

Tamilnadu Telecommunications Limited

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20th Annual Report
2007-08

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Board of Directors	Shri. P. Sivasankaran, IAS Shri. M. Sengupta Shri. R.K. Upadhyay Shri. K.B. Batra Shri. Vimal Wakhlu Shri. B. Elangovan (in place of Shri. T. Willington) Shri. B. Viswabarathy (in place of Shri. S. Susai) Shri. M.K. Jain	Chairman cum Director Managing Director Director Director Director Director Director Director (Nominee of Department of Telecom)
Registered office	No.16, 1 st Floor, Aziz Mulk 3 rd Street, Thousand Lights, Chennai – 600 006.	
Factory	E-18B – E-24, CMDA Industrial Complex, Maraimalai Nagar, Pin – 603 209. Tamil Nadu. website : www.ttlofc.in	
Bankers	State Bank of India, Andhra Bank, Punjab National Bank	
Auditors	Brahmayya & Co., Chartered Accountants, Masilamani Street, Balaji Nagar, Royapettah, Chennai – 600 014.	
Promoters	Telecommunications Consultants India Limited, TCIL Bhavan, Greater Kailash – 1, New Delhi – 110 048. Tamilnadu Industrial Development Corpn. Ltd., 19-A, Rukmani Lakshmipathy Road, Egmore, Chennai – 600 008.	

REGISTRAR & SHARE TRANSFER AGENTS

Cameo Corporate Services Limited
“Subramanian Building”
No.1, Club House Road,
Chennai – 600 002.
Phone: 044-28460390.

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

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Members of Tamilnadu Telecommunications Limited is scheduled to be held at 11.30 A.M. on Tuesday, 23rd December 2008 at the Auditorium at "Russian Cultural Centre", No. 74, Kasturi Ranga Road, (adjacent to Hotel Chola Sheraton) Alwarpet, Chennai – 600 018 to transact the following business.

Ordinary Business

01. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2008, 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. Viswabarathy, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint Director in place of Shri Vimal Wakhlu, who retires by rotation and being eligible, offers himself for re-appointment.

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. Manas Sengupta, as Managing Director of the Company with effect from 01.07.2008 on the following terms and conditions

1. Salary

The pay scale shall be Rs.23,750-600-28550 with basic pay at Rs.25,550 P.M. w.e.f 01.07.2008 with Date of next increment on 01.07.2009 taking basic pay to Rs.26,150/- P.M. The Dearness Allowance is payable on IDA terms in accordance with the applicable percentages announced by the authorities concerned from time to time.

2. Accommodation

- a. Furnished leased accommodation provided by the company on recovery of 10% of the Basic pay per month towards rent and 2.5% of Basic pay per month towards furnishing.

(or)

- b. Drawal of HRA at the rate applicable

(30%) towards rent and for furnishings as followed in the earlier case.

He can exercise any of the above option.

3. Motor Car

The Managing Director is entitled to use the car with Driver for official and private use subject to deduction as per DPE norms.

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 a maximum of one month Basic + DA, as is being paid to all regular employees of Tamilnadu Telecommunications Limited.

6. Leave Travel Concession

The Managing Director is entitled to the Leave Travel Concession in line with the rules admissible, and the cost thereof will be borne by the company.

7. Provident Fund

The Managing Director will continue to subscribe to the Contributory Provident Fund of Tamilnadu Telecommunications Limited, with a corresponding matching contribution from the company.

8. Leave Entitlement :

The Managing Director is eligible for Earned Leave and Sick Leave every year as per the rules of the Company.

By order of the Board

for Tamilnadu Telecommunications Limited

Chennai

M. Sengupta

Date : 29.8.2008

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.

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03. The Register of Members and the Share Transfer Books of the Company will remain closed from 25.09.2008 to 30.09.2008 (both days inclusive) in connection with the Annual General Meeting.
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 atleast 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 and all dividend declared thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund established under Section 205C of the Companies Act, 1956. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March 2001 are requested to make their claim to the Registered Office of the Company. It may also be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund, as above, no claim shall lie in respect thereof.
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.4**

Shri. Manas Sengupta, was appointed as Managing Director of the company for a period of 5 years w.e.f. 01.07.2003 and his tenure ends on 30.06.2008. The Board of Directors of the company have approved the appointment of Shri. Manas Sengupta, as Managing Director of the company at their meeting held on 26.04.2008 for a further period of 5 years w.e.f. from 01.07.2008 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. Manas Sengupta 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. Viswabarathy, aged 56 years has been appointed in the Board of the Company in place of Shri. S. Susai. He is a qualified Chartered Accountant and has rich experience in Finance and Accounts in State PSU. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies are given below:

Name of the Companies	Nature of Interest
Manali Petrochemical Ltd.	Director
DCM Hyundai Ltd.	-do-

02. Shri. Vimal Wakhlu, aged 52 Years has been in the Board of the Company since June 2007. He holds MBA degree from IGNOU. He had conducted a study on ' Impact of Liberalisation on the Telecom Sector in the Developing countries and its relevance to the Department of Telecom, India' as part of the Project work in MBA in 1997 – Indira Gandhi National Open University (IGNOU), India. Further, he has nearly 25 years of experience in the field of long distance communication including- Satellite, Optical Fibre, Analog and Digital Microwave Systems, Co-axial systems, Maritime Communications, Troposcatter Communications, International Maintenance Centre, Data Communications, Analog and Digital Multiplexing in BSNL, DoT and Overseas Communications Service (now VSNL). He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies are given below:

Name of the Company	Nature of Interest
TBL International Limited	Director

REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Members

Your Directors present the Twentieth Annual Report, together with the Audited Accounts of the Company for the year ended 31st March 2008.

Financial Results

	(Rs. in Lakhs)	
	2007-08	2006-07
Net Sales	2142.90	1440.00
Other Income	56.89	151.85
Total Income	2199.79	1591.85
Total Expenditure	2155.86	1469.25
Finance Charges	221.77	490.81
Profit on Sale of Assets	-	523.93
Gross Profit / (Loss) after interest before Depreciation & Tax	(177.84)	155.72
Depreciation	228.10	237.71
Provision for Taxation / Deferred Tax	1.94	(242.24)
Net Profit / (Loss)	(407.88)	160.25

The Net Loss after Tax is Rs.407.88 lakhs against profit of Rs. 160.25 made during the previous year.

Review of Operations

During the year under review, the company's sales and other income was 2199.79 Lakhs. The entire turnover of the year is achieved from the Optical Fibre Unit. Your company managed to survive in the price war by implementing various cost-cutting and value engineering measures in the manufacturing operations.

Your company successfully launched the manufacturing of Optical Fibre Cables of high fibre-count Ribbons, All Di-electric Self Supporting (ADSS) aerial cables, micro ducts and exported the same to Kuwait Telecom, Myanmar, Jordan and other countries during the year.

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

In accordance with the requirement of Sec.15 of the Sick Industrial Companies (Special Provisions) Act, 1985, the company has made a reference in October 2004 to the Board for Industrial and Financial Reconstruction (BIFR) of the fact that the accumulated loss of the company at the end of the financial year 2003-04 has exceeded the entire net worth of the company. BIFR has declared the company as industrially sick. A draft rehabilitation / revival scheme has been submitted to BIFR.

Market Scenario and Outlook

The Optical Fibre Cables market segment has been witnessing a growth rate of 20% year-on-year. MTNL and BSNL are both focusing on Fibre Termination to Home (FTTH) deployment as this gained momentum across the Globe. The demand for data services is increasing. The company expects that OF telecom cables sector to increase in volumes in the back-drop of the increased plan of BSNL for deployment of high fibre count OFC for inter exchange links and long-haul projects is likely to provide the much needed fillip for Ribbon type Optical Fibre Cables. This may reinforce and add to the competitive strength of the company which is one of the few players equipped to manufacture Ribbon type of OFC in India.

The demand outlook for the optical fibre cables is much encouraging due to Government's Broadband Policy. The industry also expects the advent of Conditional Access System (CAS) and broadband applications to spur the growth of optical fibre cable networks in the coming years. In power sector ADSS cable applications are increasing day by day.

During the year under review your company has been able to export Optical Fibre Ribbon 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 has effected substantial reduction in manpower and will continue its efforts to further prune all its fixed costs including administrative and discretionary overheads.

Cautionary Statement

Management Discussion and Analysis contains forward looking statements. Actual results, performance or achievements could differ materially. The company assumes no responsibility to publicly to amend, modify or revise the same on the basis of any subsequent development of information or events.

Risk & Concern

The industry is facing challenging cost pressures. The competition within OFC business is becoming fierce due to emerging new technologies and frequent

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new product introductions in Optical fibre products which command competitive prices and preference in the market.

Directors

In accordance with Sec.256 of the Companies Act, 1956, read with Articles 79 & 80 of the Articles of Association of the company, Shri B. Viswabarathy and Shri Vimal Wakhlu, will retire from the Directorship of the company by rotation and being eligible, offers themselves for re-appointment.

The following changes had taken place in the Board of the company since 1.4.2007.

Shri. K.B. Batra and Shri. Vimal Wakhlu were appointed as Directors of the Company w.e.f 25.06.2007. Shri. K. Rajaraman, IAS resigned from the Board w.e.f 25.09.2007 and Shri. S. Gopalakrishnan, IAS appointed as Director cum Chairman w.e.f 10.12.2007 who also resigned and in his place Shri. P. Sivasankaran, IAS had been appointed as Director cum Chairman of the Company w.e.f. 30.07.2008. Shri. B. Viswabarathy had been replaced as Director in place of Shri. S.Susai and Shri. B. Elagovan had been replaced as Director in place of Shri. T. Willington.

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 2008, and the profit 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 along with the Practising Company Secretaries Certificate on compliance with conditions of the Corporate Governance has been attached to form part of the Annual Report.

Energy, Technology and Foreign Exchange.

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

Personnel

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

Human Resources

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

Quality Management Systems

Your Directors are happy to report that as a commitment in meeting global quality standards, your company 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. 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 / re-appointed M/s. Brahmayya & Co., Chartered Accountants as the Auditors of the company for the year 2007-08 at a remuneration of Rs. 30,000/- besides reimbursement of traveling and out-of-pocket expenses at actuals, subject to the other terms and conditions as specified by the CAG.

Auditors' Report

Clarification on Auditors observations is given below:

Para No. 4 The Company has not accounted the interest on secured loans obtained from the banks and financial institutions amounting to Rs.3, 13, 87,124/- for the period April 07 to March 2008. Had such interest been accounted, the finance charges for the year would have been higher by Rs.3,13,87,124/-, the loss for the year would have been higher by Rs.3,13,87,124/- and reserves and surplus would have been lower by Rs.3,13,87,124/-. Out of Rs.3,13,87,124/-, the company have recognised Rs.46,71,856/- of interest set off by banks out of cash credit and margin money accounts during the year as dues receivable from banks under loans and advances.

Due to servere sickness and cash crunch the payment could not be made. The accounts have become irregular during the year due to industry reasons and company's continued struggle for revival. The company has pursued the banks for one time settlement with the cut-off-date 31.3.2007. In view of this, interest on bank loans including cash credit has not been provided. This is disclosed under Note 1(d) and 9 – Section II – Notes to Accounts under Schedule 24.

Para No. 5 The Company has Prepared the Financial Statements on "Going concern basis" despite substantial losses which exceeds net worth of Company.

The Accumulated losses of the company had exceeded its net worth. During the year 2005-06, Board for Industrial and Financial Reconstruction (BIFR), vide its order dated 16.05.2006, formed the view that the company had fully eroded its net worth and accordingly appointed State Bank of India (SBI) as Operating Agency (OA) under Section 17(3) of SICA for formulating Revival Scheme. However, the company embarked on an exercise to improve the operational and economic performance of the unit. The methods include restructuring the operations, cost control, corporate debt restructuring thro BIFR and other measures which would result in significant improvement and turnaround. In view of the foregoing, the accounts have been prepared on going concern basis.

Para No. 6 No adjustment is made for an amount of Rs. 3.39 crores in the financial statements for certain long outstanding debtors for which the recoverability is dependent on judgement of Court of Law.

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.

Item No. 9 of the Annexure to the Auditor's Report

In our opinion the rate of interest and other terms and conditions on which the Loans have been taken from the company listed in the register maintained under section 301 of the Companies Act, are not, prima facie, pre-judicial to the interest of company. The interest over due amount as at 31st March 2008 is Rs.126.47 Lakhs.

Due to servere sickness and cash crunch the payment could not be made.

Item No. 10 of the Annexure to the Auditor's Report

The company has defaulted in payment of principal to the company listed in the register maintained under section 301 of the Companies Act 1956. The principal overdue amount as at 31st March 2008 is Rs.510.02 Lakhs.

Due to servere sickness and cash crunch the payment could not be made. Further, One-time Settlement (OTS) proposal submitted to the Government is awaiting approval.

Item No. 11 of the Annexure to the Auditor's Report

According to the information and explanations given to us, the debt portfolio of the company was restructured through corporate debt restructuring scheme. As per the scheme, the company has defaulted the repayment of the dues to the financial institutions and banks. The principal overdue amount as at 31st March 2008 is Rs.897.71 Lakhs and the interest over due amount as at 31st March 2008 is Rs.15.01 Lakhs.

Due to severe sickness and cash crunch, the payment could not be made. Further, the banks are considering our proposal of One-Time-Settlement which has been submitted to the Govt. for approval by the promoter TCIL. This is disclosed in Note 1(d) and 9 – Section II – Notes to Accounts under Schedule 24.

Item No. 15 of the Annexure to the Auditor's Report

According to the records of the Company, the Company is regular in depositing with appropriating authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Custom Duty, Excise -Duty, profession tax, Cess applicable to it. However, in respect of Provident Fund, Tax-Deducted at Source, Sales Tax there have been some minor delays during the year. The company has not deducted the Tax deducted at source amount of Rs.37, 88,961/-. Out of Rs.37,88,961/-, Rs.10,65,327 is pertaining to previous year and the balance amount of

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Rs.27,23,634 is pertaining to the current year. And the Fringe benefit tax amount of Rs.32, 454/- is outstanding as at last day of the financial year.

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

Item No. 17 of the Annexure to the Auditor's Report
The accumulated losses of the company at the end of the financial of year are more than 100% of its net worth. The company has incurred Cash losses during the year. However, the company has not incurred Cash losses in the year immediately preceding the year covered by this report.

The company has embarked on an exercise to improve the operational and economic performance of the unit. The methods include restructuring the operations, cost control, corporate debt restructuring thro BIFR and other measures which would result in significant improvement and turnaround. One-time Settlement (OTS) of banks dues and restructuring through BIFR is under way.

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 2008 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's Bankers. The Directors appreciate your whole hearted efforts during the year and solicit your continued support and co-operation. Your Directors acknowledge the continued trust and confidence you have reposed in this company. They also wish to place on record their appreciation for the hard work put in by the employees at all levels.

for, and on behalf of the Board
 M. Sengupta
 Managing Director.

Date : 29.8.2008
 Place : Chennai.

T. Willington
 Director

ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

a) Measure taken for Energy Conservation :

Maintaining power factor at optimum level, reducing loads whenever the machines are not running, saving light energy etc had been followed vigorously. Further, through continual production company had saved approximately Rs.2 lakhs by way of less consumption of electricity.

During the year Company had exported different types of cables-like 6F, 12F, 24F, 48F Aerial Optical Fibre Cables, Microduct Cables, 96F Un-armoured Optical Fibre Cables, 48F Armoured Optical Fibre Cable etc., to Jordan, Melbye – Norway, Kuwait and Nepal.

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)

	2007-08	2006-07
Used	353.80	438.29
Earned	14.01	80.30

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.**

- Developed 288F Ribbon Optical Fiber cable as per BSNL Specification and received the Type Approval Certificate from BSNL by using existing new LT line, Stranding Line, Sheathing and jacketing Line.
- Developed and executed for the first time in India 4DB and 7DB Micro Duct to Norway for their FTTH application.
- Developed Micro Duct Cable to cope with the future trend in cable manufacturing. The Type Approval for the same is awaited.
- To instal 2 Nos. of 120 KVA of battery to avoid power fluctuations during the production process.
- Company is in the process of installing an in-house Nitrogen generating plant to avoid scarcity of Nitrogen and to have cost saving too.
- To instal 12F Ribbon Making Machine to enhance production capacity for the forthcoming BSNL Ribbon Cable orders.

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

- The company is now fully geared up to meet the FTTH (Fibre to the Home) needs of the country.
- The company could capture sizeable quantity of export orders.
- The company is now become important bidder by participating through e-bidding for various Global requirements for the International clients Alcatel.
- The plant capacity is increased to 20,220 Kms from 17,136 Kms for supply of Optical Fibre Cables, as assessed by BSNL (QA).

3. Future Plan

- Production of ADSS Cable for longer span for rural area also.
- Getting Type Approval for Micro Duct Cables from BSNL.
- To obtain Type Approval for 576 High Count Metal Free OF Cable (Ribbon Type).
- 24F G652D Group Inclusion.
- To introduce new stranding line, sheathing line and installing Ribbon Making Machine.

4. Expenditure on R&D

Expenditure incurred towards the above completed activities of R&D is Rs.6,00,000/-.

B. Technology absorption, adaptation and innovation.

- Obtained Technical Specification Evaluation Certificates for High Fibre Count Optical Fibre Cables – 288F.
- Obtained Type Approval for 48F 652D Metal free OF Cable.
- Manufactured for the first time 96 Fibre Armoured Optical Fibre Cable and supplied to Videsh Sanchar Nigam Limited (VSNL).
- Obtained compatibility approval from BSNL for different sources materials.
- Infrastructure Assessment obtained from BSNL for G652D Fibre & Self-supporting Aerial Metal Free OF Cable – for Hilly and rural areas.

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 31ST MARCH 2008.

The preparation of financial statements of Tamilnadu Telecommunications Limited for the year ended 31st March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is/are responsible for the expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 30th July 2008.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Tamilnadu Telecommunications Limited for the year ended 31st March 2008. 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 the company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619(4) of the Companies Act, 1956.

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

Place : Chennai-18
Date : 12.9.2008

S. MURUGIAH
Accountant General

TAMILNADU TELECOMMUNICATIONS LIMITED**Report on Corporate Governance****Introduction**

Corporate Governance is an ongoing process that ensures that the Company displays the highest standard of professionalism, integrity, accountability, fairness, transparency, social responsiveness and business ethics, in its dealings. Good Corporate Governance is a critical doctrine to the global economic system, enabling the business to not only effectively and efficiently achieve its corporate objectives but also develop a structure and methodology to sustain in a globally competitive environment.

Company Philosophy

TTL firmly believes that implementation of good Corporate Governance will help the company achieve goals and enhance shareholder value. It has been our endeavor to give importance on ensuring fairness, transparency, accountability and responsibility to shareholders besides implementing practices voluntarily that would give optimum information and benefit to the shareholders and Board of Directors. The company has complied with the requisite mandatory and certain non-mandatory requirements of the revised Clause 49 of the Listing Agreement. The company has its internal control system in place. The Company has also adopted Code of Conduct for Board of Directors and Senior Management which is strictly adhered to, by them. The Company has also an Insider Trading Dealing Code in place which complies with SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended.

The Company is managed and controlled by professional Board of Directors comprising of Executive and Non-Executive Independent Directors. The composition of the Board of Directors as on 31.03.2008 is as under :

Category	Name of Directors	Designation	No. of Shares in the Company
Promoter Executive Director	M. Sengupta	Managing Director	Nil
Promoter Non-Executive Directors	R.K. Upadhyay K.B. Batra* Vimal Wakhlu*	Director Director Director	Nil Nil Nil
Non-Executive Independent Directors	K. Rajaraman, IAS** S. Gopalakrishnan, IAS** T. Willington** S. Susai** M.K. Jain (Nominee of Dept. of Telecom)	Director Director Director Director Director	Nil Nil Nil Nil Nil

* Shri. K.B. Batra appointed as Director w.e.f 25.06.2007 and Shri. Vimal Wakhlu appointed as Director w.e.f 25.06.2007.

** Shri. K. Rajaraman, IAS resigned from the Board w.e.f 25.09.2007 and Shri. S. Gopalakrishnan, IAS appointed as Director cum Chairman w.e.f 10.12.2007 who also resigned and in his place Shri. P. Sivasankaran, IAS had been appointed as Director cum Chairman of the Company w.e.f. 30.07.2008. Currently, Shri. B. Elangovan has been appointed as Director in place of Shri. T. Willington and Shri. B. Viswabarathy has been appointed as Director in place of Shri. S. Susai.

Board Meetings

The Board of Directors met 4 (Four) times during the period 01st April 2007 to 31st March 2008 on the following dates i.e., 25th June 2007, 25th September 2007, 10th December 2007, and 24th January 2008. Attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship / Membership of Committee of each Director in various companies is as follows :

Name of the Director	Attendance of Particulars		No. of Directorships and Committee Chairmanship / Membership		
	Board Meeting	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanship
M. Sengupta	4	Yes	-	1	-
R.K. Upadhyay	4	Yes	5**	-	-
K.B. Batra	4	Yes	5*	2	-
Vimal Wakhlu	Nil	No	1	-	-
K. Rajaraman, IAS	1	No	5	-	-
S. Gopalakrishnan IAS	Nil	No	4	-	-
S Susai	2	No	14**	7	1
T Willington	4	Yes	6	4	1
M K Jain	1	Yes	-	-	-

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 31st March, 2008 have been made by the Directors.