

**TAMILNADU  
TELECOMMUNICATIONS  
LIMITED**

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**Annual Report  
2004 - 2005**

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### REGISTRAR & SHARE TRANSFER AGENTS

#### **Cameo Corporate Services Limited**

"Subramanian Building", 5th Floor,  
No.1, Club House Road  
Chennai - 600 002  
☎ : 2846 0390

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

BOARD OF DIRECTORS	<p>Shri M. Sengupta <span style="float: right;">Managing Director</span></p> <p>Shri G. D. Gaiha</p> <p>Shri A.K. Chandra Shekhar</p> <p>Shri S.K. Verma</p> <p>Shri T. Willington</p> <p>Shri S. Susai</p> <p>Shri M.K. Jain <i>(Nominee of Department of Telecom)</i></p>
REGISTERED OFFICE	<p>No. 16, 1st Floor, Aziz Mulk 3rd Sreet, Thousand Lights, Chennai - 600 006.</p>
FACTORIES	<p><u>Optical Fibre Cable</u></p> <p>E18B - E24, CMDA Industrial Complex Maraimalai Nagar - 603 209. Tamilnadu Website : <a href="http://www.ttlofc.com">www.ttlofc.com</a></p> <p><u>Jelly Filled Telecom Cable</u></p> <p>Tiruvallur Road, Shaw Nagar, Arakkonam - 631 004. Tamilnadu</p>
BANKERS	<p>State Bank of India</p> <p>Andhra Bank</p> <p>Punjab National Bank</p>
AUDITORS	<p>M/s. ESSVEEYAR, Chartered Accountants</p> <p>5, Third Cross Street, Jeth Nagar, R.A. Puram, Chennai - 600 028</p>
PROMOTERS	<p>Telecommunications Consultants India Ltd., TCIL Bhavan, Greater Kailash - I, New Delhi - 110 048</p> <p>Tamilnadu Industrial Development Corpn Ltd., 19-A, Rukmani Lakshmipathi Road, Egmore, Chennai - 600 008</p>

**TAMILNADU TELECOMMUNICATIONS LIMITED****NOTICE**

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of Tamilnadu Telecommunications Limited is scheduled to be held at 15.00 hrs on Friday, 30th September 2005 at Bharatiya Vidya Bhavan, "Sri Venkata Auditorium" No.18 - 22, East Mada Street, (Near Kapaleeswarar Temple) Mylapore, Chennai – 600 004 to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2005, the Profit and Loss Account for the financial year ended on that date and the Directors' and Auditor's Report.
2. To appoint a Director in place of Shri G.D. Gaiha, Director, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri M.K. Jain, Director, who retires by rotation and being eligible, offers himself for re-appointment.

2. *The Register of Members and the Share Transfer Books of the Company will remain closed from 27th September 2005 to 30th September 2005 (both days inclusive) in connection with the Annual General Meeting.*
3. *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.*
4. *Shareholders seeking any information with regard to accounts are requested to write to the company at an early date so as to enable the Management to keep the information ready.*
5. *Members are requested to kindly bring their copy of the Annual Report to the Meeting.*
6. *Members are requested to note that the Registered Office of the Company has been shifted to No. 16, 1st Floor, Aziz Mulk 3rd Street, Thousand Lights, Chennai - 600 006 with effect from 11th July 2005.*

By order of the Board  
for TAMILNADU TELECOMMUNICATIONS LTD.,

3rd September, 2005  
Chennai

M. Sengupta  
Managing Director

**NOTES:**

1. *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.*

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

To

The Members

Your Directors present the Seventeenth Annual Report, together with the Audited Accounts of the Company for the year ended 31st March 2005.

