

NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of Tamilnadu Telecommunications Limited is scheduled to be held at 03.30 PM on Wednesday, 21st September 2011 in the "Sri Venkata Auditorium" at Bharatiya Vidya Bhavan, No.18-22, East Mada Street (Near Kapaleeswarar Temple), Mylapore, Chennai – 600 004 to transact the following business.

Ordinary Business

01. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2011, 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.B.Elangovan, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint Director in place of Shri. B.Ramakrishnan, who retires by rotation and being eligible, offers himself for re-appointment.

Special Business

04. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY resolution:

"RESOLVED THAT consent of the Company be and is hereby accorded pursuant to the provisions of Section 269,198(4),309,310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act to the appointment of Shri.V.S.Parameswaran, Group General Manager(Wireless Network), Telecommunications Consultants India Limited (TCIL) on deputation as Managing Director of the Company with effect from 15th June 2011 for a period as determined by TCIL on the following terms and conditions:

1) Salary:

Basic Pay Rs.59,990/- p.m in the pay scale as may be admissible from time to time for Officers of similar grade on deputation from TCIL. The Dearness Allowance (DA) on IDA pattern is also payable as admissible for Officers of similar grade on deputation from TCIL. The present DA is 47.20% on above basic.

2) Accommodation:

- a) Leased accommodation provided by the Company on recovery of 10% of the Basic pay per month towards rent
- b) Drawal of House Rent Allowance at the rate as applicable to the Officers of TCIL posted at Chennai, towards rent. Present rate is 30% on basic pay.

MD can exercise the option from (a) or (b) above

3) Motor Car:

The Managing Director is entitled to use the Car with Driver for official use as applicable to the Officers of similar grade on deputation from TCIL.

4) Telephone:

Telephones to be provided at the residence as per the applicable guidelines.

5) Medical Facilities:

The Managing Director is entitled for reimbursement of all actual medical expenses subject to the limit as prescribed for the Officers of GGM cadre in TCIL.

6) Leave Travel Concession:

The Managing Director is entitled to the Leave Travel Concession in line with the rules admissible as per TCIL, and the cost there of will be borne by the Company.

7) Provident Fund:

The Managing Director, being on deputation from TCIL will continue to subscribe to the Contributory Provident Fund of TCIL, with corresponding matching contribution from the Company.

8) Leave Encashment:

The Managing Director is eligible for leave encashment as per the rules of TCIL applicable to his equivalent cadre in TCIL.

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

Place : Chennai
Date : 27.08.2011

V.S.Parameswaran
Managing Director

Notes :

01. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 setting out all material facts concerning the aforesaid special business is annexed hereto.
02. 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.
03. The Register of Members and the Share Transfer Books of the Company will remain closed from 17.09.2011 to 21.09.2011 (both days inclusive) in connection with the Annual General Meeting.

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04. 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.
05. 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.
06. The shareholders may note that the dividend for the financial year ended 31st March 2001 which remain unpaid or unclaimed for a period of 7 years had been already transferred to the Investor Education and Protection Fund established under Section 205C of the Companies Act, 1956.
07. Members are requested to kindly bring their copy of the Annual Report to the Meeting.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No.04

Shri.V.S.Pameswaran has been appointed on deputation from Telecommunications Consultants India Limited (TCIL) as Managing Director in place of Shri.M.Sengupta, with effect from 15th June 2011, for a period as determined by TCIL. The Board of Directors of the Company has approved the appointment of Shri.V.S.Pameswaran as Managing Director of the Company at their meeting held on 28.05.2011 subject to approval of Shareholders.

As the appointment and remuneration of Managing Director requires the approval of Shareholders, the resolution is accordingly proposed.

None of the Directors other than Shri.V.S.Pameswaran shall be deemed to be interested or concerned in respect of the appointment and remuneration as stated in the resolution.

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.B.Elangovan, aged 47 years has been in the Board of the Company since December 2008. He is a Master Degree holder in Mechanical Engineering and has rich technical experience. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies

Name of the Companies	Nature of Interest
Arakkonam Castings & Forgings Ltd	Director
Sakthi Sugars Ltd	Director
Narmathaa Textiles Ltd	Director
Asian Bearing Ltd	Director
Jayamkondam Lignite Power Corporation Ltd	Director
Southern Petrochemicals Industries Corporation Ltd	Director
Tamilnadu Trade Promotion Organisation (Section 25 Company)	Director

02. Shri.B.Ramakrishnan, aged 47 years has been in the Board of the Company since December 2009. He is a Bachelor of Technology and MBA. He has rich technical experience. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies

Name of the Companies	Nature of Interest
SKM Egg Products Export (India) Ltd	Director
Saptharishi Agro Industries Ltd	Director
Tantech Agro Chemicals Ltd	Director
Nilgiris Flower Company Ltd	Director
Intgen Agro Products Ltd	Director
Vishnu Fabrics Private Ltd	Director
Occimum Pharma Private Ltd	Director
Sattva Agro Expo Private Ltd	Director
Devaraj Agro Industries Private Ltd	Director
Golden Jubilee Biotech Park for Women Society	Member

**REPORT OF DIRECTORS AND MANAGEMENT
DISCUSSION & ANALYSIS**

To

The Members

Your Directors present the Twenty Third Annual Report, together with the Audited Accounts of the Company for the year ended 31st March 2011.

Financial Results

	(Rs. in Lakhs)	
	2010-11	2009-10
Net Sales	1364.04	3503.20
Other Income	59.10	104.30
Total Income	1423.14	3607.50
Total Expenditure	1537.25	3191.73
Finance Charges	294.97	386.90
Extraordinary item	--	--
Gross Profit / (Loss) after interest		
before Depreciation & Tax	(409.08)	28.87
Depreciation	238.77	239.22
Provision for Taxation / Deferred Tax	--	--
Net Profit / (Loss)	(647.85)	(210.35)

The net loss after Tax is Rs. 647.85 lakhs against net loss of Rs. 210.35 lakhs made during the previous year.

Review of Operations

During the year under review, the company's sales and other income was 1423.14 Lakhs. The entire turnover of the year is achieved from the Optical Fibre Unit. Overall the market condition of OFC was not encouraging during the year and the order booking status was not as expected. Your company is thriving hard to survive in the price war by implementing various cost-cutting and value engineering measures in the manufacturing operations.

Your Company successfully developed 500 meters span of ADSS cable for Power Sector and 144 fiber dry core type cable for exports.

You are aware that BIFR has issued a Sanctioned Scheme to the Company on 21.07.2010. As per the Sanctioned Scheme the Board of Directors have issued 1,54,32,700 equity shares of Rs.10 each to M/s. Telecommunications Consultants India Limited (TCIL), 42,47,500 equity shares of Rs.10 each to State Bank of India, 20,70,600 equity shares of Rs.10 each to Andhra Bank and 12,65,200 equity shares of Rs.10 each to Punjab National Bank by converting part of the loans into equity. The shares in physical format were issued on 14.09.2010. Out of the bridge loan of Rs.12.50 crores from TCIL as per the Sanctioned Scheme of BIFR, the Company has availed Rs.11.66 crores towards OTS to consortium bankers and towards the Tamilnadu Government land in possession of the Company. With the above restructuring the net worth

has become positive. However during the year the desired results as projected in the Scheme couldn't be achieved due to OFC market conditions.

Market Scenario and Outlook

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

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

During the year under review your company has been able to export Optical Fibre Cables on favourable terms through the Company's promoters, i.e., TCIL for their projects abroad. The optic fibre industry at home is also poised for a period of significant growth and the demand is expected to 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 crude oil price. The competition within OFC business is becoming fierce due to emerging new technologies and frequent new product

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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 B.Elangovan and Shri.B.Ramakrishnan, will retire from the Directorship of the company by rotation and being eligible, offers themselves for re-appointment.

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

Shri N.P.Gupta has been appointed as a Special Director by the Hon'ble Board of Industrial and Financial Reconstruction (BIFR) with effect from 22.09.2010.

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 2011, 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 Practicing Company Secretaries Certificate on compliance with conditions of the Corporate Governance has been attached to form part of the Annual Report.

Energy, Technology and Foreign Exchange.

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

Personnel

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

Human Resources

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

Quality Management Systems

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

Internal Control System

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

Auditors

In terms of Section 619(2) of the Companies Act, 1956, the Comptroller and Auditor General of India (CAG) had appointed M/s. N.Sankaran & Co., Chartered Accountants as the Auditors of the company for the year 2010-11 at a remuneration of Rs. 30,000/- besides reimbursement of travelling 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 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.3.

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.5. No provision is made for an amount of Rs. 365.40 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.4. The loss for the year would have been higher by the said amount and consequential impact in accumulated losses in profit and loss account, reserves and surplus.

No provision is made for Rs.352 lakhs 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. Arbitration is in progress and the decision is expected shortly, hopefully in favour of the Company. Regarding Rs.13.40 lakhs case the Arbitration proceedings are in progress and expected to be in favour of the Company. 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. This is as per the Sanctioned Scheme issued by BIFR. **The maximum amount due during the year and the amount due as at 31st March 2011 was Rs. 1165.73 lakhs.** There are no over dues in this account.

This loan is the recent bridge loans availed as per the Sanctioned Scheme of BIFR under the rehabilitation scheme.

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 due amount as at 31st March 2011 is Rs. 0.42 Lakhs.**

This interest is towards the recent bridge loans availed as per the Sanctioned Scheme of BIFR under the rehabilitation scheme. The interest is being settled in phased manner out of the realizations.

Item No.13 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, Customs Duty, Excise Duty, profession tax, Cess applicable to it. **However TDS of Rs.6.07 lakhs has not been deducted during this year**

Company is remitting regularly PF, ESI, Excise duty, Cess, Service tax, Sales tax, TDS etc., Regarding Rs.6.07 lakhs, this pertains to TDS on interest amount set off by lender against the payable by it to TTL. Due to cash crunch, the company is suffering and is expected to improve in future. **However this TDS amount has been deducted and remitted subsequently.**

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 2011 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
V.S.Parameswaran
Managing Director

Place : Chennai.
Date : 27.08.2011

B. Elangovan
Director

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ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

a) Measure taken for Energy Conservation :

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

During the year Company had exported different types of cables like 12F, 24F, 48F and 96F Optical Fibre Cables to 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)

	2010-11	2009-10
Used	2.29	13.43
Earned	78.80	36.73

FORM A

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

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

FORM B

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

A. Research and Development (R & D)

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

- Designed and developed 500 meters span ADSS Cable
- Designed and developed 144 fiber dry core type cable for exports

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

- The company already produced and supplied 12 Kms of 24 fiber ADSS Cable. The Company could capture sizeable quantity of orders for domestic power sectors
- The company already successfully executed and exported 80 KMs of 144F cable. The company could capture sizeable quantity of export orders in future.

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 obtain Type approval of 24F ADSS OF Cable for Urban area
- To get extended type approval of 24F Armoured OF Cable for Indian Railways
- 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.402,044.00

B. Technology absorption, adaptation and innovation.

- Infrastructure Assessment obtained from BSNL for different types of Optical Fiber Cables viz., 12 Self supporting MF Aerial OF Cable, 24F Self Supporting MF Aerial OF Cable, 48F MF OF Cable, 48F Ribbon OF Cable, 96F Ribbon OF Cable, 144F Ribbon OF Cable, 288F Ribbon OF Cable and 576F Ribbon OF Cable.
- Obtained Type Approval for 24F(UA) G652D Metal free OF Cable.
- Obtained Bulk production clearance for 24F(UA) G652D OF Cable from BSNL

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 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 31.03.2011 is as under :

Category	Name of Directors	Designation	No. of Shares in the Company
Promoter Executive	M. Sengupta	Managing Director	Nil
Promoter Non-Executive	R K Upadhyay	Director	Nil
	K.B. Batra	Director	Nil
	Vimal Wakhlu	Director	Nil
	Dr.(Tmt) S.Revathi	Director	Nil
Non-Executive Independent Directors	B.Elangovan	Director	Nil
	B.Ramakrishnan	Director	Nil
	M.K. Jain	Director	Nil
	N.P.Gupta* (Special Director of BIFR)	Director	Nil

* Shri.N.P.Gupta has been appointed in the Board by the BIFR as Special Director with effect from 22.09.2010

Board Meetings

The Board of Directors met 4 (Four) times during the period 01st April 2010 to 31st March 2011 on the following

dates i.e., 28th May 2010, 14th September 2010, 22nd December 2010 and 31st March 2011(Adjourned for want of quorum and held on 07th April 2011).

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	2	No	6*	-	-
K.B. Batra	3	Yes	6**	1	1
Vimal Wakhlu	Nil	No	2	-	-
S.Revathi	2	No	1	-	-
B.Elangovan	4	Yes	7	2	-
B.Ramakrishnan	1	No	9***	2	-
M .K. Jain	Nil	No	-	-	-
N.P.Gupta	2	No	2	-	-

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 2011 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 and the BIFR nominee Director, no remuneration either by way of sitting fees or in any form is paid to other Directors. To the BIFR nominee Director only sitting fee as approved by the Board and reimbursement of conveyance expenses are paid. As such, there has been no need to constitute a Remuneration Committee.

Audit Committee

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling

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the Board's responsibilities, the audit committee has been re-constituted with the following members:

Mr. K.B.Batra, Member
Mr. B.Elangovan, Chairman cum 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 2010 to 31st March 2011 on the following dates 28.05.2010, 14.09.2010, 22.12.2010, and 31.03.2011.

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

Name of Members	No. of Meetings		
	Category	Held	Attended
Mr. K.B. Batra	Non-Independent Non-Executive	4	3
Mr. B.Elangovan,	Independent, Non-Executive	4	4
Mr.B.Ramakrishnan	Independent, Non-Executive	4	1

Particulars of Managerial Remuneration of Managing Director

(Rs. In Lakhs)

Particulars of Remuneration	2010-11	2009-10
i) Salary and Allowance		
Shri M. Sengupta	15.89	12.61
ii) Medical Reimbursement		
Shri M. Sengupta	0.57	0.50

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.Elangovan, Chairman cum Member
Mr. M. Sengupta, 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 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, Four (4) complaints were received and replied to the satisfaction of shareholders. Outstanding complaints as on 31.03.2011 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 2011.

General Body Meetings

Location and time of the last three Annual General Meetings

Year	Venue	Held On	Time
2007-08	Russian Cultural Centre, No.74,Kasturi Ranga Road, Alwarpet, Chennai-600018	23.12.2008	11.30 A.M.
2008-09	Russian Cultural Centre, No.74,Kasturi Ranga Road, Alwarpet, Chennai-600018	30.09.2009	3.00 P.M
2009-10	Russian Cultural Centre, No.74,Kasturi Ranga Road, Alwarpet, Chennai-600018	14.09.2010	3.00 P.M

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. 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 2010-11, no employee has been denied access to the Audit Committee.

Risk Assessment and Minimization Procedures

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

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

Internal Control System

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

Means of Communication

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

TAMILNADU TELECOMMUNICATIONS LIMITED

Financial Year Calendar (tentative and subject to change
(01.04.2011 to 31.03.2012)

First Quarter Ending 30.06.2011	12th August 2011
Second Quarter Ending 30.09.2011	Between 01st and 14th November 2011
Third Quarter Ending 31.12.2011	Between 01st and 14th February 2012
Audited Yearly Results	Between 15th May and 30th May 2012
AGM for 2011-12	During Sep. 2012

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 : 21.09.2011

Time : 03.30 P.M

Venue : Bharatiya Vidya Bhavan
"Sri Venkata Auditorium",
No.18-22, East Mada Street (Near
Kapaleeswarar Temple),
Mylapore, Chennai – 600 004

B. Book Closure Date : From 17.09.2011 to 21.09.2011

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

D. Dividend : Nil

E. Listing of Shares :

The shares of the company are listed at The Bombay Stock Exchange Limited, Mumbai and the National Stock Exchange of India Limited, Mumbai. For the additional shares allotted to TCIL, SBI, Andhra Bank and PNB as per the Sanctioned Scheme of BIFR, BSE has given 'in principle' approval of listing whereas NSE approval is pending. Listing fees for the financial year 2011-12 have been requested to consider for exemption from both the Stock Exchanges mentioned above with reference to the sanctioned scheme approved by BIFR.

F. Compliance Certificate of the Practicing Company Secretaries

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

G. Stock Code

Trading symbol on the
National Stock Exchange : 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, 2010 to March 31, 2011 are given below :

(Prices in Rupees)

Month	Bombay Stock Exchange			National Stock Exchange		
	High	Low	Volume	High	Low	Volume
April 2010	8.97	7.72	54111	9.00	7.60	31357
May 2010	8.47	7.02	29019	8.50	7.05	48340
June 2010	13.35	7.30	749009	13.50	7.10	1225803
July 2010	15.10	10.01	970074	14.85	9.80	1281959
Aug 2010	10.97	8.51	81073	11.25	8.40	91959
Sep 2010	13.48	8.50	245336	13.55	8.50	249700
Oct 2010	11.15	9.20	103623	11.45	9.25	67197
Nov 2010	10.30	8.25	41951	10.15	8.50	32429
Dec 2010	9.18	7.71	40837	9.70	7.75	60775
Jan 2011	8.49	6.94	22480	8.45	7.05	32592
Feb 2011	7.51	6.31	21137	7.70	6.55	20342
Mar 2011	7.69	6.15	54916	7.35	6.10	27097

Distribution of Shareholding as at 31st March 2011

No. of shares held	No. of Shareholders	% of Share holding	Share Amount (Rs.)	% of Share holding
Upto 500	18726	92.45	26543670	5.81
501-1000	896	4.42	7698870	1.69
1001-2000	334	1.65	5286840	1.16
2001-3000	108	0.53	2759810	0.60
3001-4000	57	0.28	2048880	0.45
4001-5000	44	0.22	2053930	0.45
5001-10000	50	0.25	3612440	0.79
10001 & above	40	0.20	406805560	89.05
Total	20255	100.00	456810000	100.00

