

Tamilnadu Telecommunications Limited

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**21st Annual Report
2008-09**

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Board of Directors	Dr. (Tmt) S. Revathi (in place of Shri P.Sivasankaran, IAS) Shri. M. Sengupta Shri. R.K. Upadhyay Shri. K.B. Batra Shri. Vimal Wakhlu Shri. B. Elangovan Shri. B. Viswabarathi Shri. M. K. Jain	Chairperson cum Director Managing Director Director Director Director Director Director Director (Nominee of the Department of Telecom)
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Registered Office : No.16, 1st Floor, Aziz Mulk 3rd Street,
Thousand Lights, Chennai – 600 006

Factory : E18B-E24, CMDA, Industrial Complex,
Maraimalai Nagar,
Pin – 603 209, Tamilnadu.
Website : www.ttlofc.in

Bankers : State Bank of India, Andhra Bank, Punjab National Bank

Auditors : B. Thiagarajan & Co. Chartered Accountants,
New No. 24, Old No. 15,
Yogambal Street, T. Nagar,
Chennai – 600 017

Promoters : Telecommunication Consultants India Limited,
TCIL Bhawan, Greater Kailash – I,
New Delhi – 110048

Tamilnadu Industrial Development Corpn. Ltd.,
19-A, Rukmani Lakshmi pathy 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 Twenty first Annual General Meeting of the Members of Tamilnadu Telecommunications Limited is scheduled to be held at 3.00 P.M on Wednesday, 30th September 2009 at the Auditorium at "Russian Cultural Centre", No.74, Kasturi Ranga Road, 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 2009, the Profit and Loss Account for the financial year ended on that date and the Director's Report and Auditor's Report.
02. To appoint Director in place of Shri B.Elangovan, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint Director in place of Shri K.B.Batra, 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 modification(s) following resolutions to make alteration in the capital clause of the Memorandum of Association of Tamilnadu Telecommunications Limited:

RESOLVED THAT pursuant to Section 94 of Companies Act and Articles of Association of the Company and subject to the approval of all applicable authorities, clause V of the Memorandum of Association of the Company be and is hereby altered to read as follows:

V. The authorized share capital of the Company is Rs.50,00,00,000 (Rupees Fifty Crores only) divided into 5,00,00,000 (Five Crores only) Equity Shares of Rs. 10/- (Rupees Ten) each.

05. To consider and, if thought fit, to pass with or without modification(s) the following resolutions as **SPECIAL RESOLUTION** to convert loan and dues of TCIL into equity shares.

"RESOLVED THAT pursuant to provisions of Sec. 81 (1A) and all other applicable provisions, if any, of the Companies Act and any other laws including any statutory modifications or amendment thereof and Articles of Association of TTL, Company be and is hereby authorized to issue and allot further 1,54,32,700 equity shares of Rs. 10/- each at par to TCIL against conversion of rupee loan and other dues of TCIL into equity share capital.

FURTHER RESOLVED THAT the new equity share capital shall rank pari passu in all respect with the existing equity shares of the company.

RESOLVED FURTHER THAT Mr. Manas Sen Gupta, Managing Director and Mr. V.Mohan, GM (F) cum Company Secretary, TTL, be and are hereby severally

authorized to do all acts, deeds and things as may be required or deemed necessary for the purpose of giving effect to the above resolution and file all necessary forms/returns or documents with MCA/ROC in this regard.

06. To consider and, if thought fit, to pass with or without modification(s) the following resolutions as **SPECIAL RESOLUTION** to convert loan of banks into equity.

RESOLVED THAT pursuant to provisions of Sec. 81 (1A) and all other applicable provisions, if any, of the Companies Act and any other laws including any statutory modifications or amendment thereof, and subject to approval by Banks, Company be and is hereby authorized to issue and allot further 75,83,300 equity shares of Rs. 10/- each at par to the Consortium Bankers comprising State Bank of India, Andhra Bank and Punjab National Bank against conversion of its loan into equity share capital.

