



रेलटेल  
RAILTEL

(A Mini Ratna Enterprise)

12<sup>th</sup> Annual Report  
2011-2012

Railtel Corporation of India Limited  
(A Mini Ratna Enterprise)

श्री कुलभूषण  
अध्यक्ष  
Shri Kul Bhushan  
Chairman



श्री आर. के. बहुगुणा  
प्रबंध निदेशक  
Shri R. K. Bahuguna  
Managing Director



श्री राजीव सिन्हा  
निदेशक (पी.ओ.एम.)  
Shri Rajiv Sinha  
Director/Project  
Operation & Maintenance



श्री आर. के. मित्रा  
पूर्व निदेशक (वित्त)  
Shri R. K. Mitra  
Former Director Finance



श्री एन. के. गुप्ता  
वर्तमान निदेशक/वित्त  
Shri N. K. Gupta  
Present Director/Finance



श्री ए. शेषागिरी राव  
निदेशक / एनपीएम  
Shri A. Seshangiri Rao  
Director/NPM



श्री नरेश सलेचा  
कार्यकारी निदेशक / (एफसी), रेलवे  
Shri Naresh Salecha  
ED/(FC), Railways



श्री ए. के. बन्द्योपध्याय  
निदेशक  
Shri A. K. Bandyopadhyay  
Director



श्री ए. के. सिन्हा  
निदेशक  
Shri A.K. Sinha  
Director



श्री आर. के. गोयल  
निदेशक  
Shri R.K. Goyal  
Director



श्री भास्कर गुप्ता  
निदेशक  
Shri Bhaskar Gupta  
Director

## Contents

Vision and Mission Statement .....	2
Quality Policy .....	3
Board of Directors .....	4
Directors' Report .....	6
Auditors' Report .....	43
C&AG Comments .....	49
Annual Accounts .....	50
Balance Sheet Abstract .....	54
Cash Flow Statement.....	77
Annual Report Data.....	80

## *Vision and Mission*

### *Vision*

To become the preferred telecom solution and service provider for knowledge economy.

### *Mission*

To attain leadership in providing premier telecom infrastructure service by offering cost-effective state-of-the-art communication solutions.

## *Quality Policy*

\*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.

\*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 Kul Bhushan, ML
2. Shri R.K. Bahuguna
3. Shri R.K. Bahuguna
4. Shri S.K. Vasishta
5. Shri Rajiv Sinha
6. Shri R.K. Mitra
7. Shri N.K. Gupta
8. Shri A. Seshagiri Rao
9. Shri Naresh Salecha
10. Shri A.K. Bandyopadhyay
11. Shri A.K. Sinha
12. Shri R.K. Goyal
13. Shri Bhaskar Gupta

### Audit Committee

1. Shri A.K. Bandyopadhyay, Chairman
2. Shri Naresh Salecha
3. Shri A.K. Sinha
4. Shri R.K. Goyal
5. Shri Bhaskar Gupta

### Regional Offices

#### Northern Region

Shri Puran Singh  
Regional General Manager  
501-502, Arunachal Building,  
19, Barakhamba Road,  
New Delhi-110001  
Tele.: 011-23752114 – 16

#### Southern Region

Shri P.V. Rajasekhar,  
Regional General Manager  
2nd Floor, B Block, Rail Nilayam  
Secunderabad -500426  
Tele.: +91 40 27820429  
Fax : 040-27820682

### Chairman

Managing Director (w.e.f. 1.10.2011)  
Director/NPM (upto 30.09.2011)  
Managing Director (upto 30.09.2011)  
Director (POM)  
Director (Finance) (upto 30.6.2012)  
Director (Finance)(from 10.7.2012)  
Director/NPM (from 14.8.2012)  
Nominee Director  
part time non official Director  
part time non official Director  
part time non official Director  
part time non official Director

### Remuneration Committee

1. Shri A.K. Sinha, Chairman
2. Shri A.K. Bandyopadhyay
3. Shri Bhaskar Gupta
4. Shri R.K. Goyal
5. Shri Naresh Salecha

### Regd. & Corporate Office

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

### Website

[www.railtelindia.com](http://www.railtelindia.com)

### Bankers

State Bank of India  
Union Bank of India

### Eastern Region

Shri J.P. Singh,  
Executive Director  
Chaterjee International Centre,  
3<sup>rd</sup> Floor, 33-A,  
Jawaharlal Nehru Centre,  
3<sup>rd</sup> Floor, Kolkata-700071  
Tele.: 033-44041499  
Fax : 033-44041490

### Western Region

Shri B.S. Tahim  
Executive Director  
Microwave Complex,  
Senapati Bapat Marg,  
Opp. Ambika Mills  
Mumbai-400013  
Tele.: 022 - 24923925

### Statutory Auditors

V.K. Verma & Co.,  
C-37, Connaught Place,  
New Delhi-11001  
Tele.: 011-23415811, 23416858  
Email: vkverma@vkvermaco.com

### Branch Auditor

#### Western Region

M/s M K P S & Associates,  
Ground Floor, Monalika Apartments,  
Lal Bahadur Shastri Road,  
Old Shahin Square, Cuttack Road,  
Bhubaneswar (Orissa)  
Tele.: 022-65236959, Fax : 022-28373182  
Email : Mumbai@mkps.in;  
dmmkamumbai@yahoo.co.in  
Website : www.mkps.in

#### Eastern Region

Guha & Matilal, 20, Strand Road,  
2nd Floor, Kolkata-700001  
Tele.: 033-22308998, 22105056, 22317500  
Email : guhamatilal@gmail.com;  
guhamatilal@ymail.com

#### Southern Region

T Koteswara Rao & Co., 8-3-224/12,  
F-43, Madhura Nagar, S.R. Nagar Post,  
Hyderabad-500038 AP  
Tele.: 040-23732877, 23738099  
Fax : 23731974  
Email : turumellas@yahoo.com  
Website : www.tkrandco.com

#### Northern Region

V.K. Verma & Co.,  
C-37, Connaught Place  
New Delhi-110001  
Email : vkverma@vkvermaco.com

## Directors' Report

Gentlemen,

The Directors have pleasure in presenting their 12th annual report together with annual accounts of the Company for the year ended 31st March, 2012.

### 1. FINANCIAL RESULTS

1.1 The financial results of the Company's operations for the year 2011-12 is summarized below:

(₹ in crores)

Particulars	2011-12	2010-11
Operating turnover	347.42	326.27
Other income	56.55	36.80
Total income	403.97	363.07
Operating Expenditure	171.42	192.23
Gross Margin	232.55	170.84
Depreciation	106.32	47.14
Gross Profit	126.23	123.70
Impairment	4.01	18.70
Interest	6.19	11.27
Prior Period/Extraordinary items	11.37	-2.80
Income tax	18.81	1.12

During the financial year 2011-12, the Company has earned a recognized income of ₹ 404 crores as against that of ₹ 363 crores during the year ended 31st March, 2011.

(Previous years' figures have been regrouped /re-arranged wherever necessary to ensure compliance of requirement of revised schedule VI)

Railway deposit work segment of recognized income is of ₹ 36 crores in the current year reduced from ₹ 67 crores of previous year.

1.2 The operating profit earned during the year is ₹ 221.15 crores before interest, depreciation and tax as against that of ₹ 174 crores in the preceding year. After providing for interest and depreciation, the net profit before tax amounted to ₹ 101.94 crores (previous year ₹ 92.94 crores). The Company declared and paid interim dividend of ₹ 5 crores in 2011-12. A final dividend of additional ₹ 9 crore has now been proposed to be paid. The net surplus has been carried to Balance Sheet after transferring a sum of ₹ 40 crores to General Reserves.

1.3 The total outstanding against loans from the IRFC Ltd was ₹ 20.80 crores as at the end of the financial year.

The repayment of ₹ 63.00 crores of the loan to the Banks has been made during the year and there were no outstandings against loan account from Banks.

## 2. MINI RATNA STATUS

Government of India bestowing its confidence in RailTel granted Mini-Ratna (Category-I) status to the company in May, 2012. This brings new opportunities to the company as well as challenges to improve its performance.

## 3. CAPITAL STRUCTURE

3.1 The authorized equity capital of the Company is ₹ 1000 crores. As on 31st March, 2011, the issued, subscribed and paid up share capital of the Company stood at ₹ 320.94 crores including ₹ 305.94 crores equity allotted for consideration other than cash against the OFC related assets of Railways.

## 4. DIVIDEND

4.1 During the year, the Company paid interim dividend of ₹ 5.00 crores in 2011-12 and a dividend of ₹ 9 crores has also been proposed. It had also paid dividend distribution tax to the exchequer. In fact, the Company is also contributing by way of revenue share to Railways and the total share of such contribution comes to ₹ 16.09 crores as against such share of ₹ 21.08 crores (₹ 12.95 crores for the year plus ₹ 8.13 crores incremental share) in the preceding year.

## 5. FIXED DEPOSITS

5.1 The Company has not accepted or invited any deposits under Section 58A read with the relative regulations from public during the year.

