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QUALITY POLICY

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*Continually strive towards corporate policy of creating a national wide broadband telecom and multimedia network to supplement National Telecom Infrastructure to spur growth of telecom, internet and IT enabled value added services in all parts of the country specially rural, remote and backward areas.

P
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*To meet Railways communication requirements and to generate much needed revenues for the Railways by commercial utilization of communication network.

*Continuous improvement in service.

*Upgradation of Human Resources through knowledge and skills.

MANAGEMENT TEAM

Board of Directors

- | | |
|------------------------------|---------------------------------------|
| 1. Shri Sukhbir Singh, ML | Chairman (May, 2008 up to July, 2009) |
| 2. Shri S.K. Vasishta | Managing Director |
| 3. Shri Rajiv Sinha | Director (POM) |
| 4. Shri R.K. Bahuguna | Director (NPM) |
| 5. Shri R.K. Mitra | Director (Finance)(w.e.f. May, 2008) |
| 6. Shri Naresh Salecha, ED/F | Nominee Director |
| 7. Shri R.C. Adwal, ED/Tele | Nominee Director |
| 8. Shri Sumant Chak | part time Director |
| 9. Shri S. Murali | part time Director (up to Oct., 2008) |
| 10. Shri Narinder Sharma | part time Director (up to Oct., 2008) |
| 11. Dr. V.K. Koshy | part time Director (up to Oct., 2008) |

Audit Committee

- | | |
|-------------------------|-----------------------------|
| 1. Shri S. Murali | Chairman (up to Oct., 2008) |
| 2. Shri Narinder Sharma | Member (up to Oct., 2008) |
| 3. Dr. V.K. Koshy | Member (up to Oct., 2008) |
| 4. Shri Sumant Chak | Chairman (From Oct., 2008) |
| 5. Shri R.C. Adhwal | Member |
| 6. Shri Naresh Salecha | Member |

Regional Offices

1. Regional General Manager (Northern)
502-502, Arunachal Building,
19, Barakhamba Road,
New Delhi-110001
Tele 011-23752114 – 16
2. Executive Director (Southern)
1st Floor, B Block, Rail Nilayam
Secunderabad -500426
Tele: +91 40 27820429
3. Executive Director (Eastern)
1st Floor, New Koilaghat Building,
14, Strand Road, Kalkatta-700001
Tele 033-2218651 to 653
Fax 033-22138655
4. Executive Director (Western)
Microwave Complex,
Senapati Bapat Marg,
Opp. Ambika Mills, Mumbai-400013
Mumbai-400013
Tel : 022-24923925, Fax 022-24923913

Regd. & Corporate Office:

10th Floor, Bank of Baroda bldg
16, Sansad Marg,
New Delhi-110001
Tele 011-23311707
Fax 011-23311711

Website:
www.railtelindia.com

Bankers:
State Bank of India
ICICI Bank
Union Bank Of India

Auditors:
Indra D. Narayan & Co.
Chartered Accountants,
165, Vinoba puri, Lajpat Nagar-II, New Delhi-24
Tele: 011-29837399

DIRECTORS' REPORT

Gentlemen,

The Directors have pleasure in presenting their 9th annual report together with annual accounts of the Company for the year ended 31st March, 2009.

2. FINANCIAL RESULTS

2.1 The financial results of the Company's operations for the year 2008-09 is summarized below:

Particulars	Rs. in crores	
	2008-09	2007-08
Operating results		
Operating turnover	386.44	199.65
Operating Expenditure	222.42	76.15
Profit before interest, depreciation and tax	164.02	124.49
Interest on loan	19.53	23.41
Depreciation	41.82	38.94
Profit before tax	102.67	62.15
Income and fringe benefit tax	0.36	0.29
Net Profit	102.04	56.14
Appropriations		
Dividend (including interim)	8.00	5.00
Dividend Tax	1.36	0.85
General Reserves	40.00	40.00
Profit & Loss Account	56.94	4.26

During the financial year 2008-09, the Company has earned a recognized income of Rs. Rs. 386.44 crores including income from Railways' deposit works of Rs. 113.99 crores as against that of Rs. 199.65 crores for the year ended 31st March, 2008.

2.2 The operating profit earned during the year is Rs. 164.02 crores before interest, depreciation and tax as against that of Rs. 124.50 crores in the preceding year. After providing for interest and depreciation, the net profit before tax amounted to Rs. 102.64 crores. The Company declared and paid interim dividend of Rs. 8 crores in March, 2009. The net surplus has been carried to the Balance Sheet after transferring a sum of Rs. 40 crores to general reserve.

3. CAPITAL STRUCTURE

3.1 The authorized equity capital of the Company is Rs. 1000 crores. As on 31st March, 2009, the issued, subscribed and paid up share capital of the Company stood at Rs. 320.94 crores including Rs. 305.94 crores equity allotted for consideration other than cash against the OFC related assets of Railways.

4. PROJECTS

4.1 In the year 2008-09, RailTel has continued its efforts to extend its reach by commissioning further Optical Fibre Cable and STM 16 long haul.

4.2 The long haul network coverage for STM 16 is 24,954 RKMs (with multiple rings on common section of 17,533 RKMs). Upto March, 2009, the total number of station connected on the OFC network were 3,335 Nos. (221 important and 3,119 others)

4.3 DWDM phase 1 network has been commissioned for 8000 RKMs approx.

4.4 The NGN network covering 18 major cities has been established. This shall start new revenue stream of NLD /ILD business.

4.5 The Company has been outsourcing maintenance of OFC to contracting agencies with a view to ensure continued and uninterrupted connectivity of OFC links. Simultaneously, the Company also continued its efforts to ensure coordination with Indian Railways to make use of the existing infrastructure. The Company has targeted to improve efficiency levels to the extent of 99.5% to ensure customers' satisfaction. Some of the sections are also being maintained in house.

5. SALES & MARKETING

5.1 During the year under report, the utilization of RailTel's network has increased considerably. RailTel has leased 42 Gbps capacity by end of 2008-09, as compared to 28 Gbps during the previous financial year.

5.2 During the year under report, RailTel has continued to acquire more customers. RailTel is presently providing services to major Basic Service Operators and Cellular Service Operators like AirTel, Vodafone, Aircel, Idea Cellular, TTSL/TTML, Reliance Telecom, Spice, etc. RailTel is also providing services to internet service providers, print and electronic media, MSO cable operators etc. In addition, RailTel is also targeting corporate VPN market and expects to grow VPN business from banks, corporate and academic institutions.

5.3 The year 2008-09 has been an eventful year for RailTel alongwith BSNL and PGCIL being entrusted with the job of creating National Knowledge Network. Since then, phase I has already

been rolled out and has also been inaugurated by Hon'ble President of India. RailTel is also a under consideration of the Govt. for the creation of education grid under National Mission on Education being built by Ministry of HRD. RailTel has recently been awarded by the Hon'ble Union Minister for Communications & IT for excellence in providing application services in social sector.

5.4 RailTel has also already signed Point of Interconnect agreements with most of the Telcos for launch of its NLD operations.

6. ISO CERTIFICATION

ISO 9001:2000 certifications had already obtained by RailTel for its operations.

7. INDUSTRIAL RELATIONS

7.1 Cordial industrial relations were maintained during the year.

7.2 The total number of employees on the roll of the Company as at 31st March, 2009 were 372. In addition to the above, the Company had outsourced the services of 272 personnel in different capacities to facilitate work.

8. VIGILANCE

8.1 RailTel observed Vigilance Awareness Week – Nov 3rd to Nov 7, 2008. On this occasion, employees of RailTel had also taken oath.

9. EMPLOYMENT OF WOMEN, USE OF OFFICIAL LANGUAGE ETC.

9.1 There is adequate representation of women employees in the Company. Further Company is following the guidelines of the Official Languages Act. The Annual Report is concurrently published in Hindi. The Company would progressively increase the use in Hindi in accordance with the official language policy of the Government. The Officers and staff possess working knowledge in Hindi for their day to day work.

9.2 The Company had observed 'Hindi Pakhwada' during the month of September, 2008.

9.3 No Presidential Directive was received from the Government during the financial year under report.

10. PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

10.1 No employee of the Company received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule, 1975.

11. PARTICULARS RELATING TO CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION ETC.

11.1 The Company is presently engaged in providing telecom services and as such, the information under the applicable provisions of section 217(1)(e) of the Companies Act, 1956 is not applicable.

11.2 The Company has not earned foreign exchange during the year under report. The Company incurred an expenditure of Rs. 918.71 lakhs (previous year Rs. 1007.91) on account of payment towards capital goods and Rs. 5.27 lakhs on others (previous year – Rs. 6.47 lakhs) in foreign currency during the year. Besides, the value of components, stores and spare parts consumed (both imported and indigenous) amounted to Rs. 75.15 lakhs.

12. EXPLANATION TO AUDITORS' QUALIFICATIONS ON THE ANNUAL ACCOUNTS

The Auditors have made observations in their Report on the annual accounts of the Company for the year ended 31st March, 2009 and the same are replied /dealt with as under :

(a) Issues related to billing to the Railways for maintenance of 4 fibers used by them and lease rental recoverable for providing STM 4 bandwidth in terms of clause 3.1.9 and 3.1.11 respectively of "the agreement" are pending with the Railways. Pending outcome of these issues revenue impact thereof is unascertainable.

As stated, an amount of Rs 8.88 crore has already been received towards STM-4 leasing from three zonal Railways during 08-09. Joint testing and certification of provisioning of STM-4 capacity in each section is a prerequisite for the billing. The same is being pursued with the rest of the Railways. It will be completed and billing done during 2009-10.

Draft agreement of the MoU has already been submitted to Ministry of Railways. It is under correspondence.

(b) Loans and advances include Rs. 400.67 lacs due since 2003-04, from Railways on account of MUX & QUAD CABLE which is doubtful of recovery, for which no provision has been made.

During the year 2003-04, an amount of Rs. 8.09 crores towards the PD MUX was billed to Railways, out of which Rs. 4.09 crores has already been recovered. The balance recoverable is considered good and no provision against this is considered necessary.

(c) Depreciation of Rs. 194.08 lacs charged during the year on STM – 1 equipments being used by the Railways;

Since the assets are not yet transferred and still feature in the gross block of the company, depreciation has been provided.

(d) Non-transfer of Short Haul STM-1 and primary multiplexing equipments to the Railways costing Rs.3066.00 lacs (Written down value of Rs.2070.51 lacs), as re

3.1.4 of the agreement with the Ministry of Railways dt. 21-9-2006 (hereinafter referred to as “the agreement”). These assets are being used by the Railways.

The transfer of the STM-1s is being pursued with respective Railways. It will be carried out during 2009-10.

(e) Non-transfer of Short Haul STM-1 and primary multiplexing equipments created by the company to the Railways, as required under clause 3.1.5 of “the agreement” (Value not determined by the company).

The transfer of the STM-1s is being pursued with respective Railways. It will be carried out during -2009-10

(f) Loans and advances include an amount of Rs. 750.20 lacs as Cenvat Credit available; whereas as per Service Tax Returns the relevant amount is only Rs. 372.83 lacs. In the absence of any reconciliation between the two figures, it could not be ascertained whether the differential amount is claimable or not.

The Company will file a revised return for Service Tax for the year 2008-09 on the basis of reconciled figure

(g) In the absence of confirmation from the Railways towards electricity security deposit lying with them amounting to Rs. 190.89 lacs, we are unable to comment on its recoverability and consequential impact on profits of the Company.

Railway Board vide letter no. 99/Elec/94/50/4, dated 24/10/2005 had issued instruction to zonal Railways to waive the Security deposit/installation charges against electricity connection provided to RailTel. During 2009-10, efforts will be made to reconcile the security deposit balance for obtaining refunds from the Railways.

(h) In the absence of any coverage by insurance policy all the assets of the Company are being exposed to various risks leading to apprehended losses to the Company.

A tender notice to provide insurance coverage to all telecom equipments against fire and allied perils is under progress.

(i) The Company has made a provision of Rs. 800 lacs for covering losses arising out of impairment of assets on an adhoc basis. In the absence of any accepted policy in this regard, the adequacy or otherwise of this provision cannot be established.

There has not been any case of impairment of assets noticed so far. However, telecom assets being prone to obsolescence, a GM level committee has been nominated by the Management to review and detect any impairment of assets To safeguard any such impairment of assets,

an adhoc amount of Rs 8 crores are provided for this during 2008-09. On the recommendation of the committee, guidelines on impairment will be finalized and action taken.

(j) Balance in the Suspense account amounting to Rs. 9,08,525/- has remained pending for settlement and thus financial impact for this remains to be ascertained.

Rs 9.08 lakhs received without identification form the customers will be reconciled during 2009-10.

(k) Provision has not been made in the accounts for claims of service tax (including penalty) amounting to Rs. 432.39 lacs ordered by the Commissioner, Central Excise (Adjn), New Delhi.

No provision has been made in the account because the appeal has been filed before tribunal.

(l) Current Assets show in the balance sheet is net after adjusting and amount of Rs. 1,60,53,000/- received from Southern Railways for 4 fibres. In the absence of relevant details appropriate accounting adjustment has remained pending.

The same is due to non reconciliation with the Ministry of Railways and the same will be done in the current year.

(m) Balance due to /due from railways on various accounts are subject to reconciliation / confirmation and consequential adjustments.

The Company is regularly corresponding with Zonal Railways and Ministry of Railways with regards to all the due recoverable and payable to them.

(n) Claims against Company not acknowledged as debts should be Rs. 2951.36 lacs instead of Rs. 1235.19 lacs as indicated in the note no. 2(a) at schedule 10.

There are five arbitration cases with three firms, where claims are from both sides. The aggregate claim of the firms is Rs 17.16 crore and that RailTel is Rs 7.91 crore. The aggregate claim of Rs 17.16 crore of the firm in their presentation to arbitrator have not been shown under note 2 (a) at Schedule 10.

13. DIRECTORS' RESPONSIBILITY STATEMENT:

13.1 In terms of the provisions of section 217(2AA) of the Companies Act, 1956, as amended, your Directors confirm as under:

a) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;

b)that the Directors have adopted 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 at the end of the financial year and of the profit or loss of the Company for that period;

c)that the Directors 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 prevention and detecting fraud and other irregularities; and

d) that the Directors have prepared the annual accounts on a going concern basis.

14. CORPORATE GOVERNANCE AND MOU RATING

14.1 The Company is seized of the concept of corporate governance and the principles underlying the same. As a part of good corporate governance practices, the Company has been taking steps to implement such concepts.

14.2 RailTel is also signing an MoU with the Government of India, Ministry of Railways thereby laying inter alia the physical and financial targets. During 2007-08, RailTel has got “Very Good” rating under such MoU for that financial year. For the year 2008-09, RailTel expects to get “Excellent” rating based on its performance achieved.

15. AUDITORS

15.1 The Comptroller and Auditor General of India (CAG) have appointed M/s Indra D Narayan & Co., Chartered Accountants of Delhi as Auditors of the Company to audit the annual accounts for the year ended 31st March, 2009. In terms of the authorization given by the members in their last annual general meeting, the Board has already considered and approve payment of audit fee of Rs. 2.50 lacs, in addition to reimbursement of out of travel, boarding and lodging and out of pocket expenses not exceeding Rs. 7.00 lakhs. Similarly, the approval of the shareholders is solicited for authorizing the Board for fixation of remuneration payable to the statutory auditors for the year 2009-10 as and when appointed.

16. COMMENTS OF CAG

16.1 The comments of the CAG on the accounts of the Company for the year ended 31st March, 2009 shall also form part of this report.

17. DIRECTORATE

17.1 .At present, the Board of RailTel consists of Managing Director, three functional Directors, two Govt. Nominees and one part time non-official Director. The appointment of part time Chairman and more independent Directors is under consideration of the Govt. of India.

17.2 The Board met four times for transacting business during the year 2008-09.

17.3 Shri Sukhbir Singh was appointed as part time Chairman of the Company we.f. 15th May, 2008. Consequent to superannuation from service, he ceased to hold such office on 31st July, 2009.

17.4 The Board placed on record its appreciation of services rendered and guidance provided by the Shri Sukhbir Singh, Chairman of the Company.

18. AUDIT COMMITTEE

An Audit Committee of the Board of Directors was earlier constituted by the Corporation and at present, such Committee consists of the following Directors :

1. Shri Sumant Chak
2. Shri R C Adwal
3. Shri Naresh Salecha

Shri Sumant Chak has been elected as Chairman of the Audit Committee.

The earlier members of Audit Committee namely S/Shri S. Murali, Narinder Sharma and Dr. V. K. Koshy ceased to be members consequent to the completion of their tenure in October, 2008.

19. ACKNOWLEDGMENTS

19.1 The Board express its gratitude towards Indian Railways and other Departments for their cooperation and continued assistance.

19.2 The Company is also thankful to the IRFC and the syndicate of banks led by State Bank of India in extending cooperation and timely financial support to the Company.

19.3 The Board also expresses its gratitude to CAG and the statutory auditors for their valued contribution.

19.4 The Board also places on record its appreciation of the services rendered by all categories of employees and others, which have enabled RailTel to achieve its objectives. The Board also expresses its gratitude to the valued customers of the Company for their kind and continued patronage.

For and on behalf of the Board

Director(Finance)

Managing Director

Dated: 02.09.2009

Place: New Delhi

AUDITORS' REPORT

TO THE MEMBERS OF RAILTEL CORPORATION OF INDIA LIMITED

1. We have audited the attached Balance Sheet of RAILTEL CORPORATION OF INDIA LIMITED as at 31st March, 2009, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date all of which we have signed under reference to this report. These financial statements are the responsibility of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956 and according to the information and explanations given to us during the course of audit and on the basis of such checks as were considered appropriate, we annex here to a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above we report that:-
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion, the company has kept proper books of accounts as required by law so far as appears from our examination of those books.
 - (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
 - (iv) In our opinion, these accounts have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the Act.
 - (v) Provision of section 274(1)(g) of the Companies Act, 1956 are not applicable to the directors of the company in view of General Circular No. 8/2002 dated 22/03/2002, issued by the Department of Company Affairs.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account and Cash Flow Statement read with the Significant Accounting Policies and Notes thereon, subject to following comments: -
 - a.) Issues related to billing to the Railways for maintenance of 4 fibers used by them and lease rental recoverable for providing STM-4 Bandwidth in terms of clause 3.1.9 & 3.1.11 respectively of "the agreement" are pending with the Railways. Pending outcome of the theses issues revenue impact thereof is unascertainable.
 - b.) Loans and advances include Rs. 400.67 lacs due since 2003-04, from Railways on account of MUX & QUAD CABLE which is doubtful of recovery, for which no provision has been made;
 - c.) Depreciation of Rs. 194.08 lacs charged during the year on STM - 1 equipments being used by the Railways;

- d.) Non-transfer of Short Haul STM-1 and primary multiplexing equipments to the Railways costing Rs. 3066.00 lacs (Written down value of Rs. 2070.51 lacs), as required under clause 3.1.4 of the agreement with the Ministry of Railways dt. 21-9-2006 (hereinafter referred to as "the agreement"). These assets are being used by the Railways.
- e.) Non-transfer of Short Haul STM-1 and primary multiplexing equipments created by the company to the Railways, as required under clause 3.1.5 of "the agreement" (Value not determined by the company).
- f.) Loans and advances include an amount of Rs. 750.20 lacs as Cenvat Credit available; whereas as per Service Tax Returns the relevant amount is only Rs. 372.83 lacs. In the absence of any reconciliation between the two figures, it could not be ascertained whether the differential amount is claimable or not.
- g.) In the absence of confirmation from the Railways towards electricity security deposit lying with them amounting to Rs. 190.89 lacs, we are unable to comment on its recoverability and consequential impact on profits of the company.
- h.) In the absence of any coverage by insurance policy all the assets of the company are being exposed to various risks leading to apprehended losses to the company.
- i.) The company has made a provision of Rs. 800 lacs for covering losses arising out of impairment of assets on an ad-hoc basis. In the absence of any accepted policy in this regard the adequacy or otherwise of this provision cannot be established.
- j.) Balance in the Suspense account amounting to Rs. 9,08,525/- has remained pending for settlement and thus the financial impact for this remains to be ascertained.
- k.) Provision has not been made in the accounts for claims of service tax (including penalty) amounting to Rs. 432.39 lacs ordered by the Commissioner, Central Excise(Adjn.) New Delhi.
- l.) Current Assets shown in the balance sheet is net after adjusting and amount of Rs. 1,60,53,000/- received from Southern Railways for 4 fibres. In the absence of relevant details appropriate accounting adjustments has remained pending.
- m.) Balances due to / due from railways on various accounts are subject to reconciliation / confirmation and consequential adjustments.
- n.) Claims against Company not acknowledged as debts should be Rs.2951.36 Lacs instead of Rs.1235.19 Lacs as indicated in the note no.2 (a) at Schedule 10.
- give in the prescribed manner the information required by the Companies Act, 1956 ("the Act") and also give a true and fair view in conformity with Accounting Principles generally accepted in India:
- a. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2009;
- b. In the case of the Profit & Loss Account, of the profit for the year ended on that date; and
- c. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

FOR Indra D. Narayan & Co.
Chartered Accountants,
Indra Dev Narayan
(PARTNER)
M. NO: - 084704

PLACE: NEW DELHI
DATE : 02.09.2009

ANNEXURE TO THE AUDITORS REPORT

(Referred in paragraph 3 of our report of even date)

