

Tamilnadu Telecommunications Limited

26th Annual Report
2013-14

TABLE OF CONTENTS

Page No.

Notice to Share holders	1
Instructions for e-voting	3
Report of Directors and Management Discussion & Analysis	4
Report on Corporate Governance	8
Independent Auditors' Report	15
Balance Sheet	18
Statement of Profit & Loss	19
Notes forming part of the Accounts	20
Cash Flow Statement	36

Board of Directors	Shri. Vimal Wakhlu	-	Chairman and Director
	Shri. V.S.Parameswaran	-	Managing Director
	Shri. A.K.Gupta	-	Director
	Shri. Rajesh Kapoor	-	Director
	Shri. B.Elangovan	-	Director
	Shri. B.Ramakrishnan	-	Director
	Shri. M.K.Jain	-	Director (Nominee of the Dept. of Telecom)
	Shri. N.P.Gupta, IAS (Retd)	-	Special Director appointed by BIFR

Registered Office	:	No.16, 1 st Floor, Aziz Mulk 3 rd Street, Thousand Lights, Chennai – 600 006 CIN : L32201TN1988PLC015705 Website : www.ttlofc.in
Factory	:	E 18B – E24, CMDA Industrial Complex, Maraimalai nagar – 603 209, Tamilnadu
Auditors	:	Ramesh and Ramachandran., Chartered Accountants, New No. 39, Old No. 29/3, Viswanathapuram Main Road, Kodambakkam, Chennai – 600 024
Promoters	:	Telecommunications Consultants India Limited, 'TCIL BHAWAN', Greater Kailash – I, New Delhi – 110 048 Tamilnadu Industrial Development Corporation Limited, 19-A, Rukmini 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

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this Green Initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form may register their email Id by informing the same to the Company or its R&T Agent.

- 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 Sixth Annual General Meeting of the Members of Tamilnadu Telecommunications Limited is scheduled to be held at 02.30 PM on Tuesday, 23rd September 2014 in the Russian Centre of Science and Culture, No.74, Kasturi Ranga Road, Alwarpet, Chennai – 600 018, to transact the following business..

Ordinary Business

01. To receive, consider and adopt the Financial Statements of the Company for the financial year ended 31st March 2014 including the Audited Balance Sheet as at 31st March 2014, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date and the Reports of the Board of Directors and Auditors' Report thereon.
02. To appoint a Director in place of Shri. Rajesh Kapoor (DIN 06370394), who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint a Director in place of Shri. B.Ramakrishnan (DIN 00182214), who retires by rotation and being eligible, offers himself for re-appointment

By order of the Board
For **TAMILNADU TELECOMMUNICATIONS LIMITED**

Place : Chennai
Date : 26.08.2014

V.S.Parameswaran
Managing Director

Important Notes:

01. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the company. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other member. The proxy, in order to be effective, must be deposited / lodged at the Registered Office of the Company duly completed and signed not less than 48 hours before the meeting. A form of proxy is given at the end of the Annual Report. Proxies submitted on behalf of Companies, Societies etc., must be supported by an appropriate resolution / authority, as applicable.
02. The Register of Members and the Share Transfer Books of the Company will remain closed from 18.09.2014 to 23.09.2014 (both days inclusive) in connection with the Annual General Meeting.
03. Members / proxy holders 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.
04. Shareholders seeking any information with regard to accounts are requested to write to the company at

least three days before the date of the meeting so as to enable the management to keep the information ready.