FURTHER RESOLVED THAT the new equity share capital shall rank pari passu in all respect with the existing equity shares of the company

RESOLVED FURTHER THAT Mr. Manas Sen Gupta, Managing Director and Mr. V.Mohan, GM (F) cum Company Secretary, TTL, be and are hereby severally authorized to do all acts, deeds and things as may be required or deemed necessary for the purpose of giving effect to the above resolution and file all necessary forms/returns or documents with MCA/ROC in this regard.

07. To consider and, if thought fit, pass with or without modification(s) following resolutions to avail bridge loan facility of Rs. 12.5 crores from TCIL in addition to the materials credit being provided, against the security of land, building and other assets of the Company :

RESOLVED THAT pursuant to the provisions of Section 293 (1) (d) of the Companies Act, 1956 and other applicable laws including any statutory modification or amendment thereof, consent of the Company be and is hereby accorded to borrow Rs. 12.5 crores from TCIL from time to time as bridge loan in addition to the material loan being provided by TCIL from time to time against the security of land, building and all assets of the Company on such terms and conditions as approved by TCIL.

RESOLVED FURTHER THAT Mr. Manas Sen Gupta, Managing Director and Mr. V.Mohan, GM(F) cum Company Secretary, TTL, be and are hereby severally authorised to do all acts, deeds and things as may be required or deemed necessary for the purpose of giving effect to the above resolution.

08. To consider and, if thought fit, pass with or without modification(s) following resolutions as **SPECIAL RESOLUTION** to make alteration in the Articles of Association of TTL :

a) RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and subject to approval of the

TAMILNADU TELECOMMUNICATIONS LIMITED

share holders Article 4 of the Articles of Association be and is hereby amended and replaced to read as under:

"The authorised capital of the company is Rs.50,00,00,000 (Rupees Fifty Crores Only) divided into 5,00,00,000 (Five Crores Only) Equity Shares of Rs.10/- (Rupees Ten) each.

b)RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and subject to the approval of the share holders Article 85 of the Articles of Association be and is hereby amended and replaced to read as under:

"Unless otherwise agreed by the parties TCIL, TIDCO, FUJIKURA shall have right to nominate 4, 1 and 1 Director(s) respectively on the Board of Directors of the Company. In the event of change in their share holding, the number of their nomination to the Board shall also change correspondingly such that TIDCO and FUJIKURA shall have the right to nominate one Director as long as they continue to be parties within the meaning of Article 1. Any Committee of the Board of Directors shall be represented by nominee Directors of the parties proportionate their holdings unless otherwise agreed to by the parties.

c) RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and subject to the approval of the share holders Article 86 of the Articles of

Association be and is hereby amended and replaced to read as under:

"The Chairman of the Board of Directors of the company shall be nominated by Telecommunications Consultants India Limited."

d) RESOLVED THAT subject to the approval of the share holders Article 87 (a) of the Articles of Association be and is hereby amended and replaced to read as under:

"The Directors shall be entitled to such sitting fees for attending a meeting of the Board of Directors or a Committee or a sub-committee thereof, as may be fixed by the Board of Directors, not exceeding Rs.20,000/- per meeting."

RESOLVED FURTHER THAT Mr. Manas Sen Gupta, Managing Director and Mr. V.Mohan, GM (F) cum Company Secretary, TTL, be and are hereby severally authorised to do all acts, deeds and things as may be required or deemed necessary for the purpose of giving effect to the above resolutions and file all necessary forms/returns or documents with ROC/MCA in this regard.

By order of the Board
for TAMILNADU TELECOMMUNICATIONS LIMITED

Place : Chennai
Date : 04.09.2009

M. Sengupta
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 businesses is annexed hereto.
02. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. The proxy, in order to be effective, must be deposited / lodged at the Registered Office of the Company not less than 48 hours before the meeting. A form of proxy is given at the end of the Annual Report.
03. The Register of Members and the Share Transfer Books of the Company will remain closed from 26.09.2009 to 30.09.2009 (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 at least two days before the date of the meeting so as to enable the management to keep the information ready.

