

**DIRECTOR'S REPORT**

To The Members of

**NET 4 INDIA LIMITED**

We are pleased to present the 30<sup>th</sup> Annual Report together with the audited financial statements of the company for the financial year ended March 31, 2016. Consolidated performance of the Company and its subsidiaries has been referred to wherever required.

**1. OPERATIONAL RESULTS**

The summary of the financial performance of the Company for the financial year ended March 31, 2016 compared to the previous year ended March 31, 2015 is given below:

(Rs. In lakhs)

| PARTICULARS   | Standalone |           | Consolidated |           |
|---|------------|-----------|--------------|-----------|
|   | 2015-16    | 2014-2015 | 2015-16      | 2014-2015 |
| Net Sales/Income  | 3218.91    | 3357.48   | 4935.94      | 5197.18   |
| Other Income  | 884.87     | 881.26    | 1232.07      | 230.64    |
| Gross Loss before interest and depreciation             | (1310.77)  | (3870.16) | (5694.18)    | (4951.9)  |
| Finance cost  | 24.03      | 422.84    | 82.04        | 560.46    |
| Loss before depreciation and amortization - (Cash Loss) | (1334.8)   | (4293)    | (5776.22)    | (5512.36) |
| Depreciation and Amortization                           | 374.29     | 1767.82   | 899.17       | 2724.53   |
| Loss before Tax and before exceptional items            | (1709.08)  | (6060.82) | (6675.39)    | (8236.89) |
| Exceptional items                                       | ---        | ---       | ---          | ---       |
| Loss before Tax (PBT)                                   | (1709.08)  | (6060.82) | (6675.39)    | (8236.89) |
| Provision for Tax – Current                             | ---        | ---       | ---          | ---       |
| Provision for Tax – Deferred                            | (149.90)   | (727.50)  | (273.07)     | (917.13)  |
| Loss after Tax  | (1559.18)  | (5333.32) | (6402.32)    | (7319.76) |
| Earning per share                                       | (7.77)     | (26.59)   | (31.92)      | (26.59)   |

**2. PERFORMANCE HIGHLIGHTS & STATE OF COMPANY'S AFFAIRS**

Your Company focuses on providing services to businesses (small, medium and large) and its offerings include Data Centre & Cloud Hosting Solutions, Enterprise Internet Services, Enterprise Messaging & Hosting Solutions and Domain name registration. Since inception, within a short span of time, your Company has grown multi-folds and became one of 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 services to its clients. However, the slow 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 and an extremely tight liquidity environment since 2012-2013 had also made it difficult for IT Companies like us to sustain and achieve the desired targets.

Net4 has the distinction of being the first Internet services company in the World to have achieved the ISO 27001 certified, for Information Security standards adopted at its Data Centers. It is also a Microsoft Gold Partner and an ICANN & .IN accredited Domain Name Registrar.

Your Company, following all the necessary applicable ethical considerations and best sustainability business model under the current legal framework of the country, is well on its way to revival to past glories. Having had an extremely challenging 3 years, with reorganising, its business, business lines and worked tirelessly to bring in strategic and operational efficiencies, your company is beginning to see the fruit of this hard labour. All its functions are holistically benefitting all the involved stakeholders without jeopardizing the interests of one at the cost of other. The company's operations are running to achieve the desirable economic ends with all the socially acceptable means. This is very much in consonance with the current business needs of the company and operational efficiency along with future growth.

**3. TRANSFER TO RESERVES**

The Company has not transferred any amount to the General Reserves as the company has sustained losses. Therefore the loss of Rs. (1559.18) Lacs has been transferred to Surplus under the head Reserves & Surplus.

**4. DIVIDEND**

As the Company has suffered loss in the said reporting period, the Board of Directors taking this view have decided not to distributed any dividend out of the reserve of the Company and therefore the Board of Directors of the company has not recommended any dividend to the shareholders.

**5. SHARE CAPITAL**

The paid up Equity Share Capital of the Company as on March 31, 2016 was Rs.200,582,500/- comprising of 20,058,250 equity shares of Rs.10/- each. During the year under review, the Company has neither issued any kind of shares nor granted any stock options. Details of Director's shareholding have been stated in the annexure.

**6. FINANCE**

During the year 2015-16, your company has successfully raised resources in the form of Long Term and Short term to part finance of the company besides meeting overall working capital requirements of the company. The details are as follows:

| S.NO | NATURE OF BORROWING                               | AMOUNT (IN LAKHS) |
|------|---|-------------------|
| 1.   | Long Term Borrowings from Bank ( <b>Secured</b> ) | 2334.16           |
| 2.   | From Others & Fixed Deposits ( <b>unsecured</b> ) | 1271.59           |

**DEPOSITS**

Due to certain unforeseen circumstances beyond the control of the management, the Company had suffered massive losses over the last 3 years and has been suffering a severe financial crunch, for some time. Whilst on its way to revival, the company continues to face a an extremely tough liquidity position at the moment as well. This all had led the Company to defaults in the repayment of deposits since August 2013, and the Company had stopped accepting deposits thereafter.

The company had filed a scheme for repayment of fixed deposits to Company law board on dd/mm/yy and then continued to follow the direction of the honorable CLB till 31/3/2016.

**7. SUBSIDIARIES**

The Company has three subsidiaries as on 31<sup>st</sup> March, 2016. There are no Associate Company or joint venture Companies within the meaning of section 2(6) of the Companies Act, 2016. There has been no material change in the nature of the business of the subsidiaries.

| S.NO | NAME  | DETAIL   |
|------|---|--|
| 1.   | <b>Net4 Network Services Limited</b>          | <b>CIN:</b> U72200DL2011PLC219357<br><b>Date of Incorporation:</b> 18/05/2011<br><b>Registered office:</b> 303A Third Floor,<br>Plot No.-3 Pocket H Market<br>Sarita Vihar, Delhi-110076 |
| 2.   | <b>Pipetel Communications Private Limited</b> | <b>CIN:</b> U64200DL2009PTC193950<br><b>Date of Incorporation:</b> 04/09/2009<br><b>Registered office:</b> AB-11,<br>Community Centre,<br>Safdarjung Enclave, New Delhi-110029           |
| 3.   | <b>Net4 HK Limited</b>                        | <b>Certificate of Incorporation:</b> 1598959<br><b>Date of Incorporation:</b> 11/05/2011<br><b>Registered office:</b> Honkong  |

Pursuant to the circular dated February 8, 2011 issued by Ministry of Corporate Affairs, Government of India and Section 136 of the Companies Act, 2013, which has exempted companies from attaching the financial statements of the subsidiary companies along with the Annual Report of the Company. The Company will make available the annual financial statements of the subsidiary company and the related detailed information to any members of the company on receipt of a written request from them at the Registered Office of the Company. The annual financial statements of the subsidiary company will also be kept open for inspection at the

Registered Office of the Company on any working day during business hours. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies, associates etc. Pursuant to provisions of section 129(3) of the Act, a statement containing salient features of the financial statements of the Company's subsidiaries in Form AOC-1 is attached to the financial statements of the Company. The statements are also available on the website of the Company [www.net4.in](http://www.net4.in).

