

**Tamilnadu  
Telecommunications  
Limited**

22nd Annual Report  
2009-10

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Board of Directors	Dr. (Tmt) S. Revathi Shri. M. Sengupta Shri. R.K. Upadhyay Shri. K.B. Batra Shri. Vimal Wakhlu Shri. B. Elangovan Shri. B. Ramakrishnan (in place of Shri.B. Viswabarathy) Shri. M. K. Jain	Chairperson cum Director Managing Director Director Director Director Director Director Director (Nominee of the Department of Telecom)
Registered Office	:	No.16, 1st Floor, Aziz Mulk 3rd Street, Thousand Lights, Chennai – 600 006
Factory	:	E18B-E24, CMDA, Industrial Complex, Maraimalai Nagar, Pin – 603 209, Tamilnadu. Website : <a href="http://www.tllofc.in">www.tllofc.in</a>
Bankers	:	State Bank of India, Andhra Bank, Punjab National Bank
Auditors	:	N.Sankaran & Co, Chartered Accountants, 1-A, Raja Annamalai Building, No.72 (Old No.19), II Floor, Marshals Road, Egmore, Chennai – 600 008.
Promoters		Telecommunications Consultants India Limited, TCIL Bhawan, Greater Kailash – I, New Delhi – 110048  Tamilnadu Industrial Development Corpn. Ltd., 19-A, Rukmani Lakshmi pathy 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

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

**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 22<sup>nd</sup> Annual General Meeting of the Company to be held on Tuesday, the 14th day of September 2010 at 3.00 p.m. at the Auditorium at "Russian Cultural Centre", No.74, Kasturi Ranga Road, (adjacent to Hotel Chola Sheraton) Alwarpet, Chennai – 600 018.

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 22<sup>nd</sup> Annual General Meeting of the Company to be held on Tuesday, the 14th day of September 2010 at 3.00 p.m. at the Auditorium at "Russian Cultural Centre", No.74, Kasturi Ranga Road, (adjacent to Hotel Chola Sheraton) Alwarpet, Chennai – 600 018 or at any adjournment thereof.

.....  
Member's Signature

Signed this ..... day of ..... 2010.

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

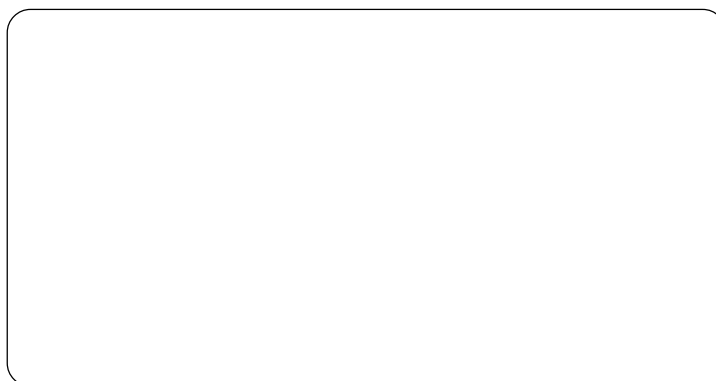
Affix  
Revenue  
Stamp

\* 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.

**Book Post**

**To**



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

**NOTICE**

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of Tamilnadu Telecommunications Limited is scheduled to be held at 3.00 P.M on Tuesday, 14th September 2010 in the Auditorium at "Russian Cultural Centre", No.74, Kasturi Ranga Road, Alwarpet, Chennai – 600 018 to transact the following business.

**Ordinary Business**

01. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2010, the 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.R.K.Upadhyay, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint Director in place of Shri. Vimal Wakhlu, who retires by rotation and being eligible, offers himself for re-appointment.

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

Place : Chennai  
Date : 18.08.2010

**M. Sengupta**  
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 10.09.2010 to 14.09.2010 (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 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 R.K.Upadhyay, aged 56 years has been in the Board of the Company since September 2006. He is a Bachelor Degree holder in Technology and also holds MBA (Marketing Management) from IGNOU and M.Sc (DS) from Madras University. He has rich experience in monitoring and development of telecommunication projects with particular reference to project management and control in the cable industry. 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 Ltd, Delhi	Chairman and Managing Director
Bharti Hexacom Limited	Director
TBL International Limited	Director
United Telecom Limited	Director
TCIL Saudi Co.Limited	Director
TCIL Oman LLC	Director

02. Shri. Vimal Wakhlu, aged 54 Years has been in the Board of the Company since June 2007. He is a Bachelor Degree holder in Engineering and also holds MBA (Marketing) from IGNOU. He has very rich experience in the field of long distance communication including Satellite, Optical fibre, Analog and Digital microwave systems, co-axial systems, maritime communications, troposcatter communications, International Maintenance Centre, Data Communications, Analog and Digital Multiplexing in BSNL, DOT and Overseas Communications Service. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies

Name of the Company	Nature of Interest
Telecommunications Consultants India Ltd, Delhi	Director
TBL International Ltd	Director

## TAMILNADU TELECOMMUNICATIONS LIMITED

### REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To  
The Members

Your Directors present the Twenty second Annual Report, together with the Audited Accounts of the Company for the year ended 31st March 2010.

#### Financial Results

	( Rs. in Lakhs )	
	2009-10	2008-09
Net Sales	3503.20	1922.61
Other Income	104.30	79.66
Total Income	3607.50	2002.27
Total Expenditure	3191.73	2260.14
Finance Charges	386.90	291.62
Extraordinary item	--	31.59
Gross Profit / (Loss) after interest		
before Depreciation & Tax	28.87	(517.90)
Depreciation	239.22	225.37
Provision for Taxation / Deferred Tax	--	2.06
Net Profit / (Loss)	(210.35)	(745.33)

The net loss after Tax is Rs. 210.35 lakhs against net loss of Rs. 745.33 lakhs made during the previous year.

#### Review of Operations

During the year under review, the company's sales and other income was 3607.50 Lakhs. The entire turnover of the year is achieved from the Optical Fibre Unit. Your company managed to survive in the price war by implementing various cost-cutting and value engineering measures in the manufacturing operations.

Your Company successfully developed Tight Buffered Fiber, Drop Cable, Raiser Cable etc., with LSZH compound as per EU Standard to cater to the future needs of FTTH application in India.

You are aware that in accordance with the requirement of Sec.15 of the Sick Industrial companies (Special Provisions) Act, 1985, the company has made a reference in October 2004 to the Board for Industrial and Financial Reconstruction (BIFR) of the fact that the accumulated loss of the company at the end of the financial year 2003-04 has exceeded the entire net worth of the company. BIFR has declared the company as industrially sick and appointed State Bank of India as Operating Agency. You are also aware that the Company has submitted a Draft Rehabilitation Scheme (DRS) through the Operating Agency to BIFR which includes conversion of part of the loans of M/s. Telecommunications Consultants India Limited (TCIL) into equity to the extent of Rs. 1543.27 lakhs (1,54,32,700 equity shares of Rs.10 each at par), provision of bridge loan by TCIL to the extent of Rs.12.50

crores towards OTS to banks / working capital / capex, conversion of part of the loans of Consortium bankers (State Bank of India, Andhra Bank and Punjab National Bank) into equity to the extent of Rs. 758.33 lakhs (75,83,300 equity shares of Rs.10 each at par), OTS of part of the loans of Rs. 983.38 lakhs to Consortium bankers and waiver of balance loans of Rs. 979.71 lakhs by Consortium bankers. BIFR in its hearing held on 24.06.2010 has approved a sanctioned scheme for the Company and the above proposed conversions, payments and waiver have been considered in the sanctioned scheme. The summary proceedings of the BIFR hearing and the sanctioned scheme were issued by the BIFR on 21.07.2010 and implementation process has commenced. As per the sanctioned scheme approved by BIFR, the Board of Directors will be issuing the above equity shares to TCIL and Consortium bankers State Bank of India (42,47,500 equity shares), Andhra Bank (20,70,600 equity shares) and Punjab National Bank (12,65,200 equity shares) against conversion of its loans.

#### Market Scenario and Outlook

The Optical Fibre Cables market segment has been witnessing a growth rate of 12% year-on-year. 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 demand outlook for the optical fibre cables was much encouraging during the year under review due to Government's Broadband Policy. 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 match the current availability 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.

**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 due to overall reduction in sale value of cables. Costs of major raw materials are increasing as the market is volatile due to frequent changes in 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 R.K.Upadhyay, and Shri Vimal Wakhlu, 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 : -

Dr.(Tmt). S.Revathi has been appointed as Director cum Chairperson of the Company w.e.f. 30.09.2009 in the place of Shri. P. Sivasankaran, IAS. Shri. B. Ramakrishnan has been replaced as director in place of Shri. B.Viswabarathy with effect from 31.12.2009.

**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 2010, 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.

**Corporate Governance**

A report on Corporate Governance with the Practising 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 continued to have IS/ISO 9001:2000 certification and during the year has obtained upgraded version IS/ISO 9001:2008 quality management systems certification from Bureau of Indian Standards ( Accredited by Raad Voor Accreditatie, Netherlands ) and also during the year has obtained 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. N.Sankaran & Co., Chartered Accountants as the Auditors of the company for the year 2009-10 at a remuneration of Rs. 30,000/- besides reimbursement of

## TAMILNADU TELECOMMUNICATIONS LIMITED

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traveling and out-of-pocket expenses at actuals, subject to the other items and conditions as specified by the CAG.

### Auditors' Report

Clarification on Auditors observations is given below:

**Para No. 4 The Company has Prepared the Financial Statements on "Going concern basis" despite substantial losses which exceeds net worth of Company as referred in Note No.3.**

Though the Company has been referred to BIFR in the year 2004 which was subsequently registered as sick by BIFR during the year 2006, the Company with the financial support of TCIL is continuously in operation. The Operating Agency appointed by BIFR also has studied the possibility of revival of the Company and has submitted the final DRS to BIFR, as the Company would survive with the proposed restructuring proposed in the DRS. The Company also is striving hard to improve the operational and economic performance of the unit. Hence the accounts have been prepared on "Going concern basis" despite erosion of net worth of the Company. In the hearing held on 24.06.2010 BIFR has approved a Sanctioned Scheme for the Company.

**Para No. 5 The Impact on the accounts could not be ascertained due to adjustments if any required on account of non confirmation of balances of Debtors, Creditors and Loans and Advances as referred in Note No.4.**

Though the Company has sent request for confirmation of balances the same are subject to confirmation. However the Company is collecting its realizations regularly and do not see any scope for adjustments as observed by the statutory auditors.

**Para No.6 No provision is made for an amount of Rs. 352 lakhs (Previous year Rs.352 lakhs) in the financial statements for certain long outstanding debtors for which the recoverability is dependent on judgement of Court of Law as referred to in Note No.5.**

No provision is made 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. In one case the matter has been remitted by the Court to the Arbitrator for speaking orders and the decision is expected shortly, hopefully in favour of the Company.

**Para No.7 The Company has not accounted the interest on secured loans obtained from the banks and financial institutions amounting to Rs. 297 lakhs (Previous year Rs. 346 lakhs) for the period April 09 to March 10 and cumulative interest not accounted amounting to Rs. 660 lakhs upto 31.03.2009 as referred in Note 9(i) . Out of earlier years interest dues, the company have recognised Rs.46.72 lakhs of interest set off by banks out of**

**cash credit and margin money accounts as dues receivable from banks under loans and advances as referred to in Note 9(ii).**

Due to sickness and cash crunch, the payment could not be made. Further the Consortium banks have approved the One Time Settlement (OTS) proposal with cut off date as 31.03.2007. Hence further interest is not applicable. The final Draft Rehabilitation Scheme (DRS) based on above OTS submitted to BIFR had been formally approved and BIFR has published the scheme in the newspaper 'The Hindu' Chennai edition on 21.04.2010 giving 60 days time for any objection / suggestion on the scheme. Next hearing of BIFR was fixed on 24.06.2010 in which BIFR has approved a Sanctioned Scheme for the Company, according to which the above interest beyond 31.03.2007 is not payable.

**Sub para no. 7 The loss for the year would have been higher by the amounts in Note 6 & 7 above and consequential impact in accumulated losses in profit and loss account, reserves and surplus:**

The debtors' outstanding case (referred as para no. 6 above) is in final stages of Arbitration / court case and is expected to be in favour of the Company. Regarding the Bankers' interest (referred as para no. 7 above) consortium bankers have already approved the OTS with cut off date as 31.03.2007 and the sanctioned scheme has been approved by BIFR in the hearing held on 24.06.2010 . In view of this the Company is of the opinion that these will not have impact on the losses.

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

According to the information and explanations provided by the management, the Company has taken a secured loan from one of the companies listed in the register maintained under section 301 of the Companies Act, 1956. **The maximum amount due during the year and the amount due as at 31st March 2010 was Rs, 765.04 lakhs.**

Due to severe sickness and cash crunch, the payment could not be made. However the Union Cabinet Committee has approved the scheme of converting part of the loans of TCIL into equity. BIFR also has approved the sanctioned scheme by which the above loan will be converted into equity.

### Item No.9 of the Annexure to the Auditors Report

In our opinion the rate of interest and other terms and conditions on which the Loans have been taken from the company listed in the register maintained under section 301 of the Companies Act, are not, prima facie, pre-judicial to the interest of company. **The interest over due amount as at 31st March 2010 is Rs. 431.79 Lakhs.**

Due to sickness and cash crunch, the payment could not be made. However the sanctioned scheme for the Company has been approved by BIFR by which the above interest portion will be converted into equity.



**Item No.10 of the Annexure to the Auditors Report**  
The company has defaulted in payment of principal to the company listed in the register maintained under section 301 of the Companies Act 1956. The principal overdue amount as at 31st March 2010 is Rs.765.04 Lakhs.

Due to cash crunch the payment could not be made. However this will be converted into equity as the sanctioned scheme has been approved by BIFR.

**Item No. 11 of the Annexure to the Auditors Report**  
According to the information and explanations given to us, the debt portfolio of the company was restructured through corporate debt restructuring scheme. As per the scheme, the company has defaulted the repayment of the dues to the financial institutions and banks. The principal overdue amount as at 31st March 2010 is Rs. 1194.53 Lakhs and the interest over due amount as at 31st March 2010 is Rs.15.01 Lakhs.

Due to severe sickness and cash crunch, the payment could not be made. Further, the banks have already approved the OTS scheme and a sanctioned scheme has been approved by BIFR for the Company. Hence this is not overdue.

**Item No.15 of the Annexure to the Auditors Report**  
According to the records of the Company, the Company is regular in depositing with appropriating authorities undisputed statutory dues including Provident Fund, Investor education protection fund, Employees State Insurance , Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Custom Duty, Excise -Duty, profession tax, Cess applicable to it. However, in respect of Provident Fund, Employees State Insurance, Tax Deducted at Source and Sales Tax

there have been delays during the year. The company has not deducted the Tax deducted at source amount of Rs.37.13 lakhs (Previous year Rs.32.05 lakhs) cumulative for the year Rs. 107.07 lakhs (Previous Year Rs.69.94 lakhs)

Company is remitting regular PF, ESI, Excise duty, Cess, Service tax, Sales tax, TDS etc., As the company is under sickness and due to cash crunch there is minor delay in few months. Regarding the major amount of TDS, this pertains to TDS on interest amount set off by lenders against the payable by it to TTL. Due to severe cash crunch, the company neither able to pay the interest nor effect TDS on the amount credited and set off.

**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 2010 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, Promoters and the Company's Bankers. 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  
M. Sengupta  
Managing Director

Place : Chennai.  
Date : 18.08.2010

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.

During the year Company had exported different types of cables like 6F, 9F, 12F, 24F, 36F and 48F Optical Fibre Cables to Seychelles and Kuwait.

**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 )

	2009-10	2008-09
Used	13.43	22.71
Earned	36.73	30.33

**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 )

## TAMILNADU TELECOMMUNICATIONS LIMITED

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### A. Research and Development ( R&D )

#### 1. Specific Areas in which the company carried out R&D activities.

- Developed 900 microns Tight Buffered Fiber for indoor and outdoor applications using existing Ribbon making machine. With this, both Ribbon Cables as well as Tight Buffered Fiber can be manufactured through the same Ribbon making machine.
- Developed Drop Cable 1Fiber / 2Fiber.
- Developed Raiser Cable upto 36 Fibers
- Developed Optical Fiber Cable for FTTH application as per BSNL specification no. GR/OFC-19/01 FEB 2009:
  - i) 2 Fiber Optical Cable – Type 1 Loose Tube 2.8mm dia with LSZH material 4mm dia.
  - ii) 2 Fiber Optical Cable – Type 2 Flat Type 3.4+/-0.2mm x 2.0+/-0.2mm LSZH with APR 0.5mm x 2Nos.

The above cables have been developed with LSZH compound as per EU standard to cater to the future needs of FTTH application in India.

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

- The company is now fully geared up to meet the FTTH ( Fibre To The Home ) needs of the country.
- The company could capture sizeable quantity of export orders.

- The company is now became important bidder by participating through e-bidding for various Global requirements for the International clients.

#### 3. Future Plan

- Getting Type Approval for Micro Duct Cables from BSNL.
- To obtain Type Approval for 576 High Count Metal Free OF Cable (Ribbon Type).
- To introduce new stranding line & sheathing line
- To install dual tower fiber drawing plant to enhance capacity as well as indigenous production of fiber
- To install facilities for production of OPGW cables for power sectors

#### 4. Expenditure on R&D

Expenditure towards the R&D is Rs.365284/-.

#### B. Technology absorption, adaptation and innovation.

- Obtained Type Approval for 6F and 12F 652D Metal free OF Cable.
- Obtained compatibility approval from BSNL for different source materials.
- Infrastructure Assessment obtained from BSNL for inclusion of 12F Ribbon machine & Ribbon dimension measurement equipment.

## 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 31.03.2010 is as under :

Category	Name of Directors	Designation	No. of Shares in the Company
Promoter Executive Director	M. Sengupta	Managing Director	Nil
Promoter Non-Executive Directors	R K Upadhyay	Director	Nil
	K.B. Batra	Director	Nil
	Vimal Wakhlu	Director	Nil
Non-Executive Independent Directors	P. Sivasankaran, IAS*	Director	Nil
	Dr.(Tmt)S.Revathi*	Director	Nil
	B.Elangovan	Director	Nil
	B.Viswabarathy**	Director	Nil
	B.Ramakrishnan**	Director	Nil
	M.K. Jain (Nominee of Dept. of Telecom )	Director	Nil

\*Shri.P.Sivasankaran IAS, resigned from the Board w.e.f 30.09.2009 and Dr.(Tmt)S.Revathi had been appointed as Director cum Chairperson of the Company w.e.f. 30.09.2009 .

\*\* Shri.B.Viswabarathy, resigned from the Board w.e.f 31.12.2009 and in the place Shri.B.Ramakrishnan has been appointed as Director w.e.f 31.12.2009.

### Board Meetings

The Board of Directors met 4 ( Four ) times during the period 01st April 2009 to 31st March 2010 on the following dates i.e., 25th June 2009, 30th September 2009, 31st December 2009 and 31st March 2010.

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	4	Yes	-	1	-
R.K. Upadhyay	4	Yes	6*	-	-
K.B. Batra	4	Yes	6**	1	1
Vimal Wakhlu	1	No	2	-	-
P. Sivasankaran IAS	Nil	No	5	-	-
S.Revathi	2	No	1	-	-
B.Elangovan	3	Yes	5	2	-
B.Viswabarathy	1	No	2	2	-
B.Ramakrishnan	1	No	9***	2	-
M .K. Jain	Nil	No	-	-	-

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 has 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 2010 have been made by the Directors.

\* - Includes nomination in three overseas companies.

\*\* - Includes nomination in two overseas companies.

\*\*\*-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, no remuneration either by way of sitting fees or in any form is paid to other Directors. As such, there has been no need to constitute a Remuneration Committee.

## TAMILNADU TELECOMMUNICATIONS LIMITED

### 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 :

Mr. K.B.Batra, Chairman

Mr. B.Elangovan, Member

Mr. B.Ramakrishnan, Member

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

### 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 :-

- a) Management discussion and analysis of financial conditions and results of operations
- b) Statement of significant related party transactions
- c) Management letters / letters of Internal Control weakness issued by the Statutory Auditors
- d) Internal Audit Reports relating to Internal Control weakness, and
- e) 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 2009 to 31st March 2010 on the following dates 25.06.2009, 30.09.2009, 12.01.2010, and 31.03.2010.

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

Name of Members	No. of Meetings		
	Category	Held	Attended
Mr.B.Viswabarathy* Chairman	Independent, Non-Executive	4	1
Mr. B.Elangovan,	Independent, Non-Executive	4	4
Mr. K.B. Batra Chairman	Non-Independent Non-Executive	4	4
Mr.B.Ramakrishnan	Independent, Non-Executive	4	1

\* Shri.Viwabarathy, resigned from the Board w.e.f 31.12.2009 and in the place Shri.B.Ramakrishnan has been appointed as Director w.e.f 31.12.2009.

Particulars of Managerial Remuneration of Managing Director

(Rs. In Lakhs )

Particulars of Remuneration	2009-10	2008-09
i) Salary and Allowance Shri M. Sengupta	12.61	6.83
ii) Medical Reimbursement Shri M. Sengupta	0.50	0.42

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.

### Shareholders'/Investors' Grievance Committee

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

Mr. B.Viswabarathy\*, Chairman

Mr. B.Elangovan, Chairman

Mr. M. Sengupta, Member

Mr. B.Ramakrishnan, Member

\* Mr.B.Viswabarathy resigned w.e.f 31.12.2009

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

#### 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 Two (2) complaints were received and replied to the satisfaction of shareholders. Outstanding complaints as on 31.03.2010 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 2010.

#### General Body Meetings

Location and time of the last three Annual General Meetings

Year	Venue	Held On	Time
2006-07	The Music Academy, Mini Hall, TTK Road, Chennai	25.09.2007	3.00 P.M.
2007-08	Russian Cultural Centre, No.74,Kasturi Ranga Road, Alwarpet, chennai	23.12.2008	11.30 A.M.
2008-09	Russian Cultural Centre, No.74,Kasturi Ranga Road, Alwarpet, chennai	30.09.2009	3.00 P.M

During the year, 2003-04 ( i.e., at 16th AGM ) the company had passed a special resolution for delisting of its shares from Madras Stock Exchange and Delhi Stock Exchange.

#### Special Resolution

Year	AGM/EGM	Passed Under Section(s)
2008-2009	AGM on 30.09.2009	81(1A), 293(1)(d) and 31

#### Postal Ballot

No special resolution was put through postal ballot during last 3 years. However an ordinary resolution was passed under Section 293(1)(a) read with Section 192A of the Companies Act, 1956 and Companies ( Passing of Resolutions by Postal Ballot ) Rules, 2001 for getting the consent of the Shareholders for sale of the assets of PIJF Plant, Arakkonam. 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 Schedule 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, violation 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 2009-10, 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

## TAMILNADU TELECOMMUNICATIONS LIMITED

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 Newstoday 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 ( 01.04.2010 to 31.03.2011 )

First Quarter Ending 30.06.2010	12th August 2010
Second Quarter Ending 30.09.2010	Between 01st and 14th November 2010
Third Quarter Ending 31.12.2010	Between 01st and 14th February 2011
Audited Yearly Results	Between 15th May and 31st May 2011
AGM for 2010-11	During Sep. 2011

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 : 14.09.2010  
Time : 03.00 P.M.  
Venue : "Russian Cultural Centre",  
No.74, Kasturi Ranga Road,  
Alwarpet, Chennai – 600 018

**B. Book Closure Date** : From 10.09.2010 to 14.09.2010

**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. Listing fees for the financial year 2010-11 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 Practising Company Secretaries

The Company has annexed to this report, a certificate obtained from the Practising 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 : TNELE

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, 2009 to March 31, 2010 are given below :

( Prices in Rupees )

Month	Bombay Stock Exchange			National Stock Exchange		
	High	Low	Volume	High	Low	Volume
April 2009	8.35	5.01	58311	8.60	4.40	113375
May 2009	9.68	6.40	74092	9.60	6.95	60482
June 2009	10.85	8.03	125404	10.90	7.95	85209
July 2009	9.85	7.07	69414	9.25	7.20	94306
Aug 2009	11.78	8.01	234332	11.90	8.10	304871
Sep 2009	10.65	9.04	93232	11.10	9.00	133132
Oct 2009	9.83	7.10	59189	9.60	7.30	75757
Nov 2009	9.25	7.09	91987	9.70	6.90	192591
Dec 2009	10.70	8.02	137760	10.75	8.10	318807
Jan 2010	11.68	8.84	123907	11.80	8.75	236865
Feb 2010	9.84	8.60	50425	10.15	8.70	48739
Mar 2010	9.24	7.62	83737	9.10	7.70	56431

## Distribution of Shareholding as at 31st March 2010

No. of shares held	No. of Shareholders	% of Share holding	Share Amount (Rs.)	% of Share holding
Upto 500	19140	92.67	27484940	12.12
501-1000	907	4.39	7808450	3.44
1001-2000	347	1.68	5471130	2.41
2001-3000	88	0.43	2259360	1.00
3001-4000	52	0.25	1870760	0.83
4001-5000	40	0.19	1893810	0.84
5001-10000	44	0.21	3058990	1.35
10001&above	36	0.18	176802560	78.01
Total	20654	100.00	226650000	100.00

## Shareholding Pattern as at 31st March 2010

Category	No. of Shares Held	% of Shareholding
<b>1. Promoters</b>		
i) Telecommunications Consultants India Limited	6951000	30.67%
ii) Tamilnadu Industrial Development Corpn. Ltd.	6684000	29.49%
<b>2. Foreign Collaborator – Fujikura Ltd., Japan</b>	3280000	14.47%
<b>3. Banks, FIs</b>	106000	0.47%
<b>4. Mutual Funds</b>	2300	0.01%
<b>5. Clearing Member</b>	2284	0.01%
<b>6. Private Corporate Bodies/Trusts/ Partnerships</b>	466251	2.05%
<b>7. Indian Public</b>	5139824	22.68%
<b>8. NRIs</b>	33341	0.15%
<b>Grand Total</b>	22665000	100.00%

**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

-Not applicable -

**Dematerialization of Shares :**

The shares of the company are compulsorily traded in 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 2010, 48.51 % 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 : ttlosec@rediffmail.com  
 Website : www.ttlofc.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.

## TAMILNADU TELECOMMUNICATIONS LIMITED

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### b. Remuneration Committee

Except Managing Director, no remuneration either by way of sitting fees or in any form is paid to other Directors. 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.

#### Declaration by CEO / MD

This is to certify that the company has laid down code of conduct for all the Board members and Senior Management personnel of the Company.

Further, certified that the members of the Board of Directors and Senior Management Personnel have affirmed the compliance with the code applicable to them during the year ended 31st March 2010.

M. Sengupta  
Managing Director

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

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

- (a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2010 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.

for Tamilnadu Telecommunications Limited

M Sengupta                      V.Mohan  
Managing Director              GM(Finance) cum Company Secretary

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### **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 2010, 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 : 18.08.2010

M Damodaran  
C.P. No.5081

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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 2010.

The preparation of financial statements of Tamilnadu Telecommunications Limited for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for the 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 28.05.2010.

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 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

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

PLACE : Chennai-18  
DATE : 23.06.2010

(SUBHASHINI SRINIVASAN)  
PR.ACCOUNTANT GENERAL

## TAMILNADU TELECOMMUNICATIONS LIMITED

### Auditors' Report

#### To the Members of Tamilnadu Telecommunications Ltd.

1. We have audited the attached Balance Sheet of Tamilnadu Telecommunications Limited, as at 31st March 2010, and also the Profit and Loss account and the Cash Flow Statement for the year ended on the 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. The Company has Prepared the Financial Statements on "Going concern basis" despite substantial losses which exceeds net worth of Company as referred in Note No.3.
5. The Impact on the accounts could not be ascertained due to adjustments if any required on account of non confirmation of balances of Debtors, Creditors and Loans and Advances as referred in Note No.4.
6. No provision is made for an amount of Rs. 352 lakhs (Previous year Rs.352 lakhs) in the financial statements for certain long outstanding debtors for which the recoverability is dependent on judgement of Court of Law as referred to in Note No.5.
7. The Company has not accounted the interest on secured loans obtained from the banks and financial institutions amounting to Rs. 297 lakhs (Previous year Rs. 346 lakhs) for the period April 09 to March 10 and cumulative interest not accounted amounting to Rs. 660 lakhs upto 31.03.2009 as referred in Note 9(i) . Out of earlier years interest dues, the company have recognised Rs.46.72 lakhs of interest set off by banks out of cash credit and margin money accounts as dues receivable from banks under loans and advances as referred to in Note 9(ii).  
The loss for the year would have been higher by the amounts in Note 6 & 7 above and consequential impact in accumulated losses in profit and loss account, reserves and surplus:
8. Subject to the above and Further to our comments in the Annexure referred , we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) As informed to us and based on the verification of records , we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the 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:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
  - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **N.SANKARAN & CO.**  
CHARTERED ACCOUNTANTS

**(R.SUNDARARAJAN FCA)**

Place : Chennai Partner  
Date : 28.05.2010 Membership No: 25762  
FIRM REGN NO.03590S

#### Annexure referred to in paragraph 3 of our report of even date

1. The provisions of the following clauses of Companies (Auditor's Report) Order, 2003 as amended are not applicable to the company for the year.
  - a) Clause 4(iii) with regard to loans granted to parties covered in the register maintained under section 301 of the Companies Act, 1956 as there were no such transactions.
  - b) Clause 4(vi) with regard to acceptance of deposits from the public since the company has not accepted any deposits.
  - c) Clause 4(xii) with regard to loans granted against pledge of securities since no loans have been granted by the company.
  - d) Clause 4(xiii) with regard to special statutes applicable to chit funds and nidhis since the company has not carried on such business.
  - e) Clause 4(xiv) with regard to trading in securities since the company did not carry on such activities.
  - f) Clause 4(xv) with regard to guarantee given for loans taken by others from bank or financial institutions as the company had not given any guarantees.
  - g) Clause 4(xvii) with regard to funds obtained on short term basis used for long-term investment and vice-versa since the company has not raised such funds during the year.

- h) Clause 4(xviii) with regard to preferential allotment of shares to specified parties since no allotment of shares was made during the year.
- i) Clause 4(xix) with regard to securities to be created in respect of debentures since no debentures was issued during the year. And
- j) Clause 4(xx) with regard to money raised by public issue since no money was raised by public issue during the year.
2. The Company has maintained adequate records for fixed assets to show full particulars including quantitative details and the situation of fixed assets. The assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.
  3. The Company has not during the year disposed off any substantial part of fixed assets, which would give rise to the question of impairment of status of the company as a going concern.
  4. The management has conducted physical verification of inventory at reasonable intervals.
  5. 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.
  6. On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
  7. In our opinion and according to the information and explanations given to us, there is adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
  8. According to the information and explanations provided by the management, the Company has taken a secured loan from one of the companies listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount due during the year and the amount due as at 31st March 2010 was Rs.765.04 Lakhs.
  9. In our opinion the rate of interest and other terms and conditions on which the Loans have been taken from the company listed in the register maintained under section 301 of the Companies Act, are not, prima facie, pre-judicial to the interest of company. The interest over due amount as at 31st March 2010 is Rs.431.79 Lakhs.
  10. The company has defaulted in payment of principal to the company listed in the register maintained under section 301 of the Companies Act 1956. The principal overdue amount as at 31st March 2010 is Rs.765.04 Lakhs.
  11. According to the information and explanations given to us, the debt portfolio of the company was restructured through corporate debt restructuring scheme. As per the scheme, the company has defaulted the repayment of the dues to the financial institutions and banks. The principal overdue amount as at 31st March 2010 is Rs.1194.53 Lakhs and the interest over due amount as at 31st March 2010 is Rs.15.01 Lakhs.
  12. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of five lakhs rupees in respect of any party during the year have been made at

- prices which are reasonable having regard to prevailing market prices at the relevant time.
13. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business. However, the Internal Audit System has scope to strengthen further by prescribing suitable audit programme on record as to coverage and observations in the report.
  14. We were informed that the Central Government has not prescribed maintenance of cost records for the company under section 209(1) (d) of the Companies Act, 1956 and hence, we are not commenting on the Cost Records maintained by the Company.
  15. According to the records of the Company, the Company is regular in depositing with appropriating authorities undisputed statutory dues including Provident Fund, Investor education protection fund, Employees State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Custom Duty, Excise - Duty, profession tax, Cess applicable to it. However, in respect of Provident Fund, Employees State Insurance, Tax Deducted at Source and Sales Tax there have been delays during the year. The company has not deducted the Tax deducted at source amount to Rs.37.13 lakhs (Previous year Rs.32.05 lakhs) cumulative for the year Rs.107.07 lakhs (Previous Year Rs. 69.94 lakhs).
  16. Based on our audit procedures and on the information and explanations given by the management, we furnish below the details of dues of sales tax / income tax / customs duty/ wealth Tax / service Tax / sales Tax / customs duty / excise Duty / cess which have not been deposited on account of disputes.

Sl. No.	Name of the statute	Nature of dues	Amount in Rs.	Forum where dispute is pending
1.	CST	Additional Sales	1,86,08,794/-* 2000-01 & 2001-02	High Court of Chennai
2.	Customs Act	Difference in Classification of Telecommunication Grade Optical Fibre Cables	31,55,226/- 2006-07	Commissioner of Customs, Chennai

\* Rs.75, 00,000/- had been deposited against the demand.

17. The accumulated losses of the company at the end of the financial of year are more than 100% of its net worth. The company has not incurred Cash losses during the year. However, the company has incurred Cash losses in the year immediately preceding the year covered by this report.
18. During the course of our examination of the books of account and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the company, noticed or reported during the year, nor have been informed of such case by the management.

