

Tamilnadu Telecommunications Limited

**24th Annual Report
2011-12**

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Board of Directors	Shri. Vimal Wakhlu	-	Chairman and Director
	Shri. V.S.Parameswaran	-	Managing Director
	Shri. V.K.Sharma	-	Director
	Shri. A.K.Gupta	-	Director
	Shri. M.S.Shanmugam	-	Director
	Shri. B.Elangovan	-	Director
	Shri. B.Ramakrishnan	-	Director
	Shri. M.K.Jain	-	Director (Nominee of the Dept. of Telecom)
	Shri. N.P.Gupta, IAS (Retd)	-	Special Director appointed by BIFR

Registered Office	:	No.16, 1 st Floor, Aziz Mulk 3 rd Street, Thousand Lights, Chennai – 600 006
Factory	:	E 18B – E24, CMDA Industrial Complex, Maraimalaiagar – 603 209, Tamilnadu Website : www.ttlofc.in
Auditors	:	M. Kuppaswamy PSG & Co., Chartered Accountants, 54/3, C.P. Ramaswamy Road, Abhiramapuram, Chennai – 600 018
Promoters	:	Telecommunications Consultants India Limited, 'TCIL BHAWAN', Greater Kailash – I, New Delhi – 110 048 Tamilnadu Industrial Development Corporation Limited, 19-A, Rukmani Lakshminpathy Road, Egmore, Chennai – 600 008

REGISTRAR & SHARE TRANSFER AGENTS

Cameo Corporate Services Limited,
"Subramanian Building"
No.1, Club House Road,
Chennai – 600 002.
Phone : 044 – 28460390

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form may register their email id by informing the same to the Company or its R&T Agent.

- Note :
1. No Gifts / Coupons will be distributed at the meeting.
 2. Please bring your copy of the enclosed Annual Report to the meeting.

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Members of Tamilnadu Telecommunications Limited is scheduled to be held at 03.00 PM on Thursday, 20th September 2012 in the "Sri Venkata Auditorium" at Bharatiya Vidya Bhavan, No.18-22, East Mada Street (Near Kapaleeswarar Temple), Mylapore, Chennai – 600 004 to transact the following business.

Ordinary Business

01. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2012, the Statement of Profit and Loss Account for the financial year ended on that date and the Director's Report and Auditor's Report.
02. To appoint Director in place of Shri.Vimal Wakhlu, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint Director in place of Shri. M.S.Shanmugam, who retires by rotation and being eligible, offers himself for re-appointment.

By order of the Board
For **TAMILNADU TELECOMMUNICATIONS LIMITED**

Place : Chennai

V.S.Parameswaran

Date : 29.08.2012

Managing Director

Notes:

01. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. The proxy, in order to be effective, must be deposited / lodged at the Registered Office of the Company not less than 48 hours before the meeting. A form of proxy is given at the end of the Annual Report.
02. The Register of Members and the Share Transfer Books of the Company will remain closed from 15.09.2012 to 20.09.2012 (both days inclusive) in connection with the Annual General Meeting.
03. Members are requested to produce the enclosed attendance slip duly filled and signed as per the specimen signature recorded with the company for admission to the meeting hall.
04. Shareholders seeking any information with regard to accounts are requested to write to the company at least two days before the date of the meeting so as to enable the management to keep the information ready.
05. The shareholders may note that the dividend for the financial year ended 31st March 2001 which remain unpaid or unclaimed for a period of 7 years had been already transferred to the Investor Education and Protection Fund established under Section 205C of the Companies Act, 1956.
06. Members are requested to kindly bring their copy of the Annual Report to the Meeting.

Particulars of the Directors seeking re-appointment in the forthcoming AGM pursuant to clause 49 of the Listing Agreement.

Brief profile of the Directors who retire by rotation and are eligible for re-appointment:

01. Shri. Vimal Wakhlu, aged 56 years has been in the Board of the Company since June 2007. He is a Bachelor of Engineering from NIT, Srinagar and MBA Marketing from IGNOU. He is also a certified Project Management Professional from Project Management Institute, Pennsylvania. He has very rich experience for more than 35 years in the field of Telecom including e-Networks, Mobile Communications, Satellite Communications including VSAT based networks, Optical Communications, Troposcatter Communication, Data Transmission, Maritime Communications, International Telephony, Analog and Digital Microwave Systems, Analog and Digital Co-axial Systems and Video Transmission – Analog / Digital. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies

Name of the Companies	Nature of Interest
Telecommunications Consultants India Limited	Chairman & Managing Director
Bharati Hexacom Limited	Director
TCIL Saudi Company Limited	Director
United Telecom Limited	Director
TBL International Limited	Director

02. Shri. M.S. Shanmugam, aged 46 years has been in the Board of the Company since September 2011. He is an Indian Administrative Service Officer. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies

Name of the Companies	Nature of Interest
Southern Structural Limited	Chairman & Managing Director i/c
Tamil Nadu Salt Corporation Limited	Director
Tamil Nadu Cements Corporation Limited	Director
Tamil Nadu Industrial Explosives Limited	Director
Tamil Nadu Industrial Investment Corporation Limited	Director
TICEL Biopark Limited	Director
Southern Petrochemical Industries Corporation Limited	Director
Tanfac Industries Limited	Director
Madras Export Processing Zone – SEZ	Member (Unit Approval Committee)

TAMILNADU TELECOMMUNICATIONS LIMITED

REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Members

Your Directors present the Twenty Fourth Annual Report, together with the Audited Accounts of the Company for the year ended 31st March 2012.

Financial Results

	(Rs. in Lakhs)	
	2011-12	2010-11
Revenue from operations	1098.72	1364.04
Other Income (Net)	16.27	16.21
Total Revenue	1114.99	1380.25
Total Expenditure	1762.41	1481.88
Finance Charges	586.18	294.97
Extraordinary / Exceptional items	(138.59)	9.08
Gross Profit / (Loss) after interest before Depreciation & Tax	(1095.01)	(405.68)
Depreciation and Amortization Expense	237.81	242.17
Provision for Taxation / Deferred Tax	—	—
Net Profit / (Loss)	(1332.82)	(647.85)

The net loss after Tax is Rs.1332.82 lakhs against net loss of Rs.647.85 lakhs made during the previous year.

Review of Operations

During the year under review, the company's sales and other income was 1114.99 Lakhs. The entire turnover of the year is achieved from the Optical Fibre Unit. Overall the market condition of OFC was not encouraging during the year and the order booking status was not as expected. Your company is thriving hard to survive in the price war by implementing various cost-cutting and value engineering measures in the manufacturing operations.

Your Company successfully developed the new design 24F-Double Sheathed Cable (HDPE) using impregnated glass roving as Strength member as per BSNL new specification. In addition, your Company has designed and developed 12F self supporting metal free aerial optical fibre cable (for hilly and rural areas), 24F self supporting metal free aerial optical fibre cable (for urban area) and 6F and 12F unitube for cable TV operators.

You are aware that BIFR has issued a Sanctioned Scheme to the Company on 21.07.2010. As per the Sanctioned Scheme the Board of Directors have issued 1,54,32,700 equity shares of Rs.10 each to M/s. Telecommunications Consultants India Limited (TCIL), 42,47,500 equity shares of Rs.10 each to State Bank of India, 20,70,600 equity shares of Rs.10 each to Andhra Bank and 12,65,200 equity shares of Rs.10 each to Punjab National Bank by converting part of the loans into equity. The shares in physical format were issued on 14.09.2010. Out of the bridge loan of Rs.12.50 crores from TCIL as per the Sanctioned Scheme of BIFR,

the Company has availed Rs.11.66 crores towards OTS to consortium bankers and towards the Tamilnadu Government land in possession of the Company. With the above restructuring the net worth has become positive during 2010-11. However during the year the desired results as projected in the Scheme couldn't be achieved due to OFC market conditions. The OFC market during the year was not as projected and the order booking status was not encouraging. One big order received from BSNL also could not be executed in full due to non availability of one of the raw materials viz., Nylon 12 to that extent, in the International Market. Due to this BSNL has to change the specification of the OFC without Nylon 12 Jacketing. Hence, there were no major orders at all during the year under review which again resulted in accumulation of losses and thereby the Networth has again eroded during the year.

Market Scenario and Outlook

Though the OFC market condition in India was not encouraging during 2010-11 and 2011-12, with the Government's decision to expand the broad band connections to cover the villages in India, the OFC market will again pick up and will grow further in future. MTNL and BSNL are both focusing on Fibre Termination to Home (FTTH) deployment as this gained momentum across the Globe. The demand for data services is increasing. The company expects that OF telecom cables sector to increase in volumes in the back-drop of the increased plan of BSNL for deployment of high fibre count OFC for inter exchange links and long-haul projects is likely to provide the much needed fillip for Ribbon type Optical Fibre Cables. This may reinforce and add to the competitive strength of the company which is one of the few players equipped to manufacture Ribbon type of OFC in India.

The industry also expects the advent of Conditional Access System (CAS) and broadband applications to spur the growth of optical fibre cable networks in the coming years. In power sector ADSS cable applications are increasing day by day.

During the year under review your company has been able to export Optical Fibre Cables on favourable terms through the Company's promoters, i.e., TCIL for their projects abroad. The optic fibre industry at home is also poised for a period of significant growth and the demand is expected to surpass the current manufacturing facility in the months to come. This favourable trend is expected to continue at least over the next few years. The company continues to take all initiatives to retain the competitive edge and be in a position to meet the requirements of the market. The medium / long-term prospects will augur well for the company. The company continues to emphasize on cost cutting through enhanced productivity, reduction in logistics and other costs. The company will continue its efforts to further prune all its fixed costs including administrative and discretionary overheads.

The Company is also exploring the possibilities for diversification in the related areas like manufacturing and supply of FTTH components, tablet PCs. etc. For implementation of any of this successful venture after feasibility study, the vacant land available with the Company will be utilized for this project by having tie up arrangement

with suitable Joint Venture partner. As an initiative under the feasibility study, presently the Company is in the process of procuring, assembling and supply of 200 numbers of tablet PCs to TCIL under their CSR project. On success of this venture, further full fledged action for executing in big volume will be considered after taking all relevant approvals.

Cautionary Statement

Statements in the Directors' Report and Management Discussion & Analysis contain forward looking statements. Actual results, performances or achievements may vary materially from those expressed or implied, depending upon economic conditions, Government policies, subsequent developments and other incidental factors.

Risk & Concern

The industry is facing challenging cost pressures as the cost of major raw materials are increasing because the market is volatile due to frequent changes in crude oil price. The competition within OFC business is becoming fierce due to emerging new technologies and frequent new product introductions in Optical fibre products which command competitive prices and preference in the market.

Directors

In accordance with Sec.256 of the Companies Act, 1956, read with Articles 79 & 80 of the Articles of Association of the company, Shri Vimal Wakhlu and Shri. M.S.Shanmugam, will retire from the Directorship of the company by rotation and being eligible, offers themselves for re-appointment.

During the year the following changes had taken place in the Board of the Company: -

Shri. M. Sengupta, Managing Director has been replaced by Shri. V.S. Parameswaran with effect from 15.06.2011, which has been approved in the 23rd AGM.

Shri. R.K. Upadhyay has been replaced by Shri.V.K. Sharma, Shri. K.B. Batra has been replaced by Shri. A.K.Gupta and Smt. (Dr.) S.Revathi has been replaced by Shri. M.S.Shanmugam. All these replacements were effective from 02.09.2011.

Directors' Responsibility Statement

As required under Section 217(2AA) of the Companies Act, 1956, the Directors of the Company hereby state and confirm that -

- a) In the preparation of the annual accounts the applicable accounting standards had been followed.
- b) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2012, and the loss of the Company for the year ended on that date.
- c) They have taken proper and sufficient care for the maintenance of 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.

- d) They have prepared the annual accounts on a going concern basis considering the expected orders and future prospects of the Company.

Corporate Governance

A report on Corporate Governance with the Practicing Company Secretaries Certificate on compliance with conditions of the Corporate Governance has been attached to form part of the Annual Report.

