statutory Auditors and the senior internal auditing executive, as well as such other matters, if any, as such persons or other officers of the Company may desire to bring to the attention of the Committee.

**p) Review the functioning of Whistle Blower Policy**

Updates to be sent to the Audit Committee in case of any instances.

**q) Review other matters**

Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.

**r) Reporting to Board**

Report its activities to the Board in such manner and at such times, as it deems appropriate.

**s) Investigation**

The Audit Committee has the authority to investigate any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose; it has full access to the information contained in the records of the Company. It can also investigate any activity within its term of reference. It has the authority to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (for nonpayment of declared dividends) and creditors, if any.

**t) Seek information / advice**

The Audit Committee can seek information from any employee and can obtain from outside any legal or other professional advice. It can also secure attendance of outsiders with relevant experience, if it considers necessary.

**u) Approval for appointment of Chief Financial Officer**

Approval of the appointment of CFO (the whole-time Finance Director or any other person heading the finance function) after assessing the qualifications, experience and background etc. of the candidate.

**v) Review the Statement of Uses and Application of Funds**

Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public, rights, preferential issue etc.) the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/notice and the



report submitted by the monitoring agency monitoring the utilization of proceeds of the public issue or rights issue, and making appropriate recommendations to the Board to take steps in the matter.

#### **w) Review of other Information**

The Audit Committee shall mandatorily review the following information:

- ❖ Management discussion and analysis of financial condition and results of operation.
- ❖ Statement of significant related party transactions submitted by the management.
- ❖ Management letters/letters of internal control weaknesses issued by the statutory auditors.
- ❖ Internal audit reports relating to internal control weaknesses.
- ❖ The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review of the Audit Committee.

#### **x) Basis of Related Party Transactions**

- ❖ The statement in summary form of transactions with related parties in the ordinary course of business shall be placed periodically before the audit committee.
- ❖ Details of material individual transactions with related parties, which are not in the normal course of business, shall be placed before the audit committee.
- ❖ Details of material individual transactions with related parties or others, which are not on arms length basis shall be placed before the audit committee together with the management justification for the same.

**Explanation:** The term "Related Party Transactions" shall have the meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by the Institute of Chartered Accountants of India.

#### **y) To attend Annual General Meeting**

The Chairman of the Audit Committee shall attend the Annual General Meetings of the Company to provide any clarification on matters relating to audit sought by the members of the Company. Statutory Auditors of the Company shall be special invitees to the Audit Committee meetings, wherein they participate on discussions related to the review of financial statements of the Company and any other matter that in the opinion of the statutory auditors needs to be brought to the notice of the Committee.

#### **z) Subsidiary Companies**

The Audit Committee of the listed holding company shall also review the financial statements, in particular the investments made by the unlisted subsidiary companies.

#### **aa) Annual Review of the Terms of Reference of the Audit Committee**

The Committee will review and reassess the adequacy of the terms of reference of the Audit Committee annually and where necessary obtain the assistance of management, the Group's external auditors and external legal counsel.

**Meetings and Attendance during the year**

Four meetings of the Audit Committee were held during the year, i.e. May 28, 2012, August 10, 2012, November 09, 2012 & February 12, 2013.

Statutory Auditors are also invited at the Audit Committee Meetings.

Attendance details of each member at the Audit Committee meetings held during the year ended March 31, 2013 are as follows:

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

\*Resigned

**Shareholders`/Investors` Grievance Committee**

An Shareholders`/Investors` Grievance Committee was constituted to specifically look into the matter of redressal of investor complaints. Presently, it consists of the following members:

- a) Mr. Sandip Kumar Ghosh, Chairman and
- b) Mr. Manish Wadhawan, Member.

**Terms of Reference**

The Shareholders' Committee has been formed to undertake the following activities:

- a) To review and take all necessary actions for redressal of investors' grievances and complaints as may be required in the interest of the investors.
- b) To approve requests of rematerialisation of shares, issuance of split and duplicate share certificates.

**Meetings and Attendance during the year**

During the year under review, the Committee met 4 times, i.e. May 28, 2012, August 10, 2012, November 09, 2012 & February 12, 2013.

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

\*Resigned

### **Redressal of Complaints**

The Company has not received any complaint for the year 2012-13. Outstanding complaints as on March 31, 2013 were Nil.

### **Management Committee**

#### **Role:-**

The terms of reference includes:

- (i) opening/closing/maintaining or operating of banks 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 the Managing Director of the Company. He is B.A. Hons (Law & Economics) having a vast knowledge and expertise in the internet related industry.

### **Meetings and Attendance during the year**

The Committee, during the year 2012-13, met 9 times. The attendance of each member is given as hereunder:

<b>Name of Director</b>	<b>Chairman / Member</b>	<b>Number of Meetings Attended</b>
Mr. Jasjit Singh Sawhney	Chairman	9
Mr. Amarjit Singh Sawhney	Member	9
Mr. Desi S. Valli*	Member	9
Mr. Sandip K. Ghosh*	Member	9

\*Resigned

### **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 2012-13, 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 2012-13, a meeting of the Remuneration Committee was held on March 21, 2013. 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	1
Mr. Desi S. Valli*	Member	1

\*Resigned

**Remuneration Policy**

The Remuneration Committee is fully empowered to determine/approve and revise, subject to necessary approvals, the remuneration of managerial personnel including Chairman & Managing Director and Whole Time Director after taking into account the financial position of the Company, trends in the industry, qualifications, experience, past performance and past remuneration, etc. The Non-Executive Directors are paid sitting fees for every meeting of the Board and its Committees attended by them.

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 2012-13, 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, 2013:

(In Rupees)

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*	-	-	-	3,250/-	3,250/-
Mr. Sandip K. Ghosh*	-	-	-	5,000/-	5,000/-
Mr. Manish Wadhawan*	-	-	-	250/-	250/-
Mr. Kamlesh Gandhi*	-	-	-	750/-	750/-
Mr. Brijesh Chand* Mathur	-	-	-	2,500/-	2,500/-
Mr. Surya S. Chadha	-	-	-	1,000/-	1,000/-
<b>Total</b>					<b>55,84,830/-</b>

\*Resigned

# 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.

**Brief Profile of the Director proposed to be re-appointed:-**

➤ **Mr. Surya S. Chadha**

Mr. Surya S. Chadha is a BS, BA and MBA having versatile experience & tremendous exposure in the concerned field. He joined the Board of Net 4 India Limited on November 09, 2009 and since then he made an inevitable contribution towards the growth of the Company

The Company has benefited a lot by the knowledge and experience of Mr. Surya S. Chadha His tenure is liable to be 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 for his re-appointment.

Other Companies in which Mr. Surya S. Chadha holds Directorship and Committee Memberships:

Name of Company	Nature of Interest	Remuneration Committee
M/s Madison India Capital Advisors Private Limited	Director	N. A.

➤ **Shareholding in the Company**

Mr. Surya S. Chadha does not hold any share(s) of Net 4 India Limited.

**Code of Conduct**

The Company is committed to conduct its business in accordance with the applicable laws, rules and regulations and with the highest standards of business ethics. Net4's Code of Ethics is intended to provide guidance and help in recognizing and dealing with ethical issues, mechanisms to report unethical conduct, and to help foster a culture of honesty and accountability. The Board has adopted a Code of Ethics for its Members, the Senior Management Personnel and also for all other employees of the Company. The Code is available on the website of the Company [www.Net4.com](http://www.Net4.com).

**Company's Policy on Prohibition of Insider Trading**

The Company has comprehensive guidelines on prevention of insider trading in line with the SEBI (Prohibition of Insider Trading) Regulations, 1992. The Code for prevention of Insider Trading inter-alia prohibits purchase/sale of shares of the Company by employees/directors while in possession of unpublished price sensitive information in relation to the Company. The Company within two working days of receipt of the information under the Initial and Continual disclosures from Directors shall disclose the same to all the Stock Exchanges, where the shares of the Company are listed.

**Whistle Blower Policy**

The principles of Trust through transparency and accountability are at the core of the Company's existence. To ensure strict compliance with ethical and legal standards across the Company, the Whistleblower policy is in place to provide appropriate avenues to the employees, contractors, clients, vendors, internal or external auditors, law enforcement / regulatory agencies or other third parties to bring to the attention of the management any issues which are perceived to be in violation or in conflict with the fundamental business principles of the Company. All cases registered under the Whistle Blower Policy of the Company are reported to the Ethics Committee and the mechanism shall be reviewed by the Audit Committee.

**CEO/ CFO Certification**

The Certificate as stipulated in clause 49(V) of the Listing Agreement was placed before the Board along with the financial statements for the year ended March 31, 2013 and the Board reviewed the same. The said Certificate is provided elsewhere in the Annual Report.

**Disclosures**

**a) Related party transactions**

The details of the transactions with related parties or others, if any, as prescribed in the Listing Agreement, are being placed before the Audit Committee from time to time. During the year under review, the Company has not entered into any transaction of a material nature with its subsidiaries, promoters, directors or the management, their relatives, etc., that may have any potential conflict with the interest of the Company.

**b) Compliances by the Company**

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or any other statutory authorities relating to the above.

**c) Material transactions with senior managerial personnel**

During the year, no material transaction has been entered into by the Company with the senior management personnel where they had or were deemed to have any personal interest that may have a potential conflict with the interest of the Company. The Company has obtained requisite declarations from all senior management personnel in this regard and the same were placed before the Board of Directors.

**d) Other Disclosures**

The Company has also laid down the procedures to inform the Board members about the risk assessment and minimization procedures. During the year, the Company did not raise any money through public issue, right issue or preferential issue and there was no unspent money raised through such issues.

**Means of Communication****a) Quarterly Results:**

Quarterly Results of the Company are generally published, inter alia, in Financial Express and Jansatta newspapers.

**b) Website:**

Company's corporate website [www.Net4india.com](http://www.Net4india.com) provides comprehensive information on company's portfolio of businesses. The website has an entire section dedicated to Company's profile, its core values, corporate governance, business lines and Industry sections. An exclusive section on 'Investor relations' enables them to access information at their convenience. The entire Reports as well as quarterly, half yearly, annual financial statements, releases and shareholding pattern are available on website as a measure of added convenience to the investors.

**c) News Releases, Presentations, etc.:**

Official news releases, detailed presentations made to media, analysts, institutional investors, etc. are displayed on the Company's website [www.net4india.com](http://www.net4india.com). Official media releases are also sent to the Stock Exchanges.

**d) Annual Report:**

Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Director's Report, Auditor's Report and other important information is circulated to members and others entitled thereto. The Annual Report of the Company is available on the Company's website in a user- friendly and downloadable form.

**e) Management Discussion and Analysis:**

The Management's Discussion and Analysis (MD & A) Report forms part of the Annual Report.

**f) Intimation to the Stock Exchanges:**

The Company intimates the Stock Exchanges all price sensitive information or such other matters which in its opinion are material and of relevance to the Shareholders.

**g) Corporate Filing and Dissemination System (CFDS)**

Pursuant to clause 52 of the Listing Agreement, the company during the year has uploaded financial information like annual and quarterly financial statements, segment-wise results and shareholding pattern on the CFDS website [www.corpfiling.co.in](http://www.corpfiling.co.in).

**h) Designated Exclusive email-id:**

The Company has the following designated email-id [investors@net4.com](mailto:investors@net4.com) exclusively for investors servicing.