06. The shareholders may note that the dividend for the financial year ended 31st March 2001 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. Accordingly the unclaimed dividend for the financial year ended 31st March 2001 have been transferred to the Investor Education and Protection Fund, as above.
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

Your company is a BIFR referred company from the year 2004-05. The company's net worth had been fully eroded. For the revival of the company, among other measures like CDR, the company has proposed a OTS (One-time Settlement) with its secured lenders consisting of three major banks namely, SBI, Andhra Bank and PNB. The OTS proposal envisages repayment of part of loans, conversion of part of loans into equity and waiver of part of loans amounts. TCIL, the promoter company had also agreed to convert their Secured Loans and part of other raw materials credit loans into equity. As a result, if the

OTS proposal is implemented the same will result in allotment of shares to promoter-TCIL and bankers. In view of this, it is necessary that the authorized share capital of the company be increased from the existing Rs.30 Crores divided into 3,00,00,000 equity shares of Rs.10 each to Rs.50 Crores divided into 5,00,00,000 equity shares of Rs.10 each. Hence the resolution.

Item No. 5

As per the One-time Settlement (OTS) proposal the TCIL, promoter company have agreed to convert their rupee loan and other dues into equity share capital. Once the proposal is implemented it will result in allotment of 1,54,32,700 equity shares of Rs. 10/- each at par to TCIL against conversion of Secured Loans and part of other raw materials credit loans into equity share capital. Section 81(1A) of the Companies Act, 1956 requires the company to seek the approval of the members for allotment of shares. Hence the resolution.

None of the directors of the company, except, TCIL nominee directors, are in any way, concerned or interested in the said resolutions.

Item No. 6

As per the One-time Settlement (OTS) proposal, the Consortium bankers consisting of the State Bank of India, Andhra Bank and Punjab National Bank have agreed in principle to convert their part of loans into equity shares and waiver of the balance amount. Once the proposal is implemented it will result in allotment of 75,83,300 equity shares of Rs. 10/- each at par to the Consortium Bankers comprising State Bank of India, Andhra Bank and Punjab National Bank against conversion of its loan into equity share capital. Section 81(1A) of the Companies Act, 1956 requires the company to seek the approval of the members for allotment of shares. Hence the resolution.

None of the directors of the company, are in any way, concerned or interested in the said resolutions.

Item No. 7

The One-time Settlement (OTS) proposal envisages conversion of part of loans of bankers into equity and waiver of part of their loan amounts, subject to approval by Banks. As the company is declared Industrially Sick and referred to BIFR in the year 2004-05, the cash flow of the company had been adversely affected. TCIL is already providing material credit from time to time for the operations of the Company. In addition to the existing material credit and to meet the financial requirement as per the OTS, it is proposed to borrow Rs. 12.5 Crores from TCIL from time to time as bridge loan. Both material credit as well as the bridge loan shall be against the security of land, building and all assets of the Company on such terms and conditions as approved by TCIL. As per the provisions of Section 293 (1) (d) of the Companies Act, 1956 this resolution requires the approval of shareholders. Hence the resolution.

None of the directors of the company, except, TCIL nominee directors, are in any way, concerned or interested in the said resolutions.

Item No. 8

Upon implementation of OTS, the shareholding of TCIL in the company will increase to 49% of the share capital of the company. Further, the shareholding in the company by TIDCO and Fujikura will be reduced to 14.63 % and 7.18 % respectively. With this change TCIL can nominate 4 directors on the board and to appoint chairman of the company considering the fact that their shareholding has increased to 49 %. In view of the proposed conversion of loans into equity by TCIL and Banks, the Authorised share capital has to be increased. Further, at present the company is not paying any remuneration / sitting fees to its directors. It is felt that directors be paid sitting fees for the meetings of board and committees within the statutory limit prescribed under the Companies Act, 1956. These changes are not in line with the existing articles of association of the company. So it is proposed to amend the articles of association of the company suitably. Hence the resolution.