Further, pursuant to the provisions of section 136 of the Act, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries, are available on the website of the Company.

**8. CONSOLIDATED FINANCIAL STATEMENTS**

Your Directors have pleasure in attaching the Consolidated Financial Statements as per the LODR, 2015 and prepared in accordance with Accounting Standard on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, for financial year ended March 31, 2016.

**9. MANAGEMENT DISCUSSION AND ANALYSIS**

The detailed review of the operations, performance and future outlook of the Company and its business is given in the Management's Discussion and Analysis Report which forms part of this Annual Report. The report on Management's Discussion and Analysis is annexed with the Report.

**10. CORPORATE GOVERNANCE**

Pursuant to corporate governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 with the Stock Exchanges, a compliance report on Corporate Governance has been annexed as part of the Annual Report along with Auditor's certificate for the compliance.

**11. SECRETARIAL AUDIT REPORT**

In line with the requirement of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 read with other applicable provisions, if any; the Board of Directors of the Company had appointed M/s Abnish Kumar & Associates, Practicing Company Secretary to conduct Secretarial Audit of the Company for the financial year 2015-16. The Secretarial Audit Report for the financial year ended March 31, 2016 is annexed with the Board's report and formed as part of the Annual Report.

The Secretarial Auditors' remarks along with the Directors Comment's are as follows:-

| S.NO | REMARKS  | DIRECTORS COMMENT'S                                |
|------|--|--|
| 1.   | The Composition of Board is not as per the Act | <i>All independent directors had resigned from</i> |

|    |   |   |
|----|---|---|
|    | and SEBI(LODR) Regulations, 2015  | <i>Net4india Ltd (due to the financial problems and ensuing legal issues faced by the company) in and since 2013. In spite of the company's best efforts (including advertising the position multiple times in leading newspapers), new independent directors were not forthcoming. Therefore it was not possible to appoint the independent director/s on the Board.</i> |
| 2. | There is no Independent Director on the Board of Company.   | <i>The company has been trying to find independent directors and has advertised position multiple times. However, nobody forthcoming due to the problems being faced by company.</i>  |
| 3. | The Company has not constituted the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Corporate Social Responsibility Committee. | <i>Since this committee compulsorily requires having independent Director, it could not be formed. The company has been trying to independent directors and has advertised position multiple times. However, nobody forthcoming due to the problems being faced by the company.</i>   |
| 4. | The separate meeting of the Independent Directors of the Company was not held during year   | <i>Please refer Point 2 above</i>   |
| 5. | There is no woman director on the Board.  | <i>The company has been trying to find Woman director but, nobody is forthcoming due to problems being faced by the company.</i>  |
| 6. | The Company has not appointed Compliance officer as per SEBI(LODR) Regulation, 2015   | <i>Due to the financial crunch and other legal issues in the company, company could not find any suitable candidature for being appointed on the same position however the</i>  |

|    |  |   |
|----|--|---|
|    |  | <i>company is making all its efforts to appoint same.</i>   |
| 7. | There is non-compliance of Regulation 24 of SEBI (LODR) Regulation, 2015   | <i>All independent directors had resigned from Net4india Ltd (due to the financial problems faced by the company) in 2013. In spite of best efforts, new independent directors were not forthcoming. Therefore it was not possible to appoint the independent director of Net4 India on subsidiaries.</i>   |
| 8. | The appointment of Internal Auditor is not made by the Company during the FY 2015 – 16. Therefore the Internal Audit was not conducted for the year. | <i>The company had previously (for more than 10 years)consistently had an internal auditor and received the relevant reports. However, with the escalation of the financial problems being faced by the company they had resigned and the company was not able to appoint somebody to replace them in time, in spite of best efforts. The company endeavours to have the same in place on high priority</i> |
| 9. | Non-Compliance of provisions relating to deposit as per the Act and the Companies Act, 1956 and the Rules made thereunder.                           | <i>The company has been facing a challenging tough financial position since 2013, as a result of acute liquidity environment recessionary conditions, prevailing for some time before and during that period. The Company has filed a Fixed Deposit Repayment Scheme with the Hon'ble Company Board in December 2014 and was</i>  |

|     |  |  |
|-----|--|--|
|     |  | <i>following the directions of the honourable CLB from time to time. However, subsequent to the order of Hon'ble Company Law Board, wherein further time to deposit the balance amount could not be granted. company is all prepared to file an appeal in respect of the said order.</i> |
| 10. | The Company has litigations filed against it under various counts like under section 138 of Negotiable Instrument Act, Arbitration, Petition filed by Ex-Employee for recovery of dues, winding up petition etc.   | <i>The Company is making all its efforts to make Settlement with the genuine Debt holders and ensuring it is fighting all unjustified and fraudulent claims.</i>   |
| 11. | The Companies had received winding up order from the Court on the basis of a petition filed by 2 Companies due to non-repayment of loans. However, the Company has obtained stay order from the Court on the basis of repayment schedule submitted before the Court. | <i>The matter is pending Before the High Court and the company has already repaid the amount as directed by the court. In fact subsequent reconciliations show that the company has over paid approx. Rs. 9lakhs</i>   |

The Company has taken note of and the Company were trying to come out of this hardships and will try to adopt reasonable steps for proper compliance of all the laws, committees applicable on our Company.

Further the remarks given by the Secretarial Auditor which is based on the Statutory Auditors report were appropriately answered by Directors in point 28 below

**12. LISTING / DELISTING OF THE EQUITY SHARES**

The equity shares of your Company are listed at the National Stock Exchange (NET4) the Bombay Stock Exchange (Scrip Code: 532912) and Delhi Stock Exchange (Scrip Code: 113089). The annual listing fees for the year 2015-16 have not yet been paid to all these Stock Exchanges due to the financial crunches however the company is in the process of making the payment of the same.

**13. DIRECTORS**

Mr. Jasjit Singh Sawhney, Mr. Amarjit Singh Sawhney and Mr. Surya S. Chadha continue to act as the directors of the Company.

**Resignation of Company Secretary:-**

Ms. Nidhi, Company Secretary and the Compliance Officer of the company appointed with effect from December 17, 2014 had resigned from the position as such with effect from 5<sup>th</sup> June, 2015.

**14. MEETING OF THE BOARD**

During the financial year 2015-16, 04 (Four) meetings i.e. 02.06.2015; 31.08.2015; 18.11.2015; and 29.02.2016 of Board of Directors of the Company were held and the intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 (i.e., the maximum interval between any two board meeting did not exceed 120 Days). Details of the Meetings (Number of the Director present etc) is mention in Corporate Governance Report a part of Annual Report.

**15. BOARD EVALUATION**

As per the provisions of Section 149 read with Schedule IV of the Companies Act, 2013 read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("SEBI Listing Regulations"), the Independent Directors shall conduct a separate meeting to review the performance of Non-Independent Directors. But the Company has not complied with the above said provisions as the Company does not have independent Directors at their Board due to the immediate and consecutive resignation of all the independent directors, the Composition of Board has been traumatized. However, the management is concerning the issue and is taking appropriate steps to revive the Board's Composition.

**16. NOMINATION AND REMUNERATION COMMITTEE AND REMUNERATION POLICY**

The Board does not have a Nomination & Remuneration Committee for selection and appointment of Directors, Senior Management and their remuneration as per Section 178 of the Companies Act, 2013 and rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 due to non availability of independent directors.

**17. EXTRACTS OF ANNUAL RETURN**

The Extract of Annual Return in **Form MGT-9** pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014 for the financial year 2015-16 has been enclosed with this report in **ANNEXURE- 1**

**18. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Section 135 of the Companies Act, 2013 is not applicable on your Company as the company has suffered Losses

**19. BUSINESS RESPONSIBILITY REPORTING**

As per Regulation 34 of the SEBI Listing Regulations, a business responsibility report is not applicable to your company.



**20. AUDIT COMMITTEE**

Audit Committee of the Board has not been constituted as per Section 177 of the Companies Act, 2013 and rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 and read with SEBI, LODR, 2015 due to the immediate and consecutive resignation of all the independent directors, the Composition of Committee cannot be made. However, the management is concerning the issue and is taking appropriate steps to revive the Board's Composition so that the Company can make the appropriate Committees as per the provisions of the Companies Act 2013.

**21. STAKEHOLDERS RELATIONSHIP COMMITTEE AND VIGIL MECHANISM / WHISTLE BLOWER POLICY**

The Stakeholders Relationship Committee has not been constituted as per section 178 (5) of the Companies Act, 2013. The reasons for non-constitution of stakeholders relationship committee are same as mentioned under the above head of Audit Committee. Further the Vigil Mechanism / Whistle Blower Policy was also not formulated by the Company but the Company will soon appoint the Independent director and constitute committees.

**22. RELATED PARTY TRANSACTIONS**

During the year, the Company has entered into transactions with related parties as defined under Section 2(76) of the Companies Act, 2013 which were in the ordinary course of business and on arm's length basis and in accordance with the provisions of the Companies Act, 2013, Rules issued thereunder and SEBI, LODR, 2015. During the year, there were no transactions with related parties which qualify as material transactions under the Listing Agreement.

The details of the related party transactions as required under Accounting Standard -18 are set out in Notes to the financial statements forming part of this Annual Report.

The Disclosure required in Form AOC-2 pursuant to Section 134 (3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is NIL.

**23. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

**24. RISK MANAGEMENT**

The board of directors of the Company has formed a risk management committee to frame, implement and monitor the risk management plan for the Company. The committee is responsible for reviewing the risk management plan and ensuring its effectiveness. The development and implementation of risk management policy has been covered in the management discussion and analysis, which forms part of this report. However the committee is not as per the provisions of the Companies Act, 2013 and rules made there under due to the unavailability of Independent directors.

**25. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 are given in Annexure forming part of this Report.

**26. MANAGERIAL REMUNERATION & PARTICULARS OF EMPLOYEES**

The information required pursuant to Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136 of the Act, the Report and financial statements are being sent to the members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company in this regard. The information required under section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

**a. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:**

| Name of the Directors | Ratio to Median Remuneration |
|-----------------------|------------------------------|
| <b>Directors</b>      |                              |
| Amarjit Singh Sawhney | NA                           |
| Jasjit Singh Sawhney  | NA                           |
| Surya Chadha          | NA                           |

**b. The percentage increase in remuneration of each director, chief executive officer, chief financial officer, company secretary in the financial year:**

| Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary | % increase in remuneration in the financial Year |
|---|--|
| Nidhi Singh   | NA   |

**c. The percentage increase in the median remuneration of employees in the financial year: 12 percent**

**d. The number of permanent employees on the rolls of Company: 152**

**e. The explanation on the relationship between average increase in remuneration and Company performance:**

On an average, employees received an increment of 12%. In the past few years, due to the financial instability, the company had seen huge chrm/exits from employees. Hence to keep salaries even somewhat in line with market trends, these increments were essential.

**f. Comparison of the remuneration of the key managerial personnel against the performance of the Company:**

|   |                |
|---|----------------|
| Aggregate remuneration of key managerial personnel (KMP) in FY 16 | 75375          |
| Revenue (Rs. Lakhs)   | 41,03,78,000   |
| Remuneration of KMPs (as a % of revenue)                          | 0.018%         |
| Profit before Tax (PBT) (Rs. Lakhs)                               | (17,09,08,000) |
| Remuneration of KMP (as a % of PBT)                               | (0.044)%       |

**g. Variations in the market capitalization of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year:**

| Particulars                         | March 31,2016 | March 31,2015 | Change % |
|-------------------------------------|---------------|---------------|----------|
| Market Capitalisation(Rs.Lakhs)     | 4693.64       | 7822.73       | 40       |
| Price Earnings Ratio (standalone)   | .30           | .146          | 105.48   |
| Price Earnings Ratio (consolidated) | .073          | -.107         | 31.77    |

**h. Percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer:**

| Particulars        | March 31,2016 (Rs) | (Date of Listing)<br>BSE - 02.11.2007<br>NSE - 10.12.2010 | %Change |
|--------------------|--------------------|---|---------|
| Market price (NSE) | 1.95               | 100   | 98.05 % |
| Market Price (BSE) | 2.34               | 77.25   | 96.97 % |

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

- i. **Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:** There was no increase in the managerial Remuneration
- j. **Comparison of each remuneration of the key managerial personnel against the performance of the Company:**

|                              | Mr. Amarjit Singh Sawhney | Mr. Jasjit Singh Sawhney | Mr. Surya Chadha | Ms. Nidhi singh |
|------------------------------|---------------------------|--------------------------|------------------|-----------------|
| Remuneration in FY16         | Nil                       | Nil                      | Nil              | 75375           |
| Revenue                      | 41,03,78,000              | 41,03,78,000             | 41,03,78,000     | 41,03,78,000    |
| Remuneration as % of revenue | -                         | -                        | -                | 0.018%          |
| Profit before Tax (PBT)      | (17,09,08,000)            | (17,09,08,000)           | (17,09,08,000)   | (17,09,08,000)  |
| Remuneration (as % of PBT)   | -                         | -                        | -                | (0.044)%        |

- k. **The key parameters for any variable component of remuneration availed by the directors:** NA
- l. **The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year:** NA
- m. **Affirmation that the remuneration is as per the remuneration policy of the Company:**  
The Company affirms remuneration is as per the remuneration policy of the Company.