05. The shareholders may note that the dividend for the financial year ended 31st March 2001 which remained unpaid or unclaimed for a period of 7 years had been already transferred to the Investor Education and Protection Fund established under Section 205C of the Companies Act, 1956.
06. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.
07. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/RTA.
08. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.
09. Electronic copy of the Annual Report for 2014 will be sent to all the members whose email address are registered with the Company/DP/RTA for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2014 is being sent in the permitted mode and the members are requested to provide their e-mail address to Company/DP/RTA. Members are requested to kindly bring their copy of the Annual Report to the Meeting.
10. Pursuant to Clause 35B of the Listing Agreement read with Section 108 of the Companies Act, 2013, and the relevant Rules, the Company has entered into an arrangement with CDSL to facilitate the members to exercise their right to vote at the AGM by electronic means. **Instructions for exercise of voting rights by electronic means are furnished separately in the Annual Report.**
11. A member who has participated in e-voting shall attend the meeting physically though he shall not be able to vote in the meeting again and his vote cast

TAMILNADU TELECOMMUNICATIONS LIMITED

electronically shall be treated as final. In terms of provisions of Section 107 of the Companies Act, 2013 there will be no voting by show of hands at the meeting, since e-voting is in place.

12. Shri. M. Damodaran (Membership No. 5081) of M. Damodaran & Associates, Practicing Company Secretaries, Chennai has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

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. Rajesh Kapoor, aged 56 years has been in the Board of the Company since March 2013 in place of Shri.Vinod Kumar Sharma. He is a B.Sc. Engineering (Electronics & Electrical Communication) in First Division with Honours from Punjab University. He has got more than 32 years experience in various capacities in the field of Information Technology and Telecommunications covering Project Management and execution, Consultancy, Business Development Operations Management, Strategic Planning, System Analysis, Design Software Development and Training. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies

Name of the Companies	Nature of Interest
Telecommunications Consultants India Limited	Director (Technical)

02. Shri.B.Ramakrishnan, aged 50 years has been in the Board of the Company since December 2009. He is a Bachelor of Technology and MBA. He has 15 years of technical experience in projects evaluation and management. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies

Name of the Companies	Nature of Interest
SKM Egg Products Export (India) Limited	Director
Saptarishi Agro Industries Limited	Director
Nilgiris Flower Company Limited	Director
Intgen Agro Products Limited	Director
Vishnu Fabrics Private Limited	Director
Occimum Pharma Private Limited	Director
Sattva Agro Expo Private Limited	Director
Devaraj Agro Industries Private Limited	Director

INSTRUCTIONS FOR EXERCISE OF VOTING RIGHTS BY ELECTRONIC MEANS

In case of members receiving e-mail:

- (i) Log on to the e-voting website www.evotingindia.com
- (ii) Click on "Shareholders" tab.
- (iii) Now, select the "COMPANY NAME" from the drop down menu and click on "SUBMIT"
- (iv) Now Enter your User ID (For CDSL: 16 digits beneficiary ID, For NSDL: 8 Character DP ID followed by 8 Digits Client ID), Members holding shares in Physical Form should enter Folio Number registered with the Company and then enter the Captcha Code as displayed and Click on Login.
- (v) If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used. If you are a first time user follow the steps given below.
- (vi) Now, fill up the following details in the appropriate boxes:

For Members holding shares in Demat Form / For Members holding shares in Physical Form

PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.

*Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of your name and the sequence number in the PAN field. Eg. If your name is Suresh Kumar with sequence number 1 then enter SU00000001 in the PAN field. (Sl. No. mentioned in your address label can be used as Sequence No. for this purpose)

Please enter any one of the details in order to login. In case either of the details are not recorded with the depository please enter the <Default Value> in the Dividend Bank details field.

- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on <Company Name> on which you choose to vote.
- (xi) On the voting page, you will see Resolution Description and against the same the option "YES/ NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.
- (xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvi) If Demat account holder has forgotten the changed password then Enter the User ID and Captcha Code click on Forgot Password & enter the details as prompted by the system.
- (xvii) Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates. After receiving the login details they have to link the account(s) which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

In case of members receiving the physical copy:

- (A) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.
- (B) The voting period begins on 17th September 2014 at 09.00 a.m. and ends on 19th September 2014 at 06.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 22nd August 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (C) Voting through electronic means would be on the basis of proportion of shares held by the member viz., on "one-share one-vote" basis.
- (D) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com.

TAMILNADU TELECOMMUNICATIONS LIMITED

REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Members

Your Directors present the Twenty Sixth Annual Report, together with the Audited Accounts of the Company for the year ended 31st March 2014

Financial Results	(Rs. in Lakhs)	
	2013-14	2012-13
Revenue from operations	1365.37	1614.76
Other Income (Net)	11.84	18.76
Total Revenue	1377.21	1633.52
Total Expenditure	1677.94	1668.97
Finance Charges	663.91	671.71
Extraordinary / Exceptional items	5.64	6.35
Gross Profit / (Loss) after interest before Depreciation & Tax	(970.28)	(713.51)
Depreciation and Amortization Expense	52.95	134.98
Provision for Taxation / Deferred Tax	—	—
Net Profit / (Loss)	(1023.23)	(848.49)

The net loss after Tax is Rs.1023.23 lakhs against net loss of Rs.848.49 lakhs made during the previous year.

Review of Operations

During the year under review, the company's sales and other income was Rs.1377.21 lakhs. This includes Rs. 2.15 lakhs towards part of the execution of TCIL's CSR Project for supply of 200 numbers of Tablet PCs executed during 2012-13. The balance Rs. 1375.06 lakhs is achieved from the Optical Fibre Unit. Overall the market condition of OFC was not encouraging during the year also and the order booking status was not as expected. The major order executed during the year was the 50% add-on order of 1602 kms from BSNL with the new design of HDPE double sheathing subsequent to execution of 3206 kms during the previous year. The Company has received initial orders for 517 kms and subsequent variation order for 155 kms from RailTel. Out of which 279.36 kms dispatched during the year under review and the balance during the next year. Your company is continuously thriving hard to survive in the price war by implementing various cost-cutting and value engineering measures in the manufacturing operations.

Your Company successfully obtained TSEC approval for the new design cable of 24F Metal Free Optical Fiber Cable with double HDPE Sheath for M/s. Bharat Broadband Network Limited (BBNL). Against this, Bulk Production Clearance has been obtained from BBNL. Your Company has also obtained TSEC approval for 4F Optical Fiber Drop Cable (G657A) for extending last mile connectivity to FTTH customers. In the diversification front, though your Company has successfully executed assembly, validation and supply of Tablet PCs in small quantum during the previous year, could not get further orders during the year under review.

You are aware that BIFR has issued a Sanctioned Scheme to the Company on 21.07.2010. As per the Sanctioned Scheme the Board of Directors had issued 1,54,32,700 equity shares of Rs.10 each to M/s. Telecommunications Consultants India Limited (TCIL), 42,47,500 equity shares of Rs.10 each to State Bank of India, 20,70,600 equity shares of Rs.10 each to Andhra Bank and 12,65,200 equity shares of Rs.10 each to Punjab National Bank by converting part of the loans into equity during 2010-11. The shares in physical

format were issued on 14.09.2010. Out of the bridge loan of Rs.12.50 crores from TCIL as per the Sanctioned Scheme of BIFR, the Company had availed Rs.11.66 crores towards OTS to consortium bankers and towards the Tamilnadu Government land in possession of the Company. With the above restructuring the net worth became positive during 2010-11. However from 2010-11 onwards, the desired results as projected in the Scheme couldn't be achieved due to OFC market conditions. The OFC market from 2010-11 was not as projected and the order booking status was not encouraging. You are aware that the big order from BSNL during 2010-11 also could not materialize due to non availability of one of the critical Raw Material Nylon 12. Due to this, the Networth has again eroded during 2011-12 and became negative. The year under review was also not encouraging due to lack of required level of orders. Hence this has again resulted in accumulation of losses and thereby the Networth has further eroded. Your Company is looking forward for getting better improvements in the diversification front in future, in the field of Tablet PC and FTTH components manufacturing.

You are aware that the long awaited National Optic Fiber Network (NOFN) project tender was floated by BBNL during March 2013 under six packages for connecting broadband in 2.50 lakhs villages in India. You are also aware that the Company has participated in package E covering Southern India. Though the company was in L3 position in that package, due to huge volume, the Company received APO from BBNL during Feb, 2014 for 5800 kms valuing around Rs. 31.9 crores including accessories. Your Company anticipated receipt and execution of BBNL order during the year under review, since the tender was floated by BBNL during March, 2013. Unfortunately due to some internal reasons the process at BBNL got delayed and the process took nearly a year for getting the APO. Otherwise the year under review would have been better. Since the OFC market is picking up and the Company is also exploring successful diversification project, a revised Draft Rehabilitation Scheme shall be prepared at appropriate time for submission to BIFR through the Monitoring Agency.

Market Scenario and Outlook

Though the OFC market condition in India was not encouraging from 2010-11 onwards, considering the present BBNL APO towards NOFN project and the improving OFC market conditions, the OFC market is expected to pick up again and will grow further in future. 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 backdrop 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 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.

The optic fibre industry at home is also poised for a period of significant growth and the demand is expected to surpass the current manufacturing facility 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 will continue its efforts to further prune all its fixed costs including administrative and discretionary overheads.

The Company is also exploring the possibilities for diversification in the related areas like manufacturing and supply of FTTH components, OFC accessories, tablet PCs etc. Though the Company has successfully executed assembling, validation and supply of Tablet PCs during 2012-13 under TCIL's CSR project, could not get further orders. However, the market of Tablet PC is fast growing and the Company is expecting good market in future. For implementation of any of this successful venture after feasibility study, the vacant land available with the Company will be utilized for this project by having tie up arrangement with suitable Joint Venture partner. Efforts are being taken to study the market and to identify a suitable JV partner to proceed further. Efforts are being taken through TIDCO also. On finalizing a successful project, action for executing in big volume will be considered after taking all relevant approvals including from BIFR.

Cautionary Statement

Statements in the Directors' Report and Management Discussion & Analysis contain 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 as the cost of major raw materials are increasing because the market is volatile due to frequent changes in crude oil price. The variations in exchange rate fluctuation are also a threat towards cost of production. 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. However, the market price of cables is also comparatively increasing which is a good sign for the Company.

Directors

In accordance with Sec.152 (6) and (7) of the Companies Act, 2013, read with Articles 79 & 80 of the Articles of Association of the company, Shri. Rajesh Kapoor and Shri B.Ramakrishnan, 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. M.S. Shanmugam ceased to be Director from the Board with effect from 21.03.2014, due to his transfer from his official position in Govt. of Tamilnadu.

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 2014, and 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 considering the comparative growth in OFC market and future prospects of the Company.

Corporate Governance

A report on Corporate Governance with the Practicing Company Secretaries Certificate on compliance with conditions of the Corporate Governance has been attached to form part of the Annual Report.

Clarification on Practicing Company Secretaries observations is given below:

The Company has not complied with Clause 49 (I) (A) (ii) in terms on minimum number of Independent Directors in the Board

The Company is sick under the monitoring of BIFR with continuous losses for the past so many years and has huge accumulated losses. The Company is struggling hard with cash crunch and is finding it difficult to meet its statutory commitments including employee related payments. The Company is unable to spend on other expenditures. Only TCIL, one of the Promoters is financially supporting and their exposure has tremendously increased which restricts them also from further funding. Due to this the Company could not able to identify suitable person for induction. The same is regularly discussed in the Board Meeting and action is being initiated through TCIL for inducting minimum number of Independent Directors. The fact is also disclosed in the quarterly Corporate Governance Report submitted to the Stock exchanges.

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 9001:2008 quality management systems certification from Bureau of Indian Standards. The initial ISO 14001:2004 Certificate from Guardian Independent Certification Ltd (Registered in England and accredited by Member of the IAF MLA) expired during the year under review, which has been further renewed with a new Certificate of Registration for next three years, after assessment by the certifying authority.

Internal Control System

TTL has adequate internal control procedures in respect of all its operations. It has laid down internal control procedures

TAMILNADU TELECOMMUNICATIONS LIMITED

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. Ramesh and Ramachandran, Chartered Accountants as the Auditors of the company for the year 2013-14 at a remuneration of Rs. 1,00,000/- besides reimbursement of traveling and out-of-pocket expenses at actuals, subject to the other items and conditions as specified by the CAG.

Independent Auditors' Report

Clarification on Auditors observations is given below:

'Emphasis of Matter' of the Independent Auditors' Report: Without qualifying our conclusion, we draw attention to Note No: 3 in the Notes to Accounts. As at March 31, 2014, the Company's accumulated losses of Rs.85,30,96,915 has eroded the net worth of the Company, indicating the existence of a material uncertainty that may cast a doubt about the Company's ability to continue as a going concern. The Company has incurred a loss of Rs.10,23,23,490 for the year under audit. Based on the mitigating factors discussed in the said note, the Management believes that the Going Concern assumption is appropriate.

As mentioned in Note no. 3, the company has already received APO form BBNL and has given acceptance for supply of 5800 KMs of OFC including accessories worth Rs. 31,90,44,437 during February, 2014. BBNL has issued initial PO for 2900 KMs (50% of APO quantity) during April, 2014. The value of this APO alone is more than the total turnover of last four years including the year under review. The OFC market is picking up after a dull phase during the past few years and as mentioned, the Company is hoping to get continuous orders from 2014-15 onwards regularly. The order booking position is expected to be continuously good. Considering the scope during the immediate future and TCIL's continuous financial support, the accounts have been prepared on going concern basis.

'Other Matter' of the Independent Auditors' Report: The deferred tax asset amounts to Rs.14,46,08,827 as on 31st March 2014 considering all eligible carried forward losses as per AS-22-Accounting for Taxes on Income. The same has not been provided for in the books of account, considering the absence of virtual certainty of earning profits and Prudence concept.

The Company has disclosed the facts of non-provisioning for deferred tax assets / liabilities vide Note no. 6(b) under "II. Notes to Accounts" of Note 24.

Item No.9 (a) of the Annexure to the Independent Auditors' Report

According to the records of the company, undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales tax, Service tax, Customs duty, Excise duty, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us, outstanding statutory

due as on 31st of March, 2014 for a period of more than six months from the date they became payable is as follows:

S. No	Nature of due	Amount (Rs)
1	Property tax payable	31,75,650

With reference to clause 11.5.3 of the Sanctioned Scheme issued to the company by BIFR, the company had requested and continuously insisting the concerned authority for waiver of the Property Tax of the past and during the rehabilitation period. No positive reply from the authority is received. However provision has been made in the books of accounts every year and part amount remitted during the year under review. Continuously pursuing for waiver of the balance dues. On waiver, the liability will be reversed accordingly.

Item No.10 of the Annexure to the Independent Auditors' Report

The accumulated losses of the Company at the end of the financial year, has exceeded the Net Worth of the Company. The Company has also incurred Cash losses during the financial year and immediately preceding financial year.

The OFC market condition from the year 2010-11 onwards was not as projected due to various reasons beyond the control of the OFC manufacturers. Lack of orders is the major reason for such performance, which was experienced by all the OFC manufacturers. However, the OFC market is improving with the BBNL's NOFN project and is expected to grow from the year 2014-15 onwards and the Company is confident of avoiding cash loss. On identification of successful diversification project and based on the expected OFC orders, a modified DRS shall be prepared and submitted at appropriate time to BIFR through the Monitoring Agency.

Cost Auditors:

M/s. SBK Associates, Cost Accountants of Chennai were appointed as Cost Auditors for the year 2013-14 and Cost Audit Report will be filed before the due date (27th September 2014). During the previous year 2012-13, the same firm had conducted the Cost Audit and the relevant reports have been filed with MCA on 26.09.2013, within the due date.

Comments of the Comptroller and Auditor General

The Comptroller and Auditor General of India have decided not to review the report of the Statutory Auditor on the Accounts of the year under review. The Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 for the year ended 31st March 2014 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 Tamilnadu and the Promoters. 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
V.S.Parameswaran
Managing Director

Place : Chennai.
Date : 25.08.2014

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. However due to the shortage of power in the state and due to reduction of capacity by the Tamilnadu Electricity Board, the Company has to incur additional cost for usage during peak hours, power cuts etc.,

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. However, during the year under review, the export market was not encouraging as expected and there were no exports.