Energy, Technology and Foreign Exchange

Particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Sec.217(1)(e) of the Companies Act, 1956 are enclosed as part of the Report.

Personnel

None of the employees drew remuneration of Rs.24,00,000/- or more per annum / Rs.2,00,000/- or more per month during the year. This information is furnished as required under Sec.217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Human Resources

Your company is glad to announce that the industrial relations continue to be very cordial. TTL has designated and implemented a large number of initiatives to build and improve knowledge base and competencies of employees at all levels. TTL has been encouraging its employees to come out with innovative suggestions, which will pave way for significant cost savings as well as overall development of the company.

Quality Management Systems

Your Directors are happy to report that as a commitment in meeting global quality standards, your company continues to have IS/ISO 9001:2008 quality management systems certification from Bureau of Indian Standards (Accredited by Raad Voor Accreditatie, Netherlands) and also ISO 14001:2004 from Guardian Independent Certification Ltd (Registered in England and accredited by Member of the IAF MLA).

Internal Control System

TTL has adequate internal control procedures in respect of all its operations. It has laid down internal control procedures to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and transactions are authorized, recorded and reported correctly. Internal Audit is being carried out by Independent Audit Firm of Chartered Accountants on an on going basis and it recommends appropriate improvements apart from ensuring adherence in company policies as well as regulatory compliance. The audit committee periodically reviews the audit findings.

Auditors

In terms of Section 619(2) of the Companies Act, 1956, the Comptroller and Auditor General of India (CAG) had appointed M/s. M.Kuppuswamy PSG & Co., Chartered Accountants as the Auditors of the company for the year 2011-12 at a remuneration of Rs. 1,00,000/- besides reimbursement of traveling and out-of-pocket expenses at actuals, subject to the other items and conditions as specified by the CAG.

TAMILNADU TELECOMMUNICATIONS LIMITED

Auditors' Report

Clarification on Auditors observations is given below:

Para No. 4 of the Auditors' Report: *Without qualifying our conclusion, we draw attention to Note No: 3 in the Notes to accounts. As at March 31, 2012, the Company's accumulated losses of Rs.55,81,13,192/- has eroded the net worth of the Company, indicating the existence of a material uncertainty that may cast a doubt about the Company's ability to continue as a Going Concern. The Company has incurred a loss of Rs.13,32,81,519/- for the year under audit. Based on the mitigating factors discussed in the said Note, the Management believes that the Going Concern assumption is appropriate.*

As mentioned in the Note no.3, the Company is confident of getting orders from Reliance InfoTel and from NOFN project of the Government of India in the near future. Considering the scope during the immediate future and TCIL's continuous financial support, the accounts have been prepared on the Going concern basis.

Para No. 5 of the Auditors' Report: *The Company has not provided for any deferred tax liability in the books, in respect of the timing difference on the depreciation of fixed assets, by charge to the Statement of Profit and Loss. The deferred tax liability not provided works out to Rs.1,40,69,076/- as on March 31, 2012. This is contrary to the requirements of AS 22 – Accounting for Taxes on Income and has resulted in an understatement of loss for the year by Rs.1,40,69,076/-. As a result, the accumulated debit balance in Surplus and liabilities have been understated to the same extent. Consequently the Earnings per Share would increase to Rs.(3.23).*

Para No.6 (d) of the Auditors' Report: In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement, dealt with by this report are in compliance with the Accounting Standards referred to in Sub-section (3C) of section 211 of the Companies Act, 1956 **except for the non-compliance of AS22 – Accounting for Taxes on Income, reported in paragraph 5 above.**

Para No. 6 (f) of the Auditors' Report: In our opinion and to the best of our information and accounting to the explanations given to us, **EXCEPT for the matter specified in paragraph 5 above**, the said Accounts read with the Significant Accounting Policies and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

The Company has disclosed the facts of non-provisioning for deferred tax assets / liabilities vide Note no.6 (b) under "II. Notes to Accounts" of Note 24.

Item No.8 of the Annexure to the Auditors' Report

As explained to us, as per Notification of the Ministry of Corporate Affairs dated June 03, 2011, the Company is required to maintain Cost Records for the Financial Year

under Audit. ***The prescribed Cost Records are yet to be maintained by the Company.***

For the year 2011-12, only the Compliance report as per the notified Cost Accounting record rules, 2011 is applicable. The Cost Audit is applicable only from the year 2012-13. Regarding the compliance report of 2011-12, already the Company has appointed a Practicing Cost Accountant and the relevant compliance report shall be filed within the prescribed period i.e. 31.12.2012.

Item No.9 (a) of the Annexure to the Auditors' Report

The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales tax, Service tax, Customs duty, Excise duty, Cess and Municipal Profession Tax with the appropriate authorities. ***We however noticed delay in remittance in some of the months.***

The Company is generally remitting the dues in time and in few cases remittances were delayed by few days. The reason is the cash crunch being faced by the Company and remittances are made based on the funds availability. The Company is expecting the status to improve in future.

Item No.10 of the Annexure to the Auditors' Report

The accumulated losses of the Company at the end of the financial year, has exceeded the Net Worth of the Company. The Company has also incurred Cash losses during the Financial Year and in the immediately preceding Financial Year.

During the Financial years 2010-11 and 2011-12, the condition of the OFC market was not as projected due to various reasons beyond the control of the OFC manufacturers. Lack of orders is the major reason for such performance, which was experienced by all the OFC manufacturers. However, the situation is improving and the market is expected to grow from next financial year onwards and the Company is confident of avoiding cash loss.

Comments of the Comptroller and Auditor General

Comments of the Comptroller and Auditor General under Section 619(4) of the Companies Act, 1956 for the year ended 31st March 2012 are enclosed as part of the Report.

Acknowledgements

The Directors wish to place on record their sincere appreciation for the encouragement, assistance, support and co-operation given by Government of India, Government of Tamilnadu and the Promoters. The Directors appreciate your whole hearted efforts during the year and solicit your continued support and co-operation. Your Directors acknowledge the continued trust and confidence you have reposed in this company. They also wish to place on record their appreciation for the hard work put in by the employees at all levels.

for and on behalf of the Board
V.S.Parameswaran
Managing Director

Place : Chennai.
Date : 29.08.2012

B. Elangovan
Director

ANNEXURE TO THE DIRECTORS' REPORT

Disclosure of particulars as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY**a) Measure taken for Energy Conservation :**

Maintaining power factor at optimum level, reducing loads whenever the machines are not running, saving light energy etc had been followed vigorously. However, due to the shortage of power in the state and due to reduction of capacity by the Tamilnadu Electricity Board, the Company has to incur additional cost for usage during peak hours, power cuts etc.,

During the Year Company had exported different types of cables like 6F, 12F, 24F, 48F and 96F Duct Optical Fibre Cables to Kuwait and 24F (A) Optical Fibre Cables to Nepal.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption are given in prescribed FORM-B as annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to exports: Initiatives are taken to increase exports, developments of new exports markets for products and services and export plans. Continuous efforts are being made to procure export orders through TCIL as well as directly. A major thrust is being given to tap the export market.

b) Total Foreign Exchange Used and Earned :

(Rs. in Lakhs)

	2011-12	2010-11
Used	1.19	2.29
Earned	198.97	78.80

FORM A

(Form for disclosure of particulars with respect to conservation of energy)

The particulars in respect of conservation of energy in the prescribed form are not applicable to the company and hence it is not furnished.

FORM B

(Form for disclosure of particulars with respect to technology absorption)

A. Research and Development (R&D)**1. Specific Areas in which the company carried out R&D activities.**

- Designed and developed 24F Self Supporting Metal Free Aerial Optical Fiber Cable (for Urban Areas)
- Designed and developed 12F Self Supporting Metal Free Aerial Optical Fiber cable (for Hilly and Rural Areas)
- Designed and developed new design 24F Metal Free Optical Fiber Cable with double

HDPE Sheath (G652D) for BSNL, using impregnated glass roving as strength member. The main features are use of

- (i) use of helically lapped impregnated glass roving
- (ii) use of Anti-Termite, Anti-Rodent HDPE as Jacket.

All validation and testing including the long term lab testing of Anti-Termite features of HDPE was done.

The Kevlar Server in the jacketing line was modified and customized for helical lapping application of Impregnated glass roving

- Designed and developed 6F and 12F Unitube for cable TV operators.

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

- Order received and supplied 447 Kms of 24F Self Supporting Metal Free Aerial Optical Fiber Cable to APTRANSCO
- Order received and supplied 89 Kms of 12F Self Supporting Metal Free Aerial Optical Fiber Cable to CGMTS, BSNL, Kolkata.
- Supplied 104 Kms of 6F Unitube and 89 Kms of 12F Unitube to Local Cable TV Operator.
- Received order from BSNL for supply of 3206 KMs of 24F Metal Free Optical Fiber Cable with double HDPE Sheath (G652D).

3. Future Plan

- Getting Type Approval for Micro Duct Cables from BSNL.
- To get extended Type Approval of 24F Armoured Optical Fibre cable for Indian Railways.
- To install facilities for production of OPGW cables for power sectors
- To install facilities for assembly and supply of FTTH components
- To install facilities for assembly and supply of Tablet PCs.

4. Expenditure on R&D

Expenditure towards the R&D is Rs. 315,631/-

B. Technology absorption, adaptation and innovation.

- Obtained Type Approval for 24F Self Supporting Metal Free Aerial Optical Fiber Cable (for Urban Areas)
- Obtained Type Approval for 12F Self Supporting Metal Free Aerial Optical Fiber cable (for Hilly and Rural Areas)
- Obtained Type Approval for 24F Metal Free Optical Fiber Cable G652D (Multi tube Construction)
- Obtained Type Approval for 24F Metal Free Optical Fiber Cable with double HDPE Sheath (G652D), using impregnated glass roving as strength member.
- Obtained Type Approval from RDSO for 24F Armoured Optical Fiber Cables.

TAMILNADU TELECOMMUNICATIONS LIMITED

Report on Corporate Governance

Introduction

Corporate Governance is an ongoing process that ensures that the Company displays the highest standard of professionalism, integrity, accountability, fairness, transparency, social responsiveness and business ethics, in its dealings. Good Corporate Governance is a critical doctrine to the global economic system, enabling the business to not only effectively and efficiently achieve its corporate objectives but also develop a structure and methodology to sustain in a globally competitive environment.

Company Philosophy

TTL firmly believes that implementation of good Corporate Governance will help the company achieve goals and enhance shareholder value. It has been our endeavor to give importance on ensuring fairness, transparency, accountability and responsibility to shareholders besides implementing practices voluntarily that would give optimum information and benefit to the shareholders and Board of Directors. The company has complied with the requisite mandatory and certain non-mandatory requirements of the revised Clause 49 of the Listing Agreement. The company has its internal control system in place. The Company has also adopted Code of Conduct for Board of Directors and Senior Management which is strictly adhered to, by them. The Company has also an Insider Trading Dealing Code in place which complies with SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended.

The Company is managed and controlled by professional Board of Directors comprising of Executive and Non-Executive Independent Directors. The composition of the Board of Directors as on 31.03.2012 is as under :

Category	Name of Directors	Designation	No. of Shares in the Company
Promoter Executive	M. Sengupta	Managing Director (01.04.2011 to 15.06.2011)	Nil
Promoter Group General Manager	V.S. Parameswaran	Managing Director (with effect from 15.06.2011 onwards)	Nil
Promoter Non-Executive Directors	Vimal Waklu V.K. Sharma A.K. Gupta M.S. Shanmugam	Director Director Director Director	Nil Nil Nil Nil
Non-Executive Independent Directors	B. Elangovan B. Ramakrishnan M.K. Jain (Nominee of Dept. of Telecom) N.P. Gupta (Special Director of BIFR)	Director Director Director Director	Nil Nil Nil Nil

Board Meetings

The Board of Directors met 4 (Four) times during the period 01st April 2011 to 31st March 2012 on the following dates i.e., 28th May 2011, 02nd September 2011, 29th December 2011 and 31st March 2012.

Attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship / Membership of Committee of each Director in various companies is as follows:

Name of the Director	Attendance of Particulars		No. of Directorships and Committee Chairmanship / Membership		
	Board Meeting	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanship
M Sengupta	1	-	-	1	-
V.S. Parameswaran	3	Yes	-	1	-
R.K. Upadhyay (i)	1	-	6*	-	-
K.B. Batra (ii)	1	-	6**	1	1
Vimal Waklu	4	No	5**	-	-
V.K. Sharma	1	Yes	3***	-	-
A.K. Gupta	3	No	6**	-	-
S. Revathi (iii)	Nil	-	1	-	-
M.S. Shanmugam	1	No	9#	-	-
B. Elangovan	4	Yes	7##	2	-
B. Ramakrishnan	Nil	No	9###	1	-
M. K. Jain	Nil	No	-	-	-
N.P. Gupta	4	No	2	1	1

(i) Shri. R.K. Upadhyay replaced by Shri. V.K. Sharma with effect from 02.09.2011

(ii) Shri. K.B. Batra replaced by Shri. A.K. Gupta with effect from 02.09.2011

(iii) Smt. (Dr.) S. Revathi replaced by Shri. M.S. Shanmugam with effect from 02.09.2011

Note: In accordance with Clause 49 of the listing agreement, Memberships / Chairmanships of only Audit Committee, Shareholders / Investors Grievances Committee of all Public Limited Company had been considered. None of the Directors on the Board, is a Member of more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49, across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as at March 31, 2012 have been made by the Directors.

* - Includes nomination in three overseas companies.

** - Includes nomination in two overseas companies.

*** - Includes nomination in one overseas company

- Includes one Membership in SEZ

- Includes one Private Company

- Includes four Private Companies

Board Committees' Report

In accordance with the listing agreement of stock exchanges on Corporate Governance, the following Committees were in operations:

- Audit Committee
- Sub-Committee of the Board for approving quarterly un-audited results
- Shareholders'/Investors' Grievance Committee

Except Managing Director and the BIFR nominee Director, no remuneration either by way of sitting fees or in any form is paid to other Directors. To the BIFR nominee Director only sitting fee as approved by the Board and reimbursement of conveyance expenses are paid. As such, there has been no need to constitute a Remuneration Committee.

Audit Committee

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's responsibilities, the audit committee has been re-constituted with the following members:

Shri. K.B.Batra, Member *
 Shri. B.Elangovan, Member
 Shri. B.Ramakrishnan, Member **
 Shri. N.P.Gupta, Chairman cum Member
 Shri. A.K.Gupta, Member

V. Mohan, GM (Finance) cum Company Secretary of the Company, acted as Secretary of the Committee.

* Shri. A.K. Gupta replaced Shri K.B. Batra with effect from 02.09.2011

** Shri. N.P.Gupta replaced Shri. B.Ramakrishnan with effect from 02.09.2011

Terms of Reference:

The main functions of the Committee include:-

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Reviewing with the Management the annual financial statements before submission to the Board, focusing primarily on –
 - Any change in accounting policies and practice
 - Qualifications in the draft Audit Report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Matters required to be included in the Directors Responsibility Statement and the Boards' Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Disclosure of any related party transactions
 - Compliance with stock exchange and legal requirements concerning financial statements
 - Reviewing with the Management, external and internal auditors the adequacy of internal control system
 - Reviewing the adequacy of internal audit functions
 - Reviewing the findings of any internal investigations by the internal auditors into matter

where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board

- Investigating the reasons for substantial defaults, if any, in the payment to the shareholders (in case of non-payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower Mechanism
- To carry out any other functions as may be referred to by the Board or Chairman of the Board from time to time.

Review of Information:-

- Management discussion and analysis of financial conditions and results of operations
- Statement of significant related party transactions
- Management letters / letters of Internal Control weakness issued by the Statutory Auditors
- Internal Audit Reports relating to Internal Control weakness, and
- The appointment, removal and the terms of remuneration of the Chief Internal Auditor.

The Audit Committee met four times during the period from 01st April 2011 to 31st March 2012 on the following dates 28th May 2011, 02nd September 2011, 29th December 2011 and 31st March 2012

Attendance particulars of each director at the Audit Committee Meeting as follows:

Name of Members	No. of Meetings		
	Category	Held	Attended
Shri. K.B. Batra	Non-Independent Non-Executive	1	1
Shri. B.Elangovan	Independent, Non-Executive	4	4
Shri. B.Ramakrishnan	Independent, Non-Executive	2	Nil
Shri. A.K.Gupta	Non-Independent Non-Executive	3	3
Shri. N.P.Gupta	Independent, Non-Executive	2	2

Particulars of Managerial Remuneration of Managing Director (Rs. in Lakhs)

Particulars of Remuneration	2011-12	2010-11
i) Salary and Allowance Shri M. Sengupta	4.31	15.89
ii) Medical Reimbursement Shri M. Sengupta	-	0.57
iii) Salary and Allowance Shri V.S. Parameswaran	13.79	-

In addition, the Managing Director is allowed the use of car for private purpose to the limits prescribed by the Department of Public Enterprises from time to time.

TAMILNADU TELECOMMUNICATIONS LIMITED

Shareholders'/Investors' Grievance Committee

The Board of the Company has constituted a Shareholders'/Investors' Grievance Committee comprising of the following directors.

Shri. B.Elangovan, Chairman cum Member

Shri. M. Sengupta, Member *

Shri. B.Ramakrishnan, Member

Shri. V.S. Parameswaran, Member

V.Mohan, GM(Finance) cum Company Secretary of the company, acted as Secretary of the committee.

* Shri. M.Sengupta replaced by Shri. V.S. Parameswaran with effect from 15.06.2011

Terms of Reference:

The Committee inter-alia approves transfer, transposition, transmission of Shares, issue of duplicate / rematerialized share certificates and review all matters connected with share transfers. The Committee also looks into redressal of shareholders' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. The Committee oversees the performance of the Registrar and Share Transfer Agents and recommends measures for overall improvement in the quality of investor services.

During the year One (1) complaint was received and replied to the satisfaction of shareholders. Outstanding complaints as on 31.03.2012 were NIL.

Compliance with the Code of Conduct for Board of Directors and Senior Management Personnel

The company is in compliance with the requirements of the revised guidelines on corporate governance stipulated under clause 49 of the Listing Agreement with the Stock Exchanges, of a Code of Conduct for the Directors and Senior Management Personnel, the company has moved further in its pursuit of excellence in corporate governance.

The Code of Conduct Compliance is monitored through the Compliance Reports received from the Directors and the Senior Management Personnel. It is declared that the Board Members and Senior Management Personnel of the company have furnished the Annual Compliance Report affirming that they have fully complied with the provisions of the Code of Conduct during the financial year ended 31st March 2012.

General Body Meetings

Location and time of the last three Annual General Meetings

Year	Venue	Held On	Time
2008-09	Russian Cultural Centre, No.74,Kasturi Ranga Road, Alwarpet, Chennai-600018	30.09.2009	3.00 P.M
2009-10	Russian Cultural Centre, No.74,Kasturi Ranga Road, Alwarpet, Chennai - 600018	14.09.2010	3.00 P.M
2010-11	Shri Venkata Auditorium at Bharatiya Vidya Bhavan, No. 18-22, East Mada Street (Near Kapaleeswarar temple), Mylapore, Chennai -600004	21.09.2011	3.30 P.M.

Special Resolution

Year	AGM/EGM	Passed Under Section(s)
2009-2010	AGM on 30.09.2009	81(1A), 293(1)(d) and 31
2010-2011	—	Nil
2011-2012	—	Nil

Postal Ballot

No special resolution was put through postal ballot during last 3 years. The provisions relating to postal ballot will be complied as per the provisions of the Companies Act, 1956 as and when situation may arise. Similarly, no business is required to be transacted through postal ballot at the forthcoming Annual General Meeting.

Disclosures

Related Party Transactions

Related Party Transactions are defined as transactions of the company of a material nature, with Promoters, Directors or the Management or their relatives etc, which may have potential conflict with the interest of the Company at large.

The company has not entered into any transaction of material nature with the Promoter, Directors or Management, their relatives that may have potential conflict of interest of the Company at large. There are no material transactions with related parties that may have any potential conflict with the interest of the Company at large. There is no pecuniary transaction with the independent / non-executive directors. All transactions covered under related party transactions are detailed under Part V of Note 24 – Notes annexed to and forming part of the Balance Sheet of the company.

Statutory Compliance, Penalties and Strictures

The Company has complied with the requirements of the Stock Exchanges / SEBI and Statutory Authority (ies) on all matters related to the capital market during the last three years. There are no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or by any Statutory Authority (ies) relating to the above.

Whistle Blower Policy

The company has established a mechanism for employees to report concerns about unethical behaviors, actual or suspected fraud, violations of Code of Conduct of the Company etc. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access by the Whistle Blower to the Audit Committee. It is affirmed that during the Financial Year 2011-12, no employee has been denied access to the Audit Committee.

Risk Assessment and Minimization Procedures

As per Clause 49 IV (C), the company shall lay down procedures to inform Board of Directors about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

Accordingly, a system has been developed and procedures have been laid down, on risk assessment and minimization. The scope of the Audit Committee includes review of company's financial and risk management policies.

Internal Control System

TTL has adequate internal control procedures in respect of all its operations. It has laid down internal control procedures to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and transactions are authorized, recorded and reported correctly to the Board as per Clause 49V.

Means of Communication

- The quarterly / half-yearly / annual results have been published in the News Today English Newspaper and Maalai Sudar Tamil Newspaper.
- The Management perspective, Business review and financial highlights are part of the Annual Report
- At present no separate quarterly / half-yearly reports are being sent to investors

Financial Year Calendar (tentative and subject to change)
01.04.2012 to 31.03.2013

First Quarter Ending 30.06.2012	13 th August 2012
Second Quarter Ending 30.09.2012	Between 01 st and 14 th November 2012
Third Quarter Ending 31.12.2012	Between 01 st and 14 th February 2013
Audited Yearly Results	Between 15 th May and 30 th May 2013
AGM for 2012-13	During Sep. 2013

No presentation was made to any institutional investors or to any analysts. Quarterly results and official news releases are not displayed in any official website of the company.

Shareholders' Information

A. Annual General Meeting

Date : 20.09.2012
Time : 03.00 P.M
Venue : Bharatiya Vidya Bhavan
"Sri Venkata Auditorium",
No.18-22, East Mada Street
(Near Kapaleeswarar Temple), Mylapore,
Chennai - 600 004

B. Book Closure Date : From 15.09.2012 to 20.09.2012

C. Financial Calendar : April 1st to March 31st

D. Dividend : Nil

E. Listing of Shares :

The shares of the company are listed at The Bombay Stock Exchange Limited, Mumbai and the National Stock Exchange of India Limited, Mumbai. For the additional shares allotted to TCIL, SBI, Andhra Bank and PNB as per the Sanctioned Scheme of BIFR during September 2010, BSE has given 'in principle' approval of listing whereas NSE approval is pending. Listing fees for the financial year 2012-13 have been requested to consider for exemption from both the Stock Exchanges mentioned above with reference to the sanctioned scheme approved by BIFR.

F. Compliance Certificate of the Practicing Company Secretaries

The Company has annexed to this report, a certificate obtained from the Practicing Company Secretaries regarding compliance of conditions of corporate governance as stipulated in Clause 49 of the listing agreement.

G. Stock Code

Trading symbol on the
National Stock Exchange : TNTELE

Trading symbol on the
Bombay Stock Exchange : 523419

ISIN Code at NSDL / CDSL : INE141D01018

Stock Market Data:

The monthly high and low share prices of equity shares of the company traded at The Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai from April-1, 2011 to March 31, 2012 are given below:

(Prices in Rupees)

Month	Bombay Stock Exchange			National Stock Exchange		
	High	Low	Volume	High	Low	Volume
April 2011	7.72	6.66	38964	7.60	6.65	17863
May 2011	7.17	5.91	24585	6.90	5.90	22390
June 2011	6.80	5.60	29407	6.65	5.50	22477
July 2011	6.12	5.41	43351	6.00	5.30	36925
Aug 2011	5.80	4.30	15745	5.70	4.20	37186
Sep 2011	4.83	4.26	14643	5.00	4.40	15629
Oct 2011	4.71	4.22	15228	4.70	4.05	25793
Nov 2011	4.63	3.82	22076	4.60	3.80	9200
Dec 2011	4.23	3.43	22882	3.90	3.35	31080
Jan 2012	4.04	3.25	23643	4.00	3.45	17080
Feb 2012	4.20	3.55	47484	4.05	3.60	12859
Mar 2012	3.95	3.46	29946	3.95	3.40	10009

TAMILNADU TELECOMMUNICATIONS LIMITED

Distribution of Shareholding as at 31st March 2012

No. of shares held	No. of Shareholders	% of Share holding	Share Amount (Rs.)	% of Share holding
Upto 500	18579	92.48	26205400	5.74
501-1000	871	4.34	7438630	1.63
1001-2000	332	1.65	5253390	1.15
2001-3000	107	0.53	2736820	0.60
3001-4000	60	0.30	2149170	0.47
4001-5000	46	0.23	2124470	0.46
5001-10000	49	0.24	3393960	0.74
10001 & above	45	0.23	407508160	89.21
Total	20089	100.00	456810000	100.00

Shareholding Pattern as at 31st March 2012

Category	No. of Shares Held	% of Shareholding
1. Promoters		
i) Telecommunications Consultants India Limited	22383700	49.00
ii) Tamilnadu Industrial Development Corp. Ltd.,	6684000	14.63
2. Foreign Collaborator -		
Fujikura Ltd., Japan	3280000	7.18
3. Banks, FIs	7689300	16.83
4. Mutual Funds	2300	0.01
5. Clearing Member	2652	0.01
6. Private Corporate Bodies/ Trusts/Partnerships	348570	0.76
7. Indian Public	5256481	11.51
8. NRIs	33997	0.07
Grand Total	45681000	100.00

Shareholders holding more than 1% of the Equity Share Capital

S. No.	Name of the Shareholder	No. of Shares	% of Shareholding
1	Telecommunications Consultants India Limited	22383700	49.00
2	Tamilnadu Industrial Development Corporation Limited	6684000	14.63
3	Fujikura Limited	3280000	7.18
4	State Bank of India	4247500	9.30
5	Punjab National Bank	1265200	2.77
6	Andhra Bank	2070600	4.53

Registrar & Share Transfer Agents :

Cameo Corporate Services Limited
UNIT : TTL "Subramanian Building" 5th Floor,
No.1, Club House Road, Chennai – 600 002.
Email : cameo@cameoindia.com
Phone : 044-28460390 Fax : 044-28460129

Share Transfer System :

The company has appointed common Registrar for physical share transfer and dematerialization of shares. The shares lodged for physical transfer / transmission / transposition are registered within a period of 15 days, if the documents are complete in all respects.

Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity.

- Not applicable -

Further Capital raised During the Year

- Nil-

Dematerialization of Shares :

The shares of the company are traded in physical / dematerialized form by all categories of investors. The company has arrangements with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) to establish electronic connectivity of our shares for scrip-less trading. As on 31st March 2012, 24.20 % of total equity capital is held in Electronic form with NSDL & CDSL. Request for dematerialization of shares are processed and confirmed within 21 days of receipt of NSDL and CDSL.

Address for communication :

The shareholders may address their communications / suggestions / grievances / queries to :

V. MOHAN

General Manager(Finance) cum Company Secretary and Compliance Officer

Tamilnadu Telecommunications Limited,
Corporate Office,

E18B-E24, CMDA Industrial Complex,
Maraimalai Nagar – 603 209.

Phone: 044-27451095 / 27452406

E-mail ID : ttlcosec@rediffmail.com

Website : www.ttlcofc.in

Plant Location :

Division	Location
Optical Fibre Cable Plant	Maraimalai Nagar.

Insider Trading:

The code of conduct for prevention of Insider Trading as suggested under the SEBI (Prohibition of Insider Trading) Regulations, 1992 introduced with effect from 25.11.2002 is in force. The Company Secretary has been designated as the Compliance Officer for this purpose. The Board monitors the adherence to the various requirements as set out in the

code. No violation of the code has taken place during the year.

Compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement

The company has complied with the mandatory requirements of Clause 49, a certificate signed by CEO & CFO of the company was placed before the Board of Directors. Clause 49 also requires disclosures of adoption by the company of non-mandatory requirements specified in the said clause, the implementation of which is discretionary on the part of the Company. Accordingly, the adoption of non-mandatory requirements is given below:-

a. The Board

There is no policy at present to determine the tenure of Independent Directors.

b. Remuneration Committee

Except Managing Director and the BIFR nominee Director, no remuneration either by way of sitting fees or in any form is paid to other Directors. To the BIFR nominee Director, only sitting fee as approved by the Board and reimbursement of conveyance expenses are paid. As such, there has been no need to constitute a Remuneration Committee.

c. Shareholder's Rights

Half yearly financial results including summary of the significant events are presently not being sent to shareholders of the company.

d. Training of Board Members

As the members on the Board are eminent and experienced professional persons, there is no formal policy at present for their training.

e. Mechanism for evaluating non-executive Board members.

The non-executive Board Members are from TCIL / TIDCO / Dept. Of Telecom and their performance is

evaluated by the respective Company / Dept. One non-executive Board Member is a Special Director appointed by BIFR.

**Declaration by CEO / MD
CODE OF CONDUCT**

PHILOSOPHY

The TAMILNADU TELECOMMUNICATIONS LIMITED code of conduct, as adopted by the Board of Directors, is applicable to Directors, Senior Management and Employees of the Company. The Code is derived from three interlinked fundamental principles viz. good corporate governance, good corporate citizenship and exemplary personal conduct. The Code covers TAMILNADU TELECOMMUNICATIONS LIMITED's commitment to sustainable development, concern for occupational health, safety and environment, a gender friendly work place, transparency and audit ability, legal compliance and the philosophy of leading by personal example.

Declaration pursuant to Clause 49 of the listing agreement regarding adherence to the Code of Conduct.

To

The Shareholders of
Tamilnadu Telecommunications Limited

We hereby declare that all members of the Board and senior management personnel have affirmed compliance with the respective provisions of the Code of Business Conduct and Ethics of the Company formulated by the Board of Directors for the financial year ended 31st March 2012.

For Tamilnadu Telecommunications Limited

Place : Chennai

(V.S.Parameswaran)

Date : 29.08.2012

Managing Director

CEO / CFO CERTIFICATION UNDER CLAUSE 49(V) OF THE LISTING AGREEMENT

We, V.S.Parameswaran, Managing Director and V.Mohan, General Manager, (Finance) cum Company Secretary, certify to the Board that:

- (a) We have reviewed financial statements (as per the Revised Schedule VI format) and the cash flow statement for the year ended March 31, 2012 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the

auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

- (d) We have indicated to the auditors and the Audit Committee, the status as "Nil" in respect of the following:

- (i) significant changes in internal control over financial reporting during the year;
- (ii) significant changes in accounting policies during the year; and
- (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

During the year few accounting policies have been incorporated.

For Tamilnadu Telecommunications Limited

V.S.Parameswaran
Managing Director

V.Mohan
GM (Finance) cum Company Secretary

TAMILNADU TELECOMMUNICATIONS LIMITED

CERTIFICATE ON CORPORATE GOVERNANCE

I have examined the compliance of conditions of Corporate Governance by Tamilnadu Telecommunications Limited, Chennai for the year ended on 31st March 2012, as stipulated in Clause 49 of the Listing Agreement entered into by the company with the stock exchanges.

The compliance of the conditions of corporate Governance is the responsibility of the management. My examination was limited to a review of the procedure and implementation thereof, adopted by the company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

for **M.Damodaran & Associates**
Practicing Company Secretaries

Place : Chennai
Date : 28.08.2012

M. Damodaran
C.P.No.5081

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of Tamilnadu Telecommunications Limited for the year ended 31 March 2012.

The preparation of financial statements of Tamil Nadu Telecommunications Limited for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is 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 30 May 2012.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Tamilnadu Telecommunications Limited for the year ended 31 March 2012. The 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 Auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplementary to Statutory Auditor's Report under Section 619(4) of the Companies Act, 1956.

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

Place: Delhi
Date : 28 August 2012 Director General of Audit (P&T)

(Revathi Bedi)

AUDITORS' REPORT**To the Members of Tamilnadu Telecommunications Ltd.**

- 1) We have audited the attached Balance Sheet of Tamilnadu Telecommunications Limited, as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Sub-section 4A of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto, a statement on the matters specified in paragraphs 4 and 5 of the said order.
- 4) Without qualifying our conclusion, we draw attention to Note No: 3 in the Notes to accounts. As at March 31, 2012, the Company's accumulated losses of Rs.55,81,13,192/- has eroded the net worth of the Company, indicating the existence of a material uncertainty that may cast a doubt about the Company's ability to continue as a Going Concern. The company has incurred a loss of Rs.13,32,81,519/- for the year under audit. Based on the mitigating factors discussed in the said Note, the Management believes that the Going Concern assumption is appropriate.
- 5) Further to our comments in the Annexure referred to in Paragraph (3) above, we report that **the company has not provided for any deferred tax liability in the books, in respect of the timing difference on the depreciation of fixed assets, by charge to the Statement of Profit and Loss. The deferred tax liability not provided works out to Rs.1,40,69,076/- as on March 31, 2012. This is contrary to the requirements of AS 22 – Accounting for Taxes on Income and has resulted in an understatement of loss for the year by Rs.1,40,69,076/-. As a result, the accumulated debit balance in Surplus and liabilities have been understated to the same extent. Consequently the Earnings per Share would increase to Rs.(3.23).**
- 6) Subject to the effect of the matter stated in paragraph 5 above, we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law, have been kept by the Company, so far as appears from our examination of those books;
- c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report, are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement, dealt with by this report are in compliance with the Accounting Standards referred to in Sub-section (3C) of section 211 of the Companies Act, 1956, **except for the non-compliance of AS 22 – Accounting for Taxes on Income, reported in paragraph 5 above;**
- e. Disclosure in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not required as per Notification No: GSR 829(E) dated 21-10-2003 issued by the Department of Company Affairs, as the Company is a Subsidiary of Telecommunications Consultants India Limited which is a Government Company in terms of section 617 of the Companies Act, 1956 and
- f. In our opinion and to the best of our information and according to the explanations given to us, **EXCEPT for the matter specified in paragraph 5 above,** the said Accounts read with the Significant Accounting Policies and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - ii. In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **M. Kuppaswamy PSG & Co.**
Chartered Accountants
Firm Regn. No. 001616S

M.K.KRISHNAN
Partner
(M.No. 020116)

New Delhi
May 30, 2012

TAMILNADU TELECOMMUNICATIONS LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- 1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- b) As explained to us, all the Fixed Assets have been physically verified by the Management during the year in accordance with a program of verification, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c) The company has not disposed off a substantial part of its Fixed Assets during the year.
- 2) a) As explained to us, the inventories have been physically verified during the year by the Management at reasonable intervals.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories, followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventories and no material discrepancies were noticed on physical verification as compared to the book records.
- 3) a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- b) The Company has taken loans, from Companies, Firms or other parties covered in the Register maintained U/s 301 of the Act. The number of parties and the amount involved are given below:
 No. of Party : 1
 Balance Outstanding on March 31, 2012:
 Bridge loan Rs. 11,65,73,000/-
 Working capital Loan Rs. 10,44,151/-
 Maximum amount outstanding at any
 Time during the year :
 Bridge loan Rs. 11,65,73,000/-
 Working capital loan Rs. 4,18,58,798/-
- c) The Rate of Interest and the terms and conditions of Loan are not prima facie prejudicial to the interest of the Company.
- d) In respect of the above loans the Bridge Loan is payable as early as possible by arranging for alternative source of funds and Working Capital Loan is payable on receipt of Trade Realizations in the escrow account maintained for this purpose on revolving basis.
- e) As far as overdue amount is concerned, as per the terms of agreement dated 14-10-2010, the Bridge Loan

is repayable as early as possible by arranging alternative source of funds and therefore it is overdue.

- 4) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in the internal control system.
- 5) a) Particulars of Contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been so entered in the Register maintained for such purpose.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts / arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs.5,00,000 lakhs in respect of each party during the year have been made at prices which appear reasonable as per information available with the Company.
- 6) According to the information and explanations given to us, the company has not accepted any deposit from the Public. Therefore the provisions of Clause (vi) of paragraph 4 of the Order are not applicable to the Company.
- 7) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- 8) As explained to us, as per Notification of the Ministry of Corporate Affairs dated June 03, 2011, the Company is required to maintain Cost Records for the Financial Year under Audit. **The prescribed Cost Records are yet to be maintained by the Company.**
- 9) a) The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales tax, Service tax, Customs duty, Excise duty, Cess and Municipal Profession Tax with the appropriate authorities. **We however noticed delay in remittance in some of the months.**
- b) According to the information and explanations given to us, no undisputed amount payable in respect of the aforesaid dues were in arrears as at March 31, 2012 for the period of more than Six Months from the date they become payable.
- c) According to the records of the Company, the dues in respect of CST and Customs Duty, which have not been deposited on account of dispute and the forum where the dispute is pending is as under:

Sl.No	Name of Statute	Nature of dues	Amount (Rs.)	Forum where pending
1.	CST	Additional Sales	1,86,08,794/-	Madras High Court
2.	Customs Act	Difference in classification of Telecommunication Grade Optic Fibre Cables	31,55,226/-	Commissioner of Customs, Chennai

- 10) ***The accumulated losses of the Company at the end of the financial year, has exceeded the Net Worth of the Company. The Company has also incurred Cash losses during the Financial Year and in the immediately preceding Financial Year.***
- 11) The Company has not borrowed any loan from financial institution, banks etc., Therefore the provisions of Clause (xi) of paragraph 4 of the Order are not applicable to the Company.
- 12) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore the provisions of Clause (xii) of paragraph 4 of the Order are not applicable to the Company.
- 13) The Company is not a Nidhi, Mutual Benefit Fund or a Society. Therefore the provisions of Clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- 14) The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore the provisions of Clause (xiv) of paragraph 4 of the Order are not applicable to the Company.
- 15) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from Banks and Financial Institutions. Therefore the provisions of Clause (xv) of paragraph 4 of the Order are not applicable to the Company.
- 16) The Company has not availed any Term Loan, during the year. Therefore the provisions of Clause (xvi) of paragraph 4 of the Order are not applicable to the Company.
- 17) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short term basis have been used for long term investment.
- 18) The Company has not made any preferential allotment of shares to Parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.
- 19) The Company has not issued any debentures. Therefore the provisions of Clause (xix) of paragraph 4 of the Order are not applicable to the Company.
- 20) The Company has not raised any money by way of public issues during the year. Therefore the provisions of Clause (xx) of paragraph 4 of the Order are not applicable to the Company.
- 21) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **M. Kuppaswamy PSG & Co.**
Chartered Accountants
Firm Regn. No. 001616S

M.K.KRISHNAN
Partner
M.No. 020116

New Delhi
May 30, 2012

TAMILNADU TELECOMMUNICATIONS LIMITED

BALANCE SHEET AS AT 31.03.2012

Amount in Rupees

Particulars	Note No.	As at 31st March 2012		As at 31st March 2011	
I. Equity and Liabilities:					
(1) Shareholders' Funds					
(a) Share Capital	1	456,762,000		456,762,000	
(b) Reserves and Surplus	2	(558,113,192)	(101,351,192)	(424,831,673)	31,930,327
(2) Non-current liabilities					
(a) Long-term provisions	3	11,355,000	11,355,000	9,997,000	9,997,000
(3) Current liabilities					
(a) Short-term borrowings	4	117,617,151		118,892,286	
(b) Trade payables	5	397,221,066		302,637,658	
(c) Other current liabilities	6	21,337,547		20,488,470	
(d) Short-term provisions	7	15,605,180	551,780,944	13,332,965	455,351,379
Total			461,784,752		497,278,706
II. Assets:					
(1) Non-current assets					
(a) Fixed assets					
(i) Tangible assets	8	120,792,329	120,792,329	141,456,793	141,456,793
(b) Long-term loans and advances	9	1,861,701	1,861,701	2,321,457	2,321,457
(2) Current assets					
(a) Inventories	10	152,530,170		159,189,204	
(b) Trade receivables	11	145,796,556		159,589,800	
(c) Cash and cash equivalents	12	1,270,644		359,167	
(d) Short-term loans and advances	13	29,917,960		25,397,073	
(e) Other current assets	14	9,615,392	339,130,722	8,965,212	353,500,456
Total			461,784,752		497,278,706
Significant Accounting policies and Notes to Accounts	1 to 24				

As per our Report of even date

For M.KUPPUSWAMY PSG & Co
Chartered Accountants
Firm Regn No. 001616S

M.K. Krishnan
Partner

M.No. 020116

Place : New Delhi

Date : 30.05.2012

For Tamilnadu Telecommunications Limited

V.Mohan
GM(F) cum Co. Secretary

V.S.Parameswaran
Managing Director

B.Elangovan
Director

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

Amount in Rupees

Particulars	Note No.	For the year ended 31st March 2012	For the year ended 31st March 2011
I. Revenue from operations	15	109,871,810	136,403,669
II. Other income	16	1,627,381	1,621,292
III. Total Revenue (I+II)		111,499,191	138,024,961
IV. Expenses:			
Cost of materials consumed	17	108,745,567	123,333,110
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	18	(1,285,882)	(24,264,225)
Employee benefits expense	19	29,755,940	29,055,195
Finance Costs	20	58,617,577	29,496,814
Depreciation and amortisation expense	21	23,781,071	24,217,499
Other expense	22	23,934,283	20,063,389
Provision for Doubtful Debts/Advances		15,091,525	-
Total expense		258,640,081	201,901,782
V. Profit before exceptional and extraordinary items and tax (III-IV)		(147,140,890)	(63,876,821)
VI. Exceptional items	23	(13,859,371)	907,743
VII. Profit before extraordinary items and tax (V-VI)		(133,281,519)	(64,784,564)
VIII. Extraordinary items		-	-
IX. Profit before tax (VII-VIII)		(133,281,519)	(64,784,564)
X. Tax expense:			
(1) Current tax		-	-
(2) Deferred tax		-	-
XI. Profit/(Loss) for the period from continuing operations (VII - VIII-X)		(133,281,519)	(64,784,564)
XII. Profit/(Loss) from discontinuing operations		-	-
XIII. Tax expense of discontinuing operations		-	-
XIV. Profit/(Loss) from discontinuing operations (after tax) (XII - XIII)		-	-
XV. Profit/(Loss) for the period (XI + XIV)		(133,281,519)	(64,784,564)
XVI. Earnings per equity share:			
(1) Basic		(2.92)	(1.42)
(2) Diluted		(2.92)	(1.42)
Significant Accounting policies and Notes to Accounts 1 to 24			

As per our Report of even date

For M.KUPPUSWAMY PSG & Co
Chartered Accountants
Firm Regn No. 001616S

M.K. Krishnan
Partner
M.No. 020116
Place : New Delhi
Date : 30.05.2012

For Tamilnadu Telecommunications Limited

V.Mohan
GM(F) cum Co. Secretary

V.S.Parameswaran
Managing Director

B.Elangovan
Director

TAMILNADU TELECOMMUNICATIONS LIMITED

Amount in Rupees

	2011-12	2010-11
I. Notes to Equity and Liabilities		
(1) Shareholders' Funds:		
Note 1		
Share Capital		
(a) Authorized: 50000000 Equity Shares of Rs.10 each (previous year 50000000 Equity Shares of Rs.10 each)	500,000,000	500,000,000
(b) Issued: 45681000 Equity Shares of Rs.10 each (previous year 45681000 Equity Shares of Rs.10 each)	456,810,000	456,810,000
(c) Subscribed & Fully paid up: 45671400 Equity Shares of Rs.10 each (previous year 45671400 Equity Shares of Rs.10 each)	456,714,000	456,714,000
(d) Subscribed & not fully paid up: 9600 Equity Shares of Rs.10 each(previous year 9600 Equity Shares of Rs.10 each) Less: Allotment money unpaid -others - 9600 Equity Shares of Rs. 5 each (previous year 9600 Equity Shares of Rs. 5 each)	96,000 (48,000)	96,000 (48,000)
	48,000	48,000
Subscribed & paid up	456,762,000	456,762,000
(e) Par value per share	10	10
(f) Calls unpaid: => By Directors => By Officers	- -	- -
(g) Forefeited shares (amount originally paid-up)	-	-
(h) Reconciliation of the number of shares outstanding: Number of shares outstanding as on 01.04.2011 Number of shares outstanding as on 31.03.2012	45,681,000 45,681,000	45,681,000 45,681,000
(i) Shares held by Holding Company:(by virtue of Section 4(1)(a) of the Companies Act, 1956) 22383700 Equity Shares of Rs.10 each (previous year 22383700 Equity Shares of Rs.10 each) held by Telecommunications Consultants India Limited (One of the Promoters)	223,837,000	223,837,000
(j) Share holders holding more than 5% of shares: Equity Shares of Rs.10 each:		
1. Telecommunications Consultants India Ltd - 22383700 shares - 49% (previous year 22383700 shares - 49%)	223,837,000	223,837,000
2. Tamilnadu Industrial Development Corporation Ltd - 6684000 shares -14.63% (previous year 6684000 shares - 14.63%)	66,840,000	66,840,000
3. Fujikura Limited, Japan - 3280000 shares - 7.18% (previous year 3280000 shares - 7.18%)	32,800,000	32,800,000
4. State Bank of India - 4247500 shares -9.30% (previous year 4247500 shares - 9.30%)	42,475,000	42,475,000

Amount in Rupees

	2011-12	2010-11
Note 2		
<u>Reserves and Surplus</u>		
(a) Securities Premium reserve:		
Balance at the beginning of the year	9,840,000	9,840,000
Add: Premium on shares issued during the year	-	-
	9,840,000	9,840,000
Less: Utilised during the year	-	-
	9,840,000	9,840,000
(b) Other Reserves:		
1. Capital Restructuring Reserve:		
Balance at the beginning of the year	97,971,057	-
Add: Additions / transfers during the year	-	97,971,057
	97,971,057	97,971,057
Less: Utilisations / transfers during the year	-	-
	97,971,057	97,971,057
(c) Surplus in Statement of Profit and Loss:		
Statement of Profit & Loss:		
Balance at the beginning of the year	(532,642,730)	(467,858,166)
Add: Profit /(Loss) during the year	(133,281,519)	(64,784,564)
	(665,924,249)	(532,642,730)
TOTAL	(558,113,192)	(424,831,673)
<u>(2) Non-current liabilities</u>		
Note 3		
Long Term Provisions		
(a) Provision for employee benefits	11,355,000	9,997,000
	11,355,000	9,997,000
<u>(3) Current Liabilities</u>		
Note 4		
Short term borrowings		
(a) Loans and Advances from Related Parties:		
(i) Secured: (secured against all the fixed assets as well as current assets of the Company as at present existing and to be acquired in future)		
=> Bridge loan from TCIL *	116,573,000	116,573,000
=> Working capital support from TCIL (Net) **	1,044,151	2,319,286
* Bridge loan is short term loan provided by TCIL as per the Sanctioned Scheme of BIFR which has to be repaid by arrangement through banks as early as possible. The rate of interest is SBI Base rate + 5%		
** Working capital support provided by TCIL are being adjusted against the realisation on revolving basis. The rate of interest is SBI Base rate + 5%		
	117,617,151	118,892,286

TAMILNADU TELECOMMUNICATIONS LIMITED

Amount in Rupees

	2011-12	2010-11
Note 5		
Trade Payables		
Unsecured:		
(i) Sundry creditors:		
=> Dues to Micro, Small & Medium Enterprises		
=> Dues other than Micro, Small & Medium Enterprises	33,495,306	32,928,366
(Old dues spread over a period of time. As per the Sanctioned Scheme of BIFR these dues to be settled in a phased manner on improvement of funds status)		
(ii) Secured: (secured against all the fixed assets as well as current assets of the Company as at present existing and to be acquired in future)		
=> Raw materials support from TCIL (Net)	363,725,760	269,709,292
	397,221,066	302,637,658
Note 6		
Other Current Liabilities		
(a) Interest accrued and due on borrowings - To TCIL (Related Party)	0	42,317
(b) statutory dues payable	73,786	(18,192)
(c) other payable:		
Unsecured:		
(i) Fujikura Ltd, Japan (Related Party) :		
- Royalty & Technical Know how fee payable(Net of Recoverable)	17,572,090	17,029,525
(ii) Others: EMD, Security Deposits etc.,	3,691,671	3,434,820
	21,337,547	20,488,470
Note 7		
Short term provisions		
(a) Provision for employees' benefits	8,022,600	7,403,670
(b) Others :		
(i) Provision for warranty period expenses *	274,680	0
(ii) Provision for other expenses	7,307,900	5,929,295
* The Company has recognised liability based on substantial degree of estimation and past experience. During the year an amount of Rs.274,680 has been provided, which is also the closing balance.		
	15,605,180	13,332,965

(1) Non-current Assets

Amount in Rupees

Note 8

Fixed Assets	GROSS						DEPRECIATION				Net Carrying Value		
	Balance as on 01.04.2011	Additions	Acquisitions through Business Combination	other adjustments	sub-total	Disposals	Balance as on 31.03.2012	Opening Depreciation/ Amortization	Depreciation/ Amortization for the year	Impairment loss/ Reversal of impairment loss for the year	Closing Depreciation	31.03.2012	31.03.2011
Tangible Assets													
Land:(Freehold)													
CMDA Land	13,915,905				13,915,905		13,915,905					13,915,905	13,915,905
Government of Tamilnadu Land	28,097,686				28,097,686		28,097,686					28,097,686	28,097,686
Buildings	33,183,213	140,000			33,323,213		33,323,213	11,726,693	1,110,988		12,837,681	20,485,532	21,456,520
Plant & Equipments	317,799,487	2,858,877		(640,338)	320,018,026	271,099	319,746,927	240,811,259	22,316,634	(902,867)	262,225,026	57,521,901	76,988,228
Furniture & Fixtures	774,875			(11,017)	763,858		763,858	546,599	42,694	(8,897)	580,396	183,462	228,276
Vehicles	927,796				927,796		927,796	545,697	45,846	(22,260)	569,283	358,513	382,099
Office Equipments	649,032	38,030		(287,273)	399,789		399,789	373,399	31,794	(162,580)	242,613	157,176	275,633
Others - EDP Equipments	732,496			(355,769)	376,727		376,727	620,050	43,240	(358,717)	304,573	72,154	112,446
Total	396,080,490	3,036,907	0	(1,294,397)	397,823,000	271,099	397,551,901	254,623,697	23,591,196	(1,455,321)	276,759,572	120,792,329	141,456,793
Previous Year	393,222,835	2,857,655	0	0	396,080,490	0	396,080,490	230,753,096	23,877,130	(6,529)	254,623,697	141,456,793	162,469,739

TAMILNADU TELECOMMUNICATIONS LIMITED

Amount in Rupees

	2011-12	2010-11
Note 9		
Long Term Loans & Advances		
(a) Security Deposits - Unsecured, considered good	1,576,190	1,810,825
(b) Other Loans & Advances:		
(i) Prepaid expenses - Unsecured, considered good	285,511	510,632
	1,861,701	2,321,457
(2) Current assets		
Note 10		
Inventories		
(a) Raw-Materials (valued at weighted average cost)	71,754,098	79,958,699
(b) Work-in-Progress (at cost upto the stage of completion or realizable value whichever is lower)	77,974,965	76,689,083
(c) Stores and Spares (valued at cost)	2,463,817	2,368,397
(d) Others - Scrap	337,290	173,025
	152,530,170	159,189,204
Note 11		
Trade Receivables		
(a) Unsecured - Considered good:		
(i) Receivables outstanding for a period exceeding six months	154,960,684	144,647,964
Less: Allowances for bad and doubtful debts	(37,115,491)	(22,023,966)
	117,845,193	122,623,998
(ii) Receivables - Others	27,951,363	36,965,802
Less: Allowances for bad and doubtful debts	-	-
	27,951,363	36,965,802
	145,796,556	159,589,800
Note 12		
Cash and Cash Equivalents		
(a) Balances with Banks		
(i) Margin Money	15,000	15,000
	15,000	15,000
(b) Cheques, drafts on hand	49,000	-
(c) Cash-on-hand	4,240	2,654
(d) Others - Balance in Current Accounts with Banks	1,202,404	341,513
	1,270,644	359,167
Note 13		
Short-Term Loans & Advances		
(a) Others		
(i) Prepaid expenses - Unsecured, considered good	291,916	2,569
(ii) Balance with Central Excise Department - Unsecured, considered good	26,615,057	21,974,898
(iii) Tax Deducted at Source receivable	455,434	518,073
(iv) Others- Unsecured, considered good	2,555,553	2,901,533
	29,917,960	25,397,073
Note 14		
Other Current Assets		
(i) Interest accrued on Investments	6,124	6,133
(ii) Export Incentive Receivables	1,062,762	-
(iii) Claims recoverable - Customs	1,046,506	1,459,079
(iv) Deposit against Sales Tax case	7,500,000	7,500,000
	9,615,392	8,965,212

Amount in Rupees

	2011-12	2010-11
Notes to Statement of Profit & Loss		
Note 15		
Revenue from Operations		
(a) Sale of Products	120,049,071	148,299,923
(b) Other Operating Revenues	281,595	664,857
Less: Excise Duties	10,458,856	12,561,111
	109,871,810	136,403,669
Particulars of Sale of Products:		
Sale of Cables - Exports	17,469,334	13,437,023
Sale of Cables - Domestic	102,579,737	134,862,900
Sale of Scrap	281,595	664,857
Gross Sales	120,330,666	148,964,780
Less: Excise Duty including Cess	10,458,856	12,561,111
Sales (Net)	109,871,810	136,403,669
Note 16		
Other Income		
(a) Interest income (other than a finance company)	84,108	234,901
(b) Other non-operating income (net of expenses directly attributable to the income)		
(i) Insurance Claims	-	6,180
(ii) Depreciation provision to the extent written back	-	138,800
(iii) Export incentives / Duty draw back	1,538,508	151,894
(iv) Miscellaneous income	5	19,732
(v) Freight reimbursement claimed (Net of expenditure Rs. 42,89,084)	-	1,006,324
(vi) Sale of Tender Documents	4,760	63,461
	1,627,381	1,621,292
Expenses		
Note 17		
Cost of materials consumed	108,745,567	123,333,110
	2011-12	2010-11
(a) Fiber	26,956,297	44,520,233
(b) FRP	4,965,202	8,011,203
(c) Nylon 12	17,549,527	23,451,620
(d) HDPE	15,638,613	16,596,380
(e) Steel Tapes	2,683,314	872,289
(f) Others	40,952,614	29,881,385
Total	108,745,567	123,333,110

TAMILNADU TELECOMMUNICATIONS LIMITED

Amount in Rupees

	2011-12	2010-11
Note 18		
Changes in Inventories of finished goods, work-in-progress and stock-in-trade		
(a) Opening Stock:		
Work in progress	76,689,083	52,424,858
(b) Closing Stock:		
Work in progress	77,974,965	76,689,083
Decrease / (Increase) in inventories of finished goods, work-in-progress and stock-in-trade	(1,285,882)	(24,264,225)
Note 19		
Employee benefits expense		
(a) Salaries and Wages	24,111,390	23,308,813
(b) Contribution to Provident & Other Funds	3,592,633	3,778,367
(c) Staff Welfare expenses	2,051,917	1,968,015
	29,755,940	29,055,195
Note 20		
Finance Cost		
(a) Interest Expense		
(i) Interest on term loans - Bridge loan from TCIL	17,075,078	6,071,690
(b) Other borrowing Costs		
(i) On Raw materials / working capital support by TCIL	41,542,499	23,425,124
	58,617,577	29,496,814
Note 21		
Depreciation and Amortisation expense		
(a) Depreciation	23,781,071	23,877,130
(b) Amortisation - (VSS expenses)	-	340,369
	23,781,071	24,217,499
Note 22		
Other Expense		
(a) Consumption of Stores & Spares	291,173	497,146
(b) Power & Fuel	7,624,902	9,272,591
(c) Rent	132,097	117,945
(d) Repairs to Building	33,915	24,516
(e) Repairs to Machinery	632,720	1,072,044
(f) Insurance	84,385	107,468
(g) Rates & Taxes (excluding income tax)	833,617	1,000,421
(h) Miscellaneous Expenditure		
(i) Printing & Stationery	357,096	325,224
(ii) Postal & Telecommunications	311,154	390,997
(iii) Travelling & conveyance	1,141,281	1,160,821
(iv) Repairs & Maintenance - Others	288,115	265,124
(v) Machinery Hiring Charges	198,956	177,512

Amount in Rupees

	2011-12	2010-11
(vi) Advertisement other than publicity	9,000	7,200
(vii) Upkeep charges	674,713	356,536
(viii) Professional and Consultancy Charges	1,823,952	502,568
(ix) Security Charges	462,898	446,370
(x) Product Type Approval Charges	315,631	203,251
(xi) Entertainment, Business Promotion & Selling Expenses	1,461,406	1,811,131
(xii) AGM expenses - printing, postage, auditorium rent etc.,	414,959	359,171
(xiii) Staff Training Expenses	1,197,613	883,628
(xiv) Listing fee to Stock Exchanges	177,575	165,572
(xv) PF administration and inspection charges	225,860	33,802
(xvi) Freight & insurance charges (Net of reimbursement Rs.34,80,764)	611,376	
(xvii) Other miscellaneous expenses	334,798	211,280
Sub-Total of Miscellaneous Expenditure	10,006,383	7,300,187
(i) Net loss on foreign currency transaction and translation (other than considered as finance cost)	4,184,591	630,571
(j) Payment to Auditors		
(i) As Auditor	100,000	30,000
(ii) For Other Services (Limited Review)	10,500	10,500
Sub-Total of Payment to Auditors:	110,500	40,500
Total of Other expense (a to j)	23,934,283	20,063,389
Note 23		
Exceptional Items:		
(a) Prior period items (Net)		
Prior period income:		
(i) Sales	13,991,251	
(ii) Other Income		3,677
	13,991,251	3,677
Prior period expenses:		
(i) Materials consumed	9,762	
(ii) Employee benefits expense	68,157	111,538
(iii) Finance Cost	9	246,651
(iv) Depreciation	(281,468)	(6,529)
(v) Other Expense	201,652	559,760
	(1,888)	911,420
Prior period (income) / expense (Net)	(13,993,139)	907,743
(b) Loss on sale of Fixed Assets	133,768	
Total of Exceptional Items	(13,859,371)	907,743

Note 24

Significant Accounting Policies annexed to and forming part of the accounts for the year ended 31st March 2012.

I Significant Accounting Policies

1. Basis of Preparation of Financial Statements

Accounts are drawn up on the principle of going concern concept with revenues recognized and expenses accounted on accrual basis and in accordance with the generally accepted accounting principles and standards and in accordance with the provisions of Companies Act, 1956.

2. Fixed Assets and Depreciation

- a. Fixed Assets are stated at historical cost (net of CENVAT) including applicable taxes, duties, adjustments arising from exchange rate variations and other identifiable direct expenses and interest upto the date of installation. The cost of assets not put to use, before the year end are disclosed under Capital Work-in-progress.
- b. Depreciation on Fixed Assets is provided on straight line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.
- c. Depreciation on fixed assets added or deleted during the year is provided from or till the date of such addition or deletion.