**27. DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT 2013**

Your Company is committed to creating and maintaining a secure work environment where its employees, agents, vendors and partners can work and pursue business together in an atmosphere free of harassment, exploitation and intimidation. To empower women and protect women against sexual harassment, a policy for prevention of sexual harassment has been rolled out and Internal Complaints Committee as per legal guidelines has been set up. This policy allows employees to report sexual harassment at the workplace. The Internal Committee is empowered to look into all complaints of sexual harassment and facilitate free and fair enquiry process with clear timelines.

**28. AUDITORS AND AUDITORS REPORT**


Your Company's auditors, M/s Laxmi Tripti & Associates, Statutory Auditors of the Company was appointed for the period of one year in the Extra ordinary general Meeting of the Company due to casual vacancy. The Board of Directors has approached M/s Laxmi Tripti & Associates, chartered Accountants, New Delhi to appoint them as statutory auditor of the Company for the period of 4 years subject to the annual ratification by the shareholders in the Annual General Meeting. They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder for their appointment as Auditors of the Company. As required under SEBI, LODR, 2015, the auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India. The Board recommends their Appointment.

**DIRECTORS REPLY ON AUDITORS REMARKS (STANDALONE)**

| S.No | Remarks   | Directors Comment's   |
|------|---|---|
| 1.   | During the financial year 2013-14, the Company had defaulted in repayment of principle and interest thereon of Term Loan taken from State Bank of India (SBI). The amount outstanding as on 31 <sup>st</sup> Mar, 2016 is Rs. 2,334.16 Lacs. This loan had been classified as Non – performing Assets (NPA) by the Bank. There is no provision made during the current year for interest against such loans. The status of this loan has remained the same during the current financial year. State Bank of India (SBI) has also filed legal case before the P.O. (Presiding Officer) and Registrar against the Company. The above figure has been taken on the basis of audited financial statements for the year ended on 31 <sup>st</sup> March, 2015. There is no communication received from | <i>There are various disputes involved with relation to the claim of the bank, including but not limited to: incorrect date of NPA, mishandling of the account and non adherence to disbursal of sanctioned amounts, etc.</i> |

|    |   |  |
|----|---|--|
|    | bank in this regard.  |  |
| 2. | <p>During the financial year 2013-14, the Company had defaulted in repayment of principle and interest thereon of Working Capital Loan taken from State Bank of India (SBI) and State Bank Travancore (SBT). The amount outstanding as on 31<sup>st</sup> Mar, 2016 is Rs. 11,378.73 Lacs. There is no provision made during the current year for interest against such loans. This loan had been classified as Non –performing Assets (NPA) by the Bank. The status of this Credit facility has remained the same during the current financial year. State Bank Travancore (SBT) has also filed legal case before the P.O. (Presiding Officer) against the Company. The above figure has been taken on the basis of audited financial statements for the year ended on 31<sup>st</sup> March, 2015. There is no communication received from bank in this regard.</p> | <p><i>There are various disputes involved with relation to the claim of the bank, include but not limited to: incorrect date of NPA, mishandling of the account and non adherence to disbursal sanctioned amounts, etc</i></p> |
| 3. | <p>Unsecured loan has been taken from one of the Shareholders i.e. Ms. Suzanne Surendra Pal of Rs. 205 Lacs from Sep, 2013 by the Company. But the same has not been repaid during the current financial year. There is no provision made during the current year for interest against such loans. Further, it is a contravention of Section 74 of the Companies Act, 2013.</p>   |  |
| 4. | <p>Unsecured Loan taken from IBM India Pvt. Ltd. is Rs. 39.23 Lacs as per the books of accounts as on 31<sup>st</sup> March, 2016. There is no repayment of the same during the current financial year. There is no provision made during the current year for interest against such loans. The above figure has been taken on the basis of audited financial statements for the year ended on 31<sup>st</sup> March, 2015. There is no communication received from IBM India Pvt. Ltd. in this regard.</p>   | <p><i>There are various disputes involved, including but not limited to the amounts due, the usability and inadequacy of the equipment provided, etc.</i></p>  |
| 5. | <p>Fixed Deposit amounting to Rs. 1,066.59 Lacs were due for repayment as on 31<sup>st</sup> March, 2016. There is no provision in the books during the year for penalty and damages for contravention</p>  | <p><i>As per the scheme filed with the Company Law Board, the company had to repay all FDs over a five year period.</i></p>  |

|           |  |  |
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|           | <p>of provision of fixed deposits as laid down in Companies Act, 2013. The company had applied for a scheme of reschedulement to the H'ble company laws board in Dec 2014 and has been following instructions for repayment of the company law board from time to time. Further, the management has indicated further substantial payment has been made subsequent to 31<sup>st</sup> Mar, 2016 till date of this report</p> | <p><i>However, the company has managed to clear FD payments amounting to over 30% of the total dues within less than a year of CLB's directions to start paying and depositing the monies.</i></p>   |
| <p>6.</p> | <p>In respect of various loans as stated above, there is interest payable of Rs. 1,251.71 Lacs for the previous years outstanding in the books as on 31.03.2016</p>  | <p><i>As you are aware, the company has been suffering various problems since the past 2 and half years. The problems for the Company started in 2013 and the Company has suffered severe losses over the last 2-3 financial years on account of the prior downturn in the economy and the tight liquidity environment and highly geared debt position. The company was no able to service its debt interest liabilities on time. The delayed receipt of payments from the customers caused severe liquidity crunch and shortage of working capital. In spite of providing the best in class service in the industry it became difficult for the company to maintain the financial discipline which resulted in irregularities in our accounts with banks and delayed payments of statutory liabilities.</i></p> <p><i>The company declared a loss of Rs. 199.98 Cr in 2013-14 and further in the 9 months ended 31-12-15, the company has further suffered a loss of Rs. 30.77 Cr. The company has,</i></p> |

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|  |  | <p>however, put in plan a well worked out revival plan that envisages clearing/settling all liabilities, which include statutory liabilities, over the next few years. The fact that the company is moving towards revival is clearly evidenced from the figure of loss which is brought to approx 54 Cr on March 31<sup>st</sup>, 2015. Further this loss is almost entirely attributable to previous write offs and not indicative of the benefits of the various structural and operational changes that have been and are being put into place. The company is in negotiations with all lenders to arrive at an amicable settlement and is also in advanced stages to raise capital, as per its revival plan, to settle these debts.</p> <p>There are certain demands from the income tax department, pertaining to different financial years, that the company and its tax consultants feel are unjustified and bad in law. The company has filed the appropriate appeals and intends to fight the same to a positive conclusion. However, in the interim these unjustified demands have further stressed the cash position of the company.</p> <p>The company defaulted in payment of service tax also and Notices have been received from the Service Tax</p> |
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|  |  | <p><i>Department in this regard and the company has started depositing amounts every month as per the directions. The company has deposited service tax to the tune of about Rs 9, 79, 83,558/- since September 2013 to July 31<sup>st</sup> 2015 itself.</i></p> <p><i>In respect of the TDS amount The company has deposited the complete TDS for the financial year 2013-2014 and has also deposited TDS for financial year 2014-15 and 2015- 16 as well.</i></p> <p><i>The deposit of taxes and the part payment of fixed deposits and interest on fixed deposits has been possible due to the cost savings and efficiencies that have been generated out of the implementation of the company's revival plan. However, as already explained, the company remains severely short staffed and to that extent handicapped to be able to deal with other issues in a timely manner</i></p> <p><i>As enumerated above, the losses the company suffered were mainly caused due to acute recession/down turn in the market and liquidity environment starting 2012-2013. The difficulties were further complicated by slow/non recovery of the dues from the customers. A large number of customers also refused to pay on account of some or the other</i></p> |
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|     |  | <p><i>product and service deficiency or non conformity with the order. Some of these were due to the service and implementation deficiencies caused by the acute shortage of manpower and the company has had to consequently book these and other non recoverable amounts as bad debts.</i></p> <p><i>In the surroundings of the above issues in spite of having intentions to repay the Company was also unable to make repayment of fixed Deposits, in a timely manner.</i></p> |
| 7.  | Income Tax demand of Rs. 1,286.98 Lacs from A.Y. 2004-05 to A.Y. 2011-12 not deposited and appeals has been filed against this demand or in the process of filing. Income Tax Return from A.Y. 2012-13 to A.Y. 2014-15 has also not been filed by the Company.   | <i>We have already filed the appeal and produced all the evidences and waiting for the final argument in which we are confident of winning the appeal.</i>   |
| 8.  | Service Tax amounting to Rs.1,170 Lacs (approx) up to 31 <sup>st</sup> March, 2016 not deposited by the Company but further reconciliation is required on account of cenvat credit, sales return etc to arrive at the correct amounts and Service Tax Return has also not been filed by the Company during the year.                                   | <i>Please refer to detailed reply of point No. 6</i>   |
| 9.  | As per Books of accounts, Tax deduction at source (TDS) amounting to Rs. 109.60 Lacs as on 31 <sup>st</sup> March, 2016 not deposited by the Company. TDS Return has also not been filed by the Company during the year except the first quarter in respect of Section 194I of the Income Tax Act, 1961. In some cases TDS has also not been deducted. | <i>Please refer to detailed reply of point No. 6</i>   |
| 10. | As per books of accounts, Provident Fund amounting to Rs. 6.75 lacs as on 31 <sup>st</sup> March, 2016 not deposited by the Company. PF Challan  | <i>Please refer to detailed reply of point No. 6</i>   |

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|     | till Oct, 2015 has been filed by the Company  |  |
| 11. | Employees State Insurance (ESI) amounting to Rs. 3.16 Lacs as per Books as on 31 <sup>st</sup> March, 2016 not deposited by the Company. Consequently challan and return in respect of this has also not been filed by the Company during the year  | <i>Please refer to detailed reply of point No. 6</i>   |
| 12. | As per the information and explanation received from the Management, the Company is registered under the Delhi VAT, UP VAT, Maharastra VAT, Karnatka VAT, Tamil Nadu VAT and Andhra Pradesh VAT but during the year, no transactions were made by the company and accordingly no VAT Liability has been arised during the year. However, the company has not filed VAT Return in any of the above VAT authorities during the year                   | <i>Please refer to detailed reply of point No. 6</i>   |
| 13. | Professional Tax amounting to Rs. 0.72 Lacs as per Books as on 31 <sup>st</sup> March, 2016 not deposited by the Company. Consequently challan and return in respect of this has also not been filed by the Company during the year.  | <i>Please refer to detailed reply of point No. 6</i>   |
| 14. | Company has not made any provisions for the employee's benefits i.e. for Gratuity or Leave Encasement etc. during the year of audit.  | <i>Please refer to detailed reply of point No. 6</i>   |
| 15. | The Company has not provided bank accounts balance confirmation as on 31 <sup>st</sup> March, 2016, in respect of some bank accounts.   | <i>Some banks Accounts have become dormant; hence no communication could be made from them</i>   |
| 16. | The Company has written off bad debts amounting to Rs. 708.24 Lacs during the year and makes provision for bad and doubt full debts amounting to Rs. 146.32 Lacs during the year. Due to the written off bad debts or provision of bad debts, the profit for the year at 31 <sup>st</sup> March, 2016 has been reduced by that amounts. Accordingly the net assets at 31 <sup>st</sup> March, 2016 have also been reduced by the bad debts amounts. | <i>There are numerous reasons for the provisions and write offs, however the main reason has been inadequacy of service provided(due to the financial crunch being faced by the company) and inability to complete the whole order due to non availability of adequate working capital</i> |

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| 17. | The Company has booked Loss on Redundant Assets of Rs. 968.40 Lacs during the year  | <i>This happens due to massive flood &amp; natural calamity that happened in Chennai when one of our shed/store at Chennai address collapsed and was washed away. This shed/store was containing various new and used computer and network equipment along with certain materials for the completion of the building. Whilst some equipment was also washed away from the shed, almost all the equipment and materials were either completely destroyed or washed away due to the flood.</i> |
| 18. | As per AS-29 "Provisions, Contingent Liabilities and Contingent Assets" the Company is mandatorily required to make provisions for Audit Fee but the same has not provided in the books of accounts for the year ended 31 <sup>st</sup> March, 2016 | <i>The Company has taken the note of the Company</i>   |
| 19. | The Composition of Board of Directors is not in terms of SEBI (Listing Obligations and Listing Requirements) Regulations, 2015  | <i>All independent directors had resigned from Net4india Ltd (due to the financial problems and ensuing legal issues faced by the company) in and since 2013. In spite of the company's best efforts (including advertising the position multiple times in leading newspapers), new independent directors were not forthcoming. Therefore it was not possible to appoint the independent director/s on the Board.</i>  |
| 20. | There was no Independent Directors in the company leading to non-compliance of the provisions of the SEBI (Listing Obligations and Listing Requirements) Regulations, 2015 as well as section 149 of the Companies Act, 2013                        | <i>The company has been trying to find independent directors and has advertised the position multiple times. However, nobody is forthcoming due to the problems being faced by the</i>   |

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|     |  | company.   |
| 21. | There was no Internal Auditor's as required under section 138 of the Companies Act, 2013   | <i>The company had previously (for more than 10 years)consistently had an internal auditor and received the relevant reports. However, with the escalation of the financial problems being faced by the company they had resigned and the company was not able to appoint somebody to replace them in time, in spite of best efforts. The company endeavours to have the same in place on high priority.</i> |
| 22. | There was no Women director in the Board of the Company, leading to non-compliance of the applicable provisions. However, the Company has women director from 02 <sup>nd</sup> Nov, 2014 to 05 <sup>th</sup> Dec, 2015 | <i>The company earlier had a woman director, however, since her resignation,the company has been trying to find Woman director but, nobody is forthcoming due to the problems being faced by the company</i>   |
| 23. | There was no Audit Committee as required under section 177 of the Companies Act, 2013 and in terms of SEBI (Listing Obligations and Listing Requirements) Regulations, 2015  | <i>Since this committee compulsorily requires having independent Director, it could not be formed. The company has been trying to find independent directors and has advertised the position multiple times. However, nobody is forthcoming due to the problems being faced by the company</i>   |
| 24. | There was no Nomination and Remuneration Committee as required under section 178 of the Companies Act, 2013 and in terms of SEBI (Listing Obligations and Listing Requirements) Regulations, 2015                      | <i>Since this committee compulsorily requires having independent Director, it could not be formed. The company has been trying to find independent directors and has advertised the position multiple times. However, nobody is forthcoming due to the problems</i>  |

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|     |  | <i>being faced by the company</i>   |
| 25. | There was no Shareholder's and Investor Grievance Committee for the year in the Company  | <i>Since this committee compulsorily requires having independent Director, it could not be formed. The company has been trying to find independent directors and has advertised the position multiple times. However, nobody is forthcoming due to the problems being faced by the company</i>  |
| 26. | There was no compliance as required by the Regulation 24 of the SEBI (Listing Obligations and Listing Requirements) Regulations, 2015 i.e. corporate governance requirements with respect to subsidiaries companies  | <i>All independent directors had resigned from Net4india Ltd (due to the financial problems faced by the company) in 2013. In spite of best efforts, new independent directors were not forthcoming. Therefore it was not possible to appoint the independent director of Net4 India on the subsidiaries.</i>   |
| 27. | Non Compliance of provisions relating to public deposit i.e. repayment of deposits accepted before commencement of this act i.e. 01.04.2014 as per section 74 of the Companies Act, 2013. Since the company has accepted public deposit before 01.04.2014, which were due for repayment as on 31 <sup>st</sup> Mar, 2016. However the company has filed scheme of reschedulement of fixed deposits in Dec 2014 and has been repaying fixed deposit to the holders as per the directions of the Company Law board from time to time | <i>The company has been facing a challenging and tough financial position since 2013, as a result of acute liquidity environment and recessionary conditions, prevailing for some time before and during that period. The Company has filed a Fixed Deposit Repayment Scheme with the Hon'ble Company law Board in December 2014 and has been following the directions of the honourable CLB from time to time.</i> |
| 28. | The company has litigations filed against it under various courts or authorities like Delhi High Court, Arbitration, and Registrar for various matters like recovery of debts, winding up petition, etc. As per available information & explanation provided by the management, the  | <i>The Company is making all its efforts to make the Settlement with the genuine Debt holders and is ensuring it is fighting all unjustified and fraudulent claims.</i>   |

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|     | exact quantum of amount on these cases cannot be ascertained. However, almost all the cases involve disputed amounts and have been adequately challenged  |   |
| 29. | Sundry Debtors and Sundry Creditors are subject to balance confirmation   | <i>Since we are short staffed, therefore it cannot be done on the regular basis but it is done where significant amount is involved</i> |
| 30. | As per Para 17 of the AS-22, "Accounting for Taxes on Income", where as enterprises has carry forward of losses under tax laws, deferred tax assets should be recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The company has amounting to Rs. 1,287.20 Lacs deferred tax assets as per books, but we are unable to find the convincing evidence that in future sufficient future taxable income will be available | <i>It has been calculated as per methods specified in AS 22.</i>  |
| 31. | A per our observation during audit, Directors residing out of India have been incurring expenses through Credit Card for which part payment is being made by the Company. As per board resolution dated 23 <sup>rd</sup> Aug, 2013, the Company is maintaining the office at London, United Kingdom. For the part payment made by the company, these expenses have been further booked in the Company's books of accounts but we have not received all the supporting documents for the same  | <i>The Company has taken the note of the same</i>   |
| 32. | We are unable to find the status of the Micro and Small Enterprises, to whom the company owes, which are outstanding more than 45 days at 31 <sup>st</sup> March, 2016. This information as required to be disclosed under the Micro, small and Medium Enterprises Development Act, 2006.   | <i>The Company has taken the note of the same</i>   |

**DIRECTORS REPLY ON AUDITORS REMARKS (CONSOLIDATED)**

| S.No | Remarks  | Directors Comment's   |
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| 1.   | <p>During the financial year 2013-14, the Company had defaulted in repayment of principle and interest thereon of Term Loan taken from State Bank of India (SBI). The amount outstanding as on 31<sup>st</sup> Mar, 2016 is Rs. 2,334.16 Lacs. This loan had been classified as Non – performing Assets (NPA) by the Bank. There is no provision made during the current year for interest against such loans. The status of this loan has remained the same during the current financial year. State Bank of India (SBI) has also filed legal case before the Debt Recovery Tribunal) and Registrar against the Company. The above figure has been taken on the basis of audited financial statements for the year ended on 31<sup>st</sup> March, 2015. There is no communication received from bank in this regard.</p>   | <p><i>There are various disputes involved with relation to the claim of the bank, including but not limited to: incorrect date of NPA, mishandling of the account and non adherence to disbursement of sanctioned amounts, etc.</i></p> |
| 2.   | <p>During the financial year 2013-14, the Company had defaulted in repayment of principle and interest thereon of Working Capital Loan taken from State Bank of India (SBI) and State Bank Travancore (SBT). The amount outstanding as on 31<sup>st</sup> Mar, 2016 is Rs. 11,378.73 Lacs. There is no provision made during the current year for interest against such loans. This loan had been classified as Non –performing Assets (NPA) by the Bank. The status of this Credit facility has remained the same during the current financial year. State Bank Travancore (SBT) has also filed legal case before the P.O. (Presiding Officer) against the Company. The above figure has been taken on the basis of audited financial statements for the year ended on 31<sup>st</sup> March, 2015. There is no communication received from bank in this regard</p> | <p><i>There are various disputes involved with relation to the claim of the bank, include but not limited to: incorrect date of NPA, mishandling of the account and non adherence to disbursement of sanctioned amounts, etc</i></p>    |
| 3.   | <p>Unsecured Loan taken from IBM India Pvt. Ltd. is Rs. 39.23 Lacs as per the books of accounts as on 31<sup>st</sup> March, 2016. There is no repayment of the same during the current financial year. There is no provision made during the current year for</p>   | <p><i>There are various disputes involved, including but not limited to the amounts due, the usability and inadequacy of the equipment provided, etc.</i></p>   |




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|           | <p>interest against such loans. The above figure has been taken on the basis of audited financial statements for the year ended on 31<sup>st</sup> March, 2015. There is no communication received from IBM India Pvt. Ltd. in this regard</p>   |   |
| <p>4.</p> | <p>Fixed Deposit amounting to Rs. 1,066.59 Lacs were due for repayment as on 31<sup>st</sup> March, 2016. There is no provision in the books during the year for penalty and damages for contravention of provision of fixed deposits as laid down in Companies Act, 2013. The company had applied for a scheme of reschedulment to the H'ble company laws board in Dec 2014 and has been following instructions for repayment of the company law board from time to time. Further, the management has indicated further substantial payment has been made subsequent to 31<sup>st</sup> Mar, 2016 till date of this report.</p> | <p><i>As per the scheme filed with the Company Law Board, the company had to repay all FDs over a five year period. However, the company has managed to clear FD payments amounting to over 30% of the total dues within less than a year of CLB's directions to start paying and depositing the monies</i></p>   |
| <p>5.</p> | <p>In respect of various loans as stated above, there is interest payable of Rs. 1,251.71 Lacs for the previous year outstanding in the books as on 31.03.2016</p>   | <p><i>As you are aware, the company has been suffering various problems since the past 2-3 and half years. The problems for the Company started in 2013 and the Company has suffered severe losses over the last 2-3 financial years on account of the prior downturn in the economy and the tight liquidity environment and highly geared debt position. The company was no able to service its debt interest liabilities on time. The delayed receipt of payments from the customers caused severe liquidity crunch and shortage of working capital. In spite of providing the best in class service in the industry it became difficult for the company to maintain the financial discipline which resulted in irregularities in our accounts with banks and delayed</i></p> |

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|  |  | <p><i>payments of statutory liabilities.</i></p> <p><i>The company declared a loss of Rs. 199.98 Cr in 2013-14 and further in the 9 months ended 31-12-15, the company has further suffered a loss of Rs. 30.77 Cr. The company has, however, put in plan a well worked out revival plan that envisages clearing/settling all liabilities, which include statutory liabilities, over the next few years. The fact that the company is moving towards revival is clearly evidenced from the figure of loss which is brought to approx 54 Cr on March 31<sup>st</sup>, 2015. Further this loss is almost entirely attributable to previous write offs and not indicative of the benefits of the various structural and operational changes that have been and are being put into place. The company is in negotiations with all lenders to arrive at an amicable settlement and is also in advanced stages to raise capital, as per its revival plan, to settle these debts.</i></p> <p><i>There are certain demands from the income tax department, pertaining to different financial years, that the company and its tax consultants feel are unjustified and bad in law. The company has filed the appropriate appeals and intends to fight the same to a positive conclusion. However, in the</i></p> |
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|  |  | <p><i>interim these unjustified demands have further stressed the cash position of the company.</i></p> <p><i>The company defaulted in payment of service tax also and Notices have been received from the Service Tax Department in this regard and the company has started depositing amounts every month as per the directions. The company has deposited service tax to the tune of about Rs 9, 79, 83,558/- since September 2013 to July 31<sup>st</sup> 2015 itself.</i></p> <p><i>In respect of the TDS amount The company has deposited the complete TDS for the financial year 2013-2014 and has also deposited TDS for financial year 2014-15 and 2015- 16 as well.</i></p> <p><i>The deposit of taxes and the part payment of fixed deposits and interest on fixed deposits has been possible due to the cost savings and efficiencies that have been generated out of the implementation of the company's revival plan. However, as already explained, the company remains severely short staffed and to that extent handicapped to be able to deal with other issues in a timely manner</i></p> <p><i>As enumerated above, the losses the company suffered were mainly caused due to</i></p> |
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|    |   | <p><i>acute recession/down turn in the market and liquidity environment starting 2012-2013. The difficulties were further complicated by slow/non recovery of the dues from the customers. A large number of customers also refused to pay on account of some or the other product and service deficiency or non conformity with the order. Some of these were due to the service and implementation deficiencies caused by the acute shortage of manpower and the company has had to consequently book these and other non recoverable amounts as bad debts.</i></p> <p><i>In the surroundings of the above issues in spite of having intentions to repay the Company was also unable to make repayment of fixed Deposits, in a timely manner</i></p> |
| 6. | <p>Income Tax demand of Rs. 1,286.98 Lacs from A.Y. 2004-05 to A.Y. 2011-12 not deposited and appeals has been filed against this demand or in the process of filing. Income Tax Return from A.Y. 2012-13 to A.Y. 2014-15 has also not been filed by the Company.</p>  | <p><i>We have already filed the appeal and produced all the evidences and waiting for the final argument in which we are confident of winning the appeal</i></p>   |
| 7. | <p>Service Tax amounting to Rs.1, 170 Lacs (approx) up to 31st March, 2016 not deposited by the Company but further reconciliation is required on account of cenvat credit, sales return etc to arrive at the correct amounts and Service Tax Return has also not been filed by the Company during the year.</p> | <p>Please refer point 5 above</p>  |
| 8. | <p>As per Books of accounts, Tax deduction at source (TDS) amounting to Rs. 109.60 Lacs as on 31st March, 2016 not deposited by the</p>  | <p>Please refer point 5 above</p>  |

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|     | Company. TDS Return has also not been filed by the Company during the year except the first quarter in respect of Section 194I of the Income Tax Act, 1961. In some cases TDS has also not been deducted   |  |
| 9.  | As per books of accounts, Provident Fund amounting to Rs. 6.75 lacs as on 31 <sup>st</sup> March, 2016 not deposited by the Company. PF Challan till Oct, 2015 has been filed by the Company   | Please refer point 5 above   |
| 10. | Employees State Insurance (ESI) amounting to Rs. 3.16 Lacs as per Books as on 31 <sup>st</sup> March, 2016 not deposited by the Company. Consequently challan and return in respect of this has also not been filed by the Company during the year   | Please refer point 5 above   |
| 11. | Professional Tax amounting to Rs. 0.72 Lacs as per Books as on 31 <sup>st</sup> March, 2016 not deposited by the Company. Consequently challan and return in respect of this has also not been filed by the Company during the year.   | Please refer point 5 above   |
| 12. | The Company has not provided bank accounts balance confirmation as on 31 <sup>st</sup> March, 2016, in respect of some bank accounts   | <i>Some banks Accounts have become dormant; hence no communication could be made from them</i>   |
| 13. | The Company has written off bad debts amounting to Rs. 708.24 Lacs during the year and makes provision for bad and doubt full debts amounting to Rs. 146.32 Lacs during the year. Due to the written off bad debts or provision of bad debts, the profit for the year at 31 <sup>st</sup> March, 2016 has been reduced by that amounts. Accordingly the net assets at 31 <sup>st</sup> March, 2016 have also been reduced by the bad debts amounts | <i>There are numerous reasons for the provisions and write offs, however the main reason has been inadequacy of service provided(due to the financial crunch being faced by the company) and inability to complete the whole order due to non availability of adequate working capital</i> |
| 15. | The Company has booked Loss on Redundant Assets of Rs. 968.40 Lacs during the year.  | <i>This happened due to massive flood &amp; natural calamity that happened in Chennai when one of our store/shed at Chennai address collapsed and was washed away. This shed was</i>   |

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|            |   | <p><i>containing various new and used computer and network equipment along with certain materials for the completion of the building. Whilst some equipment was also washed away from the shed, almost all the equipment and materials were either completely destroyed or washed away due to the flood</i></p>                        |
| <p>16.</p> | <p>In case of <b>Net 4 Communications Limited</b>, one of the subsidiaries of the Holding Company is not audited by us. The other auditor who has audited the subsidiary has reported the followings:-</p> <ul style="list-style-type: none"> <li>a. Service Tax amounting to approx. Rs. 25 Lacs for FY 11-12, Rs. 390 Lacs for 2012-13, Rs. 33 Lacs for 2013-14 and Rs. 0.08 Lacs for 2015-16 not deposited but further reconciliation is required on account of cenvat credit, sales returns, etc. to arrive at the correct amount</li> <li>b. ESI of Rs. 0.43 Lacs for FY 2014-15 not deposited.</li> <li>c. TDS amounting to Rs. 65.75 Lacs for the year 2012-13, Rs. 32.59 Lacs for the for the year 2013-14, Rs.9.04Lacs for the year 2014-15 and Rs.4.26 Lacs for the year 2015-16 not deposited</li> <li>d. The company has written off bad debts amounting to Rs. 45.69 Crore. The company has no security for these debts. On the basis that no security has been obtained and no cash has been received on these debts, the company has written off bad debts, thereby reducing profit before taxation for the year (if any) and net assets at 31<sup>st</sup> March by that amount.</li> <li>e. The company does not follow a system of obtaining confirmation of balances in respect of Trade receivables. Due to non-availability of confirmations of aforesaid</li> </ul> | <p><i>Due to the heavy losses suffered by the company subsequent to which winding up order was passed against the company and the company is in liquidation.</i></p> <p><i>There are numerous reasons for the provisions and write offs, however the main reason has been inadequacy of service provided (due to the financial</i></p> |

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|            | <p>balances, we are unable to quantify the impact of the adjustments, if any, arising from reconciliation, settlement of account and writing off bad debts on the financial statements for the year ended 31st March, 2016.</p>  | <p><i>crunch being faced by the company) and inability to complete the whole order due to non availability of adequate working capital.</i></p> <p><i>Winding up order was passed against the company and the company is in liquidation therefore the receivables from the parties could not be recovered.</i></p>             |
| <p>17.</p> | <p>In case of <b>Pipetel Communications Private Limited</b>, one of the subsidiaries of the Holding Company is not audited by us. The other auditor who has audited the subsidiary has reported the followings:-</p> <ol style="list-style-type: none"> <li>a. The company has written off an amount of Rs.9.90 Lacs as bad debts. The company has not security for these debts. On the basis that no security has been obtained and no cash has been received on these debts, the company has written off this amount as bad debts thereby reducing profit before taxation for the year (if any) and net assets at 31<sup>st</sup>March, 2016 by that amount</li> <li>b. The company does not follow a system of obtaining confirmation of balances in respect of Trade receivables. Due to non-availability of confirmations of aforesaid balances, we are unable to quantify the impact of the adjustments, if any, arising from reconciliation, settlement of account and writing off bad debts on the financial statements for the year ended 31st March, 2016.</li> <li>c. Reconciliation statements of State Bank of Travancore (A/c no 67250208799), State Bank of Travancore (WCTL no 9613) and Term Loan statement of State</li> </ol> | <p><i>Subsequent to the Invoices raised to the client, the dispute arise between the parties with regard to the services; consequently the balance amount of the invoice could not be recovered from the client.</i></p> <p><i>Due to the acute short staff; the same is not possible to be done on the regular basis.</i></p> |

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|  | <p>Bank of Travancore (A/c no 8814) were not available. Due to non-availability of these reconciliations, we are unable to quantify the impact of the adjustments, if any, arising from reconciliation on the financial statements for the year ended 31st March, 2016.</p> | <p><i>There are various disputes involved with relation to the claim of the bank, including but not limited to: incorrect date of NPA, mishandling of the account and non adherence to sanctioned amounts, etc.</i></p> |
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**29. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations. However, in line with the requirement of SEBI, LODR, 2015 read with guidance note issued by the stock exchanges, the company has reported all the major cases/litigation matters etc. from time to time to the Stock Exchanges.

**30. INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The details in respect of internal financial control and their adequacy are included in the management discussion& analysis, which forms part of this report.



**31. DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them and also based on the representations received from the Operating Management, your directors make the following statement in terms of Section 134 (3) (c) of the Companies Act, 2013 that:

- a. in the preparation of the annual accounts for the financial year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. such accounting policies as mentioned in the Notes to the Financial Statements have been selected 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, 2016 and of the profit and loss of the Company for the financial year ended March 31, 2016;
- c. the proper and sufficient care has been taken by them for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual accounts for the financial year ended March 31, 2016 have been prepared by them on a going concern basis;
- e. proper Internal financial controls have been followed by the company and that such internal financial controls are adequate and were operating effectively; and
- f. proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**32. ACKNOWLEDGEMENT**

The Directors express their gratitude to Financial Institutions, Banks, and various other agencies for the co-operation extended to the Company. The Directors also take this opportunity to thank the shareholders, customers, suppliers, lenders, distributors and other stakeholders for the confidence reposed by them in the Company. The employees of the Company contributed significantly in achieving the results. The Directors take this opportunity of thanking them and hope that they will maintain their commitment to excellence in the years to come.

**By Order of the Board**

**Sd/-**

**AMARJIT SINGH SAWHNEY**

**Director**

**DIN 00110823**

**Address: 70, Poorvi Marg, Vasant Vihar,  
New Delhi-110057**