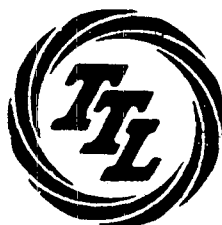


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YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



**TAMILNADU
TELECOMMUNICATIONS
LIMITED**

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*9th
Annual Report
1996 - 97*

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Board of Directors**Shri M.S. Srinivasan, I.A.S.,***Chairman & Managing Director - TIDCO**Chairman***Shri A.S. Bansal***Chairman & Managing Director - TCIL**Director***Shri S.K. Tandon***Director (Technical) - TCIL**Director***Shri A.K. Chandra Shekhar***Director (Finance) - TCIL**Director***Shri T. Willington***General Manager - TIDCO**Director***Shri S. Susai***Secretary - TIDCO**Director***Smt. Anita Soni***DDG (VLE) - DOT**Director***Shri R.P. Hans***DDG (MM - II) - DOT**Director***Shri R.K. Narang***Deputy General Manager (Technical) - IFCI**Director (IFCI Nominee)***Shri H.C. Goyal***Managing Director***Deputy General Manager (F&A) Cum Company Secretary****Shri M.V. Narasimha Rao****Registered Office***Gee.Gee Complex, III Floor,
42, Anna Salai, Chennai 600 002.***Factory***Thiruvalluvar Road, Shaw Nagar,
Arakkonam 631004, Tamil Nadu***Promoters****M/s. Telecommunications Consultants India Ltd.,***(A Govt. of India Enterprise)**Chiranjiv Towers, III Floor,**43, Nehru Place, New Delhi 110 019.***M/s. Tamil Nadu Industrial Development****Corporation Ltd.,***(A Govt. of Tamilnadu Enterprise)**No. 19A, Rukmani Lakshmipathy Salai,**Egmore, Chennai 600 008.***Collaborators****M/s. Essex Group Inc.***1510, Wall Street, P.O. Box 1510,
Fort Wayne, Indiana 46801 - 1510***Bankers****State Bank of India***Industrial Finance Branch, Chennai 600 002.***Punjab National Bank***92, Annasalai, Chennai 600 002.***Auditors****M/s. Velu & Co.***Chartered Accountants**61, Peters Road, 1st Floor, Chennai 600 014.***Share Transfer Agents****M/s. Share Crops (India) Private Limited***9, West Circular Road, Mandavellipakkam,
Chennai 600 028. Phone : 4952117*



TAMILNADU TELECOMMUNICATIONS LIMITED

NOTICE FOR THE NINTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of Tamilnadu Telecommunications Limited is scheduled to be held on Friday the 26th day of September 1997 at 16.00 hrs at The Music Academy (Main Hall), 306, TTK Road, Chennai - 600 014, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 1997, the Profit and Loss Account for the financial year ended on that date and the reports of the Directors and Auditors.
2. To appoint a Director in place of Shri S.K. Tandon, Director, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A.K. Chandra Shekhar, Director, who retires by rotation and being eligible, offers himself for re-appointment.

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 11th September 1997 to 17th September 1997 (both days inclusive).
3. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
4. Members holding more than one folio may kindly inform the Company for consolidation.

(By order of the Board)
for TAMILNADU TELECOMMUNICATIONS LTD.,

Chennai

2nd September, 1997 DGM (F&A) Cum Company Secretary

(M.V. NARASIMHA RAO)

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the Ninth Annual Report of your company along with the Audited Accounts for the year ended 31st March 1997.

FINANCIAL RESULTS

	1996-97	1995-96
	(Rs. in lakhs)	
Gross Sales	4570.50	5100.65
Other Income	52.69	50.23
Total Expenditure	3729.92	4360.57
Finance Charges	285.24	430.54
Gross Profit after interest before		
Depreciation and Tax	608.03	359.77
Depreciation	332.78	330.54
Provision for Taxation (Minimum Alternate Tax)	35.60	Nil
Net Profit	239.65	29.23

The overall operations of the company have resulted in net profit of Rs.239.65 lakhs for the year 1996-97, as against Rs.29.23 lakhs for previous year 1995-96. However, in view of the accumulated losses incurred during the initial years, the Board of Directors regret their inability to recommend any dividend for the year.