3. Foreign Currency Transactions

- a. Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing on the date of the transaction.
- b. Monetary items denominated in foreign currencies at the year end are translated at the year end rates.
- c. Any Income or Expenses on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss account.
- d. The gain or loss on account of Foreign exchange rate fluctuation includes such gain / loss passed on by TCIL on imports procured by it on behalf of TTL as per extant MOUs.

4. Valuation of Inventory

- a. Raw materials : at weighted average cost
- b. Work-in-progress : at cost up to the stage of completion or realizable value whichever is lower.
- c. Finished Goods : at cost or net realizable value whichever is lower
- d. Scrap : at net realizable value
- e. Stores, Tools & Spares : at cost

5. Revenue Recognition

- a. Sales: Sale is recognized on despatch of goods to customers upon inspection and clearance by the clients. Export sales on FOB basis are recognized upon despatch and that of CIF basis upon acceptance of goods by clients. Sales shown in the Profit and Loss Account exclude Excise Duty and Sales Tax.
- b. Other Income and Expenses: On Accrual Basis.

6. Excise Duty

Excise Duty payment is accounted on the basis of payment made in respect of goods cleared and necessary provision is made for the excise duty on finished goods, if any at the factory at the year end.

7. Deferred Revenue Expenditure

- a. As per the policy of the company, the preliminary and share issue expenses are being amortized over a period of ten years.
- b. Expenses incurred towards Employees' Voluntary Separation Scheme (VSS) are being amortized over a period of five years.

8. Employees' Retirement Benefits:

i) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

- ii) **Post-Employment benefit Plans:** Upto the year 2008-09 the Company has set up separate Trust for Provident Fund and has been contributing towards the same. Contribution towards pension fund is made to PF authorities on monthly basis. From 01.04.2009 onwards based on the order of the Provident Fund Commissioner-I, withdrawing the relaxation under Para 79 of the Employees' Provident Fund Scheme 1952, the Provident Fund contributions are remitted to the PF authorities.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the Profit and Loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme. For the employees who had already left like VSS optees etc., the gratuity and leave encashment is provided on actual basis.

9. Provision for Warranty Period Expenses:

Provision is made for warranty period expenses at a percentage on net turnover of the year, arrived at based on actual warranty period expenses incurred compared with the average net turnover of the previous three financial years.

10. a) Taxation comprises of Current Tax and Deferred Tax charge or credit
 b) Provision for Current Taxes is as per the provisions of Tax Laws prevailing in India
 c) Deferred Tax charge or credit for the deferred tax assets / liabilities are accounted considering reasonable / virtual certainty of the company making taxable income in the near future.

11. Contingent Liabilities

Contingent Liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

12. Borrowing Costs

Borrowing costs are being recognized as an expense in the period in which they are incurred.

13. Accounting for Leases

The lease agreement entered with the lessors are for monthly rental hiring basis of Office accommodation for a period of 11 months and with subsequent renewal clause on mutual agreement. The lease agreement also can be cancelled by either party on giving notice at any time within a prescribed time limit. The lease doesn't transfer all the risks and rewards incident to ownership. There is no provision to acquire title to the asset upon fulfillment of the agreed conditions. The monthly lease rents are being recognized as an expense in the period in which they are incurred.

14. Impairment of Assets:

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

TAMILNADU TELECOMMUNICATIONS LIMITED

II Notes to Accounts :

- 1 The Company is having a system of sending letters to the Debtors for confirming the balance as on the year end 31st March. However the balances of debtors(only two confirmed), creditors, loans and advances (other than TCIL) are subject to confirmation.
- 2
 - a. No provision is made for certain long pending debtors Rs. 35,283,109 (previous year Rs. 35,283,109) in view of the arbitration proceeding completed against the Purchaser for which the Award is received in favour of the Company but has since been challenged by the Purchaser in the court. Further the court remitted back the case to the Arbitrator in one case for speaking orders.
 - b. No provision is made for Rs. 1,339,656 due from IRCON which is under arbitration. Arbitration proceedings in progress.
- 3 After restructuring as per the Sanctioned Scheme of BIFR, the net worth of the Company was more than the accumulated losses. However during the year the net worth has again eroded. The Company is already under rehabilitation period as per the BIFR Sanctioned Scheme. Lack of orders and dull phase of OFC market during the years 2010-11 and 2011-12 were the reasons for the poor performance. However the Company has already received order from BSNL for supply of 3206 KMs of OFC valuing Rs.156,890,836. The Company is confident of getting Reliance InfoTel order for supply of 48F OFC and the volume is expected to be around Rs. 33 crores. The National Optic Fiber Network (NOFN) project of the Govt.of India to connect all the villages by broad band is likely to take off during 2012-13 wherein the total requirement of OFC is around 600,000 KMs which is to be funded by USOF. The OFC orders are expected by middle of 2012-13. Even at minimum of 5% Company is hopeful of getting 30000 KMs expected to be around Rs. 147 crores, and the design and fiber count is likely to be the same of BSNL. The above order in hand / projected orders are expected to yield net revenue of around Rs. 11 crores during 2012-13 and 2013-14. From 2012-13 onwards the OFC market is expected to pick up in a big way. Considering the scope during the immediate future and TCIL's continuous financial support, the accounts have been prepared on going concern basis.
- 4 Land: The Company is in possession of free hold land from CMDA and the Tamilnadu State Govt. measuring around 9.82 acres. In case of sale of CMDA land by the company it has to be first offered to CMDA at the same purchase price. The land can be sold to other third parties only after getting NOC from CMDA. In the case of Tamilnadu State Govt.land it is to be utilised for the purpose for which it is allotted and surplus land if any, has to be surrendered.
- 5 As per Accounting Standard 15 "Employee Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below:

A) Defined contribution Plan

Contribution to Defined Contribution Plan, recognized as expense for the year are as under:

	Amount in Rs.	
	2011-12	2010-11
Employer's Contribution to Provident Fund	1,651,646	1,543,202
Employer's Contribution to Pension Scheme	482,500	503,235

Upto the year 2008-09 the Company has set up separate Trust for Provident Fund and has been contributing towards the same. In view of the fact that the Company is industrially sick as declared by BIFR and its net worth has fully eroded, the Provident Fund Commissioner-I has withdrawn with effect from 01.04.2009 the relaxation order issued under Para 79 of the Employees' Provident Fund Scheme 1952, with a direction to remit the whole cash balance to EPF Account No.1 and the balance available in Special Deposit Account to Central Board of Trustees, Employees' Provident Fund. During the year the Company has followed the directions of the Provident Fund Commissioner-I.

B) Defined Benefit Plan

Gratuity (Un Funded) :

The Company provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method.

The following table set out the status of the gratuity plan as required under AS 15

a) Change in benefit obligations:

Amount in Rs.

Particulars	Gratuity Plan 2011-12	Gratuity Plan 2010-11
Projected benefit obligation, beginning of the year	7,234,000	5,828,000
Service Cost	496,000	475,000
Interest cost	561,000	452,000
Actuarial (gain)/loss	347,185	479,000
Benefits paid	422,185	-
Projected benefit obligation, end of the year	8,216,000	7,234,000

b) Change in plan assets – Unfunded

c) Reconciliation of present value of the obligation :

Amount in Rs.

	2011-12	2010-11
Fair value of plan assets at the end of the year	Unfunded	Unfunded
Present value of the defined benefit obligations at the end of the period	8,216,000	7,234,000
Liability recognized in the balance sheet	8,216,000	7,234,000

d) Gratuity cost for the year ended March 31 2012

Amount in Rs.

Particulars	Gratuity Plan 2011-12	Gratuity Plan 2010-11
Service cost	496,000	475,000
Interest cost	561,000	452,000
Expected return on plan assets	561,000	Nil
Actuarial (gain)/loss	(907,185)	(479,000)
Net cost	1,403,185	1,406,000
Actual return on plan assets	Nil	Nil
Particulars	2011-12	2010-11
Discount rate	7.75%	7.75%
Salary escalation rate	4%	4%
Estimated rate of return on plan assets	7.75%	7.75%

Note: The estimates of rate of escalation in salary considered in actuarial valuation, taken into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is based on the valuation certified by the actuary.

C) Leave encashment

The employees of the Company are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

- 6 a) Current Tax: No provision for income tax is made in view of the current year loss and the accumulated losses of previous years available for set off.
- b) Deferred tax: During the year the Company has not accounted/taken the credit/charge for the deferred tax assets/liabilities. The excess of timing difference over the deferred tax liability has been ignored for want of reasonable certainty of the company making taxable income in the near future. Similarly, for the same reason, certain other provisions made in the earlier years have been ignored for creation of deferred tax asset. The accumulated losses

and carried forward depreciation under the tax laws have been ignored for creating the deferred tax asset considering that there is no reasonable certainty of the company making taxable income in the future in terms of para 26 of AS-22.

The treatment noted above is in accordance with the Accounting Standard 22 " Taxes on Income" notified under Sub section 3(C) of Section 211 of the Companies Act, 1956.

- 7 Work-in-Progress under Inventories as on 31.03.2012 includes realizable scrap comprising short length cables, quality defects cables, excess production cables for operational reasons, type approval cables and disputed returned cables valuing Rs. 13,291,606. The above items are saleable with further processing and re-testing to the same or other customers
- 8 As stipulated in AS – 28, the company is of the view that assets employed in continuing business are capable of generating adequate returns over their useful life in the usual course of business. There is no indication to the company of impairment of any asset and accordingly the Management is of the view that no impairment provision is called for during the year.

9 CONTINGENT LIABILITIES

(a) Claims against the company not acknowledged as debt:

- (i) Commercial Tax Department had demanded a sum of Rs.18,608,794 as Additional Sales Tax in respect of Financial Year 2000-2001 and 2001-2002 (up to November 2001). The company has obtained a Stay from Madras High Court against the collection of above demand by depositing a sum of Rs.7,500,000 with Commercial Tax Department as directed by the High Court while granting the stay. As the demand is disputed, the same is not provided for in the accounts. The case came up for hearing during Nov, 2011 and directions were issued to post the case along with the writ appeal before the Bench in another similar case where the judgement is in favour of the assessee.
- (ii) The Sales Tax department has demanded a sum of Rs. 2,295,000 during the financial year 2006-07 for non submission of "C" Forms from BSNL / MTNL pertaining to AY 2001-02, 2002-03 and 2003-04. The Govt. has exempted "C" forms in respect of inter-state sales to BSNL / MTNL. The company has represented to the Department and also referred the matter to BSNL / MTNL.
- (iii) The Customs Authority has demanded an amount of Rs.3,155,226 towards difference in classification of Optical Fibre during the year 2006-07. However the order of the Commissioner of Customs has come in favour of the Company during the year 2009-10 dropping the proceedings. Department has gone for appeal against the order.
- (iv) One of the clients M/s. Team Engineers, Hyderabad demanded for replacement of around 110 kms of cables for quality issues. All the cables are tested at manufacturing stage and at the final stage for manufacturing defects before leaving the factory. The company has noticed some technical defaults in the installation procedures followed by the said client. Hence the claim has not been acknowledged as debt. The equivalent value for 110 kms would be around Rs. 8,000,000.

(b) Guarantees:

Guarantees arranged by TCIL in favour of the Company and issued by Banks outstanding as at March 31, 2012 is Rs.69,193,957 (Previous year Rs.66,828,035)

10 Commitments

- (a) Estimated amount of Contracts remaining to be executed on Capital Account and not provided for during the year is Rs. 'Nil' (previous year Rs. 'Nil')
 - (b) Uncalled liability on shares and other investments which are partly paid up during the year is Rs. 'Nil' (previous year Rs. 'Nil')
- 11 The Company has no long term operating lease. No financial lease has been availed during the year
 - 12 A demand was raised by Income Tax Department towards tax to be deducted at source on Royalty amounting to Rs.2,542,165 (for the years 2000-01 & 2001-02). The company, has however, paid the entire amount of demand, out of which Rs. 2,193,733 is kept as recoverable. Appeal filed by the company for the above is pending in the Tribunal.
 - 13 A writ petition has been filed by the Company in Madras High Court during the year 2008 against BSNL for reducing the awarded rate during the scheduled delivery period, in one of their orders without giving effect to BSNL's amendment to the 'Fall clause' applicable from 01.08.2005. BSNL has rejected and returned the differential claim invoice of the company for Rs.13,991,251. This amount has been accounted during the year as prior period income.

14 Figures of previous year have been regrouped / rearranged to conform to the current year's classification as per the revised Schedule VI format

15 Earnings per share:

	2011-12	2010-11
Net Profit / (Loss) after tax as per the Statement of Profit & Loss (Rs.)	(133,281,519)	(64,784,564)
Weighted average number of equity shares used as denominator for calculating EPS	45,681,000	45,681,000
Basic and diluted earnings per share (Rs.)	(2.92)	(1.42)
Face value per equity share (Rs.)	10	10

III A civil suit has been filed by the company in Delhi High court on 31.03.2011 to stay the Advance Purchase Order issued by BSNL, HQ for supply of 42000 KMs of OFC. This is in addition to the purchase order issued during Jan, 2011 for supply of 18000 KMs. The order for OFC supply is with Nylon 12 jacketing and subsequently BSNL has changed the specification with HDPE Double sheathing. During the year BSNL has floated tender for 42000 KMs with the new specification. The case in Delhi High Court against the APO is in progress.

IV The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence the disclosure relating to amounts unpaid as at the year end together with interest paid / payable under this Act could not be ascertained

V Related Party Disclosures : Disclosures as required by the Accounting Standard 18 "Related Party Disclosures" are given below:

List of Related Parties:

Associate Companies

1. M/s. Fujikura Ltd., Japan Technical Collaborator & Equity Partner
2. Telecommunications Consultants India Ltd., New Delhi. – Equity Partner

Key Managerial Personnel

1. Shri. M. Sengupta, Managing Director (01.04.2011 to 15.06.2011)
2. Shri.V.S.Parameswaran, Managing Director (15.06.2011 to 31.03.2012)

a. Transaction with Related Parties :

Amount in Rs.

Name of the Transaction	Associate Companies				Key Management Personnel	
	M/s. Fujikura Ltd. Japan		M/s. TCIL, New Delhi			
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
01. Sale of Cable	-	-	122,246,300	155,344,619	-	-
02. Purchase of Raw Material / Capital Goods	-	72,078	103,594,516	152,655,820	-	-
03. Managerial Remuneration	-	-	-	-	1,809,517	1,646,070
04. Outstanding Balances including supply credits As on 31 st March	17,572,090*	17,029,525*	364,769,910	272,028,577	-	-
05. Secured Loans as on 31 st March	-	-	116,743,751	116,615,318	-	-

* Movement in balance includes exchange rate fluctuation

TAMILNADU TELECOMMUNICATIONS LIMITED

VI Segment Reporting:

Amount in Rs.

Sl.No	PARTICULARS	2011-12	2010-11
1	Segment Revenue (Net Sales)		
	(a) Exports	17,469,334	13,437,023
	(b) Domestic	92,402,476	122,966,646
	Total	109,871,810	136,403,669
	Less: Inter Segment Revenue	-	-
	Net Sales	109,871,810	136,403,669
2	Segment Results : Unallocated	(133,281,519)	(64,784,564)
3	Capital Employed:		
	(Segment Assets – Segment Liabilities)		
	(a) Exports	7,353,511	7,251,985
	(b) Domestic	(99,211,404)	32,353,885
	Total	(91,857,893)	39,605,870

VII Particulars of Imports, Consumption etc.,

a) Value of imports during the year - CIF Basis

Amount in Rs.

Item	Value	
	2011-12	2010-11
I. Raw Materials	-	63,360
II. Components and spare parts	127,417	120,161
TOTAL	127,417	183,521

b) Expenditure in foreign currency during the year (on payment basis)

Amount in Rs.

Item	Value	
	2011-12	2010-11
I. Others - Raw materials and spares	119,278	229,155

c) Consumption of imported and indigenous raw materials, spare parts and components

Amount in Rs.

Item	2011-12		2010-11	
	Value	% to total consumption	Value	% to total consumption
I. Direct Imports:				
a) Raw materials	-	-	63,360	0.05
b) spare parts and components	127,417	0.11	-	-
II. Imports through TCIL:				
a) Raw materials	73,072,338	67.02	59,085,081	47.72
b) spare parts and components	-	-	-	-
III. Indigenous:				
a) Raw materials	35,673,229	32.72	64,184,669	51.83
b) spare parts and components	163,756	0.15	497,146	0.40
TOTAL	109,036,740	100.00	123,830,256	100.00

d) Amount remitted in foreign currency during the year

Amount in Rs.

Item	Value	
	2011-12	2010-11
I. Dividends:		
(a) Amount of dividend remitted	-	-
(b) No. of Non-resident share holders	-	-
(c) Total number of shares held by the NRIs on which dividend is due	-	-
(d) Year to which the dividend is related	-	-

e) Earnings in Foreign exchange (on realisation basis)

Amount in Rs.

Item	Value	
	2011-12	2010-11
I. Export of goods - FOB Basis	19,896,510	7,879,501

f) Dividends proposed to be distributed

Amount in Rs.

Item	Value	
	2011-12	2010-11
I. Equity Shares:		
(a) Proposed amount per share	-	-
(b) Period to which the dividend is related	-	-

g) Raw Materials Consumed

Amount in Rs.

Item	UOM	2011-12		2010-11	
		Quantity	Value	Quantity	Value
Fiber	KM	91061	26,956,297	134824	44,520,233
FRP	KM	4090	4,965,202	4875	8,011,203
Nylon 12	Kgs	41765	17,549,527	97130	23,451,620
HDPE	Kgs	278975	15,638,613	292900	16,596,380
Steel Tapes	Kgs	29320	2,683,314	10382	872,289
Others			40,952,614		29,881,385
TOTAL			108,745,567		123,333,110

h) Amount payable / receivable in Foreign Currency (unhedged) on account of the following:

Amount in Rs.

Particulars	As on 31.03.2012		As on 31.03.2011	
	Rs. in lakhs	Foreign Currency	Rs. in Lakhs	Foreign Currency
Import creditors / Technology transfer fee	9,802,068	USD 191,690.00	8,568,543	USD 191,690.00
Import creditors through TCIL	-	-	34,499,881	USD 771,809.40
Export Debtors	3,930,092	USD 76,857.19	12,188,430	USD 272,671.81

As per our Report of even date

For M.KUPPUSWAMY PSG & Co
Chartered Accountants
Firm Regn No. 001616S

M.K. Krishnan
Partner
M.No. 020116
Place : New Delhi
Date : 30.05.2012

For Tamilnadu Telecommunications Limited

V.Mohan
GM(F) cum Co. Secretary

V.S.Parameswaran
Managing Director

B.Elangovan
Director

TAMILNADU TELECOMMUNICATIONS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March 2012 PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT

(Amounts in Rupees)

DESCRIPTION	for the year ended 31st March 2012 (Audited)	for the year ended 31st March 2011 (Audited)
Cash Flow from Operating Activities:		
Net Profit / (Loss) before tax	(133,281,519)	(64,784,564)
Adjustments for		
Add:		
- Depreciation	23,781,071	23,877,130
- Depreciation of previous years / adjustments	(1,455,320)	-
- Interest & Finance Charges	58,617,577	28,509,426
- Extraordinary items	(14,140,847)	914,272
- Exchange Rate Fluctuations - Loss / (Gain)	4,184,591	630,571
- Loss / (profit) on sale / Write off fixed assets	1,104,521	-
- Loss on Slow moving spares	-	-
- Provision for diminution in value of investments	-	-
- Provision for leave encashment	-	-
	(61,189,926)	(10,853,165)
Less:		
- Depreciation writtenback	-	145,329
- Interest / Dividend Received	84,108	234,901
- Profit on sale of Investments	-	-
Operating Profit before Working Capital changes	(61,274,034)	(11,233,395)
Adjustments for - Trade & Other Receivables	9,081,933	95,568,006
- Inventories	6,659,034	(49,797,420)
- Trade Payables and other liabilities	96,429,565	(72,246,440)
Cash generated from Operations	50,896,498	(37,709,249)
Income Tax	-	-
Cash Flow after tax before extraordinary items	50,896,498	(37,709,249)
Extraordinary items	14,140,847	(914,272)
Exchange Rate Fluctuations - (Loss) / Gain	(4,184,591)	(630,571)
Deferred Expense - VSS	-	340,369
Net Cash from Operating Activities - A	60,852,754	(38,913,723)
Cash Flow from Investing Activities:		
Purchase of Non-Current Assets	(3,036,907)	(2,857,655)
Capital Work in progress	-	-
Sale of Non-Current Assets	271,099	-
Purchase of Investments (net of sale)	-	-
Interest / Dividend Received	84,108	234,901
Net Cash from / (used) in Investment Activities - B	(2,681,700)	(2,622,754)
Cash Flow from Financing Activities:		
Increase in Share Capital	-	230,160,000
Increase in Capital Reserve	-	97,971,057
Increase / (Repayment) of Long Term Borrowings	1,358,000	(275,355,158)
Interest Paid	(58,617,577)	(19,932,348)
Net Cash used in Financing Activities - C	(57,259,577)	32,843,551
Net (decrease) / Increase in Cash Equivalents (A+B+C)	911,477	(8,692,926)
Cash & Cash Equivalents as at 1st April, 2011 (Opening Balance)	359,167	9,052,093
Cash & Cash Equivalents as at 31st March 2012 (Closing Balance)	1,270,644	359,167
Notes : Cash & Cash Equivalents represent bank balance		

V. Mohan
GM (F) cum Co. Secretary

V. S. Parameswaran
Managing Director

B. Elangovan
Director

Auditor's Certificate

We have verified the attached cash flow statement of Tamilnadu Telecommunications Limited which has been compiled from and is based on the audited financial statements for the year ended March 31, 2012 and for the previous year ended March 31, 2011.

For M.KUPPUSWAMY PSG & Co
Chartered Accountants
Firm Regn No. 001616S

M.K. Krishnan
Partner
M. No. 020116

Place : New Delhi
Date : 30.05.2012

TAMILNADU TELECOMMUNICATIONS LIMITED

Registered Office: No. 16, 1st Floor, Aziz Mulk 3rd Street, Thousand Lights, Chennai - 600 006.

ATTENDANCE SLIP

Name of the Member :

Name of the Proxy if attending on behalf of the member.....

I hereby record my presence at the 24th Annual General Meeting of the Company to be held on Thursday, the 20th day of September 2012 at 3.00 p.m. at "Sri Venkata Auditorium" at Bharatiya Vidya Bhavan, No.18-22, East Mada Street (Near Kapaleeswarar Temple), Mylapore, Chennai – 600 004

Ledger Folio No.	
DP ID*	
Client ID*	
No. of Shares	

* Applicable for members holding shares in dematerialised form.

.....
Member's / Proxy Signature

(To be signed at the time of handing over the slip)

TAMILNADU TELECOMMUNICATIONS LIMITED

Registered Office: No. 16, 1st Floor, Aziz Mulk 3rd Street, Thousand Lights, Chennai - 600 006.

PROXY FORM

I/We

of

being member(s) of the above named company hereby appoint

or failing him / her

as my / our proxy and to vote for me / us on my / our behalf at the 24th Annual General Meeting of the Company to be held on Thursday, the 20th day of September 2012 at 3.00 p.m. at "Sri Venkata Auditorium" at Bharatiya Vidya Bhavan, No.18-22, East Mada Street (Near Kapaleeswarar Temple), Mylapore, Chennai – 600 004 or at any adjournment thereof.

.....
Member's Signature

Signed this.....day of.....2012.

Ledger Folio No.	
DP ID*	
Client ID*	
No. of Shares	

Affix
Revenue
Stamp

* Applicable for members holding shares in dematerialised form.

Note: The form duly completed should be deposited at the Registered Office of the Company, not later than 48 hrs before Meeting.

If undelivered please return to :
TAMILNADU TELECOMMUNICATIONS LTD.,
No.16, 1st Floor, Aziz Mulk 3rd Street,
Thousand Lights, Chennai - 600 006.