## 6. RESERVES

6.1 The Company appropriated its profit earned during the year under report. It has transferred ₹ 40.00 crores during the year and as such, the total accumulated general reserves as at the end of the financial year 2011-12 amounted to ₹ 200 crores. Besides, the accumulated profit & loss account under the Reserves and Surplus Account was of the order of ₹ 181.51 crores.

## 7. PROJECTS

7.1 During the year the core network of RailTel was extended by further 2995 RKM of OFC leading to a total length of 41022 RKM by the end of the year.

7.2 Railways approved OFC works for 2335 RKM by RailTel are in progress out of which 678 RKM has been completed by RailTel. Further, 12871 RKM of OFC works, under execution by the Railways and are in progress.

7.3 The total STM 1 network of RailTel has reached to 36075 RKM and STM 16 network is operational on 28,724 RKM (with multiple rings on common sections of 28846 RKM). The DWDM (Dense Wave Division Multiplexing) network is operation on 10000 RKM.

7.4 During the year, an agreement was signed with the Department of Telecommunications to undertake creation of OFC network by laying OFC for District Headquarters to sub-district headquarters in six states of North Eastern area. Survey work has been completed in the states of Meghalaya, Tripura, Mizoram, Manipur and Arunachal Pradesh. Survey in Nagaland shall also be

completed shortly. After survey, RailTel had to lay about 13000 KM of new OFC to connect all DHQ to their SDHQ in a ring. This work shall be done by RailTel and get subsidized by an annual fee of ₹388 cr from USOF, DoT.

## 8. MANAGEMENT DISCUSSIONS AND ANALYSIS

A detailed analysis on the activities of the Company is annexed hereto and the same forms part of this report.

## 9. INDUSTRIAL RELATIONS

### 9.1 Industrial Relations and HR matters:

- i) Though there is no recognized staff union in the company, but management of the company had coordinational industrial relations with the staff during the year.
- ii) As of 31.03.2012, there were 359 regular employees on the rolls of the company including 61 deputationists from Railways. In addition, the company had outsourced the services of personnel in different capacities to facilitate the work.
- iii) In order to enhance skill set of its employees, various training courses, at OEMs end, specialized institutions were provided to RailTel staff, helping in their further competency development.

## 10. EMPLOYMENT OF WOMEN, USE OF OFFICIAL LANGUAGE ETC.

10.1 There is adequate representation of women employees in the Company. Company has adopted all guidelines of the Govt. of India under Official Language Act. The annual report is published bi-lingual in English and Hindi. The Company is progressively increasing the use in Hindi in accordance with the official language policy of the Government. The officers and staff possessing working knowledge in Hindi are doing their day to day work extensively in Hindi.

10.2 RailTel celebrated Hindi Pakwada on 12th Sept to 26th September, 2011. Essay writing competition was made.

10.3 Parliamentary Committee inspected the progress of Rajbhasa on 17th January, 2012 and appreciated RailTel's efforts to use Rajbhasa.

## 11. SCHEDULE CASTE, SCHEDULE TRIBES AND OTHER BACKWARD CLASSES.

The Company is duly complying with the instructions of the Govt. of India issued on the subject from time to time and the backlog of vacancies if any carried over from previous years' is being filled in.

## 12. REMUNERATION TO DIRECTORS

RailTel being a Government Company under the Companies Act, 1956, the whole time Directors of the Company are appointed by President of India through Ministry of Railways. The functional Directors are appointed by the Government of India drawing remunerations under IDA pattern of

pay scale pre-determined by the Government and as per the terms and conditions issued by the Government of India from time to time.

The part time official Directors (Government Nominee) on the Board of the Company do not draw any remuneration from the Company. The part time non official Directors are paid sitting fee of ₹ 8,000/- per meeting attended.

**13. PARTICULARS OF EMPLOYEES**

No employee has drawn a remuneration of ₹ 60 lakhs or more per annum or ₹ 5 lakhs or more per month during the year 2011-12.

**14. PARTICULARS RELATING TO CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION ETC.**

14.1 The Company is presently engaged in providing telecom services. The following disclosures are made as required under the provisions of section 217(1)(e) of the Companies Act, 1956 :

a) Energy conservation measures taken. Effective steps are being taken to conserve energy by the use of solar energy at various PoPs of RailTel, installing CFL tubes in office premises and other energy efficient gadgets.

During the year, the Company incurred a total expenditure of ₹ 6.76 crores (previous year ₹ 5.55 crores) on electricity and power expenses. (The Units consumed will henceforth be worked out separately.)

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

No separate earmarked expenditure has been incurred during the year. However, a provision to the extent of one per cent of net profit for extending usage of solar renewal energy project at some locations has been made during the current financial year.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods /services.

The impact of the measures being taken for reduction of energy consumption would be known once the steps taken are effectively implemented on usage of renewal energy project(s).

15. The Company has not earned foreign exchange during the year under report. The Company incurred an expenditure in foreign currency of ₹ Nil lakhs (previous year 1071 lakhs) on account of payment towards capital goods.

**16. BUY BACK OF SHARES UNDER SECTION 217(2B)**

The Government of India holds all the shares in the Company and the Company has not resorted to any buy back of its shares during the year under review. As such, there is nothing to report under section 217(2B) of the Companies Act, 1956.

**17. RIGHT TO INFORMATION ACT, 2005**

The Right to Information Act, 2005 seeks to provide for setting out the practical regime of Right to Information for citizens to secure access to information under the control of public authorities in order to promote transparency and accountability in the working of every public authority.

The Company in the capacity as Government Company and difference to the spirit behind the law appointed Public Information Officers to take care of the compliance of Right to Information Act, 2005.

## 18 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, 2012, and the same are replied/dealt with as under:-

Observations of Statutory Auditors on 2011-12 Accounts	Management Replies
<p>Sundry Debtors, Loans and Advances and Current Liabilities include ₹ 11008 lakhs receivable from ministry of Railway and ₹ 6341 lakhs payable to ministry of Railway respectively on various accounts/works. In some of the accounts there are no movements for a long time. In absence of balance confirmation/reconciliation reliability/adjustability of the same cannot be commented upon.</p>	<p>The Company is regularly writing to Zonal Railways and Ministry of Railways with details for payment of outstanding showing under Sundry Debtors, Loans and Advances and Current Liabilities. It is brought out that in FY 2010-11, this receivable was ₹ 11790 lakhs and in the current year company has raised bills of ₹ 7152 lakhs to Railway and net outstanding is only ₹ 11008 after clearance of ₹ 7934 lakhs. The same is being pursued with Railways at all levels.</p>
<p>In addition to the facts stated above balance appearing under the head Sundry Debtors. Loan and Advance and Current Liabilities are subject to confirmation, reconciliation and their consequential financial impacts on the accounts if any are not readily ascertainable.</p>	<p>Letters for balance confirmation have been sent to all Sundry debtors in the current financial year 2011-12. Efforts for reconciliation of current liabilities of all major parties will be pursued for completion within the current financial year.</p>
<p>No Value Added Tax (Sales Tax) is levied on Railway Deposit Works and Assets transferred to Railways. The liability arising on this since inception has not been quantified and its consequential impact on the financial statement is unascertainable. Further VAT liability of ₹ 400 lakhs provided during the previous year (2009-10) on estimated basis is yet to be paid.</p>	<p>Action on qualification of impact of VAT has been initiated through circular to Regions. This is being initiated so that liability on this account is accounted within the current financial year.</p>

<p>Non transfer of Short Haul STM-1 and primary multiplexing equipment's, to the Railway costing ₹ 227 lakhs as required under clause 3.1.4. of the agreement with ministry of Railway dated 21.09.2006 (herein after referred to as the "agreement" and being used by the Railways. The effect for the same has not been given in the financial books.</p>	<p>The balance transfer of ₹ 227 lakhs is being persued with the Railways.</p>
<p>Company has not taken insurance cover for the Assets of the Railtel due to which assets are exposed to risk which may apprehend losses to the company. However, company has organized a committee to assess/opinion on the insurance value of the assets of the company. The report of the committee still not submitted.</p>	<p>The Company is in the process of taking policy decision on insurance to cover all of its assets. Action on this will be completed by 31st Dec-12.</p>
<p>The company has reassessed the useful life of various fixed assets items, vide Technical Committee' recommendation in File No. RCIL/12-13/Project/Codal Life of Assets (New)/1 and duly approved by Managing Director on 21/06/12 (refer notes to account no 4 of Significant Accounting Policies). The effect of additional depreciation on account of revision in useful life of assets ,amounting to ₹ 52.74 Cr. has been charged to P&amp;L account under the head "Depreciation &amp; Amortization."</p>	<p>The useful life of all the assets has been reassessed due to change in technologies by the technical committee constituted for this purpose and additional depreciation of ₹ 5274 Lakhs has been charged to P&amp;L account in the current year.</p>
<p>Depreciation on fixed assets transferred from Railways has been charged without reassessing the remaining useful life of the asset; the impact on such transaction is not ascertained. (Note No. 1)</p>	<p>Life of all the assets of the Company has been examined and finalized by the Technical Committee of the Company. Depreciation has been charged accordingly on average life basis.</p>
<p>Liability on account of gratuity and leave encashment have been provided on adhoc basis amounting to ₹ 44 lakhs (previous year 44 lakhs).</p>	<p>This provision for an advance amount to be paid to LIC for F.Y. 2012-13. Since the relevant details for projecting payment for the coming year to be collected, a provision is made based on last year payment.</p>
<p>Liability on account of leave travel concession (LTC) has not been ascertained/provided as per actuarial valuation and as such AS-15 has not been complied with.</p>	<p>The same was not provided due to uncertainty in the amount claimed by the employees. However for F.Y. 12-13 the company will evolve a policy based on which expenditure towards this will be projected and provision made.</p>

In previous years, Company made a provision of ₹ 2670 Lacs for losses arising out of impairment of Assets on an adhoc basis. In current year, impairment loss has been assessed to ₹ 3071 lakhs and balance impairment loss of ₹ 401 lakh has been recognized in the current year and effect has been taken on Fixed Assets.