For **N.SANKARAN & CO.**  
CHARTERED ACCOUNTANTS

**(R.SUNDARARAJAN FCA)**

Place : Chennai  
Date : 28.05.2010

Partner  
Membership No: 25762  
FIRM REGN NO.03590S

## TAMILNADU TELECOMMUNICATIONS LIMITED

### BALANCE SHEET

(Amounts in Rupees)

	Schedule No.	As at 31st March, 2010		As at 31st March, 2009	
<b>SOURCES OF FUNDS</b>					
Shareholders' funds					
Share Capital	1	226,602,000		226,602,000	
Reserves & Surplus	2	9,978,800		10,185,600	
			236,580,800		236,787,600
Loan funds					
Secured loans	3	391,970,475		375,582,641	
			391,970,475		375,582,641
Deferred Tax Liability (Net)	4		-		-
Total			628,551,275		612,370,241
<b>APPLICATION OF FUNDS</b>					
Fixed Assets					
Gross Block	5	393,222,835		373,443,055	
Less: Depreciation		230,753,096		207,486,155	
Net Block			162,469,739		165,956,900
Capital Work-in-progress			-		-
Current Assets, Loans & Advances					
(a) Inventories	6	109,391,784		158,652,502	
(b) Sundry Debtors	7	256,292,968		143,649,501	
(c) Cash & Bank Balances	8	9,052,093		6,170,944	
(d) Loans & Advances	9	38,699,525		43,746,764	
			413,436,370		352,219,711
Less: Current Liabilities & Provisions					
(a) Liabilities	10	407,189,869		347,921,507	
(b) Provisions	11	8,363,500		6,837,008	
			415,553,369		354,758,515
Net Current Assets			(2,116,999)		(2,538,804)
Miscellaneous Expenditure	12		340,369		2,129,119
Profit & Loss Account	13		467,858,166		446,823,026
Total			628,551,275		612,370,241
Accounting Policies and Notes on Accounts 24					

Schedules 1 to 13 and 24 form an integral part of this Balance Sheet

As per our Report of even date  
For N.Sankaran & Co.  
Chartered Accountants

for Tamilnadu Telecommunications Ltd.,

R.Sundararajan, FCA  
Partner  
M. No. 25762  
Firm Regn No. 03590S

V.Mohan  
GM(F) cum Co. Secretary

Place : Chennai  
Date : 28.05.2010

M. Sengupta  
Managing Director

B.Elangovan  
Director

## PROFIT AND LOSS ACCOUNT

(Amounts in Rupees)

Particulars	Schedule No.	For the Year ended 31st March, 2010	For the Year ended 31st March, 2009
<b>Income</b>			
Sales (Net of Excise Duty)	14	350,320,087	192,261,456
Increase / (Decrease) in stock of Finished goods/WIP	17	(29,966,038)	24,656,777
Sub-total : Income from Manufacturing Operations		320,354,049	216,918,233
Other Income	15	10,430,495	7,965,686
Total ( 1 )		330,784,544	224,883,919
<b>Expenditure</b>			
Raw Materials and Packing Materials consumed	16	233,954,155	182,226,571
Employees' Remuneration & Benefits	18	25,884,261	21,654,497
Manufacturing & other expenses	19	33,418,467	24,737,945
Loss / (Gain) on Foreign Exchange Rate Fluctuation		(5,550,707)	10,632,628
Profit/(Loss) before interest and Depreciation		43,078,368	(14,367,722)
Finance Charges	20	38,690,319	29,161,784
Profit/(Loss) after interest but before Depreciation		4,388,049	(43,529,506)
Depreciation	21	23,921,765	22,537,447
Amortization of VSS Expenditure	21a	1,788,750	5,194,346
Total ( 2 )		352,107,010	296,145,218
Profit / (Loss) (1-2)		(21,322,466)	(71,261,299)
Prior Period Expenditure / (income)	22	(287,326)	6,224,677
Add : Extraordinary Items / Profit on sale of Asset (Net)	23	-	3,159,337
Profit / (Loss) before tax		(21,035,140)	(74,326,639)
Provision for Fringe Benefit Tax		-	206,008
Provision for taxation / Taxation Refund of earlier years		-	-
Deferred Tax Adjustment		-	-
Profit / (Loss) after tax		(21,035,140)	(74,532,647)
Earning Per Share (Rs.)		(0.93)	(3.29)
Accounting Policies and Notes on Accounts	24		

Schedules 14 to 24 form an integral part of this Profit and Loss Account

As per our Report of even date  
For N.Sankaran & Co.  
Chartered Accountants

for Tamilnadu Telecommunications Ltd.,

R.Sundararajan, FCA  
Partner  
M. No. 25762  
Firm Regn No. 03590S

V.Mohan  
GM(F) cum Co. Secretary

Place : Chennai  
Date : 28.05.2010

M. Sengupta  
Managing Director

B.Elangovan  
Director

## TAMILNADU TELECOMMUNICATIONS LIMITED

### SCHEDULES TO THE BALANCE SHEET

(Amounts in Rupees)

	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE - 1</b>		
Share Capital		
Authorised		
50000000 (previous year 30000000) Equity Shares of Rs. 10 each	500,000,000	300,000,000
Issued		
22665000 Equity shares of Rs. 10 each	226,650,000	226,650,000
Subscribed and Paid-up		
22665000 Equity shares of Rs. 10 each	226,650,000	226,650,000
Less: Allotment money unpaid - others	(48,000)	(48,000)
	226,602,000	226,602,000
<b>SCHEDULE - 2</b>		
Reserves and Surplus		
Capital Reserve (Special State Capital Subsidy)		
Balance at the beginning of the year	345,600	552,400
Transferred to P & L Account	(206,800)	(206,800)
	138,800	345,600
General Reserve		
Balance at the beginning of the year	-	-
Less : Additions during the year	-	-
Share Premium	9,840,000	9,840,000
	9,978,800	10,185,600
<b>SCHEDULE - 3</b>		
Secured Loans		
i) Term loan		
- State Bank of India	21,249,550	21,249,550
- PNB (TIIC Swap loan)	8,120,000	8,120,000
ii) Working Capital & Funded Interest Term Loans	110,340,011	110,340,012
iii) Working Capital Loans from Banks	131,077,270	131,077,270
Interest payable - SBI	1,500,394	1,500,394
Term Loan from TCIL ( TIIC swap loan)	76,504,117	76,504,117
Interest payable - TCIL - TIIC swap	43,179,133	26,791,298
	391,970,475	375,582,641
<b>SCHEDULE - 4</b>		
Deferred Tax (Net)	-	-
Opening Balance	-	-
Add: Provided during the year	-	-
Less: Adjustment for the year	-	-
Total	-	-

## SCHEDULE 5

(Amounts in Rupees)

DESCRIPTION	GROSS BLOCK			DEPRECIATION					NET BLOCK		
	As at 01.04.2009	Additions	Deletions	As at 31.03.2010	Depreciation upto 31.03.2009	Depreciation prior period	For the Year	Withdrawn / Adjusted	Depreciation up to 31.03.2010	Net Block As at 31.03.2010	Net Block As at 31.03.2009
FREEHOLD LAND											
- TN GOVT	5,860,258	19,969,269		25,829,527	0				0	25,829,527	19,776,163
- CMDA	13,915,905			13,915,905	0				0	13,915,905	0
BUILDING	33,183,213			33,183,213	9,510,209		1,108,242		10,618,451	22,564,762	23,673,004
PLANT & MACHINERY AND ELECTRICAL INSTALLATIONS	316,854,810	368,471		317,223,281	195,643,324	(18,516)	22,594,126		218,218,934	99,004,347	121,211,486
OFFICE EQUIPMENTS	596,127	44,115		640,242	300,995		42,288		343,283	296,959	295,132
FURNITURE & FIXTURES	771,875	3,000		774,875	476,740		27,088		503,828	271,047	295,135
VEHICLES	1,580,268		652,472	927,796	1,038,846		97,302	636,297	499,851	427,945	541,422
EDP EQUIPMENT	680,596	47,400		727,996	516,030		52,719		568,749	159,247	164,565
Total	373,443,052	20,432,255	652,472	393,222,835	207,486,144	(18,516)	23,921,765	636,297	230,753,096	162,469,739	165,956,907
Previous year	352,012,981	23,559,009	2,128,938	373,443,052	186,644,610	64,850	22,537,447	1,760,763	207,486,144	165,956,907	165,368,370

	As at 31st March, 2010	As at 31st March, 2009
<b>Current Assets, Loans &amp; Advances</b>		
<b>SCHEDULE - 6</b>		
(a) Inventories		
Rawmaterials	54,004,212	73,209,956
Work-in-progress	52,424,858	82,390,896
Scrap	248,033	111,211
Stores, Tools and Spares	2,714,681	2,940,439
	109,391,784	158,652,502
<b>SCHEDULE - 7</b>		
(b) Sundry Debtors		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	132,585,266	95,176,638
Less: Provision for Doubtful Debts	(22,023,966)	(22,023,966)
	110,561,300	73,152,672
Other Debts	145,731,668	70,496,829
	256,292,968	143,649,501
<b>SCHEDULE - 8</b>		
(c) Cash and Bank Balances		
Cash on hand	27,693	11,412
Balances with Scheduled Banks		
- in current accounts	3,818,740	1,272,005
- in Margin Money Deposit accounts	5,205,660	4,887,527
- in fixed deposit	-	-
	9,052,093	6,170,944

## TAMILNADU TELECOMMUNICATIONS LIMITED

### SCHEDULES TO THE BALANCE SHEET

(Amounts in Rupees)

	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE - 9</b>		
(d) Loans and Advances (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	11,534,978	9,193,396
Balances with Excise and other govt. departments	27,164,547	34,553,368
	<b>38,699,525</b>	<b>43,746,764</b>
<b>Current Liabilities &amp; Provisions</b>		
<b>SCHEDULE - 10</b>		
(a) Liabilities		
Acceptances		
Sundry Creditors		
- Trade	-	-
- Total Dues to Micro, Small & Medium Enterprises	-	-
- Total Dues of other than Micro, Small & Medium Enterprises	35,998,610	31,142,512
- Extended Supplier Credit by M/s TCIL	301,168,638	276,489,503
- Others	42,388,672	33,119,921
Others Liabilities	27,633,949	7,169,606
Unclaimed Dividend	-	-
	<b>407,189,869</b>	<b>347,921,507</b>
<b>SCHEDULE - 11</b>		
(b) Provisions		
Provision for Fringe Benefit Tax	-	206,008
Provision for EL Encashment	2,532,000	1,994,000
Provision for Gratuity	5,828,000	4,637,000
Provision for Bonus	3,500	-
	<b>8,363,500</b>	<b>6,837,008</b>
<b>SCHEDULE - 12</b>		
Miscellaneous Expenditure (to the extent not written off or adjusted)		
Deferred Revenue Expenditure - VSS		
Balance at the beginning of the year	2,129,119	7,323,465
Add: Incurred during the year	-	-
	<b>2,129,119</b>	<b>7,323,465</b>
Less: Transferred to Profit & Loss Account	<b>(1,788,750)</b>	<b>(5,194,346)</b>
	<b>340,369</b>	<b>2,129,119</b>
<b>SCHEDULE - 13</b>		
Profit and Loss A/c		
Balance at the beginning of the year	446,823,026	372,290,379
Add : (Profit) / Loss during the period / year	21,035,140	74,532,647
	<b>467,858,166</b>	<b>446,823,026</b>



## SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Amounts in Rupees)

	For the year ended 31st March, 2010	For the year ended 31st March, 2009
<b>SCHEDULE - 14</b>		
Sales		
Sale of Cables - Exports	12,849,416	557,660
Sale of Cables - Domestic	366,491,620	214,012,818
Sale of Scrap	853,240	491,428
Gross Sales	380,194,276	215,061,906
Less: Excise Duty (including Cess)	29,874,189	22,800,450
Sales (Net)	350,320,087	192,261,456
<b>SCHEDULE - 15</b>		
Other Income		
Interest	454,809	225,249
(Tax Deducted at Source from Interest Income - Rs. 0.71 Lakhs; Pvs Year 0.46 Lakhs)		
Interest on Income Tax Refunds	-	-
Insurance Claim	72,479	-
Depreciation provision to the extent written back	206,800	206,800
Export Incentives	105,967	26,941
Profit on sale of assets	86,148	-
Miscellaneous Income	61,913	123,550
Freight reimbursement provision claimed	9,442,379	5,927,656
Gain on Exchange	-	-
Excess Provisions Written Back	-	1,455,490
	10,430,495	7,965,686
<b>SCHEDULE - 16</b>		
Materials Consumed		
Rawmaterial Consumed	233,954,155	182,226,571
	233,954,155	182,226,571
<b>SCHEDULE - 17</b>		
Decrease/(Increase) in Stock of Finished goods / WIP		
(a) Opening Stock:		
Work in progress	82,390,896	57,734,119
(b) Closing Stock:		
Work in progress	52,424,858	82,390,896
Decrease/(Increase) in Stock of Finished goods / WIP	29,966,038	(24,656,777)

## TAMILNADU TELECOMMUNICATIONS LIMITED

### SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Amounts in Rupees)

	For the year ended 31st March, 2010	For the year ended 31st March, 2009
<b>SCHEDULE - 18</b>		
Employees' Remuneration & Benefits		
Salaries, Wages, Allowances and Perquisites	21,888,805	18,080,416
Company's contribution to Provident fund and other funds	3,255,133	2,915,728
Welfare Expenses	740,323	658,353
	25,884,261	21,654,497
<b>SCHEDULE - 19</b>		
Manufacturing & Other Expenses		
Power and Fuel	12,626,177	7,654,925
Stores, Tools and Spares	551,074	335,981
Rent	117,312	112,278
Insurance	217,803	234,545
Licences, Fees & taxes	1,749,559	402,211
Printing & Stationery	460,013	446,636
Postal & Telecommunications	403,820	443,634
Travelling & Conveyance	1,232,887	1,385,489
Repairs & Maintenance - Plant & Machinery	828,936	1,555,048
- Buildings	59,936	22,648
- Others	210,841	330,059
Advertisement	-	7,200
Auditors' Remuneration - for Statutory Audit fee	30,000	30,000
Upkeep Charges	331,318	331,965
Professional and Consultancy Charges	1,183,011	1,061,934
Security Charges	448,401	422,824
Product Type Approval Charges	863,995	1,168,498
Miscellaneous Expenses	9,089,105	6,872,720
Selling Expenses and Commission	3,014,279	1,919,350
Provision for Slow Moving Stocks and Spares	-	-
	33,418,467	24,737,945
Loss / (Gain) on Foreign Exchange Rate Fluctuation	(5,550,707)	10,632,628
<b>SCHEDULE - 20</b>		
Finance Charges		
Interest on Term Loans	16,387,835	14,143,902
Interest on Working Capital Loans	-	-
Bank Commission & Charges	22,302,484	15,017,882
	38,690,319	29,161,784

## SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Amounts in Rupees)

	For the year ended 31st March, 2010	For the year ended 31st March, 2009
<b>SCHEDULE - 21</b>		
Depreciation		
Depreciation	23,921,765	22,537,447
<b>SCHEDULE - 21a</b>		
Amortization		
VSS (Amortized - Charge to P & L)	1,788,750	5,194,346
<b>SCHEDULE - 22</b>		
<b>PRIOR PERIOD ITEMS (NET)</b>		
<b>Prior Period Income</b>		
Sales	-	-
Other Income	(66,014)	-
<b>Prior Period Expenses</b>		
Materials Consumed	98,530	85,706
Employees' Remuneration & Benefits	210,907	399,381
Manufacturing & Other expenses	(398,182)	1,374,740
Finance Charges	-	-
Depreciation	(18,516)	64,850
Miscellaneous Expenses	(114,051)	-
Liquidated Damages	-	4,300,000
	(287,326)	6,224,677
<b>SCHEDULE - 23</b>		
<b>PROFIT ON SALE OF ASSET</b>		
Profit on sale of assets	-	3,159,337
Profit on sale of asset (net)	-	3,159,337
Fringe Benefit Tax (P&L)	-	206,008

## TAMILNADU TELECOMMUNICATIONS LIMITED

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### Schedule – 24

Significant Accounting Policies and Notes on Accounts annexed to and forming part of the accounts for the year ended 31st March 2010.

#### 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.

**II. Notes on Accounts**

1. During the year the Company has increased its Authorised Share Capital from Rs. 30 crores to Rs. 50 crores consisting 50000000 Equity shares of Rs. 10 each, as approved in the AGM conducted on 30th September 2009.
2. Secured Loans
  - a. Term Loans from State Bank of India and Punjab National Bank, working capital Term loans and Funded Interest Term Loans from Consortium of Bankers comprising of State Bank of India, Andhra Bank and Punjab National Bank are secured by way of equitable mortgage of land and factory building at Maraimalai Nagar and hypothecation of Fixed Assets at Maraimalai Nagar .
  - b. Working Capital Loans from banks are in the form of Cash Credit, bills paid by banks under Letters of credit and External Commercial Borrowings. They are secured by way of hypothecation of Raw Materials, Work-in-progress, Finished Goods, Book Debts and Spares and also by way of Second charge on the Fixed Assets of the Company.
  - c. Term loan from M/s. Telecommunications Consultants of India Limited (TCIL) is secured by way of second charge on Fixed Assets and Current Assets of the Company, on pari-passu basis with Consortium Banks.
  - d. During the year 2004-05, based on the approval of the CDR cell the lenders had restructured the loans including reduction in the interest rates. But the accounts have become irregular during the year 2007-08 due to industry reasons and company being in the phase of revival.
3. The Accumulated losses of the company had exceeded its net worth. The Board for Industrial and Financial Reconstruction (BIFR), vide its order dated 16.05.2006, formed the view that the company had fully eroded its net worth and accordingly appointed State Bank of India (SBI) as Operating Agency (OA) under Section 17(3) of SICA for formulating Revival Scheme. However, the company is striving hard to improve the operational and economic performance of the unit. The methods include restructuring the operations, cost control, One-time-settlement / corporate debt restructuring through BIFR and other measures. This would result in significant improvement and turnaround in due course. Based on above the OA has submitted the final DRS of the Company to BIFR on 05.02.2010. After evaluation BIFR has published the scheme in newspaper for Suggestions / objections giving a period of 60 days. Approval of the scheme is expected very shortly. In view of the foregoing, the accounts have been prepared on going concern basis.
4. 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, creditors, Loans and advances (other than TCIL) are subject to confirmation.
5. No provision is made for certain long pending debtors Rs. 3.52 crores (previous year Rs. 3.52 crores) 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.
6. a. Special State Capital Subsidy of Rs.20 lakhs received during the year 2001-02 from Government of Tamilnadu towards capital outlay of Optical Fiber Project at Maraimalai Nagar is treated as Capital Reserve.

## TAMILNADU TELECOMMUNICATIONS LIMITED

- b. Proportionate depreciation of Rs. 206,800 on the assets acquired thereon is being credited to profit and loss account every year.
7. The company, as a measure of cost control, implemented Voluntary Separation Scheme (VSS) for its employees till 2006-07 and the unadjusted balances at the beginning of the year was Rs. 21.29 Lakhs. One-fifth portion of the total VSS amount has been charged as expense of this year (Rs. 17.89 lakhs). Remaining portion of Rs. 3.40 Lakhs is considered under Deferred Revenue Expenditure to be amortized in the succeeding year.
8. Land: In respect of the OFC project at Maraimalai Nagar, the Land has been capitalized based on the possession certificate and lease cum sale agreement of Govt of Tamil Nadu and CMDA respectively. The sale deed for CMDA land has been executed during 2006-07. But the sale deed of the Tamil Nadu Govt land measuring about 2.98 hectares is yet to be finalized. For this land, as per the Government GO dated 23/10/2001, the compensation was fixed at Rs. 6975 per cent in the year 1995. As per the order dated 06.09.2008 with subsequent appreciation of nominal value at 12% p.a. the value has been worked out and accounted during the year in the books of account.
9. (i) Company has pursued the banks for one-time-settlement with the cut-off-date 31.3.2007. Though consortium banks have approved the proposal the final DRS submitted to BIFR is awaiting final approval. In view of this, interest for the year Rs. 297 lakhs on bank loans including cash credit has not been provided ( previous year Rs. 346 lakhs). Cumulative interest as on 31.03.2010 not provided is Rs. 957 Lakhs (previous year Rs. 660 Lakhs)
- (ii) The interest amounts set off by the banks out of cash credit or margin amounts during the year and the excess of past years over and above the interest rate approved by CDR Empowerment Committee have been accounted as dues receivable from banks (Rs. 46.72 lakhs) under Loans and Advances which will be adjusted when DRS is finally approved by BIFR.
10. 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:

Particulars	Rs. in Lakhs	
	2009-10	2008-09
Employer's Contribution to Provident Fund	12.65	10.92
Employer's Contribution to Pension Scheme	5.08	5.83

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 network 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:

in Rs. Lakhs

Particulars	Gratuity Plan	
	2009-10	2008-09
Projected benefit obligation, beginning of the year	46.37	36.38
Service Cost	4.18	3.72
Interest cost	3.59	2.82
Actuarial (gain)/loss	6.89	3.45
Benefits paid	2.75	-
Projected benefit obligation, end of the year	58.28	46.37

- b) Change in plan assets – Unfunded  
 c) Reconciliation of present value of the obligation :

in Rs. Lakhs

Particulars	2009-10	2008-09
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	58.28	46.37
Liability recognized in the balance sheet	58.28	46.37

- d) Gratuity cost for the year ended March 31 2010

in Rs. Lakhs

Particulars	Gratuity Plan 2009-10	Gratuity Plan 2008-09
Service cost	4.18	3.72
Interest cost	3.59	2.82
Expected return on plan assets	Nil	Nil
Actuarial (gain)/loss	6.89	3.45
Net cost	14.66	9.99
Actual return on plan assets	Nil	Nil

Particulars	2009-10	2008-09
Discount rate	7.75%	7.75%
Salary escalation rate	4%	4%
Estimated rate of return on plan assets	Not Applicable	Not Applicable

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.

11. (1) Estimated value of contracts yet to be executed on account of capital work not provided for is NIL. (Previous year Rs. Nil).

(2) Amount Payable/receivable in Foreign Currency (Unhedged) on account of the following :

Particulars	As on 31st March 2010		As on 31st March 2009	
	Rupees in lakhs	Foreign currency	Rupees in lakhs	Foreign Currency
Direct import Creditors	86.53	USD 191690	97.77	USD 191690
Import Creditors through TCIL	583.70	USD 1285670.69	438.35	USD859428
Export Debtors	68.32	USD 151341.53	3.22	USD 6315

12. In respect of balances with scheduled Banks in Margin Money Deposit Accounts amounting to Rs. 51.91 lakhs (previous year Rs. 48.87 lakhs), the deposit receipts are under lien against Letter of Credit and Bank Guarantee to Bank.

## TAMILNADU TELECOMMUNICATIONS LIMITED

### 13. Taxation :

- 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 profits in the future as the final DRS submitted to BIFR is awaiting approval. Similarly, for the same reason, certain other provisions made in the earlier years have been ignored for creation of deferred tax asset. The losses and carried forward depreciation under the tax laws have been ignored for creating the deferred tax asset considering that there is no virtual certainty of the company making profits in the future as the final DRS submitted to BIFR is awaiting approval. 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.

### 14. Earnings per share :

	2009-10	2008-09
Earnings per share (in Rs.)	(0.93)	(3.29)
No. of shares used in computing weighted average EPS	22665000	22665000

### 15. Contingent Liability

- a. On account of Guarantees issued by Banks outstanding as at March 31, 2010 is Rs. 337.44 lakhs (Previous year Rs. 492.99 lakhs) out of which Rs. 320.78 lakhs (previous year Rs. 375.04 lakhs) pertain to the banks other than that of consortium banks.
- b. Commercial Tax Department had demanded a sum of Rs.186.09 lakhs 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.75 lakhs 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. Relief / exemption requested in the DRS submitted to BIFR.
- c. The Sales Tax department has demanded a sum of Rs. 22.95 lakhs 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. Govt. has exempted "C" forms in respect of inter-state sales to BSNL / MTNL. The company has represented to the Department. The company has also referred the matter to BSNL / MTNL. Relief / exemption requested in the DRS submitted to BIFR.
- d. The Customs Authority has demanded an amount of Rs. 31.55 lakhs 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 dropping the proceedings.

### 16. Managerial Remuneration :

Particulars of Managerial Remuneration of Managing Director Shri M. Sengupta

( Rs. In lakhs )

Particulars of Remuneration	2009-10	2008-09
(i) Salary and allowances	12.61	6.83
(ii) Medical Reimbursement	0.50	0.42

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, on payment of Rs.250/- per month.

17. Dividend paid to Non-resident shareholder(s) : Nil ( last year Nil )
18. The company has no long term operating lease. No financial lease has been availed during the year.
19. A demand was raised by Income Tax Department towards tax to be deducted at source on Royalty amounting to Rs.25.41 lakhs (for the years 2000-01 & 2001-02). The company, has however, paid the entire amount of demand. Out of which Rs. 21.94 lakhs is kept as recoverable in Loans and Advances. Appeal for the above is pending in the Tribunal. Relief / exemption requested in the DRS submitted to BIFR.
20. Figures of previous year have been regrouped / rearranged, wherever necessary, to conform to the current year's classification.



**III. PARTICULARS OF CAPACITIES, PRODUCTION ETC.**

## 1. Particulars of Capacities

Product	UoM	Installed Capacity 2009-10	Installed Capacity 2008-09	Actual Production 2009-10	Actual Production 2008-09
Optical Fibre Cables (i) in terms of Cable Length (of 24 F Unarmoured (previous year 12F Unarmoured)	RKM	20220	20220	6714	6451
(ii) in terms of Fibre length	FKM	485280	242640	330887	166089
Legend: RKM - Running Kilometer; FKM – Fibre Kilometer.					