**Financial Results**

(Rs. in lakhs)

	2004-05	2003-04
Net Sales	2726.96	2737.84
Other Income	38.12	32.43
Total Expenditures	2551.74	3434.80
Finance Charges	483.23	500.06
Gross Profit / (Loss) after interest before Depreciation & Tax	(269.89)	(1164.59)
Depreciation	275.57	307.03
Provision for Taxation / Deferred Tax	14.26	(13.63)
Net Profit / (Loss)	(559.72)	(1457.99)

The Company registered significant improvement in its performance during the year under review despite difficult market conditions in telecom cables industry. The company is successful in significantly reducing the losses. The Net Loss after Interest and Depreciation has been steeply reduced to Rs.559.72 lakhs against Rs.1457.99 lakhs incurred during the previous year. This net loss is mainly due to the losses suffered by the Company in the first two quarters and provision for doubtful debts of JFTC Unit.

**Review of operations**

During the year under review, the company's sales and other income was Rs.2765.08 lakhs. Almost the entire turnover of the year is achieved from the sole Optical Fibre Unit in view of the Jelly Filled Telecom Cable Unit's operations having been suspended since 1.12.2003. Gross sales during the year increased to 166849 Fibre KMs (Rs.3136.48 Lakhs) from 105942 Fibre KMs (Rs.2260.42 lakhs) reflecting a growth of over 57% and 38% in quantitative and value terms respectively over the previous year, despite excess capacity in the industry and intense competition. Your company in this price war had to survive by implementing various cost-cutting measures on the manufacturing operations.

Consequent to its thrust on IT sectors and Telecom sector to facilitate exponential growth, the Government of India has

implemented zero import duty on the imported input materials in the recent union budget announcements.

Your company successfully launched the manufacturing of Ribbon type OFC and exported the same to Kuwait Telecom during the year.

Reduction in operating expenses could be achieved because of curtailment of overheads and all round optimization in costs by exercising strict control/regular review mechanism.

The petitions filed by two Trade Unions of employees at the PIJF Unit at Arakkonam against the suspension of operations before the Madras High Court have been referred to the Lok Adalat for exploring possibility of an amicable settlement. Voluntary Retirement Scheme has been notified by Company evoked positive response. So far 89 Employees out of the total 128 employees have opted for the said scheme.

In accordance with the requirement of Section 15 of the Sick Industrial Company (Special Provisions) Act, 1985, the company has made a reference in October 2004 to the Board for Industrial and Financial Reconstruction (BIFR) of the fact that the accumulated loss of the company at the end of the financial year 2003-2004 had exceeded the entire net worth of the company.

**Market Scenario and Outlook**

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 in demand for Ribbon type Optical Fibre Cables. This may reinforce and add the competitive strength of the company being one of the few players equipped to manufacture Ribbon type of OFC in India.

The demand outlook for the optical fibre cables was much encouraging during the year under review due to Government's Broadband Policy. The industry also expects that Conditional Access System (CAS) and broadband applications to spur the growth of optical fibre cable networks in the coming years.

During the year under review your company has been able to export Optical Fibre Ribbon Cables on favorable terms through the Company's promoters, TCIL for their projects abroad. The optic fibre industry at home is also poised for a period of

## **TAMILNADU TELECOMMUNICATIONS LIMITED**

significant growth and the demand is expected to match the current availability in the months to come. This favorable trend is expected to continue at least over the next few years with prices also moving up. 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 has effected substantial reduction in manpower and will continue its efforts to further prune all its fixed costs including administrative and discretionary overheads.

### **Opportunities and Threats**

Optical Fibre Cable market is expected to improve on account of the expected growth in broadband network, long distance network and intra-city network by private operators in the country. The supply/demand gap is likely to be significantly bridged. The demand for optical fibre cables is expected to increase from the major public and private sector undertakings.

With TCIL as promoter and Fujikura as technical collaborator, the company has earned a good name with major public / private operators on product quality. With the help of TCIL's presence in more than 25 countries worldwide, TTL foresees a bright future in the coming years for increased export orders.

### **Risk & Concern**

Risks still persist regarding the demand for optical fibre cables as BSNL is the single largest consumer of optical fibre cable in India. Another trend that could emerge will be the increasing leasing of excess bandwidth, thereby reducing the demand for backbone optical fibre cable. Instead of opting for broadband roll-out plans, the BSNL's strategy of endorsing "ADSL modems" as a means to its broad-band connectivity may impair demand of OFC in access network and Fibre-to-the-Home applications. The competition within OFC business is becoming fierce due to emerging new technologies and frequent new product introductions in Optical fibre products which command competitive prices and preference in the market.

### **Corporate Debt Restructuring (CDR) Scheme**

As the members are aware, the company has implemented CDR with effect from July 2004. The strained cash flows and profitability of the company has started to improve.

### **Directors**

Shri Tsutomu Aoki (Alternate Director Shri H. Yokosuka) and Shri Toshitaka Takahashi (Alternate Director Shri Kanwal Monga) have resigned as directors of the company with effect from 20th May 2005. The Directors place on record their appreciation for the invaluable guidance and advice given by them during their tenure on the Board of TTL.

In accordance with Section 256 of the Companies Act, 1956, read with Articles 79 & 80 of the Articles of Association of the company, Shri G.D. Gaiha and Shri M.K. Jain, Directors, will retire from the Directorship of the company by rotation and being eligible, offers themselves for re-appointment.

### **Directors' Responsibility Statement**

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

- In the preparation of the annual accounts, the applicable accounting standards had been followed.
- 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 2005, and of the loss of the Company for the year ended on that date.
- 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.
- They have prepared the annual accounts on a going concern basis.

### **Corporate Governance**

A report on Corporate Governance with the Auditors' 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 Section 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 Section 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 indicating the prevalence of high degree of excellent relationship between employees and management. TTL has designed and implemented a large number of initiatives to build and improve knowledge base and competencies of employees at all levels. In order to build

up high morale of employees, TTL has been encouraging its employees to come out with innovative contributions, 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 9001:2000 quality management systems certification from Bureau of Indian Standards (Accredited by Raad Voor Accreditatie, Netherlands)

### 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.

### Auditors

In terms of Section 619(2) of the Companies Act, 1956, the Comptroller and Auditor General of India (CAG) had re-appointed M/s Essveeyar, Chartered Accountants as the Auditors of the Company for the year 2004-05 at a remuneration of Rs.30,000/- besides reimbursement of travelling and out-of-pocket expenses at actuals, subject to the other terms and conditions as specified by the CAG.

### Auditors' Report

Clarification on Auditors observation at Para 4 (vi) of the Auditor's report is given below:

- I (a) Note No.2 with regard to preparation of accounts on going concern basis despite substantial losses which exceeds the company's net worth, the impact of which on the financial results of the company is not ascertainable.

The company had embarked on an exercise to improve the operational and economic performance of the on-going OFC unit. The methods include restructuring the operations, cost control, corporate debt restructuring and other measures has resulted in significant improvement.

In view of the foregoing, the accounts have been prepared on going concern basis.

- II Attention is drawn to the following Notes on Accounts:

- (b) Note No.4 with regard to Long Outstanding debtors the realisability of which is dependant on finality of arbitration award.

No provision is made for certain long pending debtors 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.

- (c) Note No.5 with regards to the estimated liabilities & recoverability of recorded asset amount in respect of one of the unit where operations had been suspended and case is pending in the court against the said suspension.

The company has given notice for suspension of operations of Jelly Filled Telecom Cable (JFTC) unit with effect from 1.12.2003, on trade reasons. The same has been challenged by the employees' union in the Chennai High court. As the matter is sub-judice, no adjustment is made on the probable liability arising out of suspension and the loss on impairment of assets of that unit, if any. Out of 128 employees who were on the rolls of that Unit, 89 employees have already been relieved from the company on their opting for VSS.

### 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 2005 along with the financial review of the accounts of the company 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 Tamil Nadu, Promoters and the Company Bankers. The Directors appreciate your forbearance and patience in this difficult phase of your company and solicit your continued support and co-operation. Your directors acknowledge the continued trust and confidence you have reposed in this company. They also wish to place on record their appreciation for the hard work put in by the employees at all levels.