**Green Initiatives Drive by the Ministry of Corporate Affairs, Government of India**

The Company, as a corporate entity, is committed to protect and conserve the natural environment in our operations and services. As a responsible corporate citizen, the Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India, enabling electronic delivery of documents to the shareholders at their e-mail addresses registered with the Depository participants/Registrar & Share Transfer Agent.

The Company sends the communications to the shareholders by electronic mode. We request all the shareholders of the Company to register their email addresses with their depository participants to ensure that the annual report and other documents reaches them on their preferred email address. Shareholders who hold shares in physical form are requested to register their e-mail addresses with the Registrar & Share Transfer Agent, by sending a letter, duly signed by the first/ sole holder quoting details of Folio No.



**Shareholders' Information**
**a) General Information**

Date of Book Closures	September 23, 2013 to September 29, 2013 (both days inclusive)
Date, time and venue of the ensuing Annual General Meeting	September 30, 2013 at 11.00 A.M 564, First Floor, Pocket-C, Gazipur, New Delhi-110096
	The National Stock Exchange of India Ltd. 5th Floor, Exchange Plaza, Bandra (E), Mumbai – 400 051
Listing of Equity Shares on stock exchanges in India at	The Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
	Delhi Stock Exchange Association Limited, 3/1, Asaf Ali Road, New Delhi – 110 003
Listing fees	Paid to all the above stock exchanges for the Year 2013-2014.
Stock Code	National Stock Exchange - "Net4" Bombay Stock Exchange - "532912" Delhi Stock Exchange – "113089"
Company's ISIN in NSDL & CDSL for Equity Shares	INE553E01012
Corporate Identification Number (CIN) of the Company	L72200DL1985PLC022649
Registered Office	AB-11, Community Center, Safdarjung Enclave, New Delhi-110029 Tel: 91-11-26711150 Fax: 91-11-41653217
Registrar & Shares Transfer Agent	Karvy Computershare Pvt. Ltd. Plot no. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad – 500 081 Tel: 040 – 23420815 – 24 Fax: 040 – 23420814

**b) Share Transfer System**

The Company's share transfer authority has been delegated to the Company's officials who generally consider and approve the share transfer requests on a fortnightly basis. The shares sent for physical transfer are generally registered and returned within a period of 15 days from the date of receipt of request, if the documents are complete in all respects. As per the requirements of clause 47 (c) of the Listing Agreement with the Stock Exchanges, the Company has obtained half-yearly certificates from Practising Company Secretary for due compliance of share transfer formalities.

**c) Reconciliation of Share Capital Audit Report**

As required under Regulation 55A of SEBI (Depositories and Participants), Regulations, 1996, the reconciliation of share capital audit report on the total admitted capital with National Securities Depository Limited ("NSDL") and Central Depository Services (India) Ltd. ("CDSL") and the total issued and listed capital for each of the quarter in the financial year ended June 30, 2012 was carried out. The audit reports confirm that the total issued/ paid-up share capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**d) Dematerialization of Shares**

The shares of the Company under compulsory dematerialization ("Demat") category and consequently, shares of the Company can be traded only in electronic form. The system for getting the shares dematerialized is as under:

- ❖ Share certificate(s) along with Demat Requisition Form (DRF) is to be submitted by the shareholder to the Depository Participant (DP) with whom he/she has opened a Depository Account.
- ❖ DP processes the DRF and generates a unique number viz. DRN.
- ❖ DP forwards the DRF and share certificates to the Company's Registrar & Shares Transfer Agent.
- ❖ The Company's Registrar & Shares Transfer Agent after processing the DRF confirm or reject the request to the Depositories.
- ❖ Upon confirmation, the Depository gives the credit to shareholder in his/her depository account maintained with DP.

As on March 31, 2013, about 96.14% of the equity shares issued by the Company are held in dematerialized form.

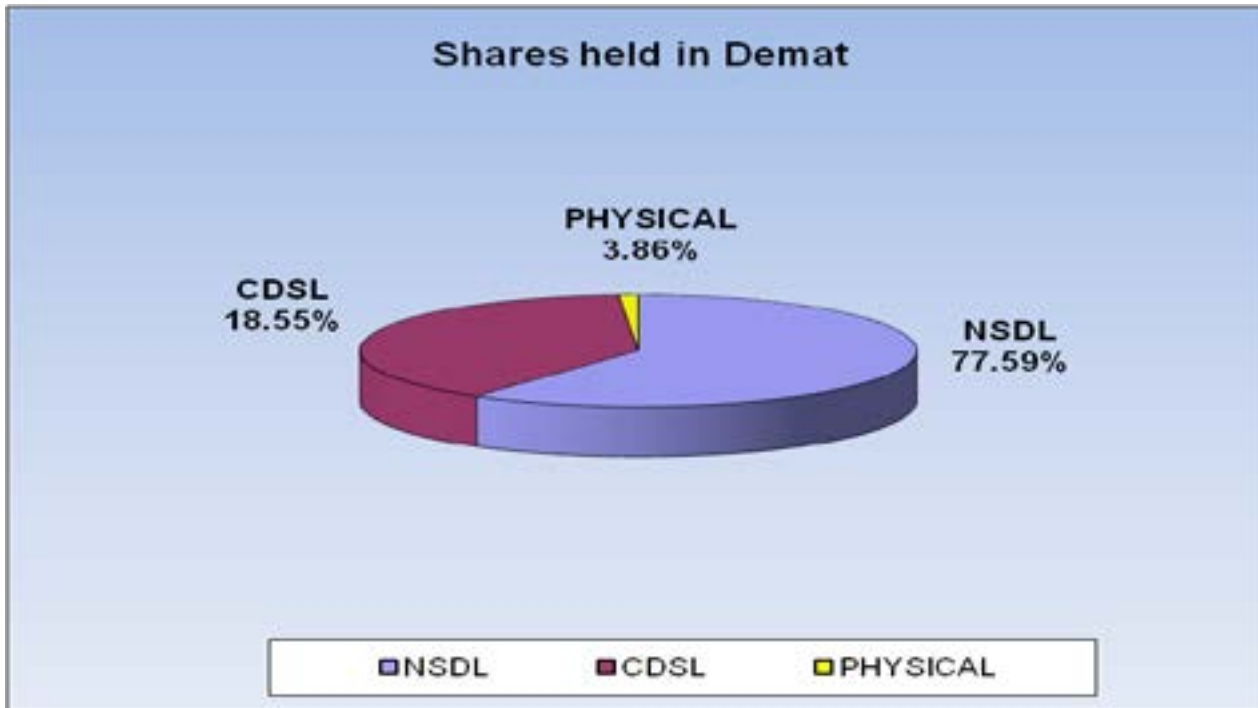
**e) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments**

The Company had not issued any ADR/ GDR/Warrants or any Convertible Instruments during the year 2012-2013 or any time before this period.

**f) Capital structure as on March 31, 2013**

Structure	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**



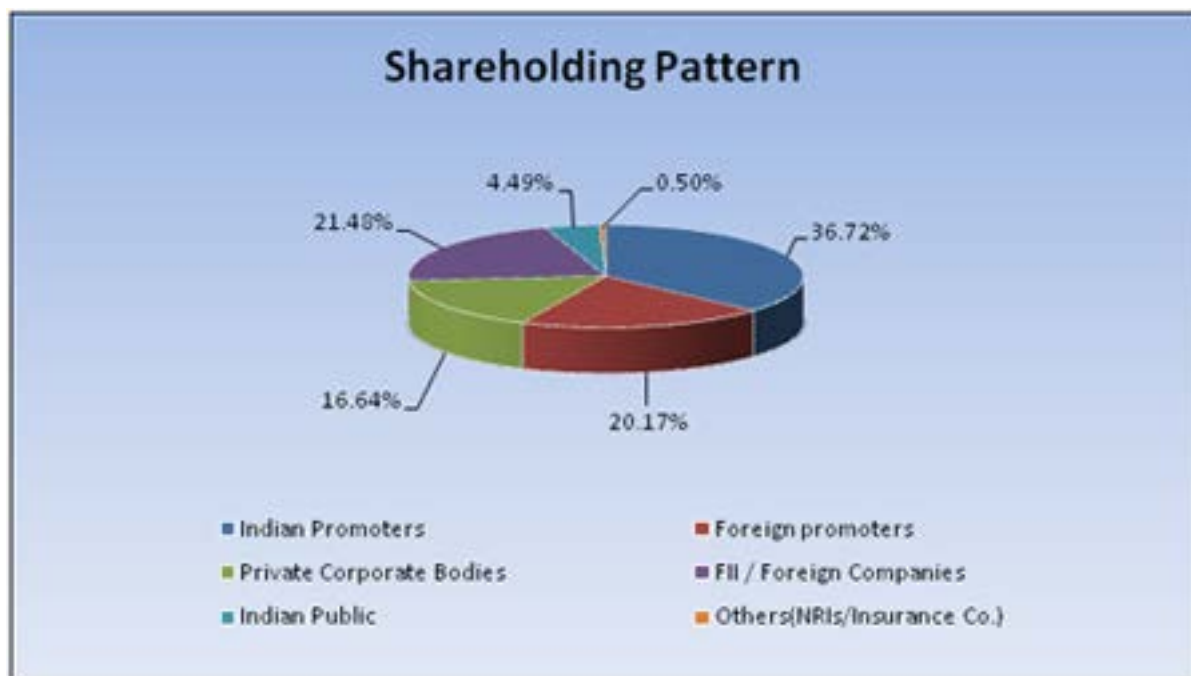
**Distribution of Shareholding as on March 31, 2013**

Sl.no.	Category	Case	% of Cases	Amount	% Amount
1	Upto 1 -5000	1054	81.90	905250.00	0.45
2.	5001-10000	49	3.81	427730.00	0.21
3.	10001-20000	37	2.87	544780.00	0.27
4.	20001-30000	15	1.17	371900.00	0.19
5.	30001-40000	10	0.78	360700.00	0.18
6.	40001-50000	18	1.40	848700.00	0.42
7	50001-100000	29	2.25	2185380.00	1.09
8	100001 & Above	75	5.83	194938060.00	97.19
<b>Total</b>		<b>1287</b>	<b>100.00</b>	<b>200582500.00</b>	<b>100.00</b>

### Categories of Equity Shareholders as on March 31, 2013

S. No	Category	No. of Shares	% of Holding
<b>A.</b>	<b>Promoter's Holding</b>		
a	-Indian Promoters	73,65,807	36.72
b	-Foreign Promoters	40,46,000	20.17
	<b>Sub-Total</b>	<b>1,14,11,807</b>	<b>56.89</b>
<b>B.</b>	<b>Non Promoter Holding</b>		
a.	-Private corporate Bodies	33,37,241	16.64
b.	-FII/Foreign Companies	43,08,250	21.48
c.	-Indian Public	9,00,020	4.49
d.	-Other (NRIs/Insurance Co.)	1,00,932	0.50
	<b>Sub-Total</b>	<b>86,46,443</b>	<b>43.11</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, 2013

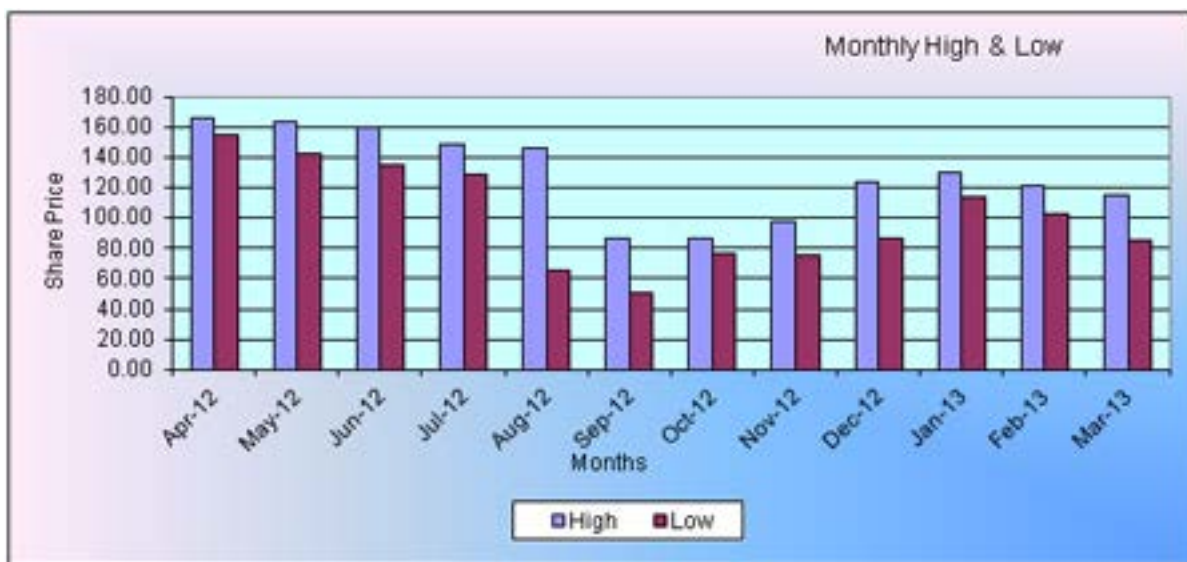


**Market Price Data**

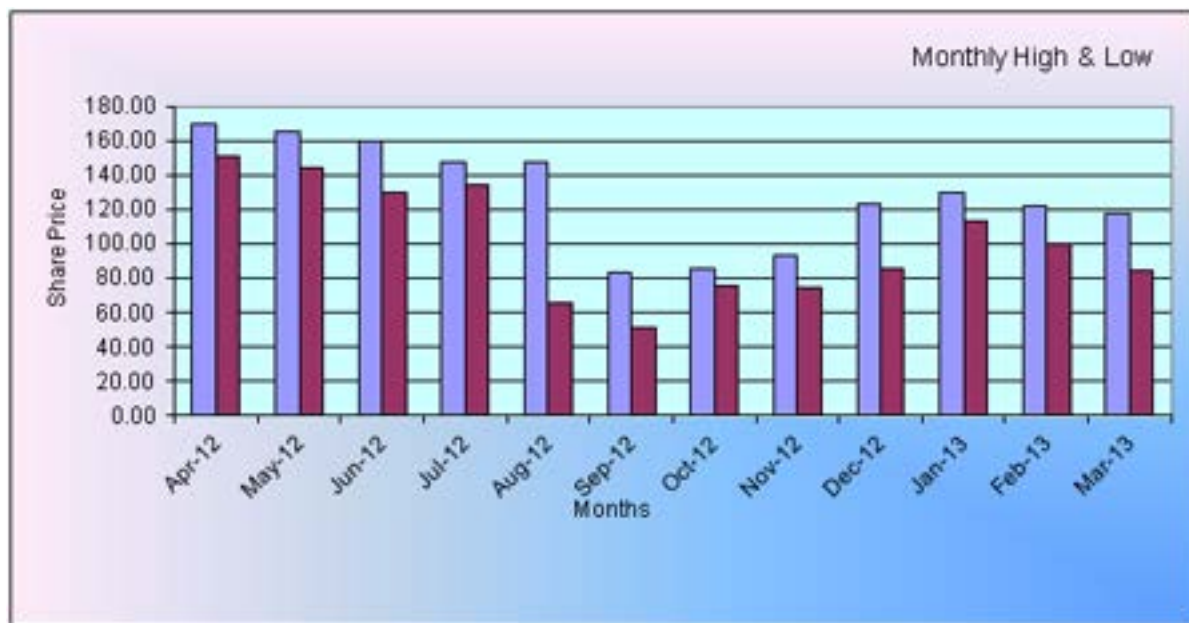
The High, Low Share Price of the Company on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) vis-a-vis BSE Sensex, NSE Nifty & Volume during the period from April, 2012 to March, 2013 are as under:

Period	Bombay Stock Exchange				National Stock Exchange			
Months	Sensex	High	Low	Volume	Nifty	High	Low	Volume
Apr-12	17318.81	166.50	155.00	5,44,195	5254.48	170.00	151.20	29209.15
May-12	16218.53	163.90	143.05	5,65,239	4966.51	165.40	145.00	29653.68
Jun-12	17429.98	159.80	135.00	4,55,063	5074.21	160.00	130.60	31469.62
Jul-12	17236.18	148.10	128.25	5,61,033	5222.01	147.30	134.75	28786.91
Aug-12	17429.56	146.00	65.70	4,33,487	5329.72	147.95	65.90	25804.10
Sep-12 18762.74		86.80	50.95	7,35,314	5485.27	83.00	51.15	44572.60
Oct-12	18505.38	86.65	76.25	54,926	5688.63	86.20	76.00	5407.81
Nov-12	19339.90	98.00	75.00	1,14,020	5679.62	93.80	74.50	9856.35
Dec-12	19426.71	123.50	86.20	1,45,239	5890.95	123.00	85.55	12973.30
Jan-13	19894.98	130.00	114.00	1,49,013	6023.12	130.00	113.70	11701.09
Feb-13	18861.54	121.50	102.75	1,39,146	5893.59	122.00	100.20	13058.05
Mar-13	18835.77	114.85	85.10	1,50,609	5782.26	118.00	85.10	14458.00

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

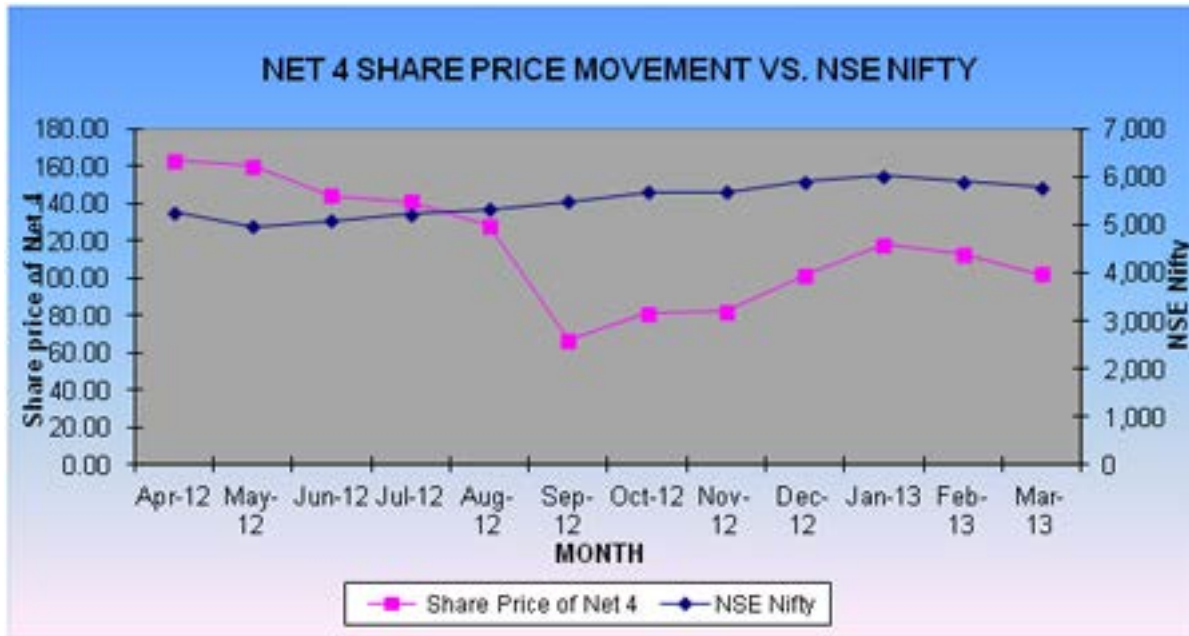


**BSE COMPARISON**



NSE COMPARISON





#### 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**

**Place:** Noida

**Dated:** November 12, 2013

**Jasjit Singh Sawhney**  
Chairman & Managing Director

**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, 2013, 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 Shareholder's / Investor's 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.

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

**Place: Noida  
Date: May 28, 2013**

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



## CHIEF EXECUTIVE OFFICER (CEO) & 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,

**Jasjit Singh Sawhney**  
CMD & CEO

**Amarjit Singh Sawhney**  
Whole Time Director

**Date: May 28, 2013**  
**Place: Noida**

## MANAGEMENT DISCUSSION AND ANALYSIS

We have had a phenomenal year to say the least. 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, we are having 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.

### Web & Application Services

A common attribute to all services under this segment was the highly positive impact of the changed front end/ graphical user interface and application architecture for services driven from [www.net4.in](http://www.net4.in). This impact was seen on both, the quantum of new customers and ratio of renewals achieved vs targeted. This, along with innovative pricing and reward models for the reseller market, has finally enabled to crack into the reseller/partner segment, where we have had a negligible presence in the past.

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 few years.

### 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.

We have also launched our new service E-mail Archival in the year gone. Under the service, the Company will provide the data retention of the e-mails maintained under a particular e-mail accounts/ID in respect of which the said service is being purchased. It helps in maintaining the records of your earlier mails and the data therein which may be lost due to a long gestation period or due to the exceeded size of the mailbox. The data retention is provided on First-in-First-out (FIFO) basis depending upon the period for which the service is being purchased.

Your Company is looking forward to generate customers and revenues from the given launched service.

### 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 last 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 multiyear 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.

### **Data Centre & Cloud Services**

The demand scenario for 3<sup>rd</sup> 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 soon. We will be ready to provide occupation to customers shortly thereafter. The New Chennai Data centre is a 50,000 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.

We continue to see a upward trend in managed services, especially in Backup and Recovery /DR services. We are now in a position to give even more momentum to these service 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.

### **Network & Systems Integration**

Network and System Integration is huge and massive market but with low margins. Your Company is, therefore, planning to hived off this segment of Network Integration.

**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 also, but with all the developments in the last year now seems extremely likely. Such a move will surely spur demand for VoIP services.

## AUDITOR'S REPORT

To the Members of

M/s Net 4 India Limited.

1. We have audited the accompanying financial statements of Net 4 India Limited, which comprise the Balance Sheet as at 31<sup>st</sup> March 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.
2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 2013;
  - b) in the case of the Profit and Loss Account, of the profit/ loss 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.
7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) 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
  - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

- e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

Place: Noida  
Date: May 28, 2013

For Sandy Associates.  
**Chartered Accountants**

FRN: 007337N  
(Sandeep Gupta)

**(Proprietor)**  
Membership No. : 86069

**Annexure referred to in paragraph 7 of the Our Report of even date to the members of Net 4 India Limited on the accounts of the company for the year ended 31<sup>st</sup> March, 2013.**

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

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

All the assets have been physically verified by the management at the close of the financial year 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 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, following are undisputed dues outstanding as on March 31, 2013 for a period of more than six months from the date they become payable.

- 10.

Particulars	Amount (Rs. In lakh)
Income Tax	416.20
Tax Deducted at source	18.95
Service Tax	352.65

Income Tax for the following year 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.

Assessment Year	Amount (Rs. In lakh) (including interest)
2008-09	40.28
2009-10	265.61
2010-11	773.67

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**

FRN: 007337N

Place: Noida  
Date: May 28, 2013

(Sandeep Gupta)  
**(Proprietor)**  
Membership No. : 86069



**NET4 INDIA LTD. BALANCE SHEET AS AT 31st March, 2013**

(in Rs. Lakhs)

	Note	March 31, 2013	March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's Fund</b>			
Share Capital	3	2,005.83	2,005.83
Reserves & Surplus	4	12,008.51	10,498.32
<b>Non Current Liabilities</b>			
Long Term Borrowings	5	2,543.84	1,253.07
Deferred Tax Liabilities		902.09	777.00
Long Term Provisions	6	46.99	107.42
<b>Current Liabilities</b>			
Short Term Borrowings	7	9,570.92	7,516.05
Trade Payables	8	4,047.23	4,342.30
Other Current Liabilities	9	3,287.42	1,876.07
Short Term Provisions	10	430.52	404.49
		<b>34,843.35</b>	<b>28,780.55</b>
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Fixed Assets	11		
Tangible Assets		5,484.76	4,810.92
Intangible Assets		326.00	363.62
Capital Work in Progress		1,262.45	508.80
Long Term Investment	12	2,499.39	2,500.38
Long Term Loans and Advances	13	277.43	412.27
<b>Current Assets</b>			
Current Investments	12	1.46	1.56
Inventories	14	5,296.08	4,646.04
Trade Receivables	15	11,165.63	8,136.75
Cash and Cash Equivalents	16	1,020.98	955.67
Short Term loans & Advances	17	7,509.17	6,433.77
Other Current Assets	18	-	10.77
		<b>34,843.35</b>	<b>28,780.55</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,

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

Place : Noida  
Date : May 28, 2013

For and on behalf of the Board of Directors

Amarjit S. Sawhney  
Director

Jasjit S. Sawhney  
CMD

# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2013

(in Rs. Lakhs)

	Note	2012-13	2011-12
<b>CONTINUING OPERATIONS</b>			
Revenue from operations			
Domestic		30,889.20	29,023.50
Overseas		703.48	1,240.53
		31,592.68	30,264.03
<b>Other Income</b>	19	651.27	705.97
<b>Total Revenue (1+2)</b>		<b>32,243.95</b>	30,970.00
<b>Expenses</b>			
Cost of Sales and Services	20	23,044.90	21,171.51
Employee Benefit Expenses	21	1,399.45	1,364.56
Finance Costs	22	1,263.69	1,267.55
Depreciation & Amortization Expenses	11	1,944.61	1,707.75
Other Expenses	23	2,272.50	1,998.41
<b>Total Expenses</b>		<b>29,925.15</b>	27,509.78
<b>Profit Before Tax (3-5)</b>		<b>2,318.80</b>	3,460.22
<b>Tax Expense</b>			
Current Tax		627.42	997.05
Deferred Tax		125.09	124.39
<b>Profit for the year</b>		<b>1,566.29</b>	2,338.78
Earning per Equity Share - Basic and Diluted (Rs)		7.81	11.66
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,

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

Place : Noida  
Date : May 28, 2013

For and on behalf of the Board of Directors

Amarjit S. Sawhney  
Director

Archana Walia  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013**

(in Rs. Lakhs)

	<b>2012-13</b>	<b>2011-12</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before Tax and Extraordinary items</b>	<b>2,318.80</b>	<b>3,460.22</b>
Adjustments for :		
Depreciation & Amortisation	1,944.61	1,707.75
Assets discarded/ Loss on sale of fixed assets	-	8.16
Profit on sale of Investment	(0.69)	13.71
Provision for Dimunition in value of investment	0.11	0.44
Bad debts	6.15	1.40
Interest costs	1,263.69	1,267.55
Interest and dividend income	(325.05)	(286.22)
Preliminary Exp written off	0.50	0.50
<b>Operating Profit before Working Capital Changes</b>	<b>5,208.12</b>	<b>6,173.51</b>
Adjustments for :		
Trade Receivables	(3,035.03)	(2,444.51)
Inventories	(650.04)	(2,446.19)
Current Assets, Loans and Advances	(1,015.69)	(913.70)
Provision for retirement benefits	(48.21)	(53.81)
Current Liabilities	727.00	1,632.07
<b>Cash generated from Operations</b>	<b>1,186.15</b>	<b>1,947.37</b>
Taxes paid	(687.50)	(692.13)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>498.65</b>	<b>1,255.24</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and change in capital work in progress	(3,635.24)	(2,641.82)
Proceeds on disposal of fixed assets	300.76	245.35
Proceeds on disposal of Investments	1.67	(357.51)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,332.81)</b>	<b>(2,753.98)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from secured loans	3,527.92	2,415.58
Nett proceeds from unsecured loans	310.19	582.40
Interest Income	325.05	286.22
Interest costs	(1,263.69)	(1,267.55)
<b>NET CASH USED FROM FINANCING ACTIVITIES</b>	<b>2,899.47</b>	<b>2,016.65</b>
<b>D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)</b>	<b>65.31</b>	<b>517.91</b>

<b>CASH AND CASH EQUIVALENTS , beginning of period (Refer Note)</b>	<b>955.67</b>	<b>437.76</b>
<b>CASH AND CASH EQUIVALENTS , end of the year (Refer Note)</b>	<b>1,020.98</b>	<b>955.67</b>

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

Amarjit S.Sawhney  
Director

Jasjit S.Sawhney  
Chairman &  
Managing Director

Place : Noida  
Date : May 28, 2013

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, 2013, 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,

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

Place : Noida  
Date : May 28, 2013

## Notes to financial statements for the year ended 31 March 2013

### 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. The company has prepared its financial statement as per revised Schedule VI notified under the Companies Act 1956.

#### 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.

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.

**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.

**o. 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 31,2013		March 31,2012	
<b>NOTE '3'</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>	<b>No.</b>	<b>Rs.</b>	<b>No.</b>	<b>Rs.</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
		<u>2,500.00</u>		<u>2,500.00</u>
<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
		<u>2,005.83</u>		<u>2,005.83</u>
<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	20,058,250	2,005.83
Issued during the period	-	-	-	-
At the end of the period	20,058,250	2,005.83	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	4,806,000	23.96%	4,900,000	24.43%
Sterling Capital (P) Limited	1,963,259	9.79%	2,387,167	11.90%
Madison India Capital HC	1,697,812	8.46%	1,697,812	8.46%

(in Rs. Lakhs)

	March 31,2013	March 31,2012
<b>NOTE '4'</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Securities Premium Reserve</b>		
Opening Balance	4,068.38	4,068.38
Addition during the year	-	-
<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
<b>Closing balance</b>	<b>-</b>	<b>56.10</b>
<b>Surplus/ (deficit) in the statement of Profit and loss</b>		
Balance as per last financial statement	5,919.64	3,564.90
Profit for the year	1,566.29	2,338.78
Excess provision for tax for earlier years, written back	-	15.96
<b>Net surplus in the statement of profit &amp; loss</b>	<b>7,485.93</b>	<b>5,919.64</b>
<b>Total Reserves &amp; Surplus</b>	<b>12,008.51</b>	<b>10,498.32</b>

(in Rs. Lakhs)

	March 31,2013	March 31,2012
<b>NOTE '5'</b>		
<b>LONG TERM BORROWINGS</b>		
Secured		
- Term Loan from Banks	1,698.06	297.97
- Vehicle Loans	3.41	9.39
Unsecured		
- From Banks/Institutions	-	40.19
- From Others	205.00	205.00
- Fixed Deposits	637.37	700.52
	<b>2,543.84</b>	<b>1,253.07</b>

a. Term Loan SBI was taken in FY 2011-12 and carries interest @ 2.9%+SBI Base Rate p.a. The loan is repayable in 62 monthly installments. Term Loan is secured by hypothecation of entire fixed assets of the company. It is also secured against property situated at Site No. 12 and S. Nos. 33, 33/4A, 33/4B, 33/4C, 33/3B1, 33/6B, 34 and 34.7, KCG College Road, Karapakkam, Chennai. Further, the loan has been secured by personal guarantee of the directors.

b. Vehicle loan from 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 31,2013	March 31,2012
<b>NOTE '6'</b>		
<b>LONG TERM PROVISIONS</b>		
Provision for employee benefits		
- Provision for gratuity	38.02	83.09
- Provision for leave encashment	8.97	24.33
	<b>46.99</b>	<b>107.42</b>

(in Rs. Lakhs)

	March 31,2013	March 31,2012
<b>NOTE '7'</b>		
<b>SHORT TERM BORROWINGS</b>		
Secured		
- Cash Credit / Working Capital Loans (Secured against entire current assets)	7,644.07	5,699.51
Unsecured		
Fixed Deposits	395.45	649.98
Inter Corporate Loans	1,531.40	1,166.56
	<b>9,570.92</b>	<b>7,516.05</b>

a.Cash Credit from State Bank of India is secured by hypothecation of entire curent 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 guarantee of the directors. The cash credit is repayable on demand and carries interest @ 2.75%+SBI Base rate p.a.

b.Cash Credit from State Bank of Travancore is secured by hypothecation of entire curent 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 @ 2.75%+SBT Base rate p.a.

	March 31,2013	March 31,2012
<b>NOTE '8'</b>		
<b>TRADE PAYABLES</b>		
- Trade Payables	4,047.23	4,342.30
	<b>4,047.23</b>	<b>4,342.30</b>

(in Rs. Lakhs)

	March 31,2013	March 31,2012
<b>NOTE '9'</b>		
<b>OTHER CURRENT LIABILITIES</b>		
Current Maturities of Long term Debts	862.08	472.81
Interest Accrued but not due	69.28	57.97
Unearned revenue	30.63	30.61
Unclaimed dividend	0.10	0.23
Advances from customers	947.82	707.38
Accrued salaries and benefits	210.83	110.45
Expenses Payable	128.56	60.76
Withholding and other taxes payable	1,025.67	379.36
Other liabilities	12.45	56.50
	<b>3,287.42</b>	<b>1,876.07</b>

	March 31,2013	March 31,2012
<b>NOTE '10'</b>		
<b>SHORT TERM PROVISIONS</b>		
Provision for employee benefits	-	
- Provision for gratuity	13.88	1.60
- Provision for leave encashment	0.44	0.50
Provision for Tax (Net of Advance Tax)	416.20	402.39
	<b>430.52</b>	<b>404.49</b>

**Note 11**  
**FIXED ASSETS**

(in Rs. Lakhs)

Name		Original Cost			Depreciation and amortization			Net Block	
	As at 01.04.12	Additions during year	Deductions	As at 31.03.13	As at 01.04.12	For the year	Deduc- tions	As at 31.03.13	As at 31.03.12
TANGIBLE									
Land	293.44			293.44	-			-	293.44
Building	383.78			383.78	110.14	13.68	-	123.82	273.64
Leasehold Im- provements	35.92	-		35.92	13.96	3.85	-	17.81	21.96
Computers	6,637.81	2,866.51	1,485.44	8,018.88	2,809.71	1,825.15	1,197.17	3,437.69	3,828.10
Office Equip- ment	531.92	13.80	12.03	533.69	251.60	39.75	8.29	283.06	280.32
Furniture & Fixtures	280.96	1.28	0.84	281.40	216.59	11.86	0.72	227.73	64.38
Vehicles	190.52		70.95	119.57	141.44	12.70	62.32	91.82	49.08
Sub total	8,354.35	2,881.59	1,569.26	9,666.68	3,543.44	1,906.99	1,268.50	4,181.93	4,810.92
INTANGIBLE									
Goodwill	46.73	-	-	46.73	45.61	0.12	-	45.73	1.12
Trademarks	750.00	-	-	750.00	387.50	37.50	-	425.00	362.50
Hosting Plat- form	65.00	-	-	65.00	65.00	-	-	65.00	-
Technology	257.50	-	-	257.50	257.50	-	-	257.50	-
Sub total	1,119.23	-	-	1,119.23	755.61	37.62	-	793.23	363.62
Capital work in progress	508.80	753.65	-	1,262.45	-	-	-	-	508.80
Grand Total	9,982.39	3,635.24	1,569.26	12,048.36	4,299.05	1,944.61	1,268.50	4,975.16	5,683.34
Previous Year	8,897.22	2,641.82	1,556.64	9,982.39	3,894.44	1,707.74	1,303.13	4,299.05	5,683.34
Notes:-									
1. Deductions include cost of assets sold/scrapped during the year									
2. Depreciation and Amortization relates to continuing operations									



	March 31, 2013	March 31, 2012
<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
64,775 (P.Y.64,775) shares of Rs.10 each fully paid up of Pipetel Communications Pvt Ltd, a wholly owned subsidiary	415.26	415.26
50,000 (P.Y.50,000) shares of Rs.10 each fully paid up of Net 4 Network Services, a wholly owned subsidiary	5.00	5.00
10,000 (10,000) shares of HKD 1 each fully paid up of Net 4 Honk Kong, a wholly owned subsidiary	0.67	0.67
In other companies		
Nil (P.Y. 9,900) shares of Rs.10 each fully paid up of Net 4 Technology Ltd	-	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
1 (P.Y.1) shares of 1500 euro each fully paid up of Denic EG	0.96	0.96
	<b>2,499.39</b>	<b>2,500.38</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	(0.54)	(0.44)
	<b>1.46</b>	<b>1.56</b>
	<b>2,500.85</b>	<b>2,501.94</b>
Aggregate book value of quoted investments	2.00	2.00
Market Value of quoted investments	1.46	1.56
<b>NOTE '13'</b>		
<b>LONG TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Security Deposits	277.43	412.27
	<b>277.43</b>	<b>412.27</b>

(in Rs. Lakhs)

	March 31, 2013	March 31, 2012
<b>NOTE '14'</b>		
<b>INVENTORIES</b>		
(At lower of cost or net realisable value)		
Stock in trade	5,296.08	4,646.04
	<b>5,296.08</b>	<b>4,646.04</b>
<b>NOTE '15'</b>		
<b>TRADE RECEIVABLE</b>		
(Unsecured and considered good)		
Over six months	1,120.21	548.12
Others	10,045.42	7,588.63
	<b>11,165.63</b>	<b>8,136.75</b>
<b>NOTE '16'</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash in hand	2.66	1.65
With scheduled banks in:		
Current Accounts	89.80	115.94
Deposit Accounts as margin money	815.67	732.72
Deposit Accounts	112.85	105.15
Unclaimed dividend accounts	-	0.21
	<b>1,020.98</b>	<b>955.67</b>
<b>NOTE '17'</b>		
<b>SHORT TERM LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advance income tax	246.57	172.67
Advance fringe benefit tax	0.83	0.83
Interest accrued	91.39	100.43
Prepaid expenses	103.98	61.21
Intercompany Loans	1,554.07	1,554.07
Advances recoverable in cash or in kind or for value to be received	5,512.33	4,544.56
	<b>7,509.17</b>	<b>6,433.77</b>

(in Rs. Lakhs)

	March 31, 2013	March 31, 2012
<b>NOTE '18'</b>		
<b>OTHER CURRENT ASSETS</b>		
Miscellaneous Expenditure (to the extent not written off)	-	0.50
Deferred premium	-	10.27
	-	10.77
<b>NOTE '19'</b>		
<b>OTHER INCOME</b>		
Sale of shared services including facilities and personnel	305.44	416.07
Balances written back	5.69	-
Interest	325.05	286.22
Miscellaneous income	0.78	3.68
Difference in Exchange Rate	13.05	-
Profit on sale of Investment	0.69	-
Profit on Assets Discarded	0.57	-
	<b>651.27</b>	<b>705.97</b>
<b>NOTE '20'</b>		
<b>COST OF SALES AND SERVICES</b>		
(Increase)/decrease in stock	(650.03)	(2,446.20)
Purchases and other direct cost	23,694.93	23,617.71
	<b>23,044.90</b>	<b>21,171.51</b>
<b>NOTE '21'</b>		
<b>EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, wages and bonus	1,399.45	1,364.56
(*includes contribution to providend and other funds, staff welfare, staff training and other expenses)		
	<b>1,399.45</b>	<b>1,364.56</b>

**NOTE '22'**
**FINANCE COST**

Interest on borrowings	1,102.71	1,137.00
Other Borrowing Cost	160.98	130.55
	<b>1,263.69</b>	<b>1,267.55</b>

**NOTE '23'**
**OTHER EXPENSES**

Rent	227.83	266.65
Electricity and water charges	262.99	218.88
Communication	99.16	98.64
Travelling and conveyance	145.52	157.72
Repair, maintenance and office expenses	168.74	200.87
Legal and Professional charges	148.82	169.16
Bank Charges	151.73	118.10
Security and support staff	42.40	49.94
Lease Rental	540.34	348.41
Membership and subscription	8.01	11.79
Printing and stationery	12.06	18.20
Loss on sale/discarding of fixed assets		8.16
Loss on sale of Investment	-	13.71
Insurance premium	33.52	25.77
Auditors remuneration	2.50	1.99
Bad debts written off	6.15	1.40
Directors' sitting fees	0.13	0.18
Conferences & Meetings	8.07	20.11
Miscellaneous expenses	132.70	42.51
Preliminary Exp written off	0.50	0.50
Difference in Exchange Rate	-	4.04
Provision for Dimunition in value of investment	0.11	0.44
Advertising and marketing	172.70	98.59
Entertainment and business promotion	88.10	98.17
Sales commission and incentives	20.42	22.78
Exhibition expenses	-	1.70
	<b>2,272.50</b>	<b>1,998.41</b>

Payments to the auditor		
As Auditor:		
Audit Fee	2.00	1.65
Tax Audit Fee	0.50	0.33
Limited Review	0.80	0.88
In Other Capacity:		
Other services	2.42	2.73

**24. All amounts in the financial statements are presented in Rupees lakhs.**

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

**25. Deferred Tax**

Provision for deferred tax for the year ended March 31, 2013 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. 125.07/- (Previous year - Rs. 124.39/-), for the current year has been recognized in the Profit & Loss Account and comprises of the following:

	2012-13	2011-12
Related to fixed assets	109.45	124.39
Provisions charged in the financial statements but allowed as a deduction under the Income Tax Act in future years	15.64	--
(To the extent considered realizable)	<b>125.09</b>	124.39

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

	2012-13	2011-12
Capital Goods	Nil	5.19
	Nil	5.19

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

	2012-13	2011-12
Income from sales and services	703.48	1240.53
	<b>703.48</b>	1240.53

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

	2012-13	2011-12
Direct cost	1284.62	898.65
Travelling	1.61	0.98
Consultancy	46.81	34.86
Membership and Subscription Charges	5.29	4.50
Others	24.46	12.47
	<b>1362.79</b>	951.46

### 29. Managerial Remuneration

	2012-13	2011-12
Salary	50.44	50.44
Contributions to Provident and other funds	5.28	5.28
Sitting Fees	0.12	0.18
<b>Total Remuneration</b>	<b>55.84</b>	<b>55.90</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.

### 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, 2013, the company has not provided any provision for any doubtful debts as the company is confident of collecting all amounts due.

The company has written off Rs.6.15/- (P.Y. Rs. 1.40/-) 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, 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

(in Rs. Lakhs)

Particulars	Year ended March 31,2013		Year ended March 31,2012	
	Domestic	Overseas	Domestic	Overseas
Revenues	30,889.20	703.48	29023.50	1240.53
Net Fixed Assets	7,073.21		5683.34	-
Debtors	11,054.13	111.50	7896.00	240.75
Current Assets (Other than Debtors)	13,827.69		12047.81	-

32. Term Deposits aggregating to Rs 815.67/- (P.Y.Rs. 732.72/-) 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 Lakh 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 '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, 2013	March 31, 2012
Obligations on non cancellable leases :		
Not later than one year	444.61	488.04
Later than one year but not later than five years	235.40	566.94
<b>Total</b>	<b>680.01</b>	<b>1,054.98</b>

**35. Borrowing Costs**

The amount of borrowing costs capitalized during the year is Rs. 161.00 /- (P.Y. 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 62 years and mortality table is as per LIC (1994-96).

The following table's sets out the disclosures relating to gratuity benefits as required by Accounting Standard-15, 'Employee Benefits':

Changes in the present value of obligations :	Gratuity As at 31/03/2013	Gratuity As at 31/03/2012
Present Value of Obligation at Beginning of year	84.69	49.15
Acquisition Adjustment	--	--
Interest Cost	6.38	3.92
Past Service Cost	--	--
Current Service Cost	5.87	13.31
Curtailment cost	6.45	--
Settlement Cost	--	--
Benefits Paid	9.97	0.31
Actuarial gain/loss on Obligations	(28.62)	18.62
<b>Present Value of Obligation at end of Year</b>	<b>51.90</b>	<b>84.69</b>



<b>Changes in the fair value of plan assets :</b>	<b>Gratuity As at 31/03/2013</b>	<b>Gratuity As at 31/03/2012</b>
Fair Value of Plan Asset at Beginning of year	25.68	14.62
Acquisition Adjustment	--	--
Expected Return on Plan Asset	2.05	1.17
Contributions	--	11.06
Benefits Paid	9.97	0.31
Actuarial gain/loss on Plan Asset	(1.92)	(0.86)
<b>Fair Value of Plan Asset at End of year</b>	<b>15.84</b>	<b>25.68</b>

<b>Reconciliation of present value of defined benefit obligation and the fair value of plan assets :</b>	<b>Gratuity As at 1/03/2013</b>	<b>Gratuity As at 1/03/2012</b>
Present Value of Obligation at end of Year	51.90	84.69
Fair Value of Plan Asset at End of year	15.84	25.68
Funded Status	(36.06)	(59.01)
Unrecognized actuarial gain/loss at end of the year	--	--
<b>Net Asset(Liability) Recognized in Balance Sheet</b>	<b>(36.06)</b>	<b>(59.01)</b>

<b>Expenses recognized in the Profit &amp; Loss Account :</b>	<b>Gratuity As at 31/03/2013</b>	<b>Gratuity As at 31/03/2012</b>
Current Service Cost	5.87	13.31
Past Service Cost	--	--
Interest Cost	6.38	3.92
Expected Return on Plan Assets	2.05	1.17
Curtailment Cost	<b>6.45</b>	--
Settlement Cost	--	--
Actuarial gain/loss recognized in the year	(26.70)	19.47
<b>Expense Recognized in Statement of Profit/Loss</b>	<b>(22.96)</b>	<b>35.54</b>

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

<b>Actuarial Assumptions</b>	<b>Gratuity As at 1/03/2013</b>	<b>Gratuity As at 31/03/2012</b>
Mortality Rate	LICI 1994-1996	LICI 1994-1996
Superannuation Age	62	58
Early Retirement & Disablement	25.00 %	21.23 %
Discount Rate	8.00 %	8.00 %
Inflation Rate	0.00 %	5.00 %
Return on Asset	8.00 %	8.00 %
Remaining Working Life	27	25
Formula used	Projected Unit Credit Method	Projected Unit Credit Method

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

<b>Changes in the present value of obligations :</b>	<b>Leave Encashment As at 31/03/2013</b>	<b>Leave Encashment As at 31/03/2012</b>
Present Value of Obligation at Beginning of year	24.82	9.75
Acquisition Adjustment	--	--
Interest Cost	1.50	0.61
Past Service Cost	--	--
Current Service Cost	2.69	4.52
Curtailment cost	1.43	--
Settlement Cost	--	--
Benefits Paid	12.05	4.15
Actuarial gain/loss on Obligations	(6.12)	14.09
<b>Present Value of Obligation at end of Year</b>	<b>9.41</b>	<b>24.82</b>

<b>Expenses recognized in the Profit &amp; Loss Account :</b>	<b>Leave Encashment As at 31/03/2013</b>	<b>Leave Encashment As at 31/03/2012</b>
Current Service Cost	2.69	4.52
Past Service Cost	--	--
Interest Cost	1.50	0.61
Expected Return on Plan Assets	--	--
Curtailment Cost	1.43	--
Settlement Cost	--	--
Actuarial gain/loss recognized in the year	(6.12)	14.09
<b>Expense Recognized in Statement of Profit/Loss</b>	<b>(3.36)</b>	<b>19.23</b>

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

<b>Actuarial Assumptions</b>	<b>Leave Encashment As at 31/03/2013</b>	<b>Leave Encashment As at 31/03/2012</b>
Mortality Rate	LICI 1994-1996	LICI 1994-1996
Superannuation Age	62	58
Early Retirement & Disablement	25.00 %	21.23 %
Discount Rate	8.00 %	8.00 %
Inflation Rate	0.00 %	5.00 %
Return on Asset	0.00 %	0.00 %
Remaining Working Life	27	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) Subsidiaries of the Company**
Domestic

Net 4 Communications Ltd

Pipetel Communications Private Limited

Net 4 Network Services Limited

Overseas

Net4 HK limited

**iii) Entity having Significant Influence**

Trak Online Net India Pvt Ltd.

Jiwan Financial Holdings Ltd

Net4 Barter Private Limited

**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**

Nature of Transaction	Subsidiary Company	Entity having significant influence	Key Management Personnel and their relatives	Total
<u>Revenue Transactions</u>				
Purchase of goods and services	790.88	--	--	790.88
<i>Previous year</i>	<i>973.10</i>	--	--	<i>973.10</i>
Sale of goods and Services	192.18	--	--	192.18
<i>Previous year</i>	--	0.51	--	0.51
Sharing of costs and services including facilities and personnel	325.44	--	--	325.44
<i>Previous year</i>	<i>376.07</i>	<i>60.00</i>	--	<i>436.07</i>
<u>Balances at the end of the year</u>				
Unsecured Loans	--	--	205.00	205.00
Current Liabilities	395.28	22.57	--	417.85
Current Assets	252.59	--	--	252.59

**38. Basic Earnings Per Share**

	2012-13	2011-12
Net Profit after tax available for equity shareholders	1,566.29	2,338.78
Weighted average number of equity shares	20,058,250	20,058,250
Basic earnings per share (Rs.)	7.81	11.66

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.

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

	2012-13	2011-12
(a) Claims against the company not acknowledged as debts	<b>2.56</b>	2.56
(b) Guarantees		
▪ Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favor of various government authorities and others	<b>16.44</b>	206.96
▪ Guarantees to banks against credit facilities extended to subsidiary	<b>6,102.89</b>	6,832
(c) Others		
▪ Disputed Income tax demand for A/Y 09-10, including interest, though appeal filed*	<b>265.61</b>	265.61
▪ Disputed Income tax demand for A/Y 08-09, including interest, though appeal filed*	<b>40.28</b>	40.28
▪ Disputed Income tax demand for A/Y 10-11, including interest, through appeal filed*	<b>773.67</b>	--

\* 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 '42' form an integral part of the Balance Sheet and Profit and Loss Account.**

Signatures to Note '1' to '42'

For Sandy Associates

For and on behalf of the Board of Directors

Chartered Accountants

Sandeep Gupta

Amarjit S. Sawhney

Jasjit S. Sawhney

Proprietor

Director

Chairman & Managing Director

Membership No: 86069

FRN No: 007337N

Place: Noida

Archna Walia

Date: May 28, 2013

Company Secretary

## Net 4 India Ltd. Consolidated Auditor's Report

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 31<sup>st</sup> March 2013, 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. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
6. 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. 15,264.47 lakhs as at March 31, 2013 and total revenues of Rs. 15,585.47 lakhs for the year than ended and cash outflows amounting to Rs. 203.21 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.
7. 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 our information and according to the explanations given to us, the financial statements give the information required by the Act 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 Consolidated Balance Sheet, of the state of affairs of the Net 4 India Ltd Group as at 31<sup>st</sup> March, 2013; 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.

For Sandy Associates.

Chartered Accountants

FRN: 007337N

(Sandeep Gupta)

(Proprietor)

Membership No. : 86069

Place: Noida

Date: May 28, 2013

# NET 4 INDIA LTD CONSOLIDATED BALANCE SHEET AS AT 31st March, 2013

in Rs.lakhs

	Note	March 31, 2013	March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's Fund</b>			
Share Capital	2	2,006.55	2,006.55
Share Application Money		1,296.72	-
Reserves & Surplus	3	16,547.38	14,051.63
<b>Non Current Liabilities</b>			
Long Term Borrowings	4	3,618.67	2,389.21
Deferred Tax Liabilities		1,401.30	1,261.74
Long Term Provisions	5	52.04	112.97
<b>Current Liabilities</b>			
Short Term Borrowings	6	14,201.14	10,614.32
Trade Payables	7	5,299.01	7,748.85
Other Current Liabilities	8	6,314.36	3,539.85
Short Term Provisions	9	433.84	472.46
		<b>51,171.01</b>	<b>42,197.58</b>
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Fixed Assets	10		
Tangible assets		8,886.92	8,320.54
Intangible assets		342.43	382.10
Capital Work in Progress		1,262.45	508.80
Long Term Investment	11	71.46	72.45
Long Term loans and Advances	12	1,484.60	1,395.92
<b>Current Assets</b>			
Current Investments	11	1.46	1.56
Inventories	13	8,577.63	7,478.70
Trade Receivables	14	17,364.39	12,939.57
Cash and Cash Equivalents	15	1,432.28	1,412.25
Short Term Loans & Advances	16	11,731.66	9,657.82
Other Current Assets	17	15.73	27.87



		51,171.01	42,197.58
Significant accounting policies	1		
See accompanying notes forming part of the financial statements			

As per our report of even date attached,

For Sandy Associates  
Chartered Accountants,

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

Place : Noida  
Date : May 28, 2013

For and on behalf of the Board of Directors

Amarjit S. Sawhney  
Director

**NET 4 INDIA LIMITED CONSOLIDATED STATEMENT OF PROFIT & LOSS  
ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013**

in Rs.lakhs

	Note	2012-13	2011-12
<b>CONTINUING OPERATIONS</b>			
<b>Revenue from operations</b>			
Domestic		47,816.70	44,493.18
Overseas		919.52	2,015.51
		48,736.22	46,508.69
<b>Other Income</b>	18	448.65	433.95
<b>Total Revenue (1+2)</b>		<b>49,184.87</b>	46,942.64
<b>Expenses</b>			
Cost of Sales and Services	19	35,089.58	32,814.61
Employee Benefit Expenses	20	1,518.63	1,478.28
Finance Costs	21	2,611.83	1,999.62
Depreciation & Amortization Expense	10	3,318.01	3,076.87
Other Expenses	22	2,934.36	2,523.10
<b>Total Expenses</b>		<b>45,472.41</b>	41,892.48
<b>Profit Before Tax (3-5)</b>		<b>3,712.47</b>	5,050.15
<b>Tax Expense</b>			
Current Tax expense for current year		1,064.48	1,400.68
Deferred Tax		139.55	235.27
<b>Profit for the year</b>		<b>2,508.43</b>	3,414.21
Earning per Equity Share - Basic (Rs.)		12.51	17.02
Earning per Equity Share - Diluted (Rs.)		12.50	17.02
Significant Accounting Policies	1		
The accompanying notes are an integral part of the financial statements			

As per our report of even date attached,

For Sandy Associates  
Chartered Accountants,

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

Place : Noida  
Date : May 28, 2013

For and on behalf of the Board of Directors

Amarjit S. Sawhney  
Director

Archna Walia  
Company Secretary

# NET 4 INDIA LTD CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

in Rs.lakh

	2012-13	2011-12
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and Extraordinary items	3,712.47	5,050.16
Adjustments for :		
Depreciation & amortisation	3,318.01	3,076.87
Assets discarded/ Loss on sale of fixed assets	10.64	6.83
Loss on sale of investment	(0.69)	13.72
Bad debts	63.08	1.73
Interest costs	2,611.83	1,999.62
Interest Income	(417.38)	(357.61)
Preliminary Exp written off	1.87	1.83
Provision for diminution in value of investment	0.11	0.44
<b>Operating Profit before Working Capital Changes</b>	<b>9,299.94</b>	<b>9,793.59</b>
Adjustments for :		
Trade Receivables	(4,487.90)	(4,062.95)
Inventories	(1,098.93)	(4,019.67)
Current Assets, Loans and Advances	(1,999.07)	(2,446.71)
Provision for retirement benefits	(48.55)	(55.01)
Current Liabilities	(183.43)	3,141.95
<b>Cash generated from Operations</b>	<b>1,482.06</b>	<b>2,351.20</b>
Taxes paid	(1,178.74)	(1,092.56)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>303.32</b>	<b>1,258.64</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and change in capital work in progress	(5,139.85)	(4,991.97)
Proceeds on disposal of fixed assets	530.83	400.72
Investment in shares	-	51.59
Adjustment of opening reserves for subsidiaries formed during the year	-	51.82
Proceeds from sale of Investment	1.67	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(4,607.35)</b>	<b>(4,487.84)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	0.00	0.73
Proceeds from securities premium	(0.00)	422.74
Proceeds from share Application	1,296.72	-

	Proceeds from secured loans	5,571.21	3,873.37
	proceeds from unsecured loans	(349.43)	1,291.43
	Interest costs	(2,611.83)	(1,999.62)
	Interest income	417.38	357.61
	<b>NET CASH USED FROM FINANCING ACTIVITIES</b>	<b>4,324.06</b>	<b>3,946.26</b>
<b>D.</b>	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C )</b>	<b>20.03</b>	<b>717.06</b>
	<b>CASH AND CASH EQUIVALENTS , beginning of period (Refer Note)</b>	<b>1,412.25</b>	<b>695.19</b>
	<b>CASH AND CASH EQUIVALENTS , end of the year (Refer Note)</b>	<b>1,432.28</b>	<b>1,412.25</b>

**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

Amarjit S.Sawhney  
Director

Jasjit S.Sawhney  
Chairman & Managing Director

Place : Noida  
Date : May 28, 2013

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, 2013, 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,

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

Place : Noida  
Date : May 28, 2013

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2013

## 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. The company has prepared its financial statement as per revised schedule VI notified under the companies act.

### 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.

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.

# NET 4 INDIA LIMITED Notes to the Consolidated Balance Sheet as at 31.03.2013

in Rs.lakhs

<b>NOTE '2'</b>		
<b>SHARE CAPITAL</b>		
	<b>Rs.</b>	<b>Rs.</b>
<b>Authorised</b>		
Equity Shares of Rs 10 each with voting rights	2,400.00	2,400.00
Preference Shares of Rs 10 each	100.00	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	2,005.83	2,005.83
7,198 Preference Shares of Rs 10 each	0.72	0.72
	2,006.55	2,006.55
<b>a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period.</b>		
	<b>Rs.</b>	<b>Rs.</b>
Equity Shares with voting rights		
At the beginning of the period	2,005.83	2,005.83
Issued during the period	-	-
At the end of the period	<b>2,005.83</b>	2,005.83
<b>b) Details of shareholders holding more than 5% shares in the company</b>		
	<b>% holding</b>	<b>% holding</b>
Equity shares with voting rights		
Jiwan Financial Holdings Limited	17.45%	17.45%
Trak Online Net India (P) Limited	24.43%	24.43%
Sterling Capital (P) Limited	11.90%	11.90%
Madison India Capital HC	8.46%	8.46%

in Rs.lakhs

	March 31,2013	March 31,2012
<b>NOTE '3'</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Securities Premium Reserve</b>		
Opening Balance	4,491.12	4,491.12
Addition during the year	-	-
<b>Closing balance</b>	<b>4,491.12</b>	<b>4,491.12</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
<b>Closing balance</b>	<b>-</b>	<b>56.10</b>
<b>Surplus/ (deficit) in the statement of Profit and loss</b>		
Opening balance	8,961.56	5,517.57
Add: Profit for the year	2,508.43	3,414.21
Add: Excess provision for tax for earlier years, written back	43.42	15.96
Add: Reserve for the subsidiary deregistered	-	13.82
<b>Net surplus in the statement of profit &amp; loss</b>	<b>11,513.41</b>	<b>8,961.56</b>
<b>Total Reserves &amp; Surplus</b>	<b>16,547.38</b>	<b>14,051.63</b>

**NET 4 INDIA LIMITED Notes to the Consolidated Balance Sheet as at 31.03.2013**

in Rs.lakhs

	March 31,2013	March 31,2012
<b>NOTE '4'</b>		
<b>LONG TERM BORROWINGS</b>		
Secured		
- Term Loan from Banks	1,698.06	469.21
- Vehicle Loans	3.41	9.39
Unsecured		
- From Banks/Institutions	1,074.83	1,005.09
- From Others	205.00	205.00
- Fixed Deposits	637.37	700.52
	<b>3,618.67</b>	<b>2,389.21</b>

a. Term Loan SBI was taken in FY 2011-12 and carries interest @ 2.9%+SBI Base Rate p.a. The loan is repayable in 62 monthly installments. Term Loan is secured by hypothecation of entire fixed assets of the company. It is also secured against property situated at Site No. 12 and S. Nos. 33, 33/4A, 33/4B, 33/4C, 33/3B1, 33/6B, 34 and 34.7, KCG College Road, Karapakkam, Chennai. 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

d. Term Loan 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 guarantee of Net 4 India and personal guarantees of the directors.

in Rs.lakhs

	March 31,2013	March 31,2012
<b>NOTE '5'</b>		
<b>LONG TERM PROVISIONS</b>		
Provision for employee benefits		
- Provision for gratuity	42.44	87.07
- Provision for leave encashment	9.60	25.90
	<b>52.04</b>	<b>112.97</b>
<b>NOTE '6'</b>		
<b>SHORT TERM BORROWINGS</b>		
Secured		
- Cash Credit / Working Capital Loans (Secured against entire current assets)	13,174.29	8,797.78
Unsecured		
Fixed Deposits	395.45	649.98
Inter Corporate Loans	631.40	1,166.56
	<b>14,201.14</b>	<b>10,614.32</b>

a.Cash Credit from State Bank of India is secured by hypothecation of entire curent 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 guarantee of the directors. The cash credit is repayable on demand and carries interest @ 2.75%+SBI Base rate p.a.

b.Cash Credit from State Bank of Travancore is secured by hypothecation of entire curent 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 @ 2.75%+SBT Base rate p.a.

c. Cash Credit from State Bank of Hyderabad and United Bank of India is secured by hypothecation of entire curent 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 guarantees 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 is secured by hypothecation of entire curent 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 guarantee of Net 4 India and personal guarantee of the directors. The cash credit is repayable on demand and carries interest @ 3.75%+SBT Base Rate p.a. for SBT

in Rs.lakhs

	March 31,2013	March 31,2012
<b>NOTE '7'</b>		
<b>TRADE PAYABLES</b>		
- Trade Payables	5,299.01	7,748.85
	<b>5,299.01</b>	<b>7,748.85</b>
<b>NOTE '8'</b>		
<b>OTHER CURRENT LIABILITIES</b>		
Current Maturities of Long term Debts	2,102.48	1,594.36
Interest Accrued but not due	69.28	57.97
Unearned revenue	105.17	70.66
Unclaimed dividend	0.10	0.23
Advances from customers	1,573.19	1,020.68
Accrued salaries and benefits	223.24	118.78
Expenses Payable	252.32	103.81
Withholding and other taxes payable	1,892.38	541.40
Other liabilities	96.20	31.96
	<b>6,314.36</b>	<b>3,539.85</b>
<b>NOTE '9'</b>		
<b>SHORT TERM PROVISIONS</b>		
Provision for employee benefits		
- Provision for gratuity	14.11	1.67
- Provision for leave encashment	0.47	0.53
Provision for Tax (Net of Advance Tax)	419.26	470.26
	<b>433.84</b>	<b>472.46</b>

# NET 4 INDIA LIMITED Notes to the Consolidated Balance Sheet as at March 31, 2013

Name	in Rs.lakhs									
	Original Cost		Depreciation and amortization			Net Block				
	As at 01.04.12	Additions during the year	Deductions	As at 31.03.13	As at 01.04.12	For the year	Deductions	As at 31.03.13	As at 31.03.13	As at 31.03.12
<b>TANGIBLE</b>										
Land	293.44	-	-	293.44	-	-	-	-	293.44	293.44
Building	571.58	-	-	571.58	136.12	21.77	-	157.89	413.69	435.46
Leasehold Improvements	49.04	-	-	49.04	17.42	5.39	-	22.81	26.23	31.61
Computers	12,636.62	4,371.12	3,241.44	13,766.30	5,743.60	3,148.45	2,712.45	6,179.60	7,586.70	6,893.02
Office Equipment	1,026.51	13.80	12.03	1,028.28	482.75	76.40	8.29	550.86	477.42	543.76
Furniture & Fixtures	312.34	1.28	0.84	312.78	238.17	13.63	0.72	251.08	61.70	74.17
Vehicles	190.52	-	70.95	119.57	141.45	12.70	62.32	91.83	27.74	49.07
Sub total	15,080.05	4,386.20	3,325.26	16,140.99	6,759.51	3,278.34	2,783.78	7,254.07	8,886.92	8,320.54
<b>INTANGIBLE</b>										
Goodwill	67.26	-	-	67.26	47.66	2.17	-	49.83	17.43	19.60
Trademarks	750.00	-	-	750.00	387.50	37.50	-	425.00	325.00	362.50
Hosting Platform	65.00	-	-	65.00	65.00	-	-	65.00	-	-
Technology	257.50	-	-	257.50	257.50	-	-	257.50	-	-
Sub total	1,139.76	-	-	1,139.76	757.66	39.67	-	797.33	342.43	382.10
Capital work in progress	508.80	753.65	-	1,262.45	-	-	-	-	1,262.45	508.80
Grand Total	16,728.62	5,139.85	3,325.26	18,543.20	7,517.17	3,318.01	2,783.78	8,051.40	10,491.80	9,211.43
Previous Year	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	-

## NOTE '10' FIXED ASSETS

# NET 4 INDIA LIMITED Notes to the Consolidated Balance Sheet as at

in Rs.lakhs

	March 31, 2013	March 31, 2012
<b>NOTE '11'</b>		
<b>INVESTMENTS</b>		
<b>(a) LONG TERM INVESTMENTS (UNQUOTED) AT COST</b>		
<b>Non Trade</b>		
In other companies		
Nil (P.Y. 9,900) shares of Rs.10 each fully paid up of Net 4 Technology Ltd	-	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
1 (P.Y. 1) shares of 1500 Euro each fully paid up of Denic EG	0.96	0.96
	<b>71.46</b>	<b>72.45</b>
<b>(b) CURRENT INVESTMENTS</b>		
20,000 (P.Y. 20,000) units of Rs. 10 each	2.00	2.00
Less : Provision for Dimunition in value of investment	(0.54)	(0.44)
	<b>1.46</b>	<b>1.56</b>
	<b>72.92</b>	<b>74.01</b>
Aggregate book value of quoted investments	2.00	2.00
Market Value of quoted investments	1.46	1.56
<b>NOTE '12'</b>		
<b>LONG TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Security Deposits	1,484.60	1,395.92
	<b>1,484.60</b>	<b>1,395.92</b>



in Rs.lakhs

	March 31, 2013	March 31, 2012
<b>NOTE '13'</b>		
<b>INVENTORIES</b>		
(At lower of cost or net realisable value)		
Stock in trade	8,577.63	7,478.70
	<b>8,577.63</b>	<b>7,478.70</b>
<b>NOTE '14'</b>		
<b>TRADE RECEIVABLE</b>		
(Unsecured and considered good)		
Over six months	1,809.41	1,084.84
Others	15,554.98	11,854.73
	<b>17,364.39</b>	<b>12,939.57</b>
<b>NOTE '15'</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash in hand	3.34	2.27
With scheduled banks in:		
Current Accounts	102.97	156.80
Deposit Accounts as margin money	1,213.12	1,064.30
Deposit Accounts	112.85	188.67
Unclaimed dividend accounts	-	0.21
	<b>1,432.28</b>	<b>1,412.25</b>

in Rs.lakhs

	March 31, 2013	March 31, 2012
<b>NOTE '16'</b>		
<b>SHORT TERM LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advance income tax	340.05	233.34
Advance fringe benefit tax	0.83	0.86
Interest accrued	115.37	115.75
Prepaid expenses	128.58	80.37
Intercompany Loans	1,554.07	1,554.07
Advances recoverable in cash or in kind or for value to be received	9,592.76	7,673.43
	<b>11,731.66</b>	<b>9,657.82</b>
<b>NOTE '17'</b>		
<b>OTHER CURRENT ASSETS</b>		
Miscellaneous Expenditure (to the extent not written off)	15.73	17.60
Deferred premium	-	10.27
	<b>15.73</b>	<b>27.87</b>

**NET 4 INDIA LIMITED Notes to the Consolidated Profit and Loss Account for the year ended**

in Rs.lakhs

	March 31, 2013	March 31, 2012
<b>NOTE '18'</b>		
<b>OTHER INCOME</b>		
Balances written back	14.11	6.61
Interest	417.38	357.61
Miscellaneous income	3.42	9.73
Difference in exchange Rate	13.05	-
Profit on sale of Investments	0.69	-
Income from infrastructure & Support Services	-	60.00
	<b>448.65</b>	<b>433.95</b>
<b>NOTE '19'</b>		
<b>COST OF SALES AND SERVICES</b>		
(Increase)/decrease in stock	(1,098.92)	(4,019.68)
Purchases and other direct cost	36,188.50	36,834.29
	<b>35,089.58</b>	<b>32,814.61</b>
<b>NOTE '20'</b>		
<b>EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, wages and bonus	1,518.63	1,478.28
(*includes contribution to providend and other funds, staff welfare, staff training and other expenses)		
	<b>1,518.63</b>	<b>1,478.28</b>
<b>NOTE '21'</b>		
<b>FINANCE COST</b>		
Interest on borrowings	2,174.72	1,434.76
Other Borrowing Cost	437.11	564.87
	<b>2,611.83</b>	<b>1,999.62</b>

in Rs.lakhs

	March 31, 2013	March 31, 2012
<b>NOTE '22'</b>		
<b>OTHER EXPENSES</b>		
Rent	246.85	284.79
Electricity and water charges	303.75	252.34
Communication	102.86	102.13
Travelling and conveyance	154.79	166.19
Repair, maintenance and office expenses	176.30	212.79
Legal and Professional charges	195.98	206.50
Bank Charges	214.75	216.49
Security and support staff	42.40	49.94
Lease Rental	886.00	608.92
Printing and stationery	13.10	19.64
Insurance premium	38.99	31.86
Membership and subscription	9.46	11.96
Auditors remuneration	4.84	2.96
Bad debts written off	63.08	1.73
Loss on sale/discarding of fixed assets	10.64	6.83
Loss on sale of investment	-	13.72
Directors' sitting fees	0.33	0.39
Conferences & Meetings	8.07	20.38
Miscellaneous expenses	140.06	68.62
Preliminary Exp written off	1.87	1.83
Exchange Differences	15.88	1.80
Provision for Dimunition in value of investment	0.11	0.44
Advertising and marketing	205.66	98.69
Entertainment and business promotion	58.22	100.12
Sales commission and incentives	40.37	40.34
Exhibition expenses	-	1.70
	<b>2,934.36</b>	<b>2,523.10</b>
Payments to the auditor		
As Auditor:		

Audit Fee	3.84	2.18
Tax Audit Fee	1.00	0.63
Limited Review	0.80	0.88
In Other Capacity:		
Other services	2.42	2.73

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, 2013 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. 139.55/- (Previous year - Rs. 235.27/-), for the current year has been recognized in the Profit & Loss Account and comprises of the following:

	2012-13	2011-12
Related to fixed assets	123.80	235.27
Provisions charged in the financial statements but allowed as a deduction under the Income Tax Act in future years	15.75	--
(To the extent considered realizable)		
	<b>139.55</b>	235.27

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

	2012-13	2011-12
Capital Goods	--	5.19
	--	5.19

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

	2012-13	2011-12
Income from sales and services	919.25	2,015.51
	<b>919.25</b>	2,015.51

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

	2012-13	2011-12
Direct Cost	1284.62	898.65
Travelling	1.61	0.98
Consultancy	46.81	34.86
Membership and Subscription Charges	5.29	4.50
Telephony Charges	862.68	15.70
Others	24.46	12.47
	<b>2225.47</b>	967.16

**29. Managerial Remuneration**

	2012-13	2011-12
Salary	63.78	65.69
Contributions to Provident and other funds	6.86	7.08
Sitting Fees	0.21	0.27
Total Remuneration	<b>70.85</b>	<b>73.04</b>

**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, 2013, 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. 63.08/- (P.Y. Rs. 1.73/-) 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, 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

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	Domestic	Overseas	Domestic	Overseas
Revenues	47,816.70	919.52	44,493.18	2,015.51
Net Fixed Assets	10,491.81	-	9,211.44	-
Debtors	17,189.17	175.21	12,295.87	643.70
Current Assets (Other than Debtors)	21,758.75	-	18,578.21	-

32. Term Deposits aggregating to Rs.1,213.12 /- (P.Y.Rs. 1,147.81/-) 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, 2013	March 31, 2012
Obligations on non cancellable leases :		
Not later than one year	789.84	748.55
Later than one year but not later than five years	341.30	827.45
<b>Total</b>	<b>1131.14</b>	<b>1,576.00</b>

### 35. Borrowing Costs

The amount of borrowing costs capitalized during the year is Rs. 161/- (P.Y. 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 benefits as required by Accounting Standard-15, ‘Employee Benefits’:**

Changes in the present value of obligations :	Gratuity As at 31/03/2013	Gratuity As at 31/03/2012
Present Value of Obligation at Beginning of year	88.74	51.09
Acquisition Adjustment	--	--
Interest Cost	6.70	4.07
Past Service Cost	--	--
Current Service Cost	6.43	14.20
Curtailment cost	7.19	--
Settlement Cost	--	--
Benefits Paid	9.97	0.31
Actuarial gain/loss on Obligations	(28.16)	19.69
<b>Present Value of Obligation at end of Year</b>	<b>56.55</b>	<b>88.74</b>

Changes in the fair value of plan assets :	Gratuity As at 31/03/2013	Gratuity As at 31/03/2012
Fair Value of Plan Asset at Beginning of year	28.36	14.62
Acquisition Adjustment	--	--
Expected Return on Plan Asset	2.26	1.17
Contributions	9.97	13.74



Benefits Paid	--	0.31
Actuarial gain/loss on Plan Asset	(2.06)	(0.86)
<b>Fair Value of Plan Asset at End of year</b>	<b>18.59</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 31/03/2013</b>	<b>Gratuity As at 31/03/2012</b>
Present Value of Obligation at end of Year	56.55	88.74
Fair Value of Plan Asset at End of year	18.60	28.36
Funded Status	(37.96)	(60.39)
Unrecognized actuarial gain/loss at end of the year	--	--
<b>Net Asset(Liability) Recognized in Balance Sheet</b>	<b>(37.96)</b>	<b>(60.39)</b>

<b>Expenses recognized in the Profit &amp; Loss Account :</b>	<b>Gratuity As at 31/03/2013</b>	<b>Gratuity As at 31/03/2012</b>
Current Service Cost	6.43	14.20
Past Service Cost	--	--
Interest Cost	6.70	4.07
Expected Return on Plan Assets	2.26	1.17
Curtailment Cost	7.19	--
Settlement Cost	--	--
Actuarial gain/loss recognized in the year	(26.24)	20.54
<b>Expense Recognized in Statement of Profit/ Loss</b>	<b>(22.44)</b>	<b>37.65</b>

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

<b>Actuarial Assumptions</b>	<b>Gratuity As at 31/03/2013</b>	<b>Gratuity As at 31/03/2012</b>
Mortality Rate	LICI 1994-1996	LICI 1994-1996
Superannuation Age	62	58
Early Retirement & Disablement	25.00 %	21.23 %
Discount Rate	8.00 %	8.00 %
Inflation Rate	0.00 %	5.00 %
Return on Asset	8.00 %	8.00 %
Remaining Working Life	27	25
Formula used	Projected Unit Credit Method	Projected Unit Credit Method

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

Changes in the present value of obligations :	Leave Encashments at 31/03/2013	Leave Encashment As at 31/03/2012
Present Value of Obligation at Beginning of year	26.43	10.37
Acquisition Adjustment	--	--
Interest Cost	1.62	0.66
Past Service Cost	--	--
Current Service Cost	2.95	4.84
Curtailment cost	1.52	--
Settlement Cost	--	--
Benefits Paid	12.05	4.25
Actuarial gain/loss on Obligations	(7.14)	14.81
<b>Present Value of Obligation at end of Year</b>	<b>10.07</b>	<b>26.43</b>

Expenses recognized in the Profit & Loss Account :	Leave Encashment As at 31/03/2013	Leave Encashment As at 31/03/2012
Current Service Cost	2.95	4.84
Past Service Cost	--	--
Interest Cost	1.62	0.66
Expected Return on Plan Assets	--	--
Curtailment Cost	1.52	--
Settlement Cost	--	--
Actuarial gain/loss recognized in the year	(7.14)	14.81
<b>Expense Recognized in Statement of Profit/Loss</b>	<b>(2.62)</b>	<b>20.31</b>

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

Actuarial Assumptions	Leave Encashment As at 31/03/2013	Leave Encashment As at 31/03/2012
Mortality Rate	LICI 1994-1996	LICI 1994-1996
Superannuation Age	62	58
Early Retirement & Disablement	25.00 %	21.23 %
Discount Rate	8.00 %	8.00 %
Inflation Rate	0.00 %	5.00 %
Return on Asset	0.00 %	0.00 %
Remaining Working Life	27	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**

Nature of Transaction	Entity having significant influence	Key Management Personnel and their relatives	Total
<u>Revenue Transactions</u>			
Sales of Goods & Services	--	--	--
<i>Previous year</i>	0.51	--	0.51
Sharing of costs and services including facilities and personnel		--	--
<i>Previous year</i>	60	--	60
Payment for Services	--	--	--
<i>Previous year</i>	--	--	--
<u>Balances at the end of the year</u>			
Unsecured Loans	--	205	205
Current Liabilities	22.57	--	22.57

**38. Earnings Per Share**

	2012-13	2011-12
Net Profit after tax available for equity shareholders	2508.42	3414.21
Weighted average number of equity shares(for Basic EPS)	20,058,250	20,058,250
Basic earnings per share (Rs.)	12.51	17.02
Weighted average number of equity shares(for Diluted EPS)	20,065,448	20,065,448
Diluted earnings per share (Rs.)	12.50	17.02

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

	2012-13	2011-12
(a) Claims against the company not acknowledged as debts	2.56	2.56
(b) Guarantees	253.44	216.96
• 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		
• Guarantees to banks against credit facilities extended to associates	--	100

(c) Others		
• Disputed Income tax demand for A/Y 09-10, including interest, though appeal filed*	265.61	265.61
• Disputed Income tax demand for A/Y 08-09, including interest, though appeal filed*	40.28	40.28
• Disputed Income tax demand for A/Y 10-11, including interest, through appeal filed*	780.07	--

\* 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 ascertain 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

Sandeep Gupta  
Proprietor

Membership No: 86069

FRN No: 007337N;

Place: Noida

Date: May 28, 2013

For and on behalf of the Board of Directors

Amarjit S. Sawhney  
Director

Jasjit S. Sawhney  
CMD

Archna Walia  
Company Secretary