

# **Tamilnadu Telecommunications Limited**

27th Annual Report  
2014-15

# TAMILNADU TELECOMMUNICATIONS LIMITED

## TABLE OF CONTENTS

Page No.

|  |    |
|--|----|
| Notice to Share holders                                  | 1  |
| Instructions for e-voting                                | 2  |
| Report of Directors and Management Discussion & Analysis | 4  |
| Report on Corporate Governance                           | 17 |
| Secretarial Audit Report                                 | 23 |
| Independent Auditors' Report                             | 25 |
| Balance Sheet  | 28 |
| Statement of Profit & Loss                               | 29 |
| Notes forming part of the Accounts                       | 30 |
| Cash Flow Statement                                      | 48 |

|                                   |  |                                      |
|-----------------------------------|--|--------------------------------------|
| Board of Directors                | Shri.Vimal Wakhlu<br>(DIN:01575812)  | - Chairman and Director              |
|                                   | Shri.V.S.Parameswaran<br>(DIN: 03559930)   | - Managing Director                  |
|                                   | Shri. A.K.Gupta<br>(DIN:03564145)  | - Director                           |
|                                   | Shri. Rajesh Kapoor<br>(DIN:06370394)  | - Director                           |
|                                   | Shri.B.Elangovan<br>(DIN:00133452)   | - Director                           |
|                                   | Shri.B.Ramakrishnan<br>(DIN:00182214)  | - Director                           |
|                                   | Smt. G.Latha, IAS<br>(DIN:02860567)  | - Director                           |
|                                   | Shri.N.P.Gupta, IAS (Retd)<br>(DIN:02548988)   | - Special Director appointed by BIFR |
| Company Secretary                 | : Shri Ajay Shukla   |                                      |
| Chief Financial Officer           | : Shri.V.Mohan   |                                      |
| Registered Office                 | : No.16, 1 <sup>st</sup> Floor, Aziz Mulk 3 <sup>rd</sup> Street,<br>Thousand Lights, Chennai – 600 006<br>CIN : L32201TN1988PLC015705<br>Telefax : 044 28292653 Website : <a href="http://www.ttlofc.in">www.ttlofc.in</a>                  |                                      |
| Factory                           | : E 18B – E24, CMDA Industrial Complex,<br>Maraimalainagar – 603 209, Tamilnadu  |                                      |
| Auditors                          | : M/s. S Venkatram & Co., Chartered Accountants,<br>218, T.T.K. Road, Alwarpet, Chennai – 600018   |                                      |
| Secretarial Auditors              | : M/s. M. Damodaran & Associates,<br>Practicing Company Secretaries<br>New No.6, Old No.12, Appavoo Gramani 1st Street,<br>Mandaveli, Chennai-600028   |                                      |
| Promoters                         | : Telecommunications Consultants India Limited,<br>'TCIL BHAWAN', Greater Kailash – I,<br>New Delhi – 110 048<br><br>Tamilnadu Industrial Development Corporation Limited,<br>19-A, Rukmini Lakshmi pathy Road,<br>Egmore, Chennai – 600 008 |                                      |
| Registrar & Share Transfer Agents | : Cameo Corporate Services Limited,<br>"Subramanian Building"<br>No.1, Club House Road, Chennai – 600 002.<br>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 Seventh Annual General Meeting of the Members of Tamilnadu Telecommunications Limited is scheduled to be held at 02.30 PM on Wednesday, 23rd September 2015 in the Shri Venkata Auditorium at Bharatiya Vidya Bhavan No.18-22 East Mada Street, (Near Kapaleeswarar temple), Mylapore, Chennai – 600004, to transact the following business.

**Ordinary Business**

01. To receive, consider and adopt the Financial Statements of the Company for the financial year ended 31<sup>st</sup> March 2015 including the Audited Balance Sheet as at 31<sup>st</sup> March 2015, 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. Vimal Wakhlu (DIN 01575812), who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint a Director in place of Shri. B. Elangovan (DIN 00133452), who retires by rotation and being eligible, offers himself for re-appointment.

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

Place: Chennai  
Date: 26.08.2015

V.S.Parameswaran  
Managing Director  
(DIN 03559930)

**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 18.09.2015 to 23.09.2015 (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 31<sup>st</sup> 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 erstwhile 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 2015 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 2015 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 remote e-voting shall attend the meeting physically though he shall not be able to vote in the meeting again and his vote cast electronically shall be treated as final. In terms of

## TAMILNADU TELECOMMUNICATIONS LIMITED

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. Vimal Wakhlu, aged 59 years has been in the Board of the Company since June 2007. He is a B.E. from National Institute of Technology, Srinagar 1977, and MBA Marketing from IGNOU. He is a Certified Project Management Professional from Project Management Institute of the United States. He has got 37 years of experience in the field of Telecom including e-Networks, Mobile Communications, Satellite Communications including VSAT based Networks, Optical Communications, Troposcatter Communication, Data Transmission, Maritime Communications, International Telephony, Microwave Systems, Co-axial Systems and Multimedia Transmission. 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 | Chairman & Managing Director |
| Bharti Hexacom Limited                       | Director                     |
| United Telecom Limited                       | Director                     |
| TBL International Limited                    | Director                     |
| TCIL Bina Toll Road Limited                  | Chairman                     |
| TCIL Lakhnadone Toll Road Limited            | Chairman                     |

02. Shri.B.Elangovan , aged 50 years has been in the Board of the Company since December 2008. He is a Master Degree holder in Mechanical Engineering and has rich technical experience. He holds NIL shares in TTL. The details of Directorships / Committee Membership in other companies

| Name of the Companies                         | Nature of Interest |
|---|--------------------|
| Arkonam Castings and Forgings Limited         | Director           |
| Southern Petrochemical Industries Limited     | Director           |
| Jayamkondam Lignite Power Corporation Limited | Director           |
| Tamilnadu Trade promotion Organisatioin       | Director           |

### INSTRUCTIONS FOR EXERCISE OF VOTING RIGHTS BY ELECTRONIC MEANS

In case of members receiving e-mail:

- The voting period begins on 19<sup>th</sup> September 2015 at 11.00 a.m and ends on 22<sup>nd</sup> September 2015 at 05.00 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 16<sup>th</sup> September,2015 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- Click on "Shareholders" tab.
- 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
- Next enter the image verification as displayed and Click on Login.
- If you are holding shares in Demat form and had logged on to [www.evotingindia.com](http://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.

### For Members holding shares in Demat Form and 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) <ul style="list-style-type: none"> <li>Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul> |
| Dividend Bank Details or Date of Birth(DOB) | Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.  |

|  |   |
|--|---|
|  | If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v). |
|--|---|

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) 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.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xiii) 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.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) 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.

- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xviii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) **Note for Non – Individual Shareholders and Custodians**
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
  - The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xx) 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.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

## TAMILNADU TELECOMMUNICATIONS LIMITED

### REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

To

The Members

Your Directors present the Twenty Seventh Annual Report, together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2015.

#### Financial Results

|  | (Rs. in Lakhs) |           |
|--|----------------|-----------|
|  | 2014-15        | 2013-14   |
| Revenue from operations  | 1414.79        | 1365.37   |
| Other Income (Net)   | 632.88         | 11.84     |
| Total Revenue  | 2047.67        | 1377.21   |
| Total Expenditure  | 2095.88        | 1677.94   |
| Finance Charges  | 778.54         | 663.91    |
| Extraordinary / Exceptional items                              | (0.16)         | 5.64      |
| Gross Profit / (Loss) after interest before Depreciation & Tax | (826.59)       | (970.28)  |
| Depreciation and Amortization Expense                          | 30.90          | 52.95     |
| Provision for Taxation / Deferred Tax                          | —              | —         |
| Net Profit / (Loss)  | (857.49)       | (1023.23) |

The net loss after Tax is Rs.857.49 lakhs against net loss of Rs.1023.23 lakhs incurred during the previous year. Other income includes insurance claim of Rs.624.71 lakhs towards the fire incidence in factory store yard on 12.01.2015.

#### Review of Operations

During the year under review, the company's sales and other income was Rs.2047.67 lakhs. The entire revenue is achieved from the Optical Fibre Unit. Overall the market condition of OFC was not encouraging during this year also and the order booking status was not as expected. As reported during the previous year, though BBNL has issued APO for supply of 5800 KMs of 24F OFC with accessories worth Rs.31.90 Cr. during February 2014, PO was issued for only 50% equivalent to 2900 KMs in April 2014. Out of this BBNL has issued consignee details for around 1788 KMs. only and the Company has executed 1789.616 KMs during the year. This is the only big order executed during the year. Others are of small quantum only. BBNL has not issued the consignee details for the balance of around 1112 KMs. Orders for balance 50% also is awaited. Your company is continuously struggling hard to survive in the price war by implementing various cost-cutting and value engineering measures in the manufacturing operations.

Your Company successfully executed two new design cables of 24F ADSS OFC for hilly and rural applications and 12F Uni tube ADSS OFC with double sheath. In the

diversification front, though your Company has successfully executed assembly, validation and supply of Tablet PCs in small quantum during the earlier years, 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 during 2010-11 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 Net worth has again eroded during 2011-12 and became negative. The year under review was also not encouraging due to lack of required level of executable orders. Though there was good scope to execute BBNL's APO of 5800 KMs worth Rs.31.90 Cr. during the year, the same could not be achieved due to the above mentioned reasons. 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.

There are huge requirement of OFC in the country. Hence the company is hopeful of improvement in OFC market conditions. However hectic competition is prevailing in this field. The company could not succeed in the e-reverse auction of BSNL for supply of 24000 KMs of 24F OFC, due to such competition. Since the OFC market is picking up and the Company is also exploring successful diversification project, a Modified 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 NOFN project and the improving OFC market conditions, the OFC market is expected to pick up again and will grow further in future. Since the execution of NOFN project all over the country is delaying, now the execution seems to be decentralized for execution by the states. Already Andhra Pradesh & Tamilnadu have initiated action on this front. In view of this, it is expected that the NOFN project of the government will move fast in future. Procurement of cables may be expected after second quarter of 2015-16. 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 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. 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 varying because the market is volatile. 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. The market price of cables is also varying due to competition.

#### 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. Vimal Wakhlu and Shri B.Elangovan, will retire from the Directorship of the company by rotation and being eligible, offers themselves for re-appointment.

#### Directors' Responsibility Statement

As required under Section 134(5) of the Companies Act, 2013, 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 31<sup>st</sup> March 2015, 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, future prospects of the Company with the support of TCIL & TIDCO.
- They have laid down internal financial control to be followed by the company and that such internal financial control are adequate and were operating effectively.
- They have devised proper system to ensure compliance with all provision of all applicable laws and that systems were adequate and operating effectively.

#### Extracts of The Annual Return

Pursuant section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management And Administration) Rules, 2014, the extract of the Annual Return in Form MGT-9 has been attached to form part of the Board's Report.

#### 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 of minimum number of Independent Directors in the Board***

The Company is Joint sector Govt. Company with 49% of its shares held by TCIL, a Govt. of India Enterprise and 14.63% held by TIDCO, a Govt of Tamilnadu Enterprise. The Board as well as management control of the Company lies with TCIL. Being a Govt. Company, action already taken for induction of

## TAMILNADU TELECOMMUNICATIONS LIMITED

Independent Directors in the Board of the Company through TCIL with the Dept. of Telecommunications, Ministry of Telecommunications & IT. The same is being followed up through TCIL for early appointment..

### Energy, Technology and Foreign Exchange

Particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Sec.134(3)(m) of the Companies Act, 2013 are enclosed as part of the Report.