Factually correct

## 19. DIRECTORS' RESPONSIBILITY STATEMENT

- 19.1 In terms of the provisions of section 217(2AA) of the Companies Act, 1956, as amended, your Directors confirm as under:
- that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
  - 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;
  - 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
  - that the Directors have prepared the annual accounts on a going concern basis.

## 20. CORPORATE GOVERNANCE

- 20.1 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. A report on the corporate governance is annexed to this Report.

## 21. MoU SIGNING

- 21.1 RailTel is also signing an MoU with the Government of India, Ministry of Railways thereby laying inter alia the physical and financial targets. RailTel has already been awarded prestigious MoU excellence award in the field of "Electronics & Communication" for the year 2008-09 from the Hon'ble Prime Minister of India. During the year 2010-11, RailTel has got "Good" rating from DPE.
- 21.2 The company hopes to get "Good" rating during the year under review i.e. 2011-12.

## 22. PUBLIC SECTOR DAY

India Corporate Week during December, 2011 was observed by Ministry of Corporate Affairs. RailTel being a CPSE also participated in such events.

## 23. AUDITORS

- 23.1 The Comptroller and Auditor General of India (CAG) have appointed M/s V.K. Verma & Co., Chartered Accountants of New Delhi as Statutory Auditors of the Company to audit the annual accounts for the year ended 31st March, 2012. Besides, the CAG has also appointed the following named firms of Chartered Accountants as Branch Auditors for audit of four regional offices of the Company:

1.	M K P S & Associates	Western Region
2.	Guha & Matilal	Eastern Region
3.	T Koteswara Rao & Co	Southern Region
4.	V.K. Verma & Co.	Northern Region

- 23.2 In terms of the authorization given by the members in their last annual general meeting, the Board on the recommendations of Audit Committee has already considered and approved payment of fee for all the above Auditors to the aggregate extent of ₹ 9.00 lakhs excluding service tax.
- 23.3 Similarly, the approval of the shareholders is solicited for authorizing the Board for fixation of remuneration payable to the statutory auditors for the year 2012-13 as and when appointed.

### COST AUDITORS

- 23.4 The Company has appointed M/s Sanjay Gupta & Associates, Cost Accountants as Cost Auditors to audit the cost record maintained by the Company for the financial year 2011-12. The Company filed Form 23C with the Ministry of Corporate Affairs and the same has been approved in respect of such appointment.

## 24. COMMENTS OF CAG

- 24.1 The comments of the CAG on the accounts of the Company for the year ended 31st March, 2012 shall also form part of this report.

## 25. BOARD OF DIRECTORS

- 25.1 At present, the Board of RailTel consists of one Managing Director, three functional Directors (out of which one post is being filled in), two Govt. Nominees and four time non official Directors.
- 25.2 The Board met five times for transacting business during the year 2011-12.

Shri Kul Bhusan, Member Electrical, Railway Board was appointed as ex officio part time Chairman of the Board of Directors of RailTel w.e.f. 2nd September, 2011.

MD Mr. S.K. Vasishta superannuated from service on 30th September, 2011.

Shri Rajiv Sinha, D/POM took over the additional responsibilities of MD w.e.f. 3rd August, 2011 (afternoon). He ceased to hold office on 30th September, 2011.

The appointment of Mr. Rajiv Sinha as D/POM has been extended by the Govt. of India from 28.10.2011 till superannuation.

Shri RK Bahuguna has been appointed as the Managing Director of the Company w.e.f. 1st October, 2011.

Shri Sudesh Kumar superannuated from services on 30th June, 2011. The Board placed on record its appreciation of the services rendered by him during his tenure with the Company in the capacity of part time Chairman /Nominee Director from the Ministry.

## 26. **AUDIT COMMITTEE**

An Audit Committee of the Board of Directors was re-constituted by the Board and at present, such Committee consisted of the following Directors:

1. Shri A.K. Bandyopadhyay, part time non official Director
2. Shri A.K. Sinha, part time non official Director
3. Shri R.K. Goyal, part time non official Director
4. Shri Bhaskar Gupta, part time non official Director
5. Shri Naresh Salecha, part time official Director

## 27. **ACKNOWLEDGMENTS**

- 27.1 The Board expresses its gratitude towards Indian Railways and other Departments for their cooperation and continued assistance.
- 27.2 The Board also expresses its gratitude to CAG and the statutory and also the branch auditors for their valued contribution.
- 27.3 The Company is also thankful to the IRFC in extending cooperation and timely financial support to the Company. The Board also expresses its gratitude to DoT for considering RailTel for providing services under USOF in NE region and NOFN. The Board is also thankful to NIC for considering RailTel as the lead creator of NKN.
- 27.4 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: 29.06.2012

Place: New Delhi

## *Annexure to the Directors' Report*

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

#### **Economy Overview**

Economic Survey 2010-11 had anticipated that the Indian economy would register a growth of around 9% in 2011-12, almost reverting the growth levels to the pre-crisis levels. However, during the course of the year it became increasingly clear that economy would fall short of that growth rate by a significant margin due to various international and national macroeconomic factors. This was indeed pointed out during the Mid-Year Analysis for the year 2011-12 which stated that the Indian economy was expected to register a growth rate of 7.5% during the year. However as per the Economic Survey 2011-12 and the advance estimate brought out by the CSO (Central Statistics Office) the growth rate of the Indian Economy had been 6.9% only during 2011-12. Also as per the latest survey, Telecom & IT services contributed approx. 3% to the country's GDP during the year.

#### **Industry Structure and Development**

The Indian telecommunication industry is one of the fastest growing in the world. As per TRAI report, the number of telephone subscribers (fixed and mobile) in the country reached 951.34 million in March 2012 implying a teledensity of 78.66% registering a growth of 12.5% over the last year. Wireless subscribers have increased to 919.17 million by the end of March 2012, registering a growth of 13.25% over the same quarter of last year. Wireless teledensity stood at 76% with only 38% tele-density in rural area. The growth of broadband subscriber base in India has hitherto been below expectations. The broadband subscribers have grown from a meager 11.89 million as on March 2011 to about 13.79 million as on March 2012. The internet usage in India is also low by world standards. In 2012, the estimated number of internet subscribers is about 22.39 million apart from 431.37 million wireless subscribers who have subscribed to Data services. The dominant access technology is DSL accounting for 85.12% market share followed by Cable Modem at 5.75%. Fibre access share is still less being 0.23%.

During 2011, Department of Telecommunication also initiated the process of public consultation on draft telecom policy (NTP 2012). RailTel actively participated in the process and submitted its views and recommendations to DoT on various aspects of the policy. The objective of the proposed NTP 2012 is to ensure that India plays the leadership role in the field of telecommunication and transforms the socio-economic scenario through accelerated equitable and inclusive economic growth by providing affordable and quality telecommunication services in rural and remote areas. One of the key recommendation of draft NTP is to provide affordable and reliable broadband-on-demand services by the year 2015 and to achieve 175 million broadband connections by the year 2017 and 600 million by the year 2020 at minimum 2 Mbps download speed and making available higher speeds of at least 100 Mbps on demand.

The policy also recommends promoting indigenous R&D, IPR creation, & manufacturing of state-of-the-art telecom products and services to meet the Indian telecom sector demand to the extent of 60% and 80% with a minimum value addition of 45% and 65% by the year 2017 and 2020 respectively. In a major shift from the present licensing regime, the policy recommends to strive to create One Nation - One License across various services and service areas. In addition, NTP strives to achieve for One Nation - Full Mobile Number Portability and work towards One Nation - Free Roaming.

### **RaiTel - An Overview**

RaiTel Corporation is one of the largest neutral telecom infrastructure providers in the country owning a Pan-India optic fiber network on exclusive Right of Way (ROW) along Railway track. The OFC network presently reaches to over 4000 towns & cities of the country including several rural areas. RaiTel with strong nationwide presence is committed to bring cutting edge technology and offer innovative services to the Indian Telecom market. With its Pan India high capacity network, RaiTel is working towards creating a knowledge society at various fronts.

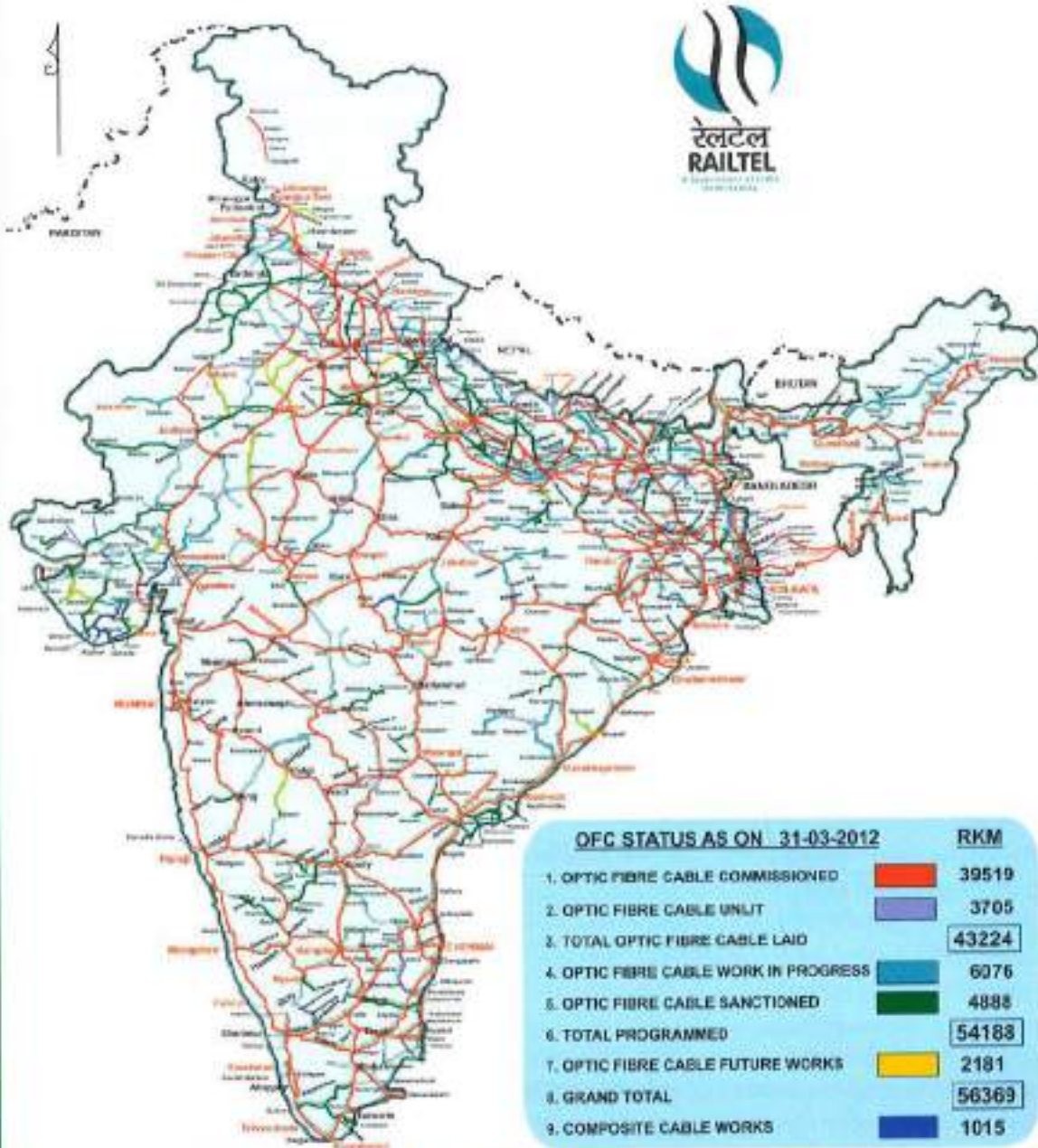
Equipped with an ISO 9001:2010 certification, RaiTel offers a wide gamut of managed telecom services to Indian Telecom market. The service includes Managed lease lines, Tower colocation, MPLS based IP-VPN, Internet and NGN based voice carriage services to Telecom Operators, Internet Service Providers, MSOs, Enterprises, Banks, Govt. Institutions/dept., Educational Institutions/Universities, etc.

Over a decade ago, RaiTel embarked on a challenging journey to create nationwide telecom infrastructure in the country by harnessing the exclusive Right of Way along the Railway track. Today the dedication shown by all present & past individuals associated with the organisation have been recognized with conferring of the "Mini Ratna (Category-I)" status from the Ministry.

### **Network Strength**

RaiTel has exclusive seamless Right of Way (ROW) along 63,000 KM of Railway Track passing through 7000 stations across the country. Using this ROW, RaiTel has commissioned over 41022 KM of OFC thus connecting 4107 stations till March'12. Works on another about 9700 KMs are in various stage of completion. The network diagram shows the reach of OFC across the country along with details of OFC laid, under progress and future works.

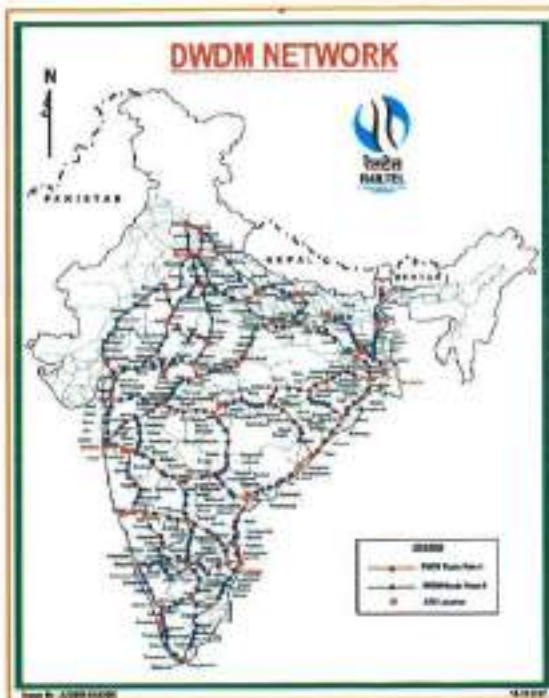
# OPTIC FIBRE CABLE NETWORK



## SERVICES OFFERED BY RAILTEL

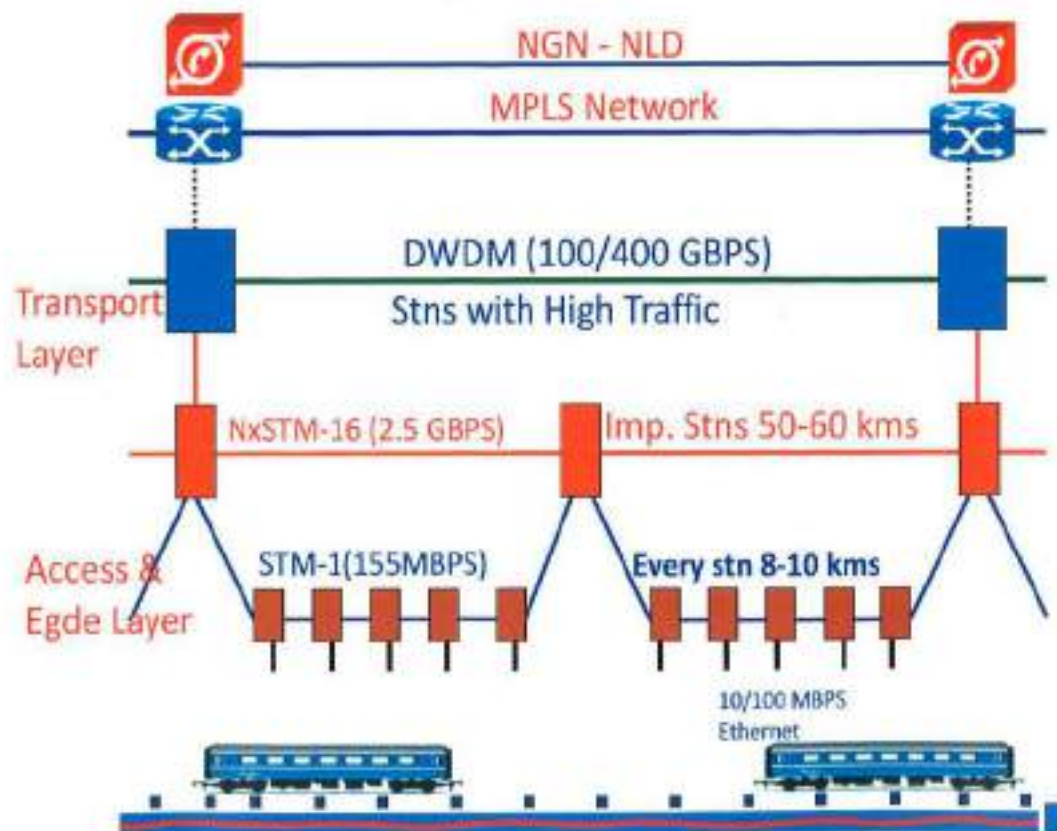
- Bandwidth
- Tower Space for Antennae (1000 towers available nationwide)
- Internet Service Provider

- Co-location Facilities
- Virtual Private Network
- National Long Distance



RailTel's transparent, robust, reliable, high speed OFC Backbone Network shall ultimately cover entire railway route across the country. In high bandwidth backbone segment, RailTel occupies a pride place with its unparalleled network. Its network has the ability to provide the mission critical customized connectivity platform for enhanced corporate efficiency and growth. RailTel is creating PoPs at every Railway station enroute which are spaced at 8-10 Kms. At all the stations enroute, access layer of STM-1 is deployed. The edge layer network of STM-16/4 spaced at 40-60 KMs is deployed in order to aggregate traffic from access layer and connect important towns/cities of the country. Further, RailTel has also augmented its Core network on DWDM at over 10000 RKM to provide Giga capacities which can be further augmented in future. The DWDM network will eventually cover whole of India by 2013.

## OFC System Architecture

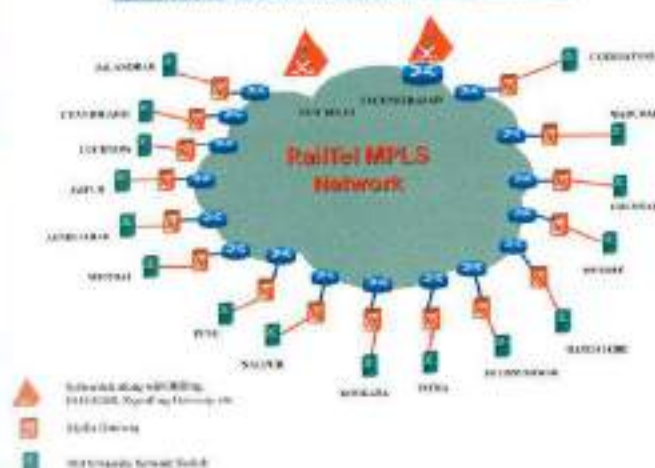


## MPLS-IP & NGN network

One of the objectives of formation of RailTel was to spread telecom access in the remote and backward areas of the country by building state of the art multimedia network. RailTel has also implemented country wide MPLS-IP backbone network to provide whole range of VPN & Internet services. The network has been built using high end routers of Juniper network. The network supports services like Layer 3 and Layer 2 VPN services, broadband internet access, multicast services etc.



NETWORK TOPOLOGY OF RAILTEL'S NLD NETWORK



Further, RailTel has also rolled out NLD (National Long Distance) Services for carriage of Inter-Circle voice traffic based on the state of the art NGN (Next Generation Network) platform. NLD backbone of RailTel has currently been rolled out in 56 cities having POIs (Point of Interconnection) with all Operators. NGN is termed to be a future proof technology enabling RailTel to launch various Value Added Services(VAS) as and when market demands. Presently, this will enable various telecom operators to offer cheaper STD (National Long Distance) services to subscribers using RailTel's NLD Network.

## Sales & Marketing

Keeping up with the objectives, your company have made greater strides in ensuring its growth across various business segments during the last year. RailTel is now a leading partner in creating the "National Optic Fiber Network" project for providing fiber based broadband connectivity to over 2.5 Lac panchayats in the country in partnership with other Telco CPSUs. Digital Communication is now deemed to be an important tool which can bridge the digital divide between Rural and Urban India and can bring "Digital Opportunities" to the rural population. Your company with this objective has shown tremendous growth potential in various services that it offers.

## Bandwidth Leasing

During the year, RailTel has been able to consolidate the bandwidth leasing segment due to the rationalizing of tariff policy and introducing innovative pricing mechanism in earlier year. This has ensured preventing any large scale surrenders of the service specially by the Telcos during the year. In addition,

RailTel has been able to extend its running contracts with various enterprise and banking customers thereby maintaining a dedicated customer base. The aggregated network capacity leased to various telecom & enterprise customers has grown to over 115 Gbps a growth of over 90% over last year.

Further, significant resources were assigned to plan the network atleast for next 5 years requirement. In this initiative, sustainable network design plan based on the latest DWDM, PTN, DXC based technology for each of the regions of RailTel have been prepared for which phase wise procurement is in process. The implementation of these networks is targeted to be completed within a year.

### **IP-VPN & IBW**

Your company made well planned and timely investments in MPLS network to fulfill the anticipated demand of IP network over the years. On the strength of this MPLS network RailTel is providing its Layer-3 and Layer-2 MPLS VPN with fully managed service and defined SLA parameters. During the year, RailTel has leased over 3.2 Gbps of IP-VPN bandwidth to various customers incl. Railways registering a growth of over 40%. However, the growth in revenue could not be matched with volume growth due to the intense competition and non-availability of VAS services with RailTel. This has necessitated to plan VAS services in order to extract more revenue per customer as well as improve bandwidth utilization of the network.

RailTel is also providing nationwide Internet services to all major customer segments like ISPs, Educational Institutions and various Government departments. During the year RailTel has leased over 3 Gbps of IBW to various customers registering a growth of over 70% during the same period last year.

### **MSOs/CATV**

During the year, Govt. of India issued regulation for digitization of all cable TV networks by 2014 with complete digitalization of urban areas by Sep'14 and all India by Dec'14. This has opened up a new opportunity for Telecom infrastructure companies specially for a neutral player like RailTel to offer bandwidth services to MSO/CATV segment. For the purpose of digitalization MSOs require high capacity pipes in multicast mode with signal add-drop functionalities. The migration shall be largely to address the problems of capacity constraints and improved customer satisfaction against the DTH operators.

Fully understanding their needs and requirement of MSOs, RailTel during the year made a separate strategy to address this huge market and accordingly built a specialized service structure with specific tariff charges on per port basis of Lease Line services for MSOs which was non-existent in the industry earlier thus making digital broadcasting affordable with quality and reliability on this OFC network. Understanding the complexities of MSO's business model, RailTel provided them with the option of long term and short term leasing of services thereby not only ensuring MSOs to sustain their businesses but also ensuring committed revenue to RailTel. The ensuing year shall be important for RailTel to target and attract more of the MSO players on to its network.

### **Colocation Services**

The Indian Mobile Revolution has led to the introduction of various services; one of them being "Infrastructure Sharing". RailTel with IP-1 license and an asset of over 1000+ towers across India have gradually built expertise in this business.

During the year, RailTel has strengthened its existing arrangements with all mobile operators across India to lease these tower sites for collocation purposes. Understanding the market requirement, RailTel during the year has standardised its agreement for the collocation services and revised the tariff charges to ensure competitiveness in the segment. It is expected that the requirement shall further firm up with roll out of 3G/4G service. RailTel's location also gives inherent advantage to customers in accessing fiber based backhaul services thereby saving spectrum usage by the Telcos which has become more expensive to sustain. Till March'12, RailTel has provided 788 colocations to various Telcos across the country.

### **NLD Voice Services**

RailTel has been able to continue efficient utilization of its NGN network by offering NLD (National Long Distance) Services for carriage of Inter-Circle voice traffic. NLD backbone of RailTel has been rolled out in 54 locations covering all major circles of India. RailTel has also in place the Interconnection agreement with all operators using which RailTel is able to carry calls to even to the remote and rural parts of the country. During the year, RailTel carried total of 254.5 million minutes of NLD traffic over its network.

NGN is termed to be a future proof technology enabling RailTel to launch various Value Added Services(VAS) as and when market demands. The network is being used by some prominent Telcos for carriage of NLD calls across the country. In addition, new operators have also shown interest in RailTel's services and are under discussion to utilize the infrastructure for their requirement.

### **RailTel Network for Railways Operational Excellence and Passenger Delight**

One of the objectives for creation of RailTel was to modernize Railways' telecommunication Network for safer and efficient train operations. In this endeavor every station has been provided with STM-1 links. This supports various data connectivity needs of Railways like PRS, UTS etc.

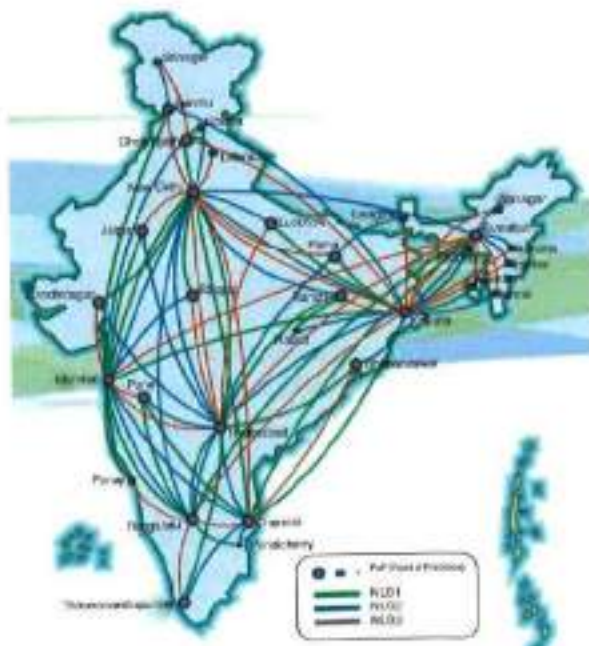
RailTel also provides MPLS based Wide Area Network - Railnet to support administrative data communication needs of various field organizations of Indian Railways. The network interconnects Ministry of Railways with 16 Zonal HQs, 66 Divisions offices, Production units, Training Institutions for sharing of information from all depts. The network reach is also being extended to operational areas like major yards, workshops & other far units. Internet access is also extended to all Railway offices on RailNet, as required. RailTel has also undertaken the task of creating secured L3 MPLS VPN network for Vigilance directorate connecting over 39 locations across all Zonal Railways and Railway units.

Further, RailTel has also facilitated for Mobile CUG connections for 175,000 officers of Indian Railways which is arguably the largest CUG plan within India as well as worldwide. It has greatly facilitated in seamless communication among the officials for improved train operations. During the year, the revised agreement for offering CUG services was signed with the service provider based on the open tender procedure.

Further, all major telephone exchanges of Indian Railways were also migrated to future proof NGN technology. This infrastructure is very critical for day to day administrative functioning of Railways. RailTel with its intelligent NGN switch has migrated this whole network on its NGN based IP infrastructure thereby improving efficiency and lowering the operational cost of Railways significantly. RailTel has carried over 34.4 million minutes of voice traffic of Indian Railways during the year.

In addition, RailTel is also deploying DSLAM's on existing Railway exchanges to provide Broadband services to several thousand homes and offices of Indian Railways in both urban and rural areas using the existing Copper wire last mile of Railways. This shall not only help Railway employees but shall also help in increasing Broadband penetration in the country in line with the National Telecom Policy.

In addition, RailTel also participated extensively with various committees formed for modernization of Indian Railways as well as for provisioning of modern communication based safety systems on IR. Based on the same, RailTel is pursuing opportunities to create network for implementation of modern signaling and safety systems in Indian Railways.



Multiple 2x/10 G Connecting all the State Capitals & District Connectivity to all the Districts

### Creating Knowledge Society

The work of provisioning National Knowledge Network is also progressing as per the target timelines assigned to RailTel. As per the network plan NKN shall have 84 Core links of 10 Gbps across 33 locations (state capitals & important cities), 600 Distribution links of 2.5 Gbps at District level and access links of 1G/100 Mbps capacity at 1500 locations (important institutions, universities).

During the year, RailTel has provided 26 Core links and 208 Access links to operationalize the network. Under the project, RailTel is slated to execute links worth ₹ 1400 Cr. approx. by next year. Total capacity of over 145 Gbps have been commissioned for NKN project till Mar'12 for connecting Core & access locations to the NKN network.

### Democratizing Information through Broadband to Panchayats

With an aim to democratize information to improve governance and service delivery at the Panchayats through increased efficiency, accountability, transparency & collaboration and greater decentralized decision-making, Government of India has agreed to create OFC based Broadband infrastructure till all the Panchayats.

For this purpose, Government of India through DoT had created a High Level Committee (HLC) under the co-chairmanship of Sh. Sam Pitroda, Advisor to Prime Minister for (P3i) & Sh. Nandan Nilekani, Chairman/UIDAI to study and create a strategy plan for providing broadband connectivity to all 2.5 Lac panchayats of the country on fiber optic cable with minimum 100 Mbps speed. Based on the recommendation of the HLC, Cabinet Committee on Infrastructure in Oct'11 approved the project at a total cost of ₹ 20,000 Cr. to be implemented within 2 years.

As per cabinet decision, the Execution shall be done by a separate entity comprising of 3 Telecom CPSUs (BSNL, RailTel & PGCIL), which shall create and operate the NOFN network. The new entity shall be a ₹ 1000 Crs Schedule "A" PSU having initial paid up equity of ₹ 100 crs. To start with each of the 3 CPSUs shall contribute equity of ₹ 10 Cr. each in the new entity while the majority stake of 51% shall be with DoT. The new entity has been registered in the name of "Bharat Broadband Network Ltd." (BBNL).

The network shall be created by using existing fiber of the three CPSUs and laying only incremental fiber to reach upto panchayats. HLC has also decided to allot 250000 panchayats amongst BSNL, RailTel and PGCIL in the ration of 3:1:1 for implementation. RailTel shall be an active member of the project and is likely to get 20-25% share (Rs. 4000-5000 Cr.) of the work in addition to revenue by leasing its Dark Fiber/Bandwidth to the new entity.

### Creation of Intra/Inter District OFC network in North-East



RailTel has been awarded the work of creating fiber network in the six states of North East (Mizoram, Tripura, Meghalaya under NE-I & Arunachal Pradesh, Manipur & Nagaland under NE-II) connecting each of the District HQ to their respective SDHQs (Block/Tehsil). The program envisages to lay OFC cable (at least 24F underground) and provide minimum 2.5 Gbps bandwidth capacity upgradable upto 10 Gbps. USOF envisages to use Existing fiber and collocation facility for creation of this network to reduce CAPEX requirement. Cable laying is encouraged at those sections/areas which is not covered by other operators for effective utilization of national resources. The agreement between USOF & RailTel shall be for a period of 8 years. The whole project has to be completed within 24 months timeline from the date of signing of agreement which was signed between USOF & RailTel in Jan'2012.

RailTel has already completed the work of survey for laying of OFC in all six states under the project. The implementation is expected to be completed within the targeted timelines. In this regard, RailTel is working closely with the local administration in all States and has already met with Chief Ministers, State IT Secretaries, NE Council to ensure that necessary clearances are given to RailTel for creating this network.

### **New Frontiers: The Way Ahead**

During the year, RailTel has revised its business plan for next five years i.e. from FY 2011-12 to FY 2015-16. Apart from identifying opportunities in the existing business segment, your company has also decided to enter into new business area segments on the strength of expertise developed within RailTel. These include consultancy services, Railway signaling projects, broadband services under PPP mode, etc.

As per the business plan, RailTel has the potential to grow to ₹ 687 Cr. by FY14 and ₹ 1180 Cr. by FY16. RailTel needs to invest cumulative capex of ₹ 852 Cr. by FY16, 30% of which needs to be invested in FY13 for network augmentation/creation.

RailTel with its vast expertise in ICT domain & network creation is planning to start providing consulting services to various Govt. dept./PSUs & International Railways which shall aid to grow the bottom-line more stronger. RailTel should aggressively pursue the PPP Broadband project for approval from the Govt. of India as this shall not only provide a long term revenue inflow but shall also help in getting a sizeable retail segment share directly in partnership with PP partner. RailTel is also envisaging taking up Railway project works in the new domain of modern ICT based Signaling, etc. which can help in developing a long term captive business segment. RailTel with its vast pool of S&T engineers can provide services to Indian Railways effectively.

Business plan also recommends for RailTel to reorient from current 'Project & Operations centric organization' to 'Sales & Customer Service focused organization'. For this, it is recommended that sales & marketing functions needs to be separated from territory managers and dedicated team needs to be in the regions under direct control of CO which shall supervise the entire sales & marketing cycle. RailTel should establish National NOC for Lease line services and centralize provisioning of customer network powered by OSS/BSS solutions. This will enable central view of entire network and facilitate comprehensive network planning and optimization.

### **New Business**

Current issue facing the organization is not only to sustain present bandwidth business but to increase volumes in this period of heavily falling Bandwidth prices. Similarly maintaining high margins/bottomline is another area of concern which requires a very in depth market research and analysis and developing new business portfolio to include value added services with BW leasing.

RailTel has started rationalizing its tariff policy not only to retain present business but also to increase volumes through innovative pricing for customers. A marginal cost based tariff is being implemented for various customer categories. Similarly investment is also being made to develop high bandwidth capacity pipes so as to achieve economy of scales to lower per unit bandwidth cost and also focusing on bulk BW

leasing. This shall enable RailTel to sell higher bandwidth capacities at cheaper price in line with industry expectation as well as bringing higher revenue through volume sales.

RailTel has also devised strategy to enter new business areas of providing complete network solutions to various Government projects, consultancy services, managed ITC service in enterprise segment etc. which are generally high volume projects thus enhancing Revenue streams.

### **Financial Performance**

During the financial year 2011-12, total revenue earned by RailTel is ₹ 404 Crs. The operating profit earned during 2011-12 has been ₹ 221 Crs. while net profit earned has been ₹ 86 Crs. RailTel has also paid an Interim dividend of ₹ 5 Crs to Ministry of Railways.

From NLD (Bandwidth) services, RailTel earned ₹ 199 Cr. during the year which is 14% higher than last year. While earning from IP-1 services has been ₹ 70 Cr. reflecting a growth of 25% over last year. Total earning from IP-VPN and IBW services has been ₹ 33 Cr. registering a growth of 18% over last year.

The services offered by RailTel includes National Long Distance Bandwidth leasing (2 Mbps to 155 Mbps & above), Internet Services, Tower Space for Antennae (1000+ towers nationwide), Co-location services, Dark Fibre leasing and VPN services.

Under the new revised business plan, the target for the year 2012-13 is to achieve a total OFC network of 46000 RKM and increasing PoPs to 4500. During the year 2012-13, RailTel shall also commission DWDM network in the remaining part of the country on important routes with initial capacity of 100G.

### **Awards**

During the year, RailTel bagged the National Telecom Award 2012 organised by CMAI for category of "Excellence in Innovation with Rural Telecom Focus". The award was received by Sh. Rajiv Sinha, Director/POM in an award ceremony held on 8th May 2012 held at Siri Fort Auditorium. The award received in total 541 nominations over several categories and witnessed participation from the leaders of Global Telecom industry, Senior Government officials and Heads of Indian Telecom Industry.

### **Outlook**

Despite experiencing several hitches in the industry, the outlook seems to be positive in the light of robust customer growth in retail as well as enterprise segment as well as introduction of new NTP-12. In addition, Govt. spending in creation of various telecom based ICT projects incl. NOFN, USOF, CCTNS, GSTN, NFS etc will also add to the optimism in the industry.

RailTel will greatly benefit specially in the various areas of Govt. projects. In addition, opportunities are also being explored in the creation of network for implementation of modern signaling technology in Indian Railways. Further introduction of new services in the areas of consultancy, data center, TP, CDN shall also open new opportunities for revenue earning.

### Human Resources

Your company had evolved unique practices in human resources over the last few years. During the year special attention was given towards rationalizing and preparing various HR policies related to employee welfare incl. promotion & seniority, training policy, conduct discipline & appeal rules, perks and allowances, etc. for uniformity across the RailTel. Further to meet new demand and projected growth of the company employment of direct recruits have also been taken up in the area of marketing, technical & HR. For better financial management in the Organisation special recruitment was done for recruitment of finance professionals/CAs to take up the work of auditing, taxation, costing & accounting system.

RailTel have involved a team based project/service handling system which is based on similar strategies adopted by major corporates. These teams are independently made responsible to bring business, create or Roll out Network/Services as per customer requirements/expectations and develop new processes to know customer requirement as per various adjustment due to market dynamics. Because of this, there has been an appreciable growth in productivity per employee.

RailTel has also evolved and evolving new processes to further improve employee satisfaction/organizational climate/engagement and competition. A view of the improved steps taken during the year is:

- a. Empowering staff at each level with lot of functional flexibility.
- b. Key Result Areas have been identified with each of the official thereby bringing a sense of team working.
- c. Regularly social interaction of employees at various levels.
- d. New System of identifying talent for giving higher position was introduced through limited departmental competitive examinations which has motivated people do better.
- e. Training and skill up gradation for employees through regular onsite and offsite trainings.

Regular interaction is done with each of the employee in a team which has increased the performances against the benchmark and weightage given. The periodic evaluation and monitoring of results are done clearly bringing out corrective action taken, development of team working and motivating the person to do better.

### Corporate Social Responsibility

In the past your company has taken CSR initiatives in areas of providing artificial limbs, calipers & hand paddled tricycles for disabled persons, financial assistance to girls affected by violence for their education and skill development.

During the year, RailTel shall be providing IT-Kiosk in schools /health centre with broadband access at 21 rural panchayats in the State of Tripura, West Bengal, Haryana, Rajasthan, Maharashtra and Tamilnadu of the country. This shall not only enable internet access to the students but shall also help in providing various value added services like, e-education, telemedicine, E-gov services in the panchayats which shall be an advantage for the local community.

## Corporate Governance

Corporate Governance is based on following institutional mechanism:

- a. Constitution of a Board of Directors of appropriate composition, size, varied expert and commitment to discharge its responsibilities and duties.
- b. Constitution of an Audit Committee to scrutinize financial matters.
- c. Ensuring timely flow of information to the board and its Committees to enable them discharge their functions effectively.
- d. Independent verification and safeguarding integrity of the Company's financial reporting at 3 level of auditing -Internal Auditing, External Auditing, Statutory Auditing.
- e. A sound system of risk management and internal control.
- f. Timely and balanced disclosure of all material information concerning the company to all stakeholders including Ministry of Railways.
- g. Transparency and accountability management through implementation of RTI Act.
- h. Compliance with all the applicable rules and regulations as per CVC guidelines, CAG report & guidelines as per Company Act and Clauses of various licenses/registration.
- i. Fair and equitable treatment of all its stakeholders including employees, customers, shareholders and investors.

## Vigilance Matters

This year our emphasis has been on preventive vigilance and system improvement rather than punitive vigilance. Accordingly, various inspections were conducted in different spheres of company working. 15 inspections were carried out at different Regions & territories. Apart from this 27 complaints were investigated which resulted in number of system improvement. The major achievement for Vigilance was recovery of amount worth ₹ 1.4 Cr. from vendors in Western Region of RailTel under an enquiry conducted by Vigilance.

CVC's instructions on leveraging of technology were closely monitored by CVO and it was ensured that E-procurement and E-filing system gets implemented on Vigilance behest. In addition "on line bill payment status" system was also implemented on the Web site of RailTel. Regular meetings between MD, CVO, Directors and other senior executives has also been established for better coordination and overall improvement in function of vigilance. Similarly, for implementation of integrity pact action has been initiated. On the advise of vigilance department, the following system improvements were identified and implemented in the organisation:

- Revised finance code and action plan to implement it.
- Implementation of ERP to stream line working of various departments
- Introducing e-filing system and E-procurement system

- Whistle blower policy approved by Board of directors and implemented.
- Standard policy of inspection of materials at firm's premises has been firmed up.
- Revenue due to RailTel is billed timely & efforts made to realize it within due period.
- Rotational transfer of the persons working at sensitive posts

Vigilance Awareness Week was celebrated in corporate office as well as in the Regional offices and Territorial offices of RailTel from period 31st Oct to 8th Nov 2011. Eight fresh bilingual educational/inspirational posters and one banner on vigilance issues were displayed at prominent locations. MD/RailTel administered the pledge to all the RailTel officials in the corporate office. Seminar on role of Vigilance was conducted in Corporate office which was well attended by the officials of RailTel. A quiz and poster competition was also held on the occasion of vigilance awareness week. The competition was well attended by the employees. Prizes were distributed among the winners.

## *Report on Corporate Governance*

### **1. Company's Philosophy on Corporate Governance & Key Values**

RailTel's code of Corporate Governance is to enhance ethical and transparent process in managing the affairs of the Company.

The Key Values of The Company formally adopted by the Board of Directors are:

- Zeal to excel and zest for change
- Integrity and fairness in all matters
- Respect for dignity and potential of individuals
- Strict adherence to commitments
- Ensure speed of response
- Foster learning, creativity and team work
- Loyalty and pride in the Company.

### **2. Board of Directors**

#### **2.1 Composition of Board of Directors**

Present strength of the Board of Directors is nine comprising of four whole-time directors (Managing Director and Director/POM, Director/NPM and Director/Finance), one government nominated part-time (official) director and four part time non official Directors.

Normal strength of the Board of directors of the company as on 31st March, 2012, is nine: consisting of three whole-time directors including Managing Director (with a tenure of 5 years or till superannuation, whichever is earlier), two part-time (official) directors including Chairman of the Company from Administrative Ministry and four independent directors (part time non official Directors). One post of Director/NPM is lying vacant since 1.10.2011.

#### **2.2 Strength of Independent Directors**

There are independent directors, and the tenure of appointment is 3 years from the date of appointment. Four part time non official Directors are in position at present.

In addition, two part time official Directors (Nominees from the Ministry) including the part time Chairman are on the Board of the Company are also in position.

#### **2.3 Change in Whole-time Directors**

There were no changes in the whole time / functional Directors during the year. MD Shri S.K. Vasishta superannuated from service on 30.09.2011.

Shri Rajiv Sinha, D/POM looked after additional responsibilities of Managing Director w.e.f. 3rd August, 2011 till 30.09.2011. Thereafter, Shri R.K. Bahuguna, who was earlier holding the post of Director /NPM was appointed as Managing Director of the Company w.e.f. 1st October, 2011. As a result, at present, the post of Director/NPM has been lying vacant. PESB has already taken interviews for filling up of the said post.

## 2.4 Changes in Part-time (Official) Directors

The services of Mr. Sudesh Kumar, Member Electrical and ex-officio Chairman, RailTel had superannuated on 30th June, 2011.

Mr. Kul Bhushan, Member Electrical and ex-officio Chairman, RailTel joined on 2nd September, 2011.

The other nominee Mr. Naresh Salecha, ED/FC from the Ministry of Railways remained on the Board during the year under report.

## 2.5 Change in part time non official Directors

During the year under report, two independent Directors Mr. Anup Kumar Bandyopadhyay and Mr. Anil Kumar Sinha were appointed on the Board of the Company from 28th July, 2010 and 8th September, 2010 respectively. In addition, two more independent Directors namely Mr. R.K. Goyal and Mr. Bhaskar Gupta have been appointed as part time non official Directors from 26th May, 2011.

## 2.6 The details of Directors are given below

### BOARD OF DIRECTORS ( As on the date of this report)

Directors S/Shri	Whole-time / part-time official / independent	Members of the Boards of public companies (excluding RailTel) excluding Directorship in private companies	Total No. of Committee memberships held including RailTel (excluding private companies)	
			As Chairman	As Member other than Chairman
Kul Bhushan	Chairman - Part-time (official)	Nil	Nil	Nil
S.K. Vasishta	Managing Director - Whole - time	Nil	NA	NA
Rajiv Sinha	Director/Projects, Operations & Maintenance (whole time Director)	Nil	Nil	Nil
R.K. Bahuguna	Director/Network Planning & Marketing (whole time Director)	Nil	NIL	Nil
R.K. Mitra	Director /Finance (whole time Director)	Nil	NIL	Nil
Naresh Salecha	Part time official Director	Nil	Nil	Nil
Dr. Anup Kumar Bandyopadhyay	Part time non official Director	1		
A.K. Sinha	Part time non official Director	1		
R.K. Goyal	Part time non official Director	1		
Bhaskar Gupta	Part time non official Director	1		

### Ceased to be directors during 2011-12 and thereafter

Directors S/Shri	Whole-time / part-time official / independent	Members of the Boards of public companies (excluding RailTel) excluding Directorship in private companies	Total No. of Committee memberships held including RailTel (excluding private companies)	
			As Chairman	As Member other than Chairman
Shri S.K. Vasistha	Managing Director (Upto 30.06.2011)	Nil	Nil	Nil
Shri R.K. Bahuguna as Director/NPM on elevation to the post of Managing Director	Director/NPM (as MD w.e.f. 01.10.2011)	Nil	Nil	Nil

#### Notes:

1. The term 'whole-time director' used in this report refers to functional/ executive directors.
2. Apart from the remuneration to directors as per the terms and conditions of their appointment and entitled sitting fee to part-time (non-official) directors, as detailed in Para 4 of this report. None of the directors has any material or pecuniary relationship with the Company which can affect their independence of judgment.
3. The number of Directorships is within the maximum limit of twelve (12) as mentioned in sections 275 to 278 of the Companies Act 1956.
4. Committees here denote Audit Committee, Remuneration Committee and Allotment Committee, Organization Committee.
5. The number of committee memberships/chairmanships of directors is within the maximum limit of ten memberships.
6. The term 'official' indicates part-time Government nominated directors who hold office in the Government.
7. The term 'non-official'/ independent' indicates part-time directors who hold no office in the Government and are independent.

#### 3. Disclosures about Directors

As per the disclosures made by the directors in terms of section 299 of the Companies Act, 1956, no relationship exists between directors inter-se. Two part-time officials from the administrative Ministry i.e. Ministry of Railways and thus related to the promoters being the Govt. of India, Ministry of Railways. Since the appointment of all directors including part-time directors is done by the Government, it has not been possible to have an item in the notice of AGM for appointment of directors as per sections 255 to 257 of the Companies Act, 1956, which require and provide the modality for appointment of not less than 2/3rd of the directors at a general meeting. The Government appoints directors and that too with a fixed tenure due to which there is no scope for actually retiring any director by rotation every year.

The Company has not issued any prospectus or letter of offer since inception so far.

**Brief Resume of Directors who joined the Board as whole-time / Part-time Directors.**

**(i) Shri Kul Bhushan, part time Chairman (w.e.f. 2.9.2011)**

Shri Kul Bhushan passed B.Sc. Engg.(Electrical) with Honours in 1974 from Punjab Engineering College, Chandigarh and was the topper of the batch. He joined Indian Railways in February, 1976. He worked in various capacities in Railway including General Manager of Central Railway & Western Railway. During his tenure, he travelled to USA, Switzerland, Germany, France, UK, Japan, China and Australia. He also dealt with World Bank, Asian Development Bank and other bilateral funding agencies for sanction and funding of new railway projects.

He has joined as Member Electrical, Railway Board on 16.08.2011. He is also concurrently holding the office as ex-officio part time Chairman of RailTel from 2.9.2011.

**(ii) Shri Sudesh Kumar, part-time Chairman**

**(w.e.f. 09.11.2009 till 30.06.2011)**

Shri Sudesh Kumar is a qualified B.Tech from IIT, Kharagpur. He is associated with Railways since 1974. He worked in different capacities in Railways including as GM, North Central Railways, and Addl. Member (Electrical). He has been elevated to the post of Member Electrical & ex-officio Secretary to the Govt. of India, Ministry of Railways in October, 2009.

**(iii) Mr. S.K. Vasishta, Managing Director**

**(w.e.f. 03.07.2007 till 30.09.2011)**

Shri Sudhir Kumar Vasishta ( Date of birth 13.09.1951).

Shri SK Vasishta passed his Engineering. Before joining, RailTel, he was working in various posts in Railways, the last being CSTE /Northern Railway. Besides, a degree in Engineering, he has a Masters Diploma in Public Administration. He has attended management institutions in U.K. and France and has widely travelled and studied Telecommunication Systems in U.K. and continent.

**(iv) Shri Rajiv Sinha, D/POM**

**(with effect from 27.10.2006(FN))**

An Engineering Graduate from IIT, Kanpur having more than 30 years of experience in Railways mainly in different capacities including that of DRM, Agra during 2002-04 and General Manager, IRCON. He is a Fellow Member of Railway Signal Engineers (London). He is also a Life Member and Fellow of Institute of Railway Signal and Telecom Engineering.

**v) Shri R.K. Bahuguna now Managing Director (w.e.f. 1.10.2011)**

**(earlier associated with the Company as Director/NPM with effect from 19.07.2007(FN))**

He is a qualified Electronics and Communication Engineer from I.I.T. Roorkee. He started his career in Railways as IRSSE and had long association with Railways working in all fields mainly in Signaling and

Telecom. He underwent training programmes abroad on several occasions. He has to his credit more 30 years of experience in the field of electronics and communications. He has to his credit more 30 years of experience in the field of electronics and communications. He is associated with RailTel since October, 2001 and started RailTel's operations for Western Region in Mumbai. He was Director /NPM since July, 2007 and was responsible for all marketing of RailTel services and network planning of RailTel network. He is member of IRSE (London), Fellow of IETE and Fellow of IRSTE. He has presented number of papers in Seminars and Conferences in India and abroad.

**(vi) Shri R.K.Mitra, Director/Finance**

**(with effect from 27.05.2008(FN))**

Shri Mitra is a Post Graduate from Jawaharlal Nehru University and has done PPDM from Asian Institute of Management, Manila.

Shri Mitra joined Indian Railways as an IRAS Officer and served in various capacities. The last post held in Railways before joining RailTel was FA&CAO, Chittaranjan Locomotive Works. He also worked in IRCON, a Railway PSU, from 1990 to 1994 in Malaysia and again from 2003 to 2008 in New Delhi.

**(vii) Shri Naresh Salecha, part time official Director**

**(w.e.f. 28.09.2006 to 15.6.2010 and again from 1.7.2010)**

Mr. Salecha is a senior Officer with the Govt. of India and is presently working with the Ministry of Railways (Railway Board) as Executive Director, Finance (Commercial). He deals with the policies of passengers and freight related issues. Prior to present posting, he has worked in various positions in Railway finance at Zonal Railway and Divisional level. He was Senior Deputy Director General of Shipping at Mumbai for five years. He is B.Com (Hons), MBA and LLB qualified personnel.

**(viii) Shri A.K. Bandyopadhyay, part time non official /Independent Director**

**(w.e.f. 28.7.2010)**

Professor Anup Kumar Bandyopadhyay obtained his Graduate, Post Graduate and Doctoral degrees from Jadavpur University, Kolkata, India. He served Microwave Antenna System Engineering Group of the Indian Space Research Organization as an Electronic Engineer. In 1972 he joined the Department of Electronics and Telecommunication Engineering, Jadavpur University, where he is currently a Professor. His research interests include logic, program proving and modeling of distributed Systems. Professor Bandyopadhyay has many research publications to his credit in National and International Journals.

**(ix) Shri Anil Kumar Sinha, part time non official /Independent Director**

**(w.e.f. 08.09.2010)**

Shri Anil Kumar Sinha has done B.Sc. Engineering in 1966. After working as a Lecturer in Bihar College of Engineering, Patna for more than 2 years, he joined Indian Telecom Service in 1971 and thereafter he took charge as CMD, BSNL in September, 2004 from where he retired on superannuation on 31st July, 2007. During that period, BSNL was the largest Telecom Operator in India.

**(x) Shri R.K. Goyal, part time non official /independent Director  
(w.e.f. 26.05.2011)**

Shri Rajendra Kumar Goyal is qualified personnel and has done M.Tech (Structural Engineering) from IIT Delhi (1973) and B.Tech. (Civil) from IIT Delhi (1970). He has retired as a senior Railway Officer after working with Railways in different capacities, last being Additional Member (Planning), Railway Board. He has to his credit more than 40 years of experience.

He is presently working as Advisor (Railways) in Krishnapatnam Port Company Limited and as Director (Nominee of KPCL) on the Board.

**(xi) Shri Bhaskar Gupta, part time non official /independent Director  
(w.e.f. 26.05.2011)**

Bhaskar Gupta joined Jadavpur University as faculty member in 1985. Currently he is Professor and Head of the Electronics and Telecommunications Engineering Department there. He has published about 250 research articles in refereed journals and conferences and co-authored three books on advanced research topics, published internationally. He served as referee and Guest Editor in different internationally acclaimed journals.

Mr. Gupta is Senior Member of IEEE, Fellow of IETE, Fellow of IE (India) and Life Member of SEMCE (I). He is former Chair of AP-MTT Chapter, IEEE Calcutta Section and presently Chair, