

**ELCOT**

*Adding Value Through IT*

**THIRTY SECOND  
ANNUAL REPORT  
2008-09**

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ELECTRONICS CORPORATION OF  
TAMILNADU LIMITED,  
692, ANNA SALAI,  
MHU COMPLEX, IIND FLOOR,  
NANDANAM,  
**CHENNAI-600 035.**

**ELECTRONICS CORPORATION OF TAMILNADU LIMITED**  
*(A Government of TamilNadu Undertaking)*

**MHU COMPLEX, II FLOOR, 692 ANNA SALAI, NANDANAM,  
CHENNAI – 600 035.**

**GENERAL INFORMATION**

**BOARD OF DIRECTORS**

**Tvl:**

- |    |                              |                   |
|----|------------------------------|-------------------|
| 1. | Thiru P.W.C. Davidar, I.A.S. | Chairman          |
| 2. | Dr. N. Govindan, I.A.S.      | Director          |
| 3. | Tmt. Anita Praveen, I.A.S.   | Director          |
| 4. | Thiru R. Thiagarajan, I.A.S. | Director          |
| 5. | Tmt. Archana Patnaik, I.A.S. | Director          |
| 6. | Dr. Santhosh Babu, I.A.S.    | Managing Director |

**COMPANY SECRETARY**

Thiru K. Padmanaban

**AUDITORS**

**C.V. Ramaswamy & Co.,**  
Chartered Accountants,  
No.1, Vidwan Sundaram Street,  
Nungambakkam, Chennai – 600 034.

**BANKERS**

**INDIAN BANK,**  
Nandanam Branch,  
Chennai 600 035.

**ALLAHABAD BANK**  
T. Nagar Branch,  
Chennai 600 017

**STATE BANK OF INDIA,**  
Saidapet Branch,  
Chennai – 600 035.

**CANARA BANK,**  
Saidapet Branch,  
Chennai 600 015.

**INDIAN OVERSEAS BANK**  
Velachery Branch,  
Chennai – 600 042

**ELECTRONICS CORPORATION OF TAMILNADU LIMITED**  
*(A Government of Tamilnadu Undertaking)*  
MHU Complex, II Floor,  
692, Anna Salai, Nandanam, Chennai 600 035.

**NOTICE TO SHAREHOLDERS**

Notice is hereby given that the Thirty second Annual General Meeting of the shareholders of the company will be held on \_\_\_\_\_ at \_\_\_\_\_ in the Chambers of the Secretary to Government, Information Technology Department, Secretariat, Chennai – 600 009 to transact the following ordinary and Special business:-

**Ordinary Business:**

1. To receive, consider and adopt the enclosed Profit and Loss Account for the year ended 31<sup>st</sup> March, 2009 and the Balance Sheet as on that date together with the Directors' and Auditors' Reports thereon (copy of Supplementary comments if any from the Accountant General will be sent in due course.)
2. To declare a dividend of 5% on the Equity Share Capital of the company for the year ended 31<sup>st</sup> March 2009.

**Special Business:-**

To authorise the Board of Directors to fix the remuneration of the Statutory Auditors for the year 2009-10.

**(BY ORDER OF THE BOARD OF DIRECTORS)**

CHENNAI – 600 035

K. PADMANABAN

DATE:

Company secretary

**Note:**

- i) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote and the proxy need not to be a member of the company.
- ii) The format of consent for shorter notice is enclosed, a copy of which may kindly be returned duly signed.

Encl. As above.

## ELECTRONICS CORPORATION OF TAMIL NADU LIMITED

### DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors are pleased to present the Thirty second Annual Report of the Company for the year ended 31<sup>st</sup> March 2009 - the Twenty ninth year of its operations.

#### FINANCIAL HIGHLIGHTS

The Statement below compares the progress in the year under review with last year's performance.

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
	(Rs. in Lakhs)	
Gross Profit before Interest / Depreciation including adjustments.	2542.81	1974.26
Interest and Other Finance charges	842.54	640.53
Cash Profit	1700.27	1333.73
Depreciation	281.78	102.33
Profit for the Financial Year	1418.49	1231.40
LESS: Prior Period Adjustment	-136.84	0.78
Bad Debts written off	118.04	----
Stocks written off		7.77
Investment written off Rs. 8027900		
Less: Diminution in value of shares Rs. 670275	73.58	----
Net Profit for the Financial Year	1363.71	1222.85
ADD: Profit for the earlier year	1378.29	687.59
Total Funds available for Appropriation	2742.00	1910.44
Proposed Dividend	129.65	129.65
Provision for Taxation	274.30	268.37
Provision for Tax on Dividend	22.03	22.03
Provision for Deferred Tax	113.86	106.78
Fringe Benefit Tax	4.17	5.32
Balance Carry Forward	2197.99	1378.29

The Net balance Profit of Rs.2197.99 lakhs is transferred as "Transfer from P&L A/c to Reserves and Surplus" in the Balance Sheet.

**DIVIDEND:**

The directors have proposed to declare 5% dividend of Rs.129.65 lakhs on the paid up capital of Rs.2593.05 lakhs.

**THE MAIN ACTIVITIES OF THE CORPORATION ARE AS FOLLOWS:****1. IT PARKS PROMOTION IN TIER II CITIES**

As per the policy directive of Government of Tamil Nadu, ELCOT is promoting Information Technology Parks in Chennai and in the Tier II Cities. Integrated Information Technology Campuses consisting of Information Technology buildings as well as Residential and Social Infrastructure facilities will be established in Tier-II Cities such as Coimbatore, Madurai, Tiruchirapalli, Tirunelveli, Salem and in Hosur.

It is proposed to construct one million sq.ft. TIDEL like IT Tower in all IT SEZ with Social Infrastructure subject to SEZ rules through Public Private Partnership (PPP) mode. The preparation for selection of Private Partner is under progress for all IT SEZ in Tier II Cities.

**2. FREE DISTRIBUTION OF 14” COLOUR TELEVISION SETS:**

The Government of Tamil Nadu has launched a unique scheme of Free distribution of Colour TV sets to the house holds who are not having Colour TV sets. This scheme was commenced during September 2006 to commemorate the birth anniversaries of Arignar Anna on 15<sup>th</sup> September and Thanthai EVR Periyar on 17<sup>th</sup> September.

Elcot has already completed the distribution of 30000 colour Television sets under phase I, 25 lakhs Colour Television Sets under Phase II and 37.50 lakhs sets under Phase III to the households in Tamil Nadu under the Free Colour TV scheme announced by the Hon'ble Chief Minister of Tamil Nadu. Phase IV distribution of 43.56 Lakhs Television sets has already been started. The Government have released a sum of Rs. 673.16 crores so far to ELCOT towards the supply of Colour Television Sets under Phase IV.

### **3. E-GOVERNANCE INITIATIVES OF ELCOT**

ELCOT is involved in development of e-Governance applications and software support for the following departments:

1. Reginet (Registration Department)
2. Employment and Training Department
3. Labour Welfare Department
4. Family Card Project (Civil Supplies Department)
5. Commercial Taxes Department
6. Corporation of Chennai

#### **4.1 State Data Centre**

In order to provide a solid backbone to the e-Governance initiatives of the state projects it has been proposed to set up a Data Centre at ELCOT Perungudi premises. Data centre is an infrastructure where the entire state's server infrastructure will be positioned from where the entire state developments will have access. The citizens also will have access to the Data centre resources through appropriate application software hosted from there. ELCOT 's Data Centre will host the Servers of all the departments which opt for the centralised hosting facility. Already the Data centre infrastructure has been commissioned.

#### **4.2 Training Infrastructure Facility**

ELCOT had set up 25 user computer network with necessary UPS and other infrastructure in each District collectorate for providing the necessary training to staff of the Government Departments.

### **5. TAMIL NADU STATE WIDE AREA NETWORK (TNSWAN)**

Tamil Nadu State Wide Area Networking project is the core back bone network project to provide integrated data / internet /intranet, voice communication with in Government offices right up to block level which will provide secure connectivity to run the e-Governance applications of Government and will improve the service delivery in more transparent manner to the citizen. The project implemented

through ELCOT is currently taking off in all the 708 locations of Tamil Nadu including all the 30 District Collectorates. Infrastructure development in all the 708 locations is almost completed. The project has commenced its boot operation from 1.12.2007.

## **6. PROCUREMENT ACTIVITIES**

ELCOT has adopted an innovative procurement policy by encouraging competition among the vendors coupled with an open and transparent procurement process. ELCOT had achieved a price reduction of 20-30% of the market value of the products, thus saving crores of rupees of Government departments.

During the year 2008-09, ELCOT procured IT products for a value of Rs.105.36 Crores and projected for Rs.250.00 Crores for the year 2009-10.

## **7. PARTICIPATION IN NATIONAL AND INTERNATIONAL EVENTS:**

To promote Tamil Nadu as a preferred Destination of Choice for IT and ITES investments ELCOT has participated in the following major National / International events:

1. NASSCOM HR summit 2008 held at Chennai 3<sup>rd</sup> and 4<sup>th</sup> July 2008.
2. CONNECT 2008 event held at Chennai from 11<sup>th</sup> to 13<sup>th</sup> September 2008
3. CONNECT Madurai held at Madurai on 5<sup>th</sup> and 6<sup>th</sup> December 2008
4. Pravasi Bharatiya Divas held at Chennai from 7<sup>th</sup> to 8<sup>th</sup> Jan 2009
5. CONNECT Coimbatore held at Coimbatore on 27<sup>th</sup> February 2009

## **8. DRIVING LICENCE CARD:**

As per the Government approval, the preparation and issue of Laminated Computerised Driving License was entrusted to ELCOT by the Transport Commissioner in all the 107 centres in the State. During the current financial year (2008 – 2009) the billing is Rs.6.36 Crores. We have allotted 107 centres to contractors M/s UTI Ltd, and Keltron.

## **9. SHARE CAPITAL:**

The paid up capital of ELCOT at the commencement and close of the year is Rs.2593.05 lakhs.

## **SCHEDULES:**

Information required as per Section 217 (1)(e) and (2A) of the Companies Act 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 is attached vide Appendix-I. None of the Employees of the Company was in receipt of remuneration either for part of the financial year or throughout the financial year as required to be disclosed under 217 (2A) of the Companies Act 1956.

## **DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act 2000, the Directors confirm that:

- i. In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the Company for that period.
- iii. The Directors had taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors had prepared the annual accounts on a going concern basis.

### **CHANGE IN THE BOARD OF DIRECTORS:**

1. Thiru C. Umashankar, I.A.S., ceased to be Managing Director vide G.O.Rt. No.3131, Public (Special – A) Department dated 28.07.2008 (Relieved on 05.08.2008)
2. Dr.C. Chandramouli, I.A.S., Chairman-Director was appointed as Managing Director i/c vide G.O. Rt. No.3345, Public (Special – A) Department dated 11.08.2008
3. Dr. Santhosh Babu, I.A.S. appointed as Managing Director vide G.O. Rt. No.3667, Public (Special – A) Department dated 05.09.2008 (joined on 10.09.2008)
4. Dr.C. Chandramouli, I.A.S., ceased to be Managing Director i/c vide G.O. Rt. No.3667, Public (Special – A) Department dated 05.09.2008 (relieved on 10.09.2008)
5. Dr.C. Chandramouli, I.A.S., ceased to be Chairman – Director vide G.O. Rt. No.4364, Public (Special – A) Department dated 30.10.2008 (relieved on 10.09.2008)
6. Thiru P.W.C. Davidar, I.A.S., appointed as Chairman – Director vide G.O. Rt. No.4364, Public (Special – A) Department dated 30.10.2008 (Assumed charge on 10.11.2008)
7. Tmt. Anita Praveen, I.A.S., ceased to be Director vide G.O. Rt. No.101,Information Technology (A2) Department dated 20.07.2009
8. Thiru R. Thiagarajan, I.A.S., appointed as Director vide G.O. Rt. No.101,Information Technology (A2) Department dated 20.07.2009
9. Thiru S. Ramasundaram, I.A.S., ceased to be Director vide G.O. Rt. No.106, Information Technology (A2) Department dated 27.07.2009
10. Tmt. Anita Praveen, I.A.S., appointed as Director vide G.O. Rt. No.106, Information Technology (A2) Department dated 27.07.2009
11. Thiru M. Velmurugan, I.E.S., ceased to be Director vide G.O. Rt. No.114, Information Technology (A2) Department dated 12.08.2009
12. Tmt. Archana Patnaik, I.A.S., appointed as Director vide G.O. Rt.No.114, Information Technology (A2) Department dated 12.08.2009

### **COMPOSITION OF AUDIT COMMITTEE:**

Currently, the following Directors and Managing Director are the members of the Audit Committee of the Board of Directors.

1. Dr. Santhosh Babu, I.A.S. - Chairman of the Committee  
(Managing Director, ELCOT)
2. Thiru R. Thiagarajan, I.A.S. - Member (Director representing Finance  
Department, Govt. of Tamil Nadu)
3. Tmt. Archana Patnaik, I.A.S.- Member (Director - Guidance)

### **HUMAN RESOURCES (HR) RELATIONS:**

Your Directors are pleased to report that the HR Relations during the year continued to be cordial.

### **ACKNOWLEDGEMENT**

Your Directors wish to place on record the assistance and guidance given by the Government of Tamil Nadu in general and especially through the Departments of Information Technology, Finance, the office of the Accountant General (Commercial)-II. They acknowledge the services of the Company's bankers in furthering the activities of the Company. Your Directors would also like to record their appreciation for the co-operation and contribution made by all the Officers and Staff of the Company. Your Directors thank the customers and suppliers for their patronage and support. Your Directors also record their appreciation of the services by the Internal and Statutory Auditors in the matter of audit.

For and on behalf of the Board of Directors

Chennai-35

Date: 09.2009

(P.W.C. DAVIDAR)  
CHAIRMAN

## **Reply of the Directors to the Comments of the Auditors**

For the comments made by Auditors in Paras 4(a), 4(b), 4( c) and 4(d) of the Report, the notes on Accounts referred in paras 3.02 K (i) (f & g), 3.02 K (i) (b), 3.02 K (i) (b) & (ii) and 3.02 Q in Schedule are self explanatory.

For and on behalf of the Board of Directors

Chennai-35

Date:

(P.W.C. DAVIDAR)  
CHAIRMAN

## APPENDIX – I

### Information required under Companies (Disclosure and particulars in the report of the Board of Directors) Rules 1988 for the financial year 2008-09

A. Conservation of Energy

Not applicable to Electronics Industries

B. Technology Absorption

Specific Areas to which R&D carried out by the Company

I.	Development work	-	Nil
II.	Development work on Hand	-	Nil
III.	Expenditure on R&D		
	a. Capital	-	Nil
	b. Recurring	-	Nil
	c. Total	-	Nil
	d. Total R&D Expenditure as a percentage of total Turnover	-	Nil
	e. Foreign exchange earnings and outgo in 2008-09	-	Nil



S. RAJANI, I.A. & A.S

ACCOUNTANT GENERAL



Adding Value through IT

भारतीय लेखा तथा लेखापरीक्षा विभाग  
कार्यालय महालेखाकार (लेखापरीक्षा) II तमिलनाडु  
"लेखापरीक्षा भवन", ३६१, अण्णा शालै, चेन्नै - ६०० ०१८.

INDIAN AUDIT AND ACCOUNTS DEPARTMENT  
OFFICE OF THE ACCOUNTANT GENERAL (COMMERCIAL  
AND RECEIPT AUDIT) TAMIL NADU  
"Lekha Pariksha Bhavan", 361, Anna Salai, Chennai-600 018.  
दु.भा. / Phone : 044 - 2432 7922  
फैक्स / Fax : 044 - 2431 1659  
तार / Telegram : AUDITTWO" Chennai  
ई-मेल / Email : audit2@md3.vsnl.net.in

अ.सं.सं /

D.O. No.

दिनांक /

Date : .....

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS  
OF ELECTRONICS CORPORATION OF TAMIL NADU LIMITED, FOR  
THE YEAR ENDED 31 MARCH 2009**

The preparation of financial statements of Electronics Corporation of Tamilnadu Limited, for the year ended 31st March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 23.09.2009.

I, on behalf of the Comptroller and Auditor General of India have, conducted a supplementary audit under section 619(3)(b) of the company Act, 1956 of the financial statements of Electronics Corporation of TamilNadu Limited, for the year ended 31.03.2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619 (4) of the Companies Act, 1956 which has come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.



**I. Balance Sheet**

**Application of funds**

**Current Liabilities & Provisions (Schedule 1.11) - Rs. 1102.36 Crore**

**Other liabilities - Rs. 174.83 Crore**

- a) This does not include Rs.4,.56 crore, being the interest payable to the Government towards deferred payment of cost of the land alienated for Coimbatore IT/ITES SEZ Park .This has resulted in understatement of ' current liabilities & Provisions ' (Schedule 1.11) and overstatement of profit to that extent.
- b) Non-provison of Rs.1.66 crore towards interest payable to SIPCOT for deferred payment of land cost has resulted in understatement of 'Current Liabilities and Provisions' and overstatement of profit to that extent.
- c) This does not include Rs.0.17 crore, being short provision of pay arrears in respect of employees who retired during the period from 01.01.2006 to 31.03.2009. This has resulted in understatement of 'Current Liabilities and Provisions' (Schedule 1.11) and overstatement of profit to that extent.

**II. Notes on Accounts (Schedule - 3.02)**

**Contingent Liability - Sl.No. (K)**

The fact of service tax claimed by the Commissioner of Service Tax (by way of show cause notices) in respect of various services rendered by the Company during the period form 2002-03 to 2008-09 amounting to Rs.7.06 crore has not been disclosed.

For and on the behalf of the  
Comptroller & Auditor General of India

PLACE : Chennai-18

DATE : 21.12.2009

**S. RAJANI, I.A. & A.S**  
**ACCOUNTANT GENERAL**

**ADDENDUM TO THE DIRECTOR'S REPORT (2008-09) AS REQUIRED  
UNDER SECTION 217 OF THE COMPANIES ACT , 1956**

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT , 1956 ON THE ACCOUNTS OF THE ELECTRONICS CORPORATION OF TAMIL NADU LIMITED FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH 2009	DIRECTOR'S REPLY TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT , 1956 ON THE ACCOUNTS OF THE ELECTRONICS CORPORATION OF TAMIL NADU LIMITED FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH 2009
<p><b>I. Balance Sheet</b> <b>Application of funds</b> <b>Current Liabilities &amp; Provisions (Schedule 1.11) - Rs. 1102.36 Crore</b> <b>Other liabilities - Rs. 174.83 Crore</b></p> <p>a) This does not include Rs.4,56 crore, being the interest payable to the Government towards deferred payment of cost of the land alienated for Coimbatore IT/ITES SEZ Park. This has resulted in understatement of 'current liabilities &amp; Provisions' (Schedule 1.11) and overstatement of profit to that extent.</p> <p>b) Non-provision of Rs. 1.66 crore towards interest payable to SIPCOT for deferred payment of land cost has resulted in understatement of 'Current Liabilities and Provisions' and overstatement of profit to the extent.</p>	<p>In pursuance of Government Policy land was alienated at Coimbatore and allotted to ELCOT for allotment to software development companies. The payment of interest on the cost of the land would seriously affect the viability of the scheme (as the margin allowed to ELCOT is only 5%). Hence the matter is taken up with Government for waiver of interest and the matter is pending decision.</p> <p>The issue of payment of interest has a number of implications like escalation of project cost and hence the matter is being pursued for waiver. As both ELCOT and SIPCOT are Government of Tamil Nadu Undertakings engaged in similar activities, there is a possibility of the interest being waived. As no finality is arrived on this subject, we have disclosed the fact in the Notes on Accounts.</p>
<p>c) This does not include Rs.0.17 crore, being short provision of pay arrears in respect of employees who retired during the period from 01.01.2006</p>	<p>It is admitted that there is a short provision of pay arrears in respect of 19 employees. Provision</p>

<p>to 31.03.2009. This has resulted in under statement of 'Current Liabilities and Provisions' (Schedule 1.11) and overstatement of profit to that extent.</p>	<p>has been made for paying arrears for an amount of Rs.193.13 lakhs for 185 employees and dues in respect of these 19 employees could not be finalised at the time of preparation of balance Sheet ( Which was already overdue). As the amount involved is relatively less and the arrears for these empolyees have been disbursed during 2009-10 and actually dealt.</p>
<p><b>II. Notes on Accounts (Schedule - 3.02)</b> <b>Contingent Liability - Sl.No. (K)</b></p> <p>The fact of service tax claimed by the Commissioner of Service Tax (by way of show cause notices) in respect of various services rendered by the Company during the period form 2002-03 to 2008-09 amounting to Rs.7.06 crore has not been disclosed.</p>	<p>The Service Tax for DL Card and Ration Cards were not applicable to ELCOT as per legal opinion obtained from a Tax Consultant (Copy already furnished). Besides we have made a strong plea to them on this subject and consequently the Department has not included their claims for earlier years in the subsequent claims. As no decision is pending before any Appellate Authority there is no need for any disclosure under 'Contingent Liabilities' However this will be disclosed in the next year accounts.</p>

PLACE : Chennai-18  
DATE : 30.12.2009

P.W.C. DAVIDAR  
CHAIRMAN