None of the directors of the company, except, TCIL nominee directors, TIDCO nominee directors are in any way, concerned or interested in the said resolutions.

Particulars of the Directors seeking re-appointment in the forthcoming AGM pursuant to clause 49 of the Listing Agreement.

Brief profile of the Directors who retire by rotation and are eligible for re-appointment:

01. Shri B. Elangovan, aged 45 years has been in the Board of the Company since Dec' 2008. He is a Bachelor Degree holder in Engineering and has rich technical experience. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies

Name of the Company	Nature of Interest
Arakkonam Castings & Forgings Ltd	Director
Sakthi Sugars Ltd	Director
Narmatha Textiles Ltd	Director
Asian Bearings Ltd	Director
Malladi Specialities Ltd	Director

02. Shri. K.B.Batra, aged 58 Years has been in the Board of the Company since June 2007. He is a qualified Chartered Accountant and Company Secretary. He has very rich experience in all the areas of Finance and Accounts since 1973. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies

Name of the Company	Nature of Interest
Telecommunications Consultants India Ltd, Delhi	Director (Finance)
Bharati Hexacom Ltd	Director
TBL International Ltd	Director
Intelligent Communication Systems India Ltd	Director
TCIL Saudi Co.Ltd	Director
TCIL, Oman LLC	Director

TAMILNADU TELECOMMUNICATIONS LIMITED

REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Members

Your Directors present the Twenty first Annual Report, together with the Audited Accounts of the Company for the year ended 31st March 2009.

Financial Results	(Rs. in Lakhs)	
	2008-09	2007-08
Net Sales	1922.61	2142.90
Other Income	20.38	56.89
Total Income	1942.99	2199.79
Total Expenditure	2200.86	2155.86
Finance Charges	291.62	221.77
Extraordinary item	31.59	—
Gross Profit / (Loss) after interest		
Before Depreciation & Tax	(517.90)	(177.84)
Depreciation	225.37	228.10
Provision for Taxation / Deferred Tax	2.06	1.94
Net Profit / (Loss)	(745.33)	(407.88)
The net loss after Tax is Rs. 745.33 lakhs against net loss of Rs. 407.88 lakhs made during the previous year.		

Review of Operations

During the year under review, the company's sales and other income was 1942.99 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.

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. One of the proposals in the revival scheme of converting loans into equity and provision of bridge loan by one of the Promoters, has been approved by the Cabinet Committee of the Government of India.

Market Scenario and Outlook

The Optical Fibre Cables market segment has been witnessing a growth rate of 12% 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 was much encouraging during the year under review 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

Statements in the Directors' Report and Management Discussion & Analysis contains forward looking statements. Actual results, performances or achievements may vary materially from those expressed or implied, depending upon economic conditions, Government Policies, subsequent developments and other incidental factors.

Risk & Concern

The industry is facing challenging cost pressures due to overall reduction in sale value of cables. 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.

Directors.

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

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

Shri. P. Sivasankaran, IAS had been appointed as Director cum Chairman of the Company w.e.f. 30.07.2008 in the place of S.Gopalakrishnan, IAS. Shri. B. Viswabarathy has been replaced as director in place of Shri. S. Susai and Shri. B. Elangovan has been replaced as director in place of Shri. T. Willington on 23.12.2008.

Directors' Responsibility Statement

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

- a) In the preparation of the annual accounts the applicable accounting standards had been followed.
- b) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2009, and the profit of the Company for the year ended on that date.
- c) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d) They have prepared the annual accounts on a going concern basis.

Corporate Governance

A report on Corporate Governance with the 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 M/s. B.Thiagarajan & Co., Chartered Accountants as the Auditors of the company for the year 2008-09 at a remuneration of Rs. 30,000/- besides reimbursement of traveling and out-of-pocket expenses at actuals, subject to the other items and conditions as specified by the CAG.

