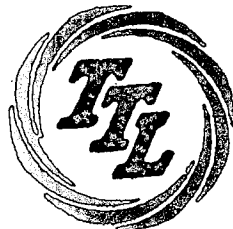


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| CS | <input checked="" type="checkbox"/> | DPY | <input checked="" type="checkbox"/> |
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| AGM | <input checked="" type="checkbox"/> | SHI | <input checked="" type="checkbox"/> |
| YE | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> |



**TAMILNADU
TELECOMMUNICATIONS
LIMITED**

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*Tenth
Annual Report
1997 - 98*

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TAMILNADU TELECOMMUNICATIONS LIMITED

Registered Office : Gee Gee Complex, 11th Floor, 42, Anna Salai, Chennai - 600 002.

☎ 8572992 / 8552668

BOARD OF DIRECTORS

| | |
|---|--------------------------|
| Shri R. Gopalan, I.A.S., Chairman & Managing Director - TIDCO, Chennai | <i>Chairman</i> |
| Shri A.S. Bansal Chairman & Managing Director - TCIL, New Delhi | <i>Director</i> |
| Shri S.K. Tandon Director (Technical) - TCIL, New Delhi | <i>Director</i> |
| Shri A.K. Chandra Shekhar Director (Finance) - TCIL, New Delhi | <i>Director</i> |
| Shri T. Willington General Manager - TIDCO, Chennai | <i>Director</i> |
| Shri S. Susai Secretary - TIDCO, Chennai | <i>Director</i> |
| Shri Ashok Kumar, I.A.S., Joint Secretary - Ministry of Communications, New Delhi | <i>Director</i> |
| Shri R.K. Kaul DDG (MM-II) - DoT, New Delhi | <i>Director</i> |
| Shri V. Partha Sarathy, I.T.S., | <i>Managing Director</i> |
| DGM (F&A) cum COMPANY SECRETARY Shri M.V. Narasimha Rao | |

PROMOTERS

Telecommunications Consultants India Ltd.,
(A Govt. of India Enterprise)
TCIL Bhawan, Greater Kailash - I
New Delhi - 110 048.

Tamilnadu Industrial Development Corpn. Ltd.,
(A Govt. of Tamilnadu Enterprise)
19-A, Rukmini Lakshmi pathi Road
Egmore, Chennai - 600 008.

FACTORIES

JFTC
Tiruvallur Road, Shaw Nagar
Arakkonam - 631 004. Tamilnadu

OFC
CMDA Industrial Complex
Maraimalai Nagar, Chennai.

TECHNICAL COLLABORATORS

JFTC
M/s. Essex Group Inc. USA.,
1510, Wall Street, P.O. Box 1510
Fort Wayne, Indiana 46801 - 1510

OFC
M/s. Fujikura Ltd.,
1-5-1, Kiba, Koto-ku
Tokyo 135, Japan

BANKERS

State Bank of India
Industrial Finance Branch
Anna Salai, Chennai - 600 002.

Punjab National Bank
Anna Salai Branch
Chennai - 600 002.

AUDITORS

M/s. Chandran & Raman
Chartered Accountants
"PARAGON", 2, Radhakrishnan Salai, 2nd Street,
Mylapore, Chennai - 600 004.

SHARE TRANSFER AGENTS

M/s. Share Crops (India) Pvt. Ltd.,
9, West Circular Road
Mandavellipakkam, Chennai - 600 028.
☎ 4952117



TAMILNADU TELECOMMUNICATIONS LIMITED

NOTICE FOR THE TENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of Tamilnadu Telecommunications Limited is scheduled to be held on Monday the 28th day of September 1998 at 16.00 hrs at the Music Academy (Main Hall), No.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 1998, 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 A.S. Bansal, Director, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri T. Willington, Director, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

4. 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. Partha Sarathy [General Manager (Projects), Department of Telecom, Govt. of India on deputation to Telecommunications Consultants India Ltd.,] as Managing Director of the Company with effect from 17.04.98 and the terms and conditions for the above deputation shall be those prescribed by Ministry of Finance, Government of India from time to time.

(i) Salary:

Basic Pay Rs.19900/- p.m. in the scale of pay of Rs.18400-500-22400 for Senior Administrative Grade of Government of India, or Pay Scale as may be admissible from time to time for Officers of Department of Telecom, serving under the Government of India.

(ii) Deputation Allowance:

Deputation Allowance at 10% of Basic Pay subject to maximum of Rs.1000/- per month as per Government of India's orders on deputation of officers of DoT to Public Sector Companies.

(iii) Accommodation:

Furnished leased accommodation provided by the Company upto the limit of Rs.10,000/- p.m. on recovery of 10% of the above Basic Pay per month towards rent, and, 2.5% of Basic Pay per month towards furnishing;

(OR)

Drawal of House Rent Allowance at the rate as applicable to the Officers of Central Government posted at Chennai, towards rent, and for furnishing as per terms in the earlier case;

Rates applicable as per the option exercised by the Managing Director.

(iv) Motor Car:

The Managing Director is entitled to use the Car with Driver for official and private use subject to deduction of Rs.250/- per month, as per the guidelines issued by Department of Public Enterprises.

(v) Telephone:

Telephone facility as provided to Heads of Telecom Circles / Chief General Managers in the Department of Telecommunications.

(vi) Medical Facilities:

The Managing Director is entitled to Medical Facilities not inferior to those which would have been admissible to him under Central Government.

(vii) Leave Travel Concession:

He will continue to be entitled to the leave travel concession under the Ministry of Personnel, Public Grievances & Pension, Deptt. of Personnel & Training, Notification No.31011/7/97 - Estt. (A), dated 20.10.97 as amended from time to time and the cost thereof will be borne by the Company.

(viii) Leave and Pension:

During the period of deputation he will continue to subscribe to the General Provident Fund of the Government of India to which he was subscribing when he is placed on deputation.

(ix) Project Allowance:

Project Allowance of Rs.3,000/- (Rupees three thousand only) per month till the date of starting of the commercial production of Optical Fibre Cable Project.

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 on 25th September 1998.
3. Members holding more than one folio may kindly inform the Company for consolidation.

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

CHENNAI
25.08.98

M.V. NARASIMHA RAO
DGM (F&A) cum COMPANY SECRETARY

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

The following explanatory statement sets out the material facts referring to Item No.04 of the Notice convening the Tenth Annual General Meeting.

Item No.04

Shri H.C. Goyal, Managing Director relinquished the charge of the post of Managing Director w.e.f. 17.04.98 consequent to the nomination of Shri V. Partha Sarathy as Managing Director of the Company by Telecommunications Consultants India Ltd. The Board of Directors of the Company have approved the appointment of Shri V. Partha Sarathy by a resolution by circulation during 3rd week of April '98 which was later confirmed in the Board Meeting held on 30.05.98.

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. Partha Sarathy shall be deemed to be interested or concerned in respect of the appointment and remuneration as stated in the resolution.

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

CHENNAI
25.08.98

M.V. NARASIMHA RAO
DGM (F&A) cum COMPANY SECRETARY



TAMILNADU TELECOMMUNICATIONS LIMITED

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the Tenth Annual Report of your company along with the audited accounts for the year ended 31st March 1998.

FINANCIAL RESULTS

| | 1997-98 | 1996-97 |
|---|----------------|---------|
| | (Rs. in lakhs) | |
| Gross Sales | 4057.11 | 4570.50 |
| Other Income | 144.81 | 52.69 |
| Total Expenditure | 3561.19 | 3729.92 |
| Finance Charges | 258.07 | 285.24 |
| Gross Profit after interest before Depreciation and Tax | 382.66 | 608.03 |
| Depreciation | 336.38 | 332.78 |
| Provision for Taxation (Minimum Alternate Tax) | 4.86 | 35.60 |
| Net Profit | 41.42 | 239.65 |

The overall operations of the company have resulted in net profit of Rs. 41.42 lakhs for the year 1997-98. In view of the accumulated losses incurred during the initial years, a portion of which is still being carried forward, the Board of Directors regret their inability to recommend any dividend for the current year.

OPERATIONS DURING THE YEAR UNDER REVIEW

During 1997-98, the total quantity of jelly filled cables sold were 6.20 LCKM valuing Rs.40.57 crores against 5.24 LCKM valuing Rs.45.71 crores during 1996-97. The total production of the cables during 1997-98 has exceeded the installed production capacity of 6.25 LCKM (6,27,369 ckm cables). The quantitative production and despatch (sales) during 1997-98 have surpassed all past records including in comparison to the performance of 1996-97. During 1997-98

there has been 14.18% increase in production and 18.35% increase in despatch (sales). In spite of increase in quantitative sales during 1997-98 monetary sales have registered a decline on account of (a) reduction in purchase price of DoT by about 20%, (b) reduction in rate of Excise Duty from 25% to 18% which forms part of gross sales and (c) reduction in the copper prices of about 4.2%, the main raw material input in JF Telecom Cables.

Your Directors are glad to inform you that our company has got the much coveted ISO 9002 Certification from Bureau of Indian Standards (BIS) in March, 1998, which will help the company in getting a good quality vendor rating and orders for cables from DoT.

OUTLOOK FOR THE FUTURE

A. DIVERSIFICATION PLAN

Your Directors are glad to inform you that the foundation stone for the Optical Fibre Cable factory building in Maraimalai Nagar was laid by the Hon'ble Chief Minister of Tamilnadu, Thiru M. Karunanidhi on the 24th of June '98. The project is estimated to cost Rs.24 crores with technology and equity participation by M/s. Fujikura Ltd., Japan, who are world leaders in Optical Fibre Cable Technology.

Much progress has been made in respect of the plan for diversification into manufacture of Optical Fibre Cable.

- A detailed purchase order for procurement of plant and equipment for Optical Fibre Cable Project had been placed with machinery suppliers, M/s. Nextrom Technologies Ltd., Finland on 14.05.98.
- Our Company has been sanctioned a Rupee Term Loan of Rs.12 crores by The Industrial Finance Corporation of India Ltd., (IFCI) for the diversification and expansion schemes and the required formalities for availing the said loan have

since been completed and the Letter of Credit for the machinery import on M/s. Nextrom Technologies Ltd., have been established on 12.08.98.

- c) The Company has made a first call at the rate of 75% of the book value (at Rs. 7.50 per share) on the shares allotted on preferential placement basis to the existing promoters M/s. TCIL & M/s. TIDCO, besides the new promoters M/s. Fujikura Ltd., Japan with a premium of Rs.3/- per share and the said first call money amounting to Rs.9.18 crores has since been received.
- d) The construction of Factory building has been entrusted to M/s. RPP Constructions, Erode, after tender evaluation and the civil works have commenced from 1st May '98 and has made significant progress after getting required clearances from the respective authorities. All the column footings and grade beams concreting has been completed. RCC column works are also nearing completion. Civil works of Electrical sub-station, and, sentry building are progressing in the superstructure stage.
- e) The power supply for the OFC factory of 650 KVA has been sanctioned by TNEB on 19.08.98 and the related works for extending power supply are in progress.
- f) The tenders for utilities and auxiliary equipments like AC plant, DG set etc., have been opened and after evaluation by duly constituted Tender Evaluation Committee, placing of firm orders are in progress.
- g) The supplies of machinery are expected to be made by Dec '98/Jan '99 and trial run and commissioning are slated during Feb/Mar '99. The commercial production of optical fibre cable is expected to commence by Mar/Apr'99 after getting the required clearances from DoT/QA and TEC.

B. DE-BOTTLENECKING OF EXISTING JELLY FILLED CABLE PLANT

The Company has placed the detailed purchase orders for the procurement of two machine lines required for debottlenecking of the existing jelly filled cable plant at Arakkonam, which is being met from internal generation of funds. The machinery are to be delivered by the end of Sept. '98 and the commercial operations of these two machine lines are to start from Nov '98 onwards.

Your Directors are confident that with the completion of debottlenecking 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 R. Gopalan, IAS., Chairman and Managing Director, TIDCO as Director and Chairman on the Board of the Company in the place of Shri M.S. Srinivasan, IAS.,

The Directors place on record their appreciation for the invaluable guidance and advice given by Shri M.S. Srinivasan, IAS, during his tenure as Director and Chairman of the Company.

Shri H.C. Goyal relinquished the charge of the post of Managing Director w.e.f. 17.04.98 consequent to the expiry of the term of appointment. M/s. Telecommunications Consultants India Ltd., had nominated Shri. V. Partha Sarathy, I.T.S., [General Manager (Projects), DoT on deputation to TCIL] as Managing Director w.e.f. 17.04.98. The Board of Directors approved the appointment of Shri V. Partha Sarathy as Managing Director by passing a resolution by circulation during the third week of April '98.

The Directors place on record their appreciation for the invaluable services rendered by Shri. H.C. Goyal during his tenure as Managing Director of the Company.



TAMILNADU TELECOMMUNICATIONS LIMITED

Department of Telecommunications had nominated Shri. Ashok Kumar, Joint Secretary, DoT as Director of the Company in the place of Smt. Anita Soni, and Shri R.C. Malhotra, DDG (MM-II), DoT as Director of the Company in the place of Shri R.P. Hans and subsequently nominated Shri R.K. Kaul, DDG (MM-II), DoT as Director of the Company in the place of Shri R.C. Malhotra.

The Directors place on record their appreciation for the invaluable guidance and advice given by Smt. Anita Soni, Shri R.P. Hans and Shri R.C. Malhotra during their tenure as Directors of the Company.

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 A.S. Bansal and Shri T. Willington, Directors, will retire from the Directorship of the Company by rotation and are eligible for re-appointment.

PERSONNEL

The dedication and commitment of Employees at all levels in the Company has been commendable and the Directors wish to acknowledge the 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, 1975 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. Chandran & Raman, Chartered Accountants have been appointed as the Auditors of the Company for the year 1997-98 by the Company Law Board on the advice of the Comptroller and Auditor General of India.

REPLIES TO THE COMMENTS OF THE STATUTORY AUDITORS

Replies to the comments made by Statutory Auditors on the accounts of the Company for the year 1997-98 have been annexed.

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 1998 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 Collaborators M/s. Essex Group Inc. of USA., M/s. Fujikura Ltd., Japan, the participating Financial Institutions (IFCI, IDBI, ICICI, UTI & LIC) and the Company's Bankers (SBI & PNB).

The Board of Directors also acknowledge with thanks 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
25.08.98

R. GOPALAN
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. Efficient control of all machines to reduce power consumption.
2. We have reduced lighting points to minimize consumption of electricity.
3. The thermal insulations are monitored regularly in the high temperature areas and suitable measures are taken to minimize heat loss and in turn power 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 strengthened for all machineries for free movement thereby minimizing power consumption.
6. Halogen lamps and MV lamps are being replaced with fluorescent lights to reduce consumption of electricity.
7. In the capacitor bank, defective power capacitors are replaced with new capacitors for power factor improvement.
8. Defective electric heaters which are drawing more current are replaced with new heaters to reduce power consumption.
9. AVR's are under constant observation and preventive maintenance to reduce power consumption.

b) Impact of the above measures:

1. By installing and operating the capacitor banks maintaining power factor within the limit of 0.93 to 0.99, the Company is able to avoid the penal charges for low power factor and maintain

the maximum demand within the minimum limits, and also avoiding the extra demand charges.

2. Due to measures taken from point 2 to point 9 the consumption of power has been restricted.

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 :

| | 1997-98 | 1996-97 |
|--------|----------------|---------|
| | (Rs. in lakhs) | |
| Used | 343.18 | 244.40 |
| Earned | Nil | Nil |

FORM - A

(Form for disclosure of particulars with respect of 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 with its internal resources have developed an insulating line for manufacture of drop wire with available machineries. Design and