- i) The company has maintained records showing full particulars including quantitative details and situation of Fixed Assets barring some instances. The company carried out physical verification of some of Fixed Assets at different locations during the year. However, in the absence of complete quantitative data, no reconciliation thereof could be made with those shown in the asset registers and hence the impact of shortages/excesses, if any, cannot be ascertained.
- ii) The inventory consists of spare parts only. According to information and explanations given to us, physical verification of inventory has been done by the management on yearly basis at some locations.
The company has maintained proper records of inventory. However, in the absence of authentic records of physical verification the data cannot be compared with those in the inventory records and thus shortages/excesses, if any, could not be ascertained.
- iii) (a) According to the records of the company examined by us and the information and explanations given to us, no loans have been granted by the company to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.
(b) According to the records of the company examined by us and the information and explanations given to us, no loans have been taken by the company from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of this sub-clauses (e), (f) & (g) of clause (iii) are not applicable.
- iv) In our opinion, and according to the information and explanations given to us it appears that the internal control procedures are commensurate with the size of the company and the nature of its business, with regard to purchases of inventory, fixed assets and sale of goods and services. However, the internal control system in this regard needs further strengthening.
- v) a) According to the information and explanations given to us, we are of the opinion that there has not been any transaction during the year that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
b) In view of sub - clause (a) above, the sub - clause is not applicable.
- vi) The company has not accepted any Public Deposits.
- vii) The company has an Internal Audit System commensurate with its size and nature of its business. However, the same needs to be strengthened further in scope & coverage.
- viii) According to the information and explanations given to us, no cost records have been maintained by the company as prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- ix) (a) According to the information and explanations given to us, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Educational and Protection Fund, Employees State Insurances, Income tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service tax, cess and any other statutory dues with the appropriate authorities. We are informed that employee's State Insurance Scheme is not applicable to the Company. According to information & explanation given to us, no undisputed amounts payable in respect of the above said statutory dues were in arrears, as at 31st March 2009, for a period of more than six months from the date they become payable.

- (b) According to information and explanations given to us and as per the records of the company the service tax amounting to Rs.432 lacs and interest and penalty (not yet ascertained) in respect of demands raised by Service tax authorities have not been deposited and the company has filed appeals with appropriate authorities.
- x) The company has no accumulated losses as at 31.3.2009 and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.
- xi) According to the information and explanations given to us, the company has not made any default in repayment of dues to financial institutions or banks. The company does not have any borrowings by way of debentures.
- xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The company is not a Chit Fund, Nidhi, Mutual benefit fund or Society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditors report) order, 2003 are not applicable to the Company.
- xiv) To the best of our knowledge and according to the information and explanations given to us, the company is not dealing or trading in shares, debentures and other securities.
- xv) The company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) According to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on a short- term basis, which have been used for long-term investment.
- xviii) According to the information and explanations given to us the company has not made any preferential allotment of shares.
- xix) The company has not issued any debentures and hence the question of creating securities does not arise.
- xx) The Company has not raised any fund through Public issue.
- xxi) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the company has been noticed during the course of our audit.

for Indra D. Narayan & Co.

Chartered Accountants,

Indra Dev Narayan

(PARTNER)

M. NO: - 084704

PLACE: NEW DELHI

DATE : 02.09.09

ANNUAL ACCOUNTS

Balance Sheet As at 31st March, 2009

Particulars	Schedules	As at 31.03.09 Amount in Rs Lakhs	As at 31.03.08 Amount in Rs Lakhs
SOURCES OF FUNDS			
Share Holders Funds	1		
Share Capital		32094	32094
Reserves & Surplus	2	13694	4426
Loan Funds	3		
Secured Loan		10500	12600
Unsecured Loan		8332	10416
TOTAL		<u>64620</u>	<u>59536</u>
APPLICATION OF FUNDS			
Gross Block	4	77326	72805
Less: Depreciation	4	<u>14685</u>	<u>11815</u>
Net Block		62641	60990
Capital Work in Progress	5	<u>8131</u>	5182
		70772	66172
Investments		-	-
Current Assets, Loans & Advances	6		
Inventories		50	79
Sundry Debtors		4910	2713
Cash & Bank Balances		10173	8378
Other Current Assets		33	17
Loans & Advances		<u>14998</u>	<u>9124</u>
Total	(a)	30164	20311
Less: Current Liabilities & Provisions	7		
Current Liabilities		32888	25627
Provisions		3428	1320
Total	(b)	<u>36316</u>	<u>26947</u>
Net Current Assets/Liabilities(-)	(a) - (b)	<u>(6152)</u>	<u>(6636)</u>
TOTAL		<u>64620</u>	<u>59536</u>

Significant Accounting policies &
Notes on accounts

10

The Schedules referred to above form an integral part of Balance Sheet
This is the Balance Sheet referred to in our report of even date

Place: New Delhi
Date: 28th August 2009

Indra Dev Narayan
Partner
M.No: 84704
For and on behalf of
Indra D Narayan & Co.
Chartered Accountants

S. C. HANS
Company Secretary

R. K. MITRA
Director (Finance)

S.K. VASISHTA
Managing Director

Profit & Loss Account for the year ended on 31st March, 2009

Particulars	Schedules	For the Year		For the Year	
		Ended on 31.03.09		Ended on 31.03.08	
		Amount in Rs Lakhs		Amount in Rs Lakhs	
INCOME					
Lease Revenue -NLD (Bandwidth)		19065		14283	
Lease Revenue - ISP Licence		1588		1359	
Lease Revenue-IP-1 Licence		4667		2887	
Lease Revenue- NLD (VPN)		746		314	
Interest from Banks (Gross)		451		580	
TDS Rs 95.85 lakhs (Previous Year 136.14 lakh)					
Income From Railway Deposit Works		11399		0	
Other Income		728		542	
		<u>38644</u>	38644	<u>19965</u>	19965
EXPENDITURE					
Employee's Remuneration & Benefits	8	3583		1647	
Administrative & Other Expenses	9	3860		2487	
O&M Expenses		2276		1812	
License fees to DOT		1213		877	
Revenue share to Railways		1201		852	
Railway Project Expenses		10109		0	
		<u>22242</u>		<u>7675</u>	
Less: - IEDC Capitalised		<u>0</u>		<u>160</u>	
			<u>22242</u>		<u>7515</u>
Net Profit before interest, depreciation & tax			<u>16402</u>		<u>12450</u>
Interest on Loan			1953		2341
Depreciation			<u>4182</u>		<u>3894</u>
Net Profit for the year before tax			10267		6215
Less: -					
Provision for Impairment			(800)		0
Provision for Doubtful Debts			0		(116)
Prior Period Adjustment (Net)			539		(549)
Add: -					
Add:- Depreciation adjustment for earlier years			1312		93
Less Tax Expenses					
FBT Expenses			(36)		-29
Minimum Alternate Tax Expenses			(1163)		(636)
MAT Credit Entitlement			1163		636
Net Profit for the year after tax			<u>10204</u>		<u>5614</u>
Add Profit/Loss brought forward			426		(603)
Dividend Paid (Interim)			800		800

Dividend Paid (Final)	0	200
Dividend Distribution Tax	136	85
Net Profit Before Appropriation	9694	4426
Transferred to the General Reserves	4000	4000
Balance Surplus Carried to Balance Sheet	5694	426
Basic/Diluted Earning per share (Rs.)	3.18	1.75
Significant Accounting policies & Notes on accounts	10	

The Schedules referred to above form an integral part of Profit & Loss Account
This is the Profit & Loss Account referred to in our report of even date

Place: New Delhi
Date: 28th August 2009

Indra Dev Narayan
(Partner)
M.No: 84704
For and on behalf of
Indra D Narayan & Co.
Chartered Accountants

S. C. HANS
Company Secretary

R. K. MITRA
Director (Finance)

S.K. VASISHTA
Managing Director

Schedules annexed to and forming an integral part of the Balance Sheet and Profit & Loss Account for the years ended 31 st March, 2009

SHARE CAPITAL		Schedules 1	
Particulars	As at 31.03.09	As at 31.03.08	
	<u>Amount in Rs Lakhs</u>	<u>Amount in Rs Lakhs</u>	
Share Holders Funds			
Authorised Capital			
1,00,00,00,000 Equity shares of Rs. 10/- each	<u>100000</u>	<u>100000</u>	
Issued, Subscribed & Paid up Capital			
1,50,00,007 Equity Shares of Rs. 10/- each	1500	1500	
30,59,38,400 Equity shares of	30594	30594	
Rs 10/- each allotted for consideration other than cash			
TOTAL	<u><u>32094</u></u>	<u><u>32094</u></u>	

Reserves & Surplus

Schedule 2

Particulars	As at 31.03.09		As at 31.03.08	
	Amount in Rs Lakhs		Amount in Rs Lakhs	
General Reserve				
Opening Balance	4000			
Add: - Addition during the year	<u>4000</u>	8000		4000
Profit & Loss Account				
Opening Balance	426		-603	
Add: - Profit (Loss) for the year	<u>5268</u>	5694	1029	426
TOTAL		<u>13694</u>		<u>4426</u>

Loan Funds**Schedule 3**

Particulars	As at 31.03.09 Amount in Rs Lakhs	As at 31.03.08 Amount in Rs Lakhs
Secured Loans		
Term Loan		
Syndicated Term Loan from Banks led by State Bank of India	10500	12600
Total (a)	10500	12600
Above loans are secured by way of:		
A. First ranking mortgage/Hypothecation charge, as appropriate charges over all the company's immovable and movable assets on pari passu basis.		
B. First Charge on Project account. During the currency of loan, all payments received would get deposited in the principal project account to be maintained at State Bank of India, CAG Branch, New Delhi.		
C. Assignment /Charge of proceeds from sale of network including payments from DOT in the events of Termination/Cancellation of Licence.		
D. Charge / Assignment in favours of lender of the borrowers right under projects assignments duly acknowledged and consented to by the relevant counter parties to such project assignments.		
E. Assignment /Charge of contractor guarantees and liquidated damages.		
F. Security / charge over any letters of credits and/or performance bonds provided by the shareholders/ vendors in favours of the company all in form and manner satisfactory to SBI.		
Unsecured Loans		
Term Loan from Indian Railway Finance Corporation Ltd.	8332	10416
Total (b)	8332	10416
GRAND TOTAL (a) + (b)	18832	23016
Loans due for repayment within one year	4184	4184

Schedule 3

Fixed Assets

Amount in Rs
Lakhs

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As At 1-4-2008	Additional During the Year	Transfer/Adjustment During the Year	Total As on 31.03.2009	Up to 31-03-2008	For The Year	Adjustment on Assets Transfer	Total Up to 31/03/09	As On 31-03-2009	As on 31-03-2008	
A. FIXED ASSETS											
Computers	286	55	(1)	340	125	48	(0)	173	167	160	
Furniture & Fixtures	80	16	0	96	32	7	0	39	57	49	
Office Equipments	196	54	(0)	250	50	12	(0)	62	188	146	
Lease Hold Improvements	567	58	0	625	106	58	(2)	162	463	461	
Vehicles	6	0	0	6	1	1	0	2	4	4	
OFC and Related Assets	4652	5484	(4100)	47936	7887	2494	(924)	9457	38479	38665	
Telecom & Radio Equipments	10473	3435	(1531)	12377	2036	658	(356)	2338	10039	8437	
Prefab Buildings	1079	211	(89)	1201	165	54	18	201	1000	914	
MPLS Network	3948	94	0	4042	371	255	(0)	626	3416	3577	
STM-16 Network	9397	918	(94)	10221	1032	595	(12)	1615	8606	8364	
Free Hold Land	210	12	0	222	0	0	0	0	222	210	
Temporary Fixtures	10	0	0	10	10	0	0	10	0	0	
TOTAL	72804	10337	(5815)	77326	11815	4182	(1312)	14685	62641	60988	
PREVIOUS YEAR	61137	12224	(556)	72805	8014	3894	(93)	11815	60990	53123	

current year depreciation charged/adjusted includes Rs 61.02 lakhs related to assets capitalised from back date

Capital Work in Progress**Schedule 5**

Particulars	As at 31.03.09 Amount in Rs Lakhs	As at 31.03.08 Amount in Rs Lakhs
OFC laying works by Railways against deposit works	0	1590
Other OFC laying works, Pre Fab Building etc.	4520	3547
Installation of STM Equipment	<u>3611</u>	<u>45</u>
	8131	5182
Total	<u>8131</u>	<u>5182</u>

Current Assets, Loan & Advances
Schedule 6

Particulars	As at 31.03.09 Amount in Rs Lakhs		As at 31.03.08 Amount in Rs Lakhs	
CURRENT ASSETS				
Inventory (At Cost) (Taken, valued and certified by the Management)				
Stores & Spares		50		79
Sundry Debtors (Unsecured)				
Debts outstanding for period exceeding six months				
–Considered Good	373		214	
–Considered Doubtful	142		142	
	<u>515</u>		<u>356</u>	
Less: Provision for doubtful debts	142		142	
	<u>373</u>		<u>214</u>	
Other Debts Considered good	<u>4537</u>	4910	<u>2499</u>	2713
Cash & Bank Balances				
Cheques in Hand	2189		0	
Funds in Transit	1425		0	
Cash / Imprest Balances	5		3	
	<u>3619</u>		<u>3</u>	
Balances with Scheduled Banks in				
Current account	894		180	
Collection account	619		1045	
Term deposits	<u>5041</u>	10173	<u>7150</u>	8379
Other Current Assets				
Accrued Interest on Term deposits		33		17
LOANS AND ADVANCES (Unsecured, Unconfirmed considered good)				
Advances recoverable in cash or in kind or for value to be received	7223		5121	
MAT Credit Entitlement	2249		1086	
Prepaid taxes	<u>5526</u>	<u>14998</u>	<u>2917</u>	<u>9124</u>
Total		<u><u>30164</u></u>		<u><u>22211</u></u>

Current Liabilities & Provisions**Schedule 7**

Particulars	As at 31.03.09		As at 31.03.08	
	Amount in Rs Lakhs		Amount in Rs Lakhs	
Current Liabilities				
Sundry Creditors				
For capital expenditure	9113		10448	
For others	<u>6165</u>		<u>2898</u>	
	15278		13346	
Deposits & Customers' Advances	12568		9728	
Book Ovredraft (Uncashed Cheques)	800		6	
Other liabilities	<u>4242</u>	32888	<u>2547</u>	25627
Provisions				
Provision for Impairment on Assets	800		0	
Provision for Dividend	0		200	
Provision for Dividend Distribution Tax	0		34	
Provision for MAT	2249		1086	
Provision for DOT Penalty	<u>379</u>	3428	<u>0</u>	1320
TOTAL		<u>36316</u>		<u>26947</u>

Employees Remuneration & Benefits

Schedule 8

Particulars	For the Year Ended on 31.03.09 Amount in Rs Lakhs	For the Year Ended on 31.03.08 Amount in Rs Lakhs
Directors Remuneration	75	42
Employee Cost Executive	2970	1238
Establishment Expenses.	130	40
Staff Outsourcing Expenses	347	252
Leave Salary Contribution	31	45
Gratuity	30	30
TOTAL	3583	1647

Administrative & Other Expenses**Schedule 9**

Particulars	For the Year Ended on 31.03.09	For the Year Ended on 31.03.08
	Amount in Rs Lakhs	Amount in Rs Lakhs
Auditor Remuneration	3	2
Books & Periodicals	9	7
Communication Expenses	95	111
Conveyance Expenses	54	45
Electricity & Power Expenses	338	220
Bank Charges & Commission	7	17
Insurance Expenses	1	0
Legal & Professional Expenses	59	59
Rates & Taxes	4	27
Rent	339	112
Repair & Maintenance - Others	140	81
Tender Expenses.	44	48
Training & Recruitment Expenses	41	30
Travelling Expenses	212	146
Printing & Stationary Expenses	46	41
Vehicle Hire charges	140	102
Share of Revenue with Konkan Railway	232	168
Business promotion Expenses	44	53
Hire Charges Radio Modem/Optic Fibers	487	52
Protection Bandwidth & Connectivity Charges	713	587
Internet Bandwidth	493	330
Other Miscellaneous Expenses	93	79
Donations	200	0
Loss on Sale of Fixed Assets	0	0
Spectrum Charged and NLD Licence Fees to DoT	66	170
TOTAL	3860	2487

Schedule 10

Significant Accounting Policies & Notes to Accounts

A) Significant Accounting Policies

1. General

The Financial Statements are prepared under the historic cost convention, in accordance with the accounting standards issued by the Institute of Chartered Accountants of India and in accordance with the applicable requirements of the Companies Act, 1956.

2. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Cost includes all the expenses related to bringing the assets to their present location and condition.

Expenditure related to and incurred during construction period are capitalised as part of the construction cost and allocated to relevant fixed assets.

Addition to buildings on land not owned by the Company are capitalised as Leasehold Improvements.

3. Capital Works-in-Progress

a) In respect of supply-cum-erection contracts, the value of supplies received and accepted at site, is treated as capital work-in-progress. The capitalization is done on the basis of the date of issue of provisional acceptance certificate of the work.

b) Contracts under deposit work are accounted for on the basis of statement of account received from executing agencies/ technical assessments of the works executed.

c) Incidental expenditure related to company's own projects are not charged to the CWIP in view of very low materiality of such expenses.

4. Borrowing costs

Borrowing costs attributable to the acquisition of qualifying assets during construction are capitalized as part of the cost of acquisition. Such borrowing costs are apportioned on the average of capital work-in-progress during the year.

5. Inventories

Stores and spares are valued at cost on FIFO basis.

INCOME

6. Income recognition

Income is recognised on completion of provision of services. Service revenue includes Income from lease, renting or sale of end-to-end bandwidth, hire charges for tower space and accommodation, Internet bandwidth and VPN services and is net of discount. Income from

services is recognised on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realisation of the consideration and on time proportion basis in accordance with the related contract.

EXPENDITURE

7. Depreciation

Depreciation has been provided as under

Lease hold improvements	:	On straight line method @ 10% per annum
Prefabricated Building	:	On straight line method @ 4.75 per annum
Telecom Radio Assets, MPLS/STM-16 Network	:	On straight line method @ 6.33% per annum
Optical & Related Asset	:	On straight line method @ 5.28% per annum
Other Assets	:	On straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956

8. Impairment of Assets:

An asset is treated as impaired when the carrying amount of assets exceeds its recoverable value. The company has set up a committee to assess the extent of impairment of assets.

9. Retirement Benefits

The liability for retirement benefits of the employees in respect of gratuity and leave encashment is provided for based on the premium payable to LIC of India for the insurance purpose taken for that purpose.

10. License Fees and Revenue share

The variable license fees computed at prescribed rates is charged to the profit & loss account in the year to which the revenue relates.

11. Foreign Currency Transaction

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction.

12. Taxes on Income:

- a) Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961.
- b) Deferred tax on account of timing difference between taxable and accounting income is provided considering the tax rates and tax laws enacted or substantively enacted by the Balance Sheet date, in accordance with Accounting Standard-22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India.

13. Provisions, Contingent Liabilities:

- a) Provisions are recognized in respect of obligations, based on the evidence available, and wherever their existence on the Balance Sheet date is considered probable.
- b) Contingent liabilities are determined on the basis of available information. These liabilities are not provided for and are disclosed by way of notes on accounts.

B) Notes to Accounts

1. Fixed Assets / Capital Works-in-progress
Fixed assets have been taken over from Railways after physical verification by the management, at a pre-determined price. Depreciation has been provided on them without reassessing the remaining useful life of such assets as on the date of takeover. The impact, if any, on the accounts of the Company due to this cannot be ascertained.
2. Contingent Liabilities:
 - a. Claims against the Company not acknowledged as debts are Rs. 1235.19 lakh. (Previous Year Rs. 802.79 lakh)
 - b. Bank Guarantees issued on behalf of the company Rs. 2223.08 lakh (previous year 2918.20 lakh).
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (as certified by the management) Rs. 10792.86 lakh (net of advances) (previous Year Rs. 12443.82 lakh).
4. Some of the STM-1 equipments have been transferred to Railways during this year with retrospective effect. As a result, accumulated depreciation amounting to Rs 371.69 lakh has been written back and shown under depreciation adjustment for earlier years.
5. STM-1 equipments received from the Railways which were to be transferred valued at Rs. 3066 lakhs (net), only STM-1s valued Rs 1436 lakh has been transferred back to

- them during the year and the balance transfer of STM-1 equipments is being pursued with the Railways. The Company proposes to effect transfer of these assets and make the necessary adjustments as provided in the agreement. Further, in regard to STM-1 and primary multiplexing equipments created by RailTel, the same have been identified and their values have been ascertained. On transfer of these assets, necessary adjustments will be made in the books of accounts in the next financial year after confirmation from the Railways.
6. A sum of Rs. 61.02 lakh (previous year 29.92 lakh) relating to depreciation for earlier years on the assets capitalized during the year from back date has been charged to profit & loss account.
 7. Balances shown under advances, sundry debtors, creditors and service tax are subject to confirmation/ reconciliation and consequential adjustments, if any.
 8. As per the existing system construction materials are directly handed over to the contracting agencies and the entire cost of such materials is charged to CWIP.
 9. As per the directive no. 2006/tele/RCIL/4 dated 14.6.07 from the Ministry of Railways the income to be booked on the railway deposit works is 13% on the cost of such work excluding octroi, sales tax, royalties, other taxes etc.
 10. Current Liabilities includes an amount of Rs. 1048.3(net) lacs for which equity shares are to be issued to the Ministry of Railways (for taking over OFC assets) after adjusting an amount of Rs. 360 lacs for STM-1 equipments transferred to the Railway in the previous year.
 11. Current Assets shown in the balance sheet is net after adjusting an amount of Rs.1,60,53,000/- received from Southern Railways for 4 fibers. In the absence of relevant details appropriate accounting adjustments has remained pending.
 12. An amount of Rs. 3049.97 lakhs included in the current liabilities is due for payment to the Ministry of Railways on 30-07-08 and hence the said amount has been removed from Long Term Liabilities as shown in the previous year.
 13. In the opinion of the management, the value of current assets, loans and advances on realization in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.
 14. (a). To the extent information available, there are no Small Scale Industrial Undertakings to whom company owes an amount, which is outstanding for more than 30 days (previous year: NIL).

(b) The company has not received any information from its suppliers regarding registration under "The Micro, Small and Medium Enterprises Development Act 2006". Hence the information required to be given in accordance with section 22 of the said Act, is not ascertainable. Hence not disclosed.

15. (a) Provision for current tax for the year has been made under Minimum Alternate Tax (MAT) as per provision of section 115JB of the Income Tax Act, 1961.

(b) In accordance with the Guidance Note on Accounting for Credit Available in respect of MAT under the Income Tax Act, 1961, issued by the Institute of Chartered Accountants of India, the Company has recognized this MAT credit as an asset under the head Loans and Advances and has credited the same to the Profit & Loss account under "Provision for Taxation".

16. Total remuneration and benefits paid to the Directors during the year are as under:-

Particulars	2008-09 (Rs. In lakh)	2007-08 (Rs. In lakh)
Remuneration	58.12	21.63
Other payments	15.61	18.83

In addition the part time non-official directors have been paid sitting fee during the year as under

1. Dr. V.K. Koshy, Director (Upto Oct-08)	0.37	0.40
2. Sh. Narinder Sharma, Director (Upto Oct-08)	0.69	0.50
3. Sh. S.Murali, Director (Upto Oct-08)	0.53	0.50
4. Sh. Sumant Chak	0.85	0.45

17. Auditor's remuneration includes:-

Particulars

Statutory Audit Fee	2.50	1.22
Tax Audit Fee	0.88	0.88
Other Services	0.06	0.06
Out of Pocket Expenses	<u>0.00</u>	<u>0.03</u>
Total	<u>3.44</u>	<u>2.19</u>

*In the Current Financial year 2009-10, Company has incurred Rs. 6.98 lakhs on out of Pocket expenses (including, boarding, lodging and travelling expenses) of Statutory Auditors related to year 2008-09

18. Company has deposited a sum of Rs 379 lakh with the Department of Telecommunication (Previous year 378 lakh) on account of share on income, interest and penalty. The Company has paid for the demand under protest. The company has filed an appeal with Telecom Dispute Settlement and Appellate Tribunal (TDSAT). Due provision in the accounts has been made in the regard.

19. The Company has Deferred Tax asset as at the Balance Sheet date on account of unabsorbed depreciation under tax laws and which will reverse in the tax holiday period itself, accordingly as per the accounting standard interpretation issued by the Institute of Chartered Accountants of India no provision for deferred tax assets has been created.
20. Amount of maintenance charges payable as per the clauses 3.1.9 of the agreement dated 21/09/06 on account of 1 / 2 pair of fiber has been booked in the income from IP-1 Licence amounting to Rs 535.44 lakh (Previous year 626.55 lakh). The maintenance terms are under negotiation with Ministry of Railways. Based on the result of negotiation appropriate accounting adjustment will be carried out in the next year.
21. Based on the guiding principles given in the Accounting Standards on Segment Reporting (AS-17) the company is primarily in the business of various Telecom services which have similar risks and returns. The company business activity falls within a single geographical and business segment (Telecom Services), and it has no other primary reportable segment.
22. Operating lease as per Accounting Standard 19 - 'LEASES'

A. General description on leasing arrangement

The Company has been offering Bandwidth, Dark Fibers, Internet services, VPN services and tower space to its customer as operating lease for fixed period.

B. Future minimum lease rentals receivable under operating lease for each of the following period as on March 31, 2009 are as under;

	As on 31.03.09 (Rs. In Lakh)	As on 31.03.08 (Rs. In Lakh)
Not later than one-year	5952	2996
Later than one year and up to five years	2400	2340
Later than five years	3437	3740
Total	11789	9076

23. Earning Per Share:- The calculation of EPS as per the Accounting standard -20 is as follows:

	2008-09 (Rs. In Lakh)	2007-08 (Rs. In Lakh)
Net Profit/ Loss (-) available for Equity Shareholders (a)(Rs.)	10206	5609
No. of Equity share of Rs. 10 each (b) (in lakhs)	3209	3209

Basic/ diluted Earning per share
(a)/(b) (Rs.)

3.18

1.75

24. Additional information pursuant to Schedule VI of the Companies Act, 1956, is as follows:

	2008-09 (Rs. In Lakh)	2007-08 (Rs. In Lakh)
a. Value of imports calculated on CIF basis		
i. Capital goods	918.71	1007.91
ii. Spare parts	NIL	NIL
b. Expenditure in foreign currency		
i. Professional and consultancy fee	NIL	NIL
ii. Others	5.27	6.47
c. Value of components, stores and spare parts consumed (imported and indigenous)	75.15	NIL
d. Earning in foreign exchange	NIL	NIL

25. Related Party Disclosure as per Accounting Standard-18.

List of the related party with whom transaction have taken place during the year and nature of relation ship.

Name of the Related Parties	Designation	Nature of Relationship
1. Sh. S.K. Vasishta	Managing Director	Key Management Person From 03/07/07
2. Sh. Rajiv Sinha	Director (P.O.M.)	Key Management Person
3. Sh. R.K. Mitra	Director (Finance)	Key Management Person From 27/05/08
4. Sh. R. K. Bahuguna	Director (NPM)	Key Management Person
5. Sh. Sumant Chak	Director (Non Off.)	Key Management Person
6. Dr. V.K. Koshy	Director (Non Off.)	Key Management Person (Up to 18/10/2008)
7. Sh. Narinder Sharma	Director (Non Off.)	Key Management Person (Up to 18/10/2008)
8. Sh. S.Murali	Director (Non Off.)	Key Management Person (Up to 18/10/2008)

Detail of Related party transaction during the year:-
Nature of transaction

	2008-09 (Rs. In lakh)	2007-08 (Rs. In lakh)
Managerial Remuneration (Key Management Person)	76.17	42.31
26. Pending issuance of notification under Section 441A of the Companies Act, 1956, no provision has been made towards cess on the turnover of the company.		
27. Loans and advances due from directors include Rs 0.84 lakh (previous year Rs 2.70 lakh) (Maximum outstanding due during the year Rs 0.84 lakh (Previous year Rs. 0.13 Lakh).		
28. Loans and advances due from Railways include Rs 4919.43 lakh (previous year Rs. 4,506.51 Lakh).		
29. Balances due to/ due from Railways on various accounts are subject to reconciliation/ confirmation and consequential adjustments.		
30. Detail of Prior Period adjustments (Net) is as given below:-		
	2008-09 (Rs. Lakh)	2007-08 (Rs. Lakh)
IEDC Reversal of Earlier Year	595.82	NIL
DoT Share on Revenue	2.88	NIL
Provision of DoT Penalty	NIL	378.89
O & M Charges	89.52	144.15
Electricity & Power	65.17	30.66
Rent	120.78	NIL
Last Mile Charges	16.15	NIL
Lease Charges for Dark Fiber	157.01	NIL
House Lease	NIL	0.74
Others	<u>34.30</u>	<u>11.66</u>
Total	1081.63	566.10
Less Prior period Income	<u>543.02</u>	<u>17.28</u>
	<u>538.61</u>	<u>548.82</u>
31. The company was allotted free hold land at Gurgaon by Haryana Urban Development Authority. The necessary conveyance deed however is yet to be executed.		
32. The company has made an ad-hoc provision of Rs 8 crores (less than 4% of Telecom assets) for impaired assets. The same would be reviewed from time to time in the light of actual impairment of assets based on an approved policy in this regard.		