### Details of Director or Key Managerial Personnel who were appointed or have resigned during the year

- (i) Smt. G.Latha IAS, Deputy Secretary to Govt. of Tamilnadu, Industries Department has been appointed as Director with effect from 22.12.2014, as nominated by TIDCO.
- (ii) Shri M. K Jain, Director, Nominee of Dept. of Telecommunications (DOT) vacated office of the Director from the Board of Tamilnadu Telecommunications Limited pursuant to Section 167(1)(b) of the Companies Act, 2013, with effect from 26.03.2015. Intimated DOT for filling the vacancy.
- (iii) Shri V. Mohan, GGM (Finance) cum Co. Secretary, holding dual role of CFO and Secretary has been relived from the position of Secretary with effect from 26.03.2015.

### Personnel

The Managing Director and the Key Managerial Personnel (CFO & Secretary) were on deputation from the Promoter Company TCIL which is a Govt. of India Enterprise, holding 49% stake in the Company and controlling the composition of the Board of Directors. Hence their remuneration were as per the scales applicable to their cadre in the promoter company. The existing Managing Director's salary applicable as above has been approved by the members in the 23<sup>rd</sup> AGM. Hence, being on deputation from a Govt. of India Enterprise, the ratio as well as percentage increase not determined. Under KMP, the CFO was holding the position of Secretary also.

The number of permanent employees as on 31.03.2015 was 69 excluding three officials on deputation from the promoter company.

None of the employees drew remuneration of Rs.60, 00,000/- or more per annum / Rs.5,00,000/- or more per month during the year. This information is furnished as required under Rule 5(2)(i) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

### 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 already has IS/ISO 9001:2008 quality management systems certification from Bureau of Indian Standards. During the year licence renewal has been obtained and is valid from 23.02.2015 to 22.02.2018. The Company is also having ISO 14001:2004 Certificate from Guardian Independent Certification Ltd (Registered in England and accredited by Member of the IAF MLA) valid up to 28.05.2016.

### 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 ongoing 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.

### Corporate Social Responsibility

Since the Company is continuously incurring losses, no CSR policy has been devised.

### Auditors

In terms of Section 139 of the Companies Act, 2013, the Comptroller and Auditor General of India (CAG) had appointed M/s. S.VENKATRAM & CO, Chartered Accountants as the Auditors of the company for the year 2014-15 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 Auditor's Report

Clarification on Auditors observations is given below:

**'Emphasis of Matter' of the Independent Auditor's Report: Without qualifying our conclusion, we draw, attention to S.N-3-Note -25- Notes to Accounts. As at 31<sup>st</sup> March 2015, the Company's accumulated losses of Rs.9400.69 Lakhs has eroded the Net Worth of the Company, indicating the existence of 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.857.49 Lakhs 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 executed the entire quantity for which BBNL has provided the consignee details against their PO for 2900 KMs. Consignee details for balance 1112 KMs as well as PO for balance 2900 KMs (50%) are expected during 2015-16. The requirement of OFC in the



country is huge, however the delay in procurement is due to various procedural matters/issues in execution of big projects by the Government Clients. The Company is hoping to get continuous orders from 2015-16 onwards regularly since the OFC market is picking up. 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 Auditor's Report:**  
*The Deferred Tax Asset amounts to Rs.1465.16 Lakhs, as on 31<sup>st</sup> March 2015, 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 "25 .Notes to Accounts".

**Item No. (vii)(a) of the Annexure to the Independent Auditor's Report**

*The Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income Tax, Sales tax, Wealth Tax Service tax, Excise Duty, Customs Duty, Value added Tax, Cess and other material statutory dues with the appropriate authorities during the year as applicable to it except the Property tax amounting to Rs.32,27,400/-.We are informed by the Company that efforts are made to get exemption being a sick Company. We are also informed that there are no employees who are eligible to be covered under Employees State Insurance scheme.*

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.(viii) of the Annexure to the Independent Auditor's Report**

*The accumulated losses of the company as at 31<sup>st</sup> March 2015 is more than 50% of its Net Worth. The Company has incurred Cash loss of Rs 826.59 lakhs during the financial year covered by our audit. The Company has incurred cash loss in the 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 executable orders is the major reason for such performance, which was experienced by all the OFC manufacturers. However, the

OFC market is improving and is expected to grow from the year 2015-16 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:**

During the previous year 2013-14, M/s. SBK Associates, Cost Accountants of Chennai were appointed as Cost Auditors and they had conducted the Cost Audit and the relevant reports have been filed with MCA on 25.09.2014, within the due date. As per the provisions of the Companies (Cost Records and Audit) Rules, 2014, the operation of the company is not falling within the scope of cost audit. Hence cost auditor was not appointed for the financial year 2014-15.