For and on behalf of the Board  
M. Sengupta  
Managing Director

28th July, 2005  
Chennai

T. Willington  
Director



**TAMILNADU TELECOMMUNICATIONS LIMITED****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) Measures taken for Energy Conservation**

Power factor maintained at 0.99 thereby reduced the losses and obtained the incentive from TNEB to the tune of Rs.0.94 lakhs.

Annual production has been increased by 56% when compared with the previous year. All efforts have been made to achieve an average power cost of Rs. 800/- per Route Km. and consumption of energy of 144 Units per Route Km. (both TNEB & DG Set supply).

**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 taken to increase exports, development 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)	
	2004-05	2003-04
Used	352.52	1033.93
Earned	24.09	94.75

**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 being furnished.

**FORM B**

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

**A. Research & Development (R&D)**

1. Specific areas in which R&D activities were carried out by the company.

- Development of 96F Ribbon Cable with in-house facilities.

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

- Expansion of product range to the high-fibre-count Ribbon Cables.
- Improved capacity utilisation by manufacturing high-fibre-count cables.

3. Future Plan

- Getting Type Approval of 144/288 fibre Ribbon Cable
- To introduce software package for control of manufacturing activities.

4. Expenditure on R&D

- Expenditure on above R&D activities is about Rs.15,000/- only.

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

- Commissioned additional pay-off for sheathing line to facilitate the un-interrupted running of machine thereby saving in the form of smooth process flow of materials for high productivity and avoidance of cables scrap. It has brought savings to the Company to the extent of Rs.4 lakhs.

- Fabricated and Installed one cable rewinding machine with in-house machine components available resulting in saving of about Rs.3 lakhs.

**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, CHENNAI FOR THE YEAR ENDED MARCH 31, 2005.**

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619 (4) of the Companies Act, 1956 on the accounts of Tamilnadu Telecommunications Limited, Chennai for the year ended 31st March 2005.

Chennai  
05.09.2005

(S. RAJANI)  
Accountant General



**Review of Accounts of Tamilnadu Telecommunications Limited for the year ended 31st March, 2005 by the Comptroller and Auditor General of India**

**1 FINANCIAL POSITION**

The table below summarises the financial position of the company under broad headings for the last three years upto 31.03.2005

(Rs. in lakhs)

Liabilities	2002-03	2003-04	2004-05
a) Paid up Capital (including advances for shares)	2266.01	2266.01	2266.01
b) Reserves & Surplus	114.26	112.20	110.13
c) Borrowings			
i) Short term & Long Term	1124.94	1400.96	3271.96
ii) Cash Credit	2289.86	2611.65	585.91
d) Trade dues and other liabilities (including provisions)	1654.53	1144.80	1892.18
e) Deferred Tax Liability	278.46	264.83	279.09
<b>Total</b>	<b>7728.06</b>	<b>7800.45</b>	<b>8405.28</b>
<b>Assets</b>			
a) Gross Block	7260.68	7267.79	7289.88
b) Less: Depreciation	4077.54	4358.00	4609.64
c) Net Block	3183.14	2909.79	2680.24
d) Capital Work-in-Progress	21.68	21.68	-
e) Other Assets / Investments	-	-	-
f) Current Assets, Loans and Advances	2685.63	1680.62	1867.62
g) Intangible Assets:			
i) Misc. expenditure not written off	132.20	25.96	135.30
ii) Accumulated Loss	1704.41	3162.40	3722.12
<b>Total</b>	<b>7728.06</b>	<b>7800.45</b>	<b>8405.28</b>
Capital Employed	4235.92	3467.29	2655.68
Net Worth	542.66	(810.15)	(1481.28)

Note:

- 1) Capital Employed represents Net Fixed Assets PLUS Working Capital
- 2) Net worth represents Paid up Capital PLUS Reserves LESS Intangible Assets

**2 CAPITAL STRUCTURE**

a) Debt - Equity Ratio

The Debt - Equity ratio for the company was 0.19:1 in 2002-03; 0.18:1 in 2003-04 and 1.09:1 in 2004-05.

b) The Amount of loans from Government of Tamilnadu outstanding as on 31st March 2005 was nil.