33. Unless otherwise stated, the figures are in Rupees Lakh.
34. Previous year's figures have been recast/regrouped/rearranged wherever considered necessary to conform to this year's presentation.
35. The company has booked an income of Rs 888 lakhs for the current year (Rs Nil for the previous years) towards lease charges based on agreed annual rate of Rs.7219 per Km per year for STM-4 bandwidth under clause no.3.1.14 of the agreement dated 21.9.06 between the company and the Ministry of Railways for those sectional Kms certified by various Railways.
36. During the year the company has transferred OFC assets having WDV of Rs 4084.76 lakhs to the railways on realization of an amount of Rs 2643.91 lakhs. Against this transaction, the relevant accumulated depreciation of earlier years amounting to Rs 922.54 Lakhs have been credited to the depreciation adjustment account of the current year . The same is also shown separately in the P&L account .
37. The company has commenced the process of physical verification of its assets scattered across more than 1500 locations.
38. There is a discrepancy of Rs. 273592 in the service tax credit in return of the company and for this a revised return is being filed during the year 2009-10

Balance Sheet Abstract and Company's General Profile

I.	Registration Code State Code	5 5	Registration No.	1 0 7 9 0 5
	Balance Sheet Date	3 1 0 3	2 0 0 9	
II.	Capital Raised during the year (Amount in Rs. Thousands)			
	Public Issue	N I L		
	Bonus Issue	N I L		
	Right Issue	N I L		
	Private Placements	N I L		
III.	Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)			
	Sources of Funds	1 0 0 9 3 6 0 4	1 0 0 9 3 6 0 4	Total Assets
	Paid - Up Capital	3 2 0 9 3 8 4	N I L	Share Application Money
	Secured Loans	1 0 5 0 0 0 0	1 3 6 9 4 5 0	Reserve & Surplus
	Application of Funds	7 0 7 7 2 3 0	8 3 3 2 0 0	Unsecured Loans
	Net Fixed Assets <small>(includes CWIP & Advance for Capital Expenditure)</small>	(-) 6 1 5 1 9 6	N I L	Investments
	Net Current Assets	N I L	N I L	Misc. Expenditure
	Accumulated Losses			
IV.	Performance of Company (Amount in Rs. Thousands)			
	Turnover including other Incomes	3 8 6 4 3 8 4	2 8 3 7 6 9 6	Total Expenditure
	Profit/Loss Before Tax	+ 1 0 2 6 6 8 8	+ 1 0 2 0 4 4 6	Profit/Loss after Tax
	Earning Per Share in Rs.	0 3 . 1 8	2 . 4 9	Dividend Rate%
V.	Generic Name of Three Principal Services of Company			
	Item Code No.	N A	Rent from Tower Space	
	Product Description			
	Item Code No.	N A	Sale of Bandwidth	
	Product Description			
	Item Code No.	N A	Sale of VPN	
	Product Description			

Place: New Delhi

Cash Flow Statement For The Year 2008-2009 (Indirect Method)

(Amount in Rs. Lakhs)

	CURRENT YEAR (2008-09)	PREVIOUS YEAR (2007-08)
Cash Flow From Operating Activities		
Net Profit/ (Loss) Before Tax	9441	5,643
Add : Depreciation	4,182	3,894
Add: Provision for Doubtful Debts	—	115
Provision for Impairment	800	—
Extraordinary Items considered separately	—	—
Less: Interest received	(451)	(580)
Add: Interest on Loan	1953	2,341
Net cash from operating activities before Extraordinary Item and change in working capital (a)	15925	11,413
Extraordinary Item		
Less: Depreciation adjustment for earlier years	(1,312)	(93)
Net cash from operating activities after Extraordinary Item before change in working capital (a)	14613	11,320
Working Capital changes		
(Increase)/ Decrease in Inventory	29	12
(Increase)/Decrease in other current assets	(16)	(12)
(Increase) /Decrease in other Loans & Advances	(5874)	3,319
Increase/ (Decrease) in Current Liabilities	10,704	2,750
Increase/ (Decrease) in Long term Liability	—	852
(Increase) / Decrease in Gross sundry debtors	(2,197)	(1,859)
Income Tax Paid (FBT)	(36)	(29)
Net (Increase) /Decrease in Working Capital (b)	2,610	5,033
Net cash from operating activities (a)+(b)	17,223	16,353
Cash Flow From Investing Activities		
(Increase)/ Decrease in Gross Block	(4,521)	(11,668)
(Increase) / Decrease in Capital Work in Progress	(2,950)	1,038
(Increase)/ Decrease in Advance to Parties	—	11
Interest received	451	580.0
Increase/ (Decrease) in Current Liabilities for capital works	(1,335)	2,149.0
Net cash from investing activities before Extraordinary Item	(8,355)	(7,890)
Extraordinary Item	—	—
Increase/ (Decrease) in Long term Liability	—	—
Net cash from investing activities	(8,355)	(7,890)
Cash Flow From Financing Activities		

Equity Shares issued to Indian Railway	-	-	
Repayment of Loan to IRFC	(2,084)	(2,100)	
Loan from State Bank of India	(2,100)	(2,084)	
Dividend Paid	(936)	(585)	
Interest on Loan	<u>(1,953)</u>	<u>(2,341.0)</u>	
		<u>(7,073)</u>	<u>(7,110)</u>
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,795	1,353.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		8,378	7,025
CASH AND CASH EQUIVALENT AT END OF PERIOD		<u>10,173</u>	<u>8,378</u>

Place: New Delhi
Date: 28th August 2009

Indra D Narayan
Partner
M.No: 84704
For and on behalf of
Indra D. Narayan & Co.
Chartered Accountants

S.C. Hans
Company Secretary

R. K. MITRA
Director (Finance)

S.K. VASISHTA
Managing Director

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF RAILTEL CORPORATION OF INDIA LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2009

The preparation of financial statements of Railtel Corporation of India Limited, New Delhi for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956, is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956, is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956, based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 2 September 2009.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956, of the financial statements of Railtel Corporation of India Limited, New Delhi for the year ended 31 March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

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

(Ghazala Meenai)
Principal Director of Commercial Audit &
Ex-officio Member Audit Board-III,
New Delhi

Place : New Delhi
Dated: 24 September 2009