Shareholding Pattern as at 31st March 2011

Category	No. of Shares Held	% of Shareholding
1. Promoters		
i) Telecommunications Consultants India Limited	22383700	49.00%
ii) Tamilnadu Industrial Development Corpn. Ltd.,	6684000	14.63%
2. Foreign Collaborator – Fujikura Ltd., Japan	3280000	7.18%
3. Banks, FIs	7689300	16.84%
4. Mutual Funds	2300	0.01%
5. Clearing Member	5975	0.01%
6. Private Corporate Bodies/ Trusts/Partnerships	348225	0.76%
7. Indian Public	5258743	11.51%
8. NRIs	28757	0.06%
Grand Total	45681000	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

As per the Sanctioned Scheme of BIFR, 1,54,32,700 equity shares of Rs.10 each to M/s. Telecommunications Consultants India Limited (TCIL), 42,47,500 equity shares of Rs.10 each to State Bank of India, 20,70,600 equity shares of Rs.10 each to Andhra Bank and 12,65,200 equity shares of Rs.10 each to Punjab National Bank were issued under preferential allotment by converting part of the loans into equity. The shares in physical format were issued on 14.09.2010.

Dematerialization of Shares :

The shares of the company are traded in physical / dematerialized form by all categories of investors. The company has arrangements with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) to establish electronic connectivity of our shares for scrip-less trading. As on 31st March 2011, 24.15 % of total equity capital is held in

Electronic form with NSDL & CDSL. Request for dematerialization of shares are processed and confirmed within 21 days of receipt of NSDL and CDSL.

Address for communication :

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

V. MOHAN

General Manager(Finance) cum Company Secretary and Compliance Officer

Tamilnadu Telecommunications Limited, Corporate Office,
 E18B-E24, CMDA Industrial Complex,

Maraimalai Nagar – 603 209.

Phone: 044-27451095 / 27452406

E-mail ID : ttlcosec@rediffmail.com

Website : www.ttlcfc.in

Plant Location :

Division	Location
Optical Fibre Cable Plant	Maraimalai Nagar.

Insider Trading:

The code of conduct for prevention of Insider Trading as suggested under the SEBI (Prohibition of Insider Trading) Regulations, 1992 introduced with effect from 25.11.2002 is in force. The Company Secretary has been designated as the Compliance Officer for this purpose. The Board monitors the adherence to the various requirements as set out in the code. No violation of the code has taken place during the year.

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

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

a. The Board

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

b. Remuneration Committee

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

c. Shareholder's Rights

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

TAMILNADU TELECOMMUNICATIONS LIMITED

d. Training of Board Members

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

e. Mechanism for evaluating non-executive Board members.

The non-executive Board Members are from TCIL / TIDCO / Dept. Of Telecom and their performance is evaluated by the respective Company / Dept. One non-executive Board Member is a Special Director appointed by BIFR.

Declaration by CEO / MD

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 2011.

V.S.Parameswaran
Managing Director

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

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

- (a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2011 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

V.S.Parameswaran V.Mohan
Managing Director GM(Finance) cum Company Secretary

*Shri.V.S.Parameswaran assumed charge as Managing Director with effect from 15.06.2011

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 2011, 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 : 27.08.2011

M Damodaran
C.P. No.5081

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF TAMILNADU TELECOMMUNICATIONS LIMITED FOR THE YEAR ENDED 31 MARCH 2011.

The preparation of financial statements of Tamilnadu Telecommunications Limited for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28.05.2011.

I, on 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 2011. 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**

**(SUBHASHINI SRINIVASAN)
PRINCIPAL
ACCOUNTANT GENERAL**

**PLACE : Chennai-18
DATE : 30.06.2011**

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 2011**, 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 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.3.**
5. **No provision is made for an amount of Rs. 365.40 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.4. The loss for the year would have been higher by the said amount and consequential impact in accumulated losses in profit and loss account, reserves and surplus.**
6. **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 2011 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 2011;
 - (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**)

Partner

Membership No: 25762

FIRM REGN NO.03590S

Place: New Delhi

Date : 28.05.2011

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(xvi) with regard to term loan and its application, since no term loan is outstanding in the books.
 - h) Clause 4(xix) with regard to securities to be created in respect of debentures since no debentures was issued during the year. And
 - i) 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. This is as per the Sanctioned Scheme issued by BIFR. The **maximum amount due during the year and the amount due as at 31st March 2011 was Rs.1165.73 Lakhs.** There are no over dues in this account.
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 due amount as at 31st March 2011 is Rs.0.42 Lakhs.**
10. 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.
11. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
12. 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.
13. 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 TDS of Rs. 6.07 lakhs has not been deducted during this year**
14. 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 / excise Duty / cess which have not been deposited on account of disputes.

Sl. No.	Name of statute	Nature of the 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.

15. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, short term funds have not been used to finance long term investments. However, during the year bridge loan of Rs.1165.73 lakhs raised and utilised as per the Sanctioned Scheme of BIFR.
16. The Company has issued shares under preferential allotment to a Company covered in the Register maintained under section 301 of the Companies Act, 1956 at face value as per the Sanctioned Scheme of BIFR, and the same is not prejudicial to the interest of the Company.
17. The accumulated losses of the company at the end of the financial year are not more than its net worth after restructuring as per the Sanctioned Scheme of BIFR. The company has incurred Cash losses during the year.
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)
Partner**

**Membership No: 25762
FIRM REGN NO.03590S**

**Place: New Delhi
Date : 28.05.2011**

TAMILNADU TELECOMMUNICATIONS LIMITED

BALANCE SHEET

(Amounts in Rupees)

	Schedule No.	As at 31st March, 2011		As at 31st March, 2010	
SOURCES OF FUNDS					
Shareholders' funds					
Share Capital	1	456,762,000		226,602,000	
Reserves & Surplus	2	107,811,057		9,978,800	
			564,573,057		236,580,800
Loan funds					
Secured loans	3	116,615,317		391,970,475	
			116,615,317		391,970,475
Deferred Tax Liability (Net)	4	-	-	-	-
Total			681,188,374		628,551,275
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	396,080,490		393,222,835	
Less: Depreciation		254,623,697		230,753,096	
Net Block			141,456,793		162,469,739
Capital Work-in-progress		-	-	-	-
Current Assets, Loans & Advances					
(a) Inventories	6	159,189,204		109,391,784	
(b) Sundry Debtors	7	159,589,800		256,292,968	
(c) Cash & Bank Balances	8	359,167		9,052,093	
(d) Loans & Advances	9	39,834,687		38,699,525	
				413,436,370	
Less: Current Liabilities & Provisions					
(a) Liabilities	10	341,481,471		407,189,869	
(b) Provisions	11	10,402,536		8,363,500	
				415,553,369	
Net Current Assets			7,088,851		(2,116,999)
Miscellaneous Expenditure	12		-		340,369
Profit & Loss Account	13		532,642,730		467,858,166
Total			681,188,374		628,551,275
Accounting Policies and Notes on Accounts 23					

Schedules 1 to 13 and 23 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 : New Delhi
Date : 28.05.2011

M. Sengupta
Managing Director

B.Elangovan
Director

PROFIT AND LOSS ACCOUNT

(Amounts in Rupees)

Particulars	Schedule No.	For the Year ended 31st March, 2011	For the Year ended 31st March, 2010
Income			
Sales (Net of Excise Duty)	14	136,403,669	350,320,087
Increase / (Decrease) in stock of Finished goods/WIP	17	24,264,225	(29,966,038)
Sub-total : Income from Manufacturing Operations		160,667,894	320,354,049
Other Income	15	5,910,376	10,430,495
Total (1)		166,578,270	330,784,544
Expenditure			
Raw Materials and Packing Materials consumed	16	123,333,110	233,954,155
Employees' Remuneration & Benefits	18	29,055,195	25,884,261
Manufacturing & other expenses	19	23,721,902	33,418,467
Loss / (Gain) on Foreign Exchange Rate Fluctuation		630,571	(5,550,707)
Profit/(Loss) before interest and Depreciation		(10,162,508)	43,078,368
Finance Charges	20	29,496,814	38,690,319
Profit/(Loss) after interest but before Depreciation		(39,659,322)	4,388,049
Depreciation	21	23,877,130	23,921,765
Amortization of VSS Expenditure	21a	340,369	1,788,750
Total (2)		230,455,091	352,107,010
Profit / (Loss) (1-2)		(63,876,821)	(21,322,466)
Prior Period Expenditure / (income)	22	907,743	(287,326)
Profit / (Loss) before tax		(64,784,564)	(21,035,140)
Provision for taxation / Taxation Refund of earlier years		-	-
Deferred Tax Adjustment		-	-
Profit / (Loss) after tax		(64,784,564)	(21,035,140)
Earning Per Share (Rs.)		(1.42)	(0.93)
Accounting Policies and Notes on Accounts	23		

Schedules 14 to 23 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 : New Delhi
Date : 28.05.2011

M. Sengupta
Managing Director

B.Elangovan
Director

TAMILNADU TELECOMMUNICATIONS LIMITED

SCHEDULES TO THE BALANCE SHEET

(Amounts in Rupees)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE - 1		
Share Capital		
Authorised		
50000000 (previous year 50000000) Equity Shares of Rs. 10 each	500,000,000	500,000,000
Issued		
45681000 Equity shares of Rs. 10 each (previous year 22665000 Equity shares of Rs. 10 each)	456,810,000	226,650,000
Subscribed and Paid-up		
45681000 Equity shares of Rs. 10 each (previous year 22665000 equity shares of Rs.10 each)	456,810,000	226,650,000
Less: Allotment money unpaid - others	(48,000)	(48,000)
	456,762,000	226,602,000
SCHEDULE - 2		
Reserves and Surplus		
Capital Reserve (Special State Capital Subsidy)		
Balance at the beginning of the year	138,800	345,600
Transferred to P & L Account	(138,800)	(206,800)
	-	138,800
Capital Restructuring Reserve	97,971,057	-
General Reserve		
Balance at the beginning of the year	-	-
Less : Additions during the year	-	-
Share Premium	9,840,000	9,840,000
	107,811,057	9,978,800
SCHEDULE - 3		
Secured Loans		
i) Term loan		
State Bank of India	-	21,249,550
PNB (TIIC Swap loan)	-	8,120,000
ii) Working Capital & Funded Interest Term Loans	-	110,340,011
iii) Working Capital Loans from Banks	-	131,077,270
Interest payable - SBI	-	1,500,394
Loan from TCIL - (Bridge Loan / TIIC swap loan)	116,573,000	76,504,117
Interest payable TCIL - (Bridge Loan / TIIC Swap Loan)	42,317	43,179,133
	116,615,317	391,970,475
SCHEDULE -4		
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 01.04.2010	Additions	Deletions	As at 31.03.2011	Depreciation upto 31.03.2010	Depreciation prior period	For the Year	Withdrawn / Adjusted	Depreciation up to 31.03.2011	Net Block As at 31.03.2011	Net Block As at 31.03.2010
FREEHOLD LAND											
- TN GOVT	25,829,527	2,268,159		28,097,686	0				0	28,097,686	25,829,527
- CMDA	13,915,905			13,915,905	0				0	13,915,905	13,915,905
BUILDING	33,183,213			33,183,213	10,618,451		1,108,242		11,726,693	21,456,520	22,564,762
PLANT & MACHINERY AND ELECTRICAL INSTALLATIONS	317,223,281	576,206		317,799,487	218,218,934		22,592,325		240,811,259	76,988,228	99,004,347
OFFICE EQUIPMENTS	640,242	8,790		649,032	343,283	(6,529)	36,645		373,399	275,633	296,959
FURNITURE & FIXTURES	774,875			774,875	503,828		42,771		546,599	228,276	271,047
VEHICLES	927,796			927,796	499,851		45,846		545,697	382,099	427,945
EDP EQUIPMENT	727,996	4,500		732,496	568,749		51,301		620,050	112,446	159,247
Total	393,222,835	2,857,655	0	396,080,490	230,753,096	(6,529)	23,877,130	0	254,623,697	141,456,793	162,469,739
Previous year	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

	As at 31st March, 2011	As at 31st March, 2010
Current Assets, Loans & Advances		
SCHEDULE - 6		
(a) Inventories		
Raw materials	79,958,699	54,004,212
Work-in-progress	76,689,083	52,424,858
Scrap	173,025	248,033
Stores, Tools and Spares	2,368,397	2,714,681
	159,189,204	109,391,784
SCHEDULE - 7		
(b) Sundry Debtors		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	144,647,964	132,585,266
Less: Provision for Doubtful Debts	(22,023,966)	(22,023,966)
	122,623,998	110,561,300
Other Debts	36,965,802	145,731,668
	159,589,800	256,292,968
SCHEDULE - 8		
(c) Cash and Bank Balances		
Cash on hand	2,654	27,693
Balances with Scheduled Banks		
- in current accounts	341,513	3,818,740
- in Margin Money Deposit accounts	15,000	5,205,660
- in fixed deposit	-	-
	359,167	9,052,093

TAMILNADU TELECOMMUNICATIONS LIMITED

SCHEDULES TO THE BALANCE SHEET

(Amounts in Rupees)

	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE - 9		
(d) Loans and Advances (Unsecured, considered good) Advances recoverable in cash or in kind or for value to be received	9,315,579	11,534,978
Balances with Excise and other govt. departments	30,519,108	27,164,547
	39,834,687	38,699,525
Current Liabilities & Provisions		
SCHEDULE - 10		
(a) Liabilities		
Acceptances	-	-
Sundry Creditors - Trade	-	-
- Total Dues to Micro, Small & Medium Enterprises	-	-
- Total Dues of other than Micro, Small & Medium Enterprises	32,928,366	35,998,610
- Extended Supplier Credit by M/s TCIL	266,715,162	301,168,638
- Others	39,722,124	42,388,672
Others Liabilities	2,115,819	27,633,949
Unclaimed Dividend	-	-
	341,481,471	407,189,869
SCHEDULE - 11		
(b) Provisions		
Provision for EL Encashment	3,163,000	2,532,000
Provision for Gratuity	7,235,000	5,828,000
Provision for Bonus	4,536	3,500
	10,402,536	8,363,500
SCHEDULE - 12		
Miscellaneous Expenditure (to the extent not written off or adjusted)		
Deferred Revenue Expenditure - VSS		
Balance at the beginning of the year	340,369	2,129,119
Add: Incurred during the year	-	-
	340,369	2,129,119
Less: Transferred to Profit & Loss Account	(340,369)	(1,788,750)
	-	340,369
SCHEDULE - 13		
Profit and Loss A/c		
Balance at the beginning of the year	467,858,166	446,823,026
Add : (Profit) / Loss during the period / year	64,784,564	21,035,140
	532,642,730	467,858,166

SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Amounts in Rupees)

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
SCHEDULE - 14		
Sales		
Sale of Cables - Exports	13,437,023	12,849,416
Sale of Cables - Domestic	134,862,900	366,491,620
Sale of Scrap	664,857	853,240
Gross Sales	148,964,780	380,194,276
Less: Excise Duty (including Cess)	12,561,111	29,874,189
Sales (Net)	136,403,669	350,320,087
SCHEDULE - 15		
Other Income		
Interest	234,901	454,809
(Tax Deducted at Source from Interest Income - Rs. 0.25 Lakhs; Pvs Year 0.71 Lakhs)		
Interest on Income Tax Refunds	-	-
Insurance Claim	6,180	72,479
Depreciation provision to the extent written back	138,800	206,800
Export Incentives	151,894	105,967
Profit on sale of assets	-	86,148
Miscellaneous Income	83,193	61,913
Freight reimbursement provision claimed	5,295,408	9,442,379
Gain on Exchange	-	-
Excess Provisions Written Back	-	-
	5,910,376	10,430,495
SCHEDULE - 16		
Materials Consumed		
Rawmaterial Consumed	123,333,110	233,954,155
	123,333,110	233,954,155
SCHEDULE - 17		
Decrease/(Increase) in Stock of Finished goods / WIP		
(a) Opening Stock:		
Work in progress	52,424,858	82,390,896
(b) Closing Stock:		
Work in progress	76,689,083	52,424,858
Decrease/(Increase) in Stock of Finished goods / WIP	(24,264,225)	29,966,038
SCHEDULE - 18		
Employees' Remuneration & Benefits		
Salaries, Wages, Allowances and Perquisites	24,500,395	21,888,805
Company's contribution to Provident fund and other funds	3,778,367	3,255,133
Welfare Expenses	776,433	740,323
	29,055,195	25,884,261

TAMILNADU TELECOMMUNICATIONS LIMITED

SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Amounts in Rupees)

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
SCHEDULE - 19		
Manufacturing & Other Expenses		
Power and Fuel	9,272,591	12,626,177
Stores, Tools and Spares	497,146	551,074
Rent	117,945	117,312
Insurance	107,468	217,803
Licences, Fees & taxes	1,000,421	1,749,559
Printing & Stationery	325,224	460,013
Postal & Telecommunications	390,997	403,820
Travelling & Conveyance	1,160,821	1,232,887
Repairs & Maintenance - Plant & Machinery	1,072,044	828,936
- Buildings	24,516	59,936
- Others	442,636	210,841
Advertisement	7,200	-
Auditors' Remuneration - for Statutory Audit fee	30,000	30,000
Upkeep Charges	356,536	331,318
Professional and Consultancy Charges	513,068	1,183,011
Security Charges	446,370	448,401
Product Type Approval Charges	203,251	863,995
Miscellaneous Expenses	5,942,537	9,089,105
Selling Expenses and Commission	1,811,131	3,014,279
	23,721,902	33,418,467
Loss / (Gain) on Foreign Exchange Rate Fluctuation	630,571	(5,550,707)
SCHEDULE - 20		
Finance Charges		
Interest on Term Loans	10,252,406	16,387,835
Interest on Working Capital Loans	-	-
Bank Commission & Charges	19,244,408	22,302,484
	29,496,814	38,690,319
SCHEDULE - 21		
Depreciation		
Depreciation	23,877,130	23,921,765
SCHEDULE - 21a		
Amortization		
VSS (Amortized - Charge to P & L)	340,369	1,788,750

SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Amounts in Rupees)

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
SCHEDULE - 22		
PRIOR PERIOD ITEMS (NET)		
Prior Period Income		
Other Income	(3,677)	(66,014)
Prior Period Expense		
Materials Consumed	-	98,530
Employees Remuneration & Benefits	111,538	210,907
Manufacturing & Other Expenses	559,760	(398,182)
Finance Charges	246,651	-
Depreciation	(6,529)	(18,516)
Miscellaneous Expenses	-	(114,051)
	907,743	(287,326)

TAMILNADU TELECOMMUNICATIONS LIMITED

Schedule – 23

Significant Accounting Policies and Notes on Accounts annexed to and forming part of the accounts for the year ended 31st March 2011.

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. Sanction Scheme issued by BIFR

- a. During the year BIFR has issued a Sanctioned Scheme to the Company and accordingly restructuring has been made in the books of accounts. Rs.1543.27 lakhs loans / credit of M/s. Telecommunications Consultants India Limited (TCIL) have been converted into equity at face value. TCIL has provided Rs.1165.73 lakhs as bridge loan towards settlement of OTS to consortium bankers and for remittance of compensation to the Govt.of Tamil Nadu land.
- b. Part of the loans amounting to Rs.758.33 lakhs of the three consortium bankers viz., State Bank of India, Andhra Bank and Punjab National Bank have been converted into equity at face value. Another part of the loans amounting to Rs. 885.02 Lakhs (Net after adjustment of margin money deposits with interest) settled to the three consortium bankers under OTS and balance loans of Rs. 979.71 Lakhs of the three consortium bankers waived off. The same has been given effect in the books of account. The waived off portion has been treated as "Capital Restructuring Reserve" in the books of account.
- c. After restructuring as per the Sanctioned Scheme of BIFR, the net worth of the Company is more than the accumulated losses and hence the accounts have been prepared on going concern basis.

2. Secured Loans

Bridge loan from TCIL is secured on all the fixed assets as well as current assets of the Company as at present existing and to be acquired in future. The formalities for creation of charge are being carried out.

3. 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.

4.
 - a. 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.
 - b. No provision is made for Rs. 13.40 lakhs due from IRCON which is under arbitration. Arbitration proceedings in progress.
5.
 - 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.
 - b. Proportionate depreciation of Rs. 206,800 on the assets acquired thereon was being credited to profit and loss account every year. During the year balance depreciation of Rs.138,800 has been credited to profit and loss account and fully adjusted.

TAMILNADU TELECOMMUNICATIONS LIMITED

6. 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. 3.40 Lakhs. Entire Rs.3.40 Lakhs has been adjusted during the year.
7. 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. During the year, compensation for the Govt. of Tamil Nadu land measuring about 2.98 hectares has been remitted out of the bridge loan received from TCIL, and the Land Delivery Order is awaited from the Govt. of Tamil Nadu.
8. 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:

Rs. in Lakhs

	2010-11	2009-10
Employer's Contribution to Provident Fund	15.43	12.65
Employer's Contribution to Pension Scheme	5.03	5.08

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 networth 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 2010-11	Gratuity Plan 2009-10
Projected benefit obligation, beginning of the year	58.28	46.37
Service Cost	4.75	4.18
Interest cost	4.52	3.59
Actuarial (gain)/loss	4.79	6.89
Benefits paid	-	2.75
Projected benefit obligation, end of the year	72.34	58.28

b) Change in plan assets – Unfunded

c) Reconciliation of present value of the obligation :

in Rs. Lakhs

	2010-11	2009-10
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	72.34	58.28
Liability recognized in the balance sheet	72.34	58.28

d) Gratuity cost for the year ended March 31 2011

in Rs. Lakhs

Particulars	Gratuity Plan 2010-11	Gratuity Plan 2009-10
Service cost	4.75	4.18
Interest cost	4.52	3.59
Expected return on plan assets	Nil	Nil
Actuarial (gain)/loss	4.79	6.89
Net cost	14.06	14.66
Actual return on plan assets	Nil	Nil

Particulars	2010-11	2009-10
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.

- 9 Dues against material credit facility provided by TCIL is secured on the raw materials, work-in-progress, finished goods, book debts and all the fixed assets of the Company
10. (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 2011		As on 31st March 2010	
	Rupees in lakhs	Foreign currency	Rupees in lakhs	Foreign Currency
Direct import Creditors	85.69	USD 191690	86.53	USD 191690
Import Creditors through TCIL	345.00	USD 771809.40	583.70	USD 1285670.69
Export Debtors	121.88	USD 272671.81	68.32	USD 151341.53

11. 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 near future. Similarly, for the same reason, certain other provisions made in the earlier years have been ignored for creation of deferred tax asset. The 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. 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.

TAMILNADU TELECOMMUNICATIONS LIMITED

12. Earnings per share :

	2010-11	2009-10
Earnings per share (in Rs.)	(1.42)	(0.93)
No. of shares used in computing weighted average EPS	45681000	22665000

13. Contingent Liability

- On account of Guarantees issued by Banks outstanding as at March 31, 2011 is Rs. 668.28 lakhs (Previous year Rs. 337.44 lakhs) out of which Rs. 668.28 lakhs (previous year Rs. 320.78 lakhs) pertain to the banks arranged by TCIL.
- 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. Will be taken up at appropriate time for consideration as directed in the Sanctioned Scheme of BIFR.
- 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.
- 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 2009-10 dropping the proceedings. Department has gone for appeal against the order.

14. Managerial Remuneration :

Particulars of Managerial Remuneration of Managing Director Shri M. Sengupta

(Rs. In lakhs)

Particulars of Remuneration	2010-11	2009-10
(i) Salary and allowances	15.89	12.61
(ii) Medical Reimbursement	0.57	0.50

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.

- Dividend paid to Non-resident shareholder(s) : Nil (last year Nil)
- The company has no long term operating lease. No financial lease has been availed during the year.
- 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.
- Figures of previous year have been regrouped / rearranged, wherever necessary, to conform to the current year's classification.

III. PARTICULARS OF CAPACITIES, PRODUCTION ETC.

Product	UoM	Installed Capacity 2010-11	Installed Capacity 2009-10	Actual Production 2010-11	Actual Production 2009-10
Optical Fibre Cables					
(i) in terms of Cable Length (of 24 F Unarmoured (previous year 12F Unarmoured)	RKM	20220	20220	5146	6714
(ii) in terms of Fibre length	FKM	485280	485280	151702	330887
Legend: RKM - Running Kilometer; FKM – Fibre Kilometer.					

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

Particulars	2010-11	2009-10
Import of Raw Materials & Spares	2.29	13.43

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

Particulars	2010-11	2009-10
FOB Value of Export	78.80	36.73

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

Item	Value	
	2010-11	2009-10
Capital Goods	-	3.35
Raw Materials	0.63	18.81
Stores & Spares	1.20	6.40
Consumables	-	-

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

Item	UoM	Quantity 2010-11	Quantity 2009-10	Value 2010-11 (Rs. In lakhs)	Value 2009-10 (Rs. In lakhs)
Fibre	KM	134824	351637	445.20	1289.91
FRP	KM	4875	7019	80.11	128.12
Nylon 12	Kgs	97130	146000	234.52	285.67
HDPE	Kgs	292900	454825	165.96	248.31
Steel Tapes	Kgs	10382	27077	8.72	22.57
Others				298.82	364.96
Total				1233.33	2339.54

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

Item	2010-11 Value (Rs. In lakhs)	2010-11 % of Total	2009-10 Value (Rs. In lakhs)	2009-10 % of Total
Direct Imports	0.63	-	18.81	1%
Imports thro' TCIL	590.85	48%	1541.25	66%
Indigenous	641.85	52%	779.48	33%
Total	1233.33	100%	2339.54	100%

7. Particulars of Production, Sales and Stocks held :

Item	2010-11 (in FKM)	2009-10 (in FKM)
Opening Stock	-	-
Production (Net of semi-finished / work-in-progress)	109067	332072
Closing Stock	-	-
Sales	109067	332072

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

Item	2010-11	2009-10
Optical Fibre Cables	1483.00	3793.41
Others	6.65	8.53
Total	1489.65	3801.94

TAMILNADU TELECOMMUNICATIONS LIMITED

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 :

Name of the Transaction	Associate Companies				Key Management Personnel	
	M/s. Fujikura Ltd. Japan		Ms. TCIL New Delhi		2010-11	2009-10
	2010-11	2009-10	2010-11	2009-10		
01. Sale of Cable	-	-	1553.45	3938.49	-	-
02. Purchase of Raw Material / Capital Goods	0.72	-	1526.56	2131.46	-	-
03. Managerial Remuneration	-	-	-	-	16.46	13.11
04. Outstanding Balances including supply credits as on 31st March	172.16*	172.60	2720.29	3084.44	-	-
05. Secured Loans as on 31st March	-	-	1166.15	1196.83	-	-

* 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 : New Delhi
Date : 28.05.2011

M. Sengupta
Managing Director

B.Elangovan
Director

CASH FLOW STATEMENT

(Amounts in Rupees)

SL. NO.	DESCRIPTION	for the year ended 31st March 2011	for the year ended 31st March 2010
A.	Cash Flow from Operating Activities:		
	Net Profit / (Loss) before tax	(64784564)	(21035140)
	Adjustments for		
	Add: - Depreciation	23877130	23921765
	- Depreciation of previous years	(6529)	(18516)
	- Interest & Finance Charges	29496814	38690319
	- Extraordinary items	914272	(268810)
	- Exchange Rate Fluctuations - Loss / (Gain)	630571	(5550707)
	- Loss /(profit) on sale/Writeoff fixed assets	-	(86148)
		(9872305)	35652763
	Less:		
	- Depreciation writtenback	138800	206800
	- Interest/Dividend Received	234901	454809
	- Profit on sale of Investments	-	-
	Operating Profit before Working Capital changes	(10246006)	34991154
	Adjustments for - Trade & Other Receivables	95568006	(107596236)
	- Inventories	(49797420)	49260718
	- Trade Payables and other liabilities	(63669362)	60794854
	Cash generated from Operations	(28144782)	37450490
	Income Tax	-	-
	Cash Flow before extraordinary items	(28144782)	37450490
	Extraordinary items	(914272)	268810
	Exchange Rate Fluctuations - (Loss) / Gain	(630571)	5550707
	Deferred Expense - VSS	340369	1788750
	Profit on sale of assets	-	-
	Net Cash from Operating Activities- A	(29349257)	45058757
B.	Cash Flow from Investing Activities:		
	Purchase of Fixed Assets	(2857655)	(20432255)
	Sale of Fixed Assets	-	102323
	Interest/Dividend Received	234901	454809
	Net Cash from /(used) in Investment Activities -B	(2622754)	(19875123)
C.	Cash Flow from Financing Activities:		
	Increase in Share Capital	230160000	-
	Increase in Capital Reserve	97971057	-
	Increase / (Repayment) of Long Term Borrowings	(275355158)	16387834
	Interest Paid	(29496814)	(38690319)
	Dividends Paid	-	-
	Dividend Tax	-	-
	Net Cash used in Financing Activities-C	23279085	(22302485)
D.	Net (decrease)/Increase in Cash Equivalents (A+B+C)	(8692926)	2881149
E.	Cash & Cash Equivalents as at 1st April, 2010 (Opening Balance)	9052093	6170944
F.	Cash & Cash Equivalents as at 31st March 2011 (Closing Balance)	359167	9052093

Notes : Cash & 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 2011 reported by us on 28.05.2011. 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 : New Delhi
Date : 28.05.2011