## 2. Expenditure in Foreign Currency ( on payment basis ) ( Rs. In lakhs )

Particulars	2009-10	2008-09
Import of Raw Materials & Spares	13.43	22.71

## 3. Earnings in Foreign Exchange ( on realization basis ) ( Rs. In lakhs )

Particulars	2009-10	2008-09
FOB Value of Export	36.73	30.33

## 4. Value of Imports during the year – CIF Basis ( Rs. In lakhs )

Item	Value	
	2009-10	2008-09
Capital Goods	3.35	-
Raw Materials	18.81	15.71
Stores & Spares	6.40	7.00
Consumables	-	-

## 5. Raw Materials Consumed : ( Rs. In lakhs )

Item	UoM	Quantity 2009-10	Quantity 2008-09	Value 2009-10 ( Rs. In lakhs )	Value 2008-09 ( Rs. In lakhs )
Fibre	KM	351637	217953	1289.91	783.66
FRP	KM	7019	6063	128.12	112.06
Nylon 12	Kgs	146000	139980	285.67	304.90
HDPE	Kgs	454825	348080	248.31	207.40
Steel Tapes	Kgs	27077	28163	22.57	19.79
Others				364.96	395.27
Total				2339.54	1822.27

## 6. Particulars of Consumption of Imported and Indigenous Raw Materials :

Item	2009-10 Value (Rs. In lakhs )	2009-10 % of Total	2008-09 Value ( Rs. In lakhs )	2008-09 % of Total
Direct Imports	18.81	1%	15.71	1%
Imports thro' TCIL	1541.25	66%	1333.08	73%
Indigenous	779.48	33%	473.48	26%
Total	2339.54	100%	1822.27	100%

## TAMILNADU TELECOMMUNICATIONS LIMITED

7. Particulars of Production, Sales and Stocks held :

Item	2009-10 ( in FKM )	2008-09 ( in FKM )
Opening Stock	-	-
Production ( Net of semi-finished / work-in-progress)	332072	162768
Closing Stock	-	-
Sales	332072	162768

8. Sales Value ( Gross of Excise Duty ) ( Rs. In lakhs )

Item	2009-10	2008-09
Optical Fibre Cables	3793.41	2145.70
Others	8.53	4.92
Total	3801.94	2150.62

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 - Shri. M. Sengupta, Managing Director

a. Transaction with Related Parties : ( Rs. In Lakhs )

Name of the Transaction	Associate Companies				Key Management Personnel	
	M/s. Fujikura Ltd. Japan		Ms. TCIL New Delhi		2009-10	2008-09
	2009-10	2008-09	2009-10	2008-09		
01. Sale of Cable	-	-	3938.49	1902.45	-	-
02. Purchase of Raw Material / Capital Goods	-	0.54	2131.46	2556.46	-	-
03. Managerial Remuneration	-	-	-	-	13.11	7.25
04. Outstanding Balances including supply credits As on 31.03.2010	172.60*	178.47	3084.44	2764.90	-	-
05. Secured Loans as on 31.03.2010	-	-	1196.83	1032.95	-	-

\* Movement in balance is due to exchange rate fluctuation

VI. Segment Reporting: The company's sole business segment is 'Telephone Cables' and the only geographical segment is India. Consequently the need for separate disclosure as required under Accounting Standard – 17 viz. Segment Reporting is not considered relevant.

As per our Report of even date  
For N.Sankaran & Co.  
Chartered Accountants

for Tamilnadu Telecommunications Ltd.,

R.Sundararajan, FCA  
Partner  
M. No. 25762  
Firm Regn No. 03590S

V.Mohan  
GM(F) cum Co. Secretary

Place : Chennai  
Date : 28.05.2010

M. Sengupta  
Managing Director

B.Elangovan  
Director

**CASH FLOW STATEMENT**

(Amounts in Rupees)

SL. NO. DESCRIPTION	for the year ended 31st March 2010	for the year ended 31st March 2009
<b>A. Cash Flow from Operating Activities:</b>		
<b>Net Profit / (Loss) before tax</b>	<b>(21035140)</b>	<b>(74326639)</b>
Adjustments for		
<b>Add:</b> - Depreciation	23921765	22537447
- Depreciation of previous years	(18516)	64850
- Interest & Finance Charges	38690319	29161784
- Extraordinary items	(268810)	6159827
- Exchange Rate Fluctuations - Loss / (Gain)	(5550707)	10632628
- Loss /(profit) on sale/Writeoff fixed assets	(86148)	(3159337)
	35652763	(8929440)
<b>Less:</b>		
- Depreciation writtenback	206800	206800
- Interest/Dividend Received	454809	225249
- Profit on sale of Investments	-	-
<b>Operating Profit before Working Capital changes</b>	<b>34991154</b>	<b>(9361489)</b>
Adjustments for - Trade & Other Receivables	(107596236)	(5891018)
- Inventories	49260718	(51423330)
- Trade Payables and other liabilities	60794854	111968966
<b>Cash generated from Operations</b>	<b>37450490</b>	<b>45293129</b>
Income Tax	-	206008
<b>Cash Flow before extraordinary items</b>	<b>37450490</b>	<b>45087121</b>
Extraordinary items	268810	(6159827)
Exchange Rate Fluctuations - (Loss) / Gain	5550707	(10632628)
Deferred Expense - VSS	1788750	5194346
Profit on sale of assets	-	-
<b>Net Cash from Operating Activities- A</b>	<b>45058757</b>	<b>33489012</b>
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	(20432255)	(23559009)
Sale of Fixed Assets	102323	3527508
Purchase of Investments (net of sale)	-	-
Interest/Dividend Received	454809	225249
<b>Net Cash from /(used) in Investment Activities -B</b>	<b>(19875123)</b>	<b>(19806252)</b>
<b>C. Cash Flow from Financing Activities:</b>		
<b>Unpaid Allotment money received</b>		
Increase / (Repayment) of Long Term Borrowings	16387834	14558426
Interest Paid	(38690319)	(29161784)
Dividends Paid	-	-
Dividend Tax	-	-
<b>Net Cash used in Financing Activities-C</b>	<b>(22302485)</b>	<b>(14603358)</b>
<b>Net (decrease)/Increase in Cash Equivalents (A+B+C)</b>	<b>2881149</b>	<b>(920597)</b>
Cash & Cash Equivalents as at 1st April, 2009 (Opening Balance)	6170944	7091541
<b>Cash &amp; Cash Equivalents as at 31st March, 2010 (Closing Balance)</b>	<b>9052093</b>	<b>6170944</b>

Notes : Cash &amp; Cash Equivalents represent bank balance

V. Mohan  
GM (F) cum Co. SecretaryM. Sengupta  
Managing DirectorB. Elangovan  
Director**Auditor's Certificate**

The above Cashflow Statement has been compiled from and is based on the audited accounts of Tamilnadu Telecommunications Ltd for the year ended 31st March 2010 reported by us on 28.05.2010. Accordingly to the informations and explanations given, the aforesaid Cashflow Statement has been prepared pursuant to clause 32 of the listing agreement.

For **N.Sankaran & Co.**  
**Chartered Accountants**  
R.Sundararajan, FCA  
Partner  
M. No. 25762  
Firm Regn No. 03590S

Place : Chennai  
Date : 28.05.2010

# TAMILNADU TELECOMMUNICATIONS LIMITED

## INFORMATION UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

### Balance Sheet Abstract and Company's General Business Profile

I.	Company's Registration Details	
	Registration No.	15705
	State Code	18
	Balance Sheet Date	31st March, 2010
		Amount in Rupees
II.	Capital raised during the year	Nil
	Public issue	Nil
	Rights issue	Nil
	Bonus issue	Nil
	Private Placement	Nil
	Position of Mobilization and Deployment of funds	
	Total Liabilities	1044104644
	Total Assets	1044104644
III.	Sources of funds	
	Paid-up-Capital	226602000
	Reserves & Surplus	9978800
	Deferred Tax (Net)	Nil
	Secured Loans	391970475
	Unsecured Loans	Nil
IV.	Application of funds	
	Net Fixed Assets	162469739
	Investments	Nil
	Net Current Assets	(2116999)
	Miscellaneous Expenditure	340369
	Profit and Loss Account (Dr. balance)	467858166
	Performance of the Company	
	Turnover (Net) (including other income)	330784544
	Total Expenditure	351819684
	Loss before tax	21035140
	Loss after tax	21035140
	Earnings per Share (Rs.)	(0.93)
	Dividend rate (in %)	Nil
V.	Generic name of the principle Products/Services of the company (As per monetary term)	

Item Code	Product Description
8544	Telecommunication Grade Optical Fibre Cables

As per our Report of even date  
For N.Sankaran & Co.  
Chartered Accountants

for Tamilnadu Telecommunications Ltd.,

R.Sundararajan, FCA  
Partner  
M. No. 25762  
Firm Regn No. 03590S

V.Mohan  
GM(F) cum Co. Secretary

Place : Chennai  
Date : 28.05.2010

M. Sengupta  
Managing Director

B.Elangovan  
Director

**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 22<sup>nd</sup> Annual General Meeting of the Company to be held on Tuesday, the 14th day of September 2010 at 3.00 p.m. at the Auditorium at "Russian Cultural Centre", No.74, Kasturi Ranga Road, (adjacent to Hotel Chola Sheraton) Alwarpet, Chennai – 600 018.

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 22<sup>nd</sup> Annual General Meeting of the Company to be held on Tuesday, the 14th day of September 2010 at 3.00 p.m. at the Auditorium at "Russian Cultural Centre", No.74, Kasturi Ranga Road, (adjacent to Hotel Chola Sheraton) Alwarpet, Chennai – 600 018 or at any adjournment thereof.

.....  
Member's Signature

Signed this ..... day of ..... 2010.

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.