- b) Total Foreign Exchange Used and Earned :

(Rs. in Lakhs)

	2013-14	2012-13
Used	4.44	-
Earned	9.92	11.57

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.**

- TSEC approval for new cable design of 24F Metal Free Optical Fiber Cable with Double HDPE Sheath (G652D) for M/s. Bharat Broadband Network Limited (BBNL).
- TSEC approval for 4F Optical Fiber Drop Cable (G657A) for extending last mile connectivity to FTTH customers.

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

- Received Advance Purchase Order from BBNL for supply of 5800 KMs of 24F Metal Free Optical Fiber Cable with Double HDPE Sheath (G652D) and accessories worth Rs. 31.90 Crores.
- Received add-on order from BSNL for supply of 1602 KMs. of 24F Metal Free Optical Fiber Cable with Double HDPE Sheath (G652D) worth around Rs.8 Crores, and successfully executed the order.
- Received Purchase Orders for total 133.5 KMs of 2F and 119 KMs of 4F Optical Fiber Drop Cable from UP(West) and Gujarat Circles of BSNL worth around Rs. 47 lakhs.

3. Future Plan

- Getting TSEC for LSZH Cable for use in Patch Cords and other FTTH applications
- To set up facilities for Patch Cord assembly
- To install facilities for assembly and supply of FTTH Components
- To install facilities for assembly and supply of Tablet PCs.

4. Expenditure on R&D (Product Type Approval)

Expenditure towards the R&D is Rs.766,845/- .

B. Technology absorption, adaptation and innovation.

- Commencement of Tablet PC assembly and supply in a commercial way
- Training imparted to School children to enhance their computer awareness using Tablet PC as an educational tool

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. Action is being taken for induction of Independent Directors. The composition of the Board of Directors as on 31.03.2014 is as under:

Category	Name of Directors	Designation	No. of Shares in the Company
Promoter Group General Manager	V.S. Parameswaran	Managing Director	Nil
Promoter Non-Executive Directors	Vimal Wakhlu Rajesh Kapoor A.K. Gupta B.Ramakrishnan	Director Director Director Director	Nil Nil Nil Nil
Non-Executive Independent Directors	B.Elangovan M.K. Jain (Nominee of Dept. of Telecom) N.P.Gupta(Special Director of BIFR]	Director Director Director	Nil Nil Nil

Board Meetings

The Board of Directors met 4 (Four) times during the period 01st April 2013 to 31st March 2014 on the following dates i.e., 30th May 2013, 17th September 2013, 26th December 2013 and 25th March 2014.

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
V.S. Parameswaran	4	Yes	-	1	-
Vimal Wakhlu	4	Yes	7*	-	-
A.K. Gupta	3	No	6**	1	-
Rajesh Kapoor	4	No	1	-	-
M.S. Shanmugam (i)	Nil	No	9#	-	-
B. Elangovan	3	Yes	7##	1	1
B. Ramakrishnan	1	No	8###	1	-
M .K. Jain	Nil	No	-	-	-
N.P. Gupta	4	Yes	2	1	1

(i) Shri. M.S. Shanmugam ceased to be Director from the Board with effect from 21.03.2014, due to his transfer from his official position in Govt. of Tamilnadu.

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 had 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, 2014 have been made by the Directors.

- * - Includes nomination in two overseas companies
- ** - Includes nomination in two overseas companies
- # - Includes one Membership in SEZ
- ## - Includes one Private Company
- ### - Includes four Private 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 for approving quarterly un-audited results
- Shareholders' / Investors' Grievance Committee

Except Managing Director and the BIFR nominee Director, no remuneration either by way of sitting fees or in any form is paid to other Directors. Only boarding, lodging, travelling and conveyance expenses for attending the meetings are paid to few of the Directors. To the BIFR nominee Director only sitting fee as approved by the Board and reimbursement of travelling and conveyance expenses are paid. As such,