Auditors' Report

Clarification on Auditors observations is given below:

Para No. 4 The Company has not accounted the interest on secured loans obtained from the banks and financial institutions amounting to Rs.346 lakhs (Previous year Rs.314 lakhs) for the period April 08 to March 09. Had such interest been accounted, the finance charges for the year would have been higher by that amount and the loss for the year would have been higher to that extent and consequential impact in the reserves and surplus. Out of Rs. 314 lakhs, the company have recognised Rs.46.72 lakhs 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 severe sickness and cash crunch, the payment could not be made. Further, the banks are considering our proposal of One Time Settlement with cut off date as 31.03.2007 which has been submitted to the Govt. for approval by the promoter TCIL in which the loans are proposed to be converted into equity. Hence the interest for banks is not provided.

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 is striving hard to improve the operational and economic performance of the unit. The methods include restructuring the operations, cost control, One-time-settlement / corporate debt restructuring through BIFR and other measures. This would result in significant improvement and turnaround in due course. In view of the foregoing, the accounts have been prepared on "Going concern basis" despite erosion of net worth of the Company. This is indicated in Note 2 – Section II – Notes to Accounts under Schedule 24.

Para No.6 No adjustment is made for an amount of Rs. 352 lakhs (Previous year Rs. 339 lakhs) in the

TAMILNADU TELECOMMUNICATIONS LIMITED

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. This is also disclosed in Note 4 – Section II – Notes to Accounts under Schedule 24.

Item No.9 of the Annexure to the Auditors Report

In our opinion the rate of interest and other terms and conditions on which the Loans have been taken from the company listed in the register maintained under section 301 of the Companies Act, are not, prima facie, pre-judicial to the interest of company. The interest over due amount as at 31st March 2009 is Rs.267.91 Lakhs.

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

Item No.10 of the Annexure to the Auditors 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 2009 is Rs.765.04 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 in which the loans are proposed to be converted into equity.

Item No. 11 of the Annexure to the Auditors 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 2009 is Rs.913.51 Lakhs and the interest over due amount as at 31st March 2009 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.

Item No.15 of the Annexure to the Auditors Report

According to the records of the Company, the Company is regular in depositing with appropriating authorities undisputed statutory dues including Provident Fund, Investor education protection fund, Employees State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Custom Duty, Excise -Duty, profession tax, Cess applicable to it. However, in respect of Provident Fund, Employees State Insurance, Tax Deducted at Source and Sales Tax there have been delays during the year. The company has not deducted the Tax deducted at source amount of Rs.32.05 lakhs (Previous year Rs.37.89 lakhs

– Rs.27.24 lakhs pertains to financial year 2007-08 and balance, Rs.10.65 pertains to the financial year 2006-07. And the Fringe benefit tax amount of Rs.23,718/- was 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 Auditors 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. The company has also 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 2009 are enclosed as part of the Report.

Clarification on the comments of C&AG is given below:

Para No.1. Balance Sheet

A. Application of Funds.

Fixed Assets – Sch.5

Leasehold land – Rs.139.16 lakh

The Company continued to project a piece of land as leasehold land even after purchasing it for Rs.139.16 lakh in February 2007 from CMDA and thus overstating the value of leasehold land to that extent.

The observation of C&AG has been noted.

Acknowledgements

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

for and on behalf of the Board

M. Sengupta
Managing Director.

Place : Chennai.
Date : 04.09.2009

B. Elangovan
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.

During the year Company had exported different types of cables like 6F, 8F, 6 Cores, 8 Cores and 12 Cores Optical Fibre Cables Tanzania and Kuwait.

B. TECHNOLOGY ABSORPTION

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to exports : Initiatives are taken to increase exports, developments of new exports markets for products and services and export plans. Continuous efforts are being made to procure export orders through TCIL as well as directly. A major thrust is being given to tap the export market.

b) Total Foreign Exchange Used and Earned :

(Rs. in Lakhs)

	2008-09	2007-08
Used	22.71	353.80
Earned	30.33	14.01

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 Fibre 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. Production commenced.
- Developed ADSS cable for rural and hilly areas and TEC/BSNL QA approval obtained. 24F G652D Group Inclusion developed and TEC approval obtained.

- Developed Micro Duct Cable and drop wire cable for FTTH projects which is expected to come in India in a big way. The Type Approval for the same is awaited.
- Company has installed an in-house Nitrogen generating plant to avoid scarcity of Nitrogen and to have cost saving too. Around Rs. 3.00 lakhs will be saving per year. Plant funded by one of the Promoters M/s. TCIL.
- Company has installed machine to make Ribbon Fibre of upto 12Fibre-count to enhance production capacity for the Ribbon Cables manufacturing. Machine funded by one of the Promoters M/s. TCIL. By installing this machine TTL can be able to manufacture Ribbon cable upto 576F.

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 became important bidder by participating through e-bidding for various Global requirements for the International clients.
- 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

- Getting Type Approval for Micro Duct Cables from BSNL.
- To obtain Type Approval for 576 High Count Metal Free OF Cable (Ribbon Type).
- Tight buffered Optical Fiber and different types of riser cable and drop wire cables using tight buffered optical fiber for different FTTH project.
- To introduce new stranding line & sheathing line
- To install dual tower fiber drawing plant to enhance capacity as well as indigenous production of fiber

4. Expenditure on R&D

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

B. Technology absorption, adaptation and innovation.

- Obtained Type Approval for 24F 652D Metal free OF Cable.
- Obtained compatibility approval from BSNL for different source materials.
- Infrastructure Assessment obtained from BSNL for G652D Fibre, Self-supporting Aerial Metal Free OF Cable – for Hilly and rural areas and 288F Ribbon cable.

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 31.03.2009 is as under :

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

*Shri.S.Gopalakrishnan, resigned from the Board w.e.f 30.07.2008 and Shri. P. Sivasankaran, IAS had been appointed as Director cum Chairman of the Company w.e.f. 30.07.2008.

** Shri.T.Willington, resigned from the Board w.e.f 23.12.2008 and in the place Shri.B.Elangovan has been appointed as Director w.e.f 23.12.2008.

** Shri.S.Susai, resigned from the Board w.e.f 23.12.2008 and in the place Shri.B.Viswabarathy has been appointed as Director w.e.f 23.12.2008.

On 12.08.2009, Dr.(Tmt) S.Revathi, has been nominated as Director cum Chairman in the place of Shri.P.Sivasankaran, IAS.

Board Meetings

The Board of Directors met 4 (Four) times during the period 01st April 2008 to 31st March 2009 on the following dates i.e., 26th April 2008, 30th July 2008, 23rd December 2008, and 28th February 2009..

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	6*	-	-
K.B. Batra	3	Yes	6**	2	-
Vimal Wakhlu	Nil	No	1	-	-
S. Gopalakrishnan, IAS	Nil	No	4	-	-
P. Sivasankaran, IAS	Nil	No	5	-	-
T.Willington	2	Yes	6	4	1
S.Susai	2	Yes	14**	7	1
B.Elangovan	2	No	5	-	-
B.Viswabarathy	1	No	2	-	1
M. K. Jain	Nil	No	-	-	-

Note : In accordance with Clause 49 of the listing agreement, Memberships / Chairmanships of only Audit Committee, Shareholders / Investors Grievances Committee of all Public Limited Company has been considered. None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49, across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as at March 31 2009 have been made by the Directors.

* - Includes nomination in three overseas companies.

** - Includes nomination in two overseas companies.

Board Committees' Report

In accordance with the listing agreement of stock exchanges on Corporate Governance, the following Committees were in operations :

- Audit Committee
- Sub-Committee of the Board
- Shareholders'/Investors' Grievance Committee

Except Managing Director, no remuneration either by way of sitting fees or in any form is paid to other Directors. As such, there has been no need to constitute a Remuneration Committee.

Audit Committee

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's responsibilities, the audit committee has been re-constituted with the following members :