OPERATIONS DURING THE YEAR UNDER REVIEW

During 1996-97, the total jelly filled cables sold were 5.24 LCKM valuing Rs.45.71 crores against 5.06 LCKM valuing Rs.51.00 crores during 1995-96. The production performance and profitability of the company during 1996-97 would have been further better but for the smaller quantity orders for from DOT, increase in bank commission and payment of arrears to staff and workmen on account of wage revision. All out efforts are being made to procure more orders not only from DOT but from other organisations.

OUTLOOK FOR THE FUTURE

A. DIVERSIFICATION PLAN

Your Directors are glad to inform you that the selection of equipment vendors for company's diversification into manufacture of Optical Fibre Cable 5000 route Kms is under advanced stage of finalisation. The Optical Fibre Cable plant is being set up at a new site at MMDA Industrial Complex at Maraimalai Nagar, Chennai with Technical Collaboration from M/s. Fujikura Ltd., Japan, a world leader in Optical Fibre Technology. Financial closure for this project is expected to be tied up soon.

B. DE-BOTTLENECKING OF EXISTING JELLY FILLED CABLE PLANT

The company's plans for de-bottlenecking of existing jelly filled cable plant at Arakkonam with an estimated cost of Rs.2.5 crores which is to be met from internal generations of funds are under implementation.

Your Directors are confident that with the completion of de-bottlenecking of company's existing jelly filled cable unit and diversification into manufacture of Optical Fibre Cable, the profitability of the company would improve.

DIRECTORS

During the year under review, M/s Tamilnadu Industrial Development Corporation Limited (TIDCO) had nominated Shri P.C. Cyriac, IAS., Chairman and Managing Director, TIDCO as Director and Chairman on the Board of the company in the place of Shri K. Rajaraman, IAS., and subsequently nominated Shri M.S. Srinivasan, IAS., Chairman and Managing Director, TIDCO as Director and Chairman on the Board of the company in the place of Shri P.C. Cyriac, IAS.

The Directors place on record their appreciation for the invaluable service rendered by Shri K. Rajaraman, IAS., and Shri P.C. Cyriac, IAS., during their tenure as Director and Chairman of the company.



TAMILNADU TELECOMMUNICATIONS LIMITED

In accordance with Section 256 of the Companies Act, 1956, and read with Articles 79 & 80 of the Articles of Association of the Company, Shri S.K. Tandon and Shri A.K. Chandra Shekhar, Directors, will retire from the Directorship of the company by rotation and are eligible for re-election.

PERSONNEL

The dedication and commitment of employees at all levels in the company has been commendable and the directors wish to acknowledge the excellent contribution made by them in realising the objectives of the company for the year.

Information under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1988 is NIL.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

As required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, a statement containing the particulars relating to conservation of energy, research & development and technology absorption is annexed.

AUDITORS

M/s. Velu & Co., Chartered Accountants have been appointed as the Auditors of the company for the year 1996-97 by the Company Law Board on the advice of the Comptroller and Auditor General of India.

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 1997 has been annexed.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation for the support and assistance received from Government of India, Government of Tamilnadu, the Company's Foreign Collaborator M/s Essex Inc. of USA., the participating Financial Institutions and the Company's Bankers.

The Board of Directors also acknowledge the co-operation and support extended by the Employees, Shareholders and the Promoters M/s Telecommunications Consultants India Limited (TCIL) and M/s Tamilnadu Industrial Development Corporation Limited (TIDCO) to the company.

For and on behalf of the Board

Chennai
8th August, 1997

M.S. SRINIVASAN
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 :

A. CONSERVATION OF ENERGY

a) Measures taken for energy conservation:

1. Capacitor Banks of 800 KVAR have been installed to maintain power factor to the acceptable levels.
2. Efficient control for optimization of power consumption by controlling heating and cooling cycles in all the machineries, where such system exists.
3. The thermal insulations are monitored regularly in the high temperature areas and suitable measure are taken to minimize heat loss.
4. AVR's have been installed in the LT side and the Voltage fluctuations are minimized thereby avoiding copper loss in the rotating machines.
5. Preventive Maintenance has been introduced for all machines and rotating parts & bearings are checked periodically and lubricated, thereby minimizing friction loss which ultimately leads to less consumption of energy.
6. Lighting load has been reduced by keeping alternate light points used at a time.

b) Impact of the above measure:

By installing the capacitor banks, the company is able to avoid the penal charges on the low power factors and maintain the maximum demand within the minimum limits, thus avoiding the extra demand charges.

B. TECHNOLOGY ABSORPTION

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans : NIL

b) Total Foreign Exchange Used and Earned:

	1996-97	1995-96
	(Rs. in lakhs)	
Used	244.40	1859.09
Earned	Nil	Nil

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 is not applicable to the company and hence it is not being furnished.

FORM B

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

A. Research and Development (R & D)

1. Specific areas in which R & D activity carried out by the Company

The Company is constantly in touch with collaborator on absorption of the technical knowhow. Simultaneously efforts were made to improve upon technology provided by the collaborators in order to suit local conditions and to achieve better results by way of improvement in productivity. Machine modification were carried out inhouse, with a view to wide the range of cables that can be manufactured without adding any new machinery.

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

The Company has obtained type approval upto Group III (upto 1200 pairs). Indigenous raw materials have been developed wherever possible.

3. Future plan of action

It is proposed to produce higher sizes of PIJF Cables upto 2400 pairs with solid and foam skin type insulation (above 1200 pairs).

4. Expenditure on R & D

As latest technology has been imported for PIJF Cables, expenses involved in R & D are not significant.

B. Technology Absorption, Adaptation and Innovation

1. The Company is having a technical collaboration agreement with M/s Essex Group Inc. USA., for manufacture of PIJF Cables. Technology imported by the foreign collaborators is being absorbed and the same is being updated by way of interaction of company's engineers with foreign collaborators.

2. With successful absorption of PIJF Cable manufacturing technology imparted to the Company, it has been possible to produce quality cables upto the size of 1200 pairs of solid insulation so far.



TAMILNADU TELECOMMUNICATIONS LIMITED

ADDENDUM TO THE DIRECTORS REPORT IN REPLY TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL

- I. So far we have been classifying subsidy of Rs.35 lakhs received from SIPCOT under 'Capital Reserve'. Since 5 years period is over, we transferred this amount from 'Capital Reserve' to 'General Reserve'. CAG has suggested to continue to show this amount under Capital Reserve and transfer proportionate depreciation from the date of disbursement to 'Profit & Loss Account'.

As suggested by CAG, we have classified the subsidy received from SIPCOT under Capital Reserve in the printed accounts.

Proportionate depreciation of Rs.14,05,311/- is to be credited to Profit & Loss Account and accordingly Tax Provision has to be increased by Rs.1,93,933/-. The net effect due to this accounting procedure is that the profit earned during the year shall increase further by Rs.12,11,378/-. It is assured that these changes will be effected in the Accounting year 1997-98 under Prior Period Adjustment Account.

- II. Most of our working capital limit are utilised only for making payment to raw material suppliers. The working capital interest for the last quarter is apportioned on the basis of cost of production upto the stage of completion which does not include the finance charges or interest component. It is proportionately allocated between work-in-progress and finished goods.

The Company has taken policy to load the interest on working capital which is mainly utilised for the payment to the suppliers of raw materials, on the cost of production to arrive at the inventory value. Had the CAG's comments been considered for adoption in accounts the valuation of closing working-in-progress and finished goods would have been lower by Rs.7,24,834/- and the profit for the year also would have come down by that figure.

Chennai
2nd September, 1997

M.S. SRINIVASAN
Chairman