**3 RESERVES AND SURPLUS**

Reserves and Surplus accumulated upto 31.3.2005 amounted to Rs.110.13 Lakhs as against Rs.112.20 Lakhs as on 31.3.2004 and Rs.114.26 Lakhs as on 31.3.2003.

The Reserves and Surplus (Rs. 110.13 Lakhs), amounted to 1.31 per cent of the total liabilities in 2004-05 as against 1.44 per cent in 2003-04 and 1.48 per cent in 2002-03; and 4.86 per cent of the equity capital (Rs. 2266.01 Lakhs) in 2004-05 as against 4.95 per cent in 2003-04 and 5.04 per cent in 2002-03.

**TAMILNADU TELECOMMUNICATIONS LIMITED****4 LIQUIDITY AND SOLVENCY**

- a) The percentage of current assets to total net assets varied from 34.75% in 2002-03 to 21.56% in 2003-04 and to 22.22% in 2004-05.
- b) The percentage of current assets to current liabilities (including provisions) varied from 162.32% in 2002-03 to 146.80% in 2003-04 and to 98.70% in 2004-05.
- c) The percentage of quick assets (Sundry debtors, advances, Cash and Bank balances) to current liabilities varied from 90.31% in 2002-03 to 102.58% in 2003-04 and to 76.69% in 2004-05.

**5 WORKING CAPITAL**

The working capital (Current assets, Loans and advances LESS trade dues and current liabilities) of the Company at the close of three years ending with 31.03.2004 amounted to Rs.1031.10 Lakhs, Rs. 535.82 Lakhs respectively and represented 3.49 month's value of production in 2002-03 & 2.59 month's value of production in 2003-04. The trade dues and Current liabilities exceeded current Assets, Loans and Advances by Rs. 24.56 lakhs as on 31.03.2005

**6 SOURCES AND USE OF FUNDS**

Funds amounting to Rs. 261.28 Lakhs from internal sources (Reserves, Depreciation, Provision & Surplus) and Rs. 562.93 lakhs from external sources were utilised during 2004-05 as follows:

(Rs. in lakhs)

a) Gross fixed assets including Capital works in progress	0.41
b) Discharge of Loans	154.74
c) Increase in Miscellaneous Expenditure	109.33
d) Increase in Accumulated Losses	559.73

**7 WORKING RESULTS**

The Working Results of the Company for the three years upto 31st March 2005 are tabulated below:

(Rs. in lakhs)

	2002-03	2003-04	2004-05
a) Profit / (Loss) as per accounts	(1712.11)	(1347.44)	(488.83)
Add/Ded. Investment Allowance Reserve	-	-	-
Add/Ded. Adjustment for prior period	(59.73)	(124.18)	(56.63)
b) Profit / (Loss) for the year	(1771.84)	(1471.62)	(545.46)
c) Profit / (Loss) before Tax and Investment Allowance	(1771.84)	(1471.62)	(545.46)
Tax Provision	-	13.63	14.26
d) Profit / (Loss) after Tax and before Investment Allowance	(1771.84)	(1457.99)	(559.72)

**8 COSTTRENDS**

The table below indicates the percentage of cost of sales to sales during three years upto 2004-05

(Rs. in lakhs)

	2002-03	2003-04	2004-05
Sales	4468.17	3066.67	3166.67
LESS: Profit for the year	-	-	-
ADD: Loss for the year	1771.85	1457.99	559.72
Cost of Sales	6240.02	4524.66	3726.39
Percentage of Cost of Sales to Sales	139.65	147.54	117.68