#### **Secretarial Audit Report**

Clarification on Secretarial audit observations is given below:

**(i) Number of Independent Directors in the Company is below the minimum numbers prescribed under section 149(4) of the Companies Act, 2013.**

The Company is Joint sector Govt. Company with 49% of its shares held by TCIL, a Govt. of India Enterprise and 14.63% held by TIDCO, a Govt of Tamilnadu Enterprise. The Board as well as management control of the Company lies with TCIL. Being a Govt. Company, action already taken for induction of Independent Directors in the Board of the Company through TCIL with the Dept. of Telecommunications, Ministry of Telecommunications & IT. The same is being followed up through TCIL for early appointment.

**(ii) The Company has not constituted The Nomination and Remuneration Committee as per section 178(1) of the Companies Act, 2013.**

Due to Company's sickness, only the BIFR Nominee Director is being paid sitting fees for attending the meetings. Managing Director, being on deputation from TCIL, A Govt. of India Enterprise, his salary is fixed as per TCIL's norms applicable to his cadre. The Directors of TCIL and TIDCO, A Govt. of Tamilnadu Enterprise are also paid salary by their own Organization, applicable as per their cadre in their Organization. Only the travelling expenses and local conveyance for attending the meetings are incurred by the Company. In view of above, no separate Committee was constituted. After appointment of Independent Directors by the Govt., necessary action will be taken for constituting the Committee..

**(iii) The Company has appointed Company Secretary as per section 203 (1) of the Companies act, 2013 read with Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and is also handling the additional role of CFO.**

As reported, the officer in charge was heading both Finance and Secretarial Divisions during the year up to 26.03.2015. With reference to section 203(11) of the Companies Act, 2013 read with Rule 8 of Companies (Appointment and

## TAMILNADU TELECOMMUNICATIONS LIMITED

Remuneration of Managerial Personnel) Rules, 2014, actions were taken to have separate CFO and Company Secretary. For engaging Company Secretary, advertisements were placed in Company's website and in the notice board of SIRC of the Institute of Company Secretaries of India. But there were no proper response due to the Company's status. However, the Company has engaged an exclusive Company Secretary during June'15. Presently the Company has complied with the provisions of the Companies Act, 2013

(iv) **The Company has not conducted a separate meeting of Independent Directors as per Schedule IV (CODE FOR INDEPENDENT DIRECTORS) of the Companies act, 2013.**

As replied in observation (i) above, since sufficient number of independent Directors were not available, separate meeting could not be held. Case being followed up with the Ministry through TCIL for early appointment of independent Directors in the Board. Meetings shall be conducted after induction of required number of Independent Directors.

### 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 )

|        | 2014-15 | 2013-14 |
|--------|---------|---------|
| Used   | 8.79    | 4.44    |
| Earned | 7.61    | 9.92    |

### 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.

### Comments of the Comptroller and Auditor General

The Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 for the year ended 31<sup>st</sup> March 2015 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

|                   |                   |                 |
|-------------------|-------------------|-----------------|
| Place : Chennai   | V.S.Parameswaran  | B.Elangovan     |
| Date : 26-08-2015 | Managing Director | Director        |
|                   | (DIN: 03559930)   | (DIN: 00133452) |

### 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:

- Design and production of Uni tube Aerial cable (Light weight-Double sheath) for use up to hundred meter span for private vendor. This design is highly cost competitive and has good sales potential.
- Design and Approval of 24F – ADSS Cable for hilly and rural applications for Rail Tel Corporation.

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

- Received order from a private organisation for supply of 12F Uni tube aerial cable of 60.41KMs. worth Rs. 21.97 lakhs and successfully executed.
- Received and successfully executed the 24F ADSS order from M/S Rail Tel Corporation of 253.866KMs.worth Rs.190 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.9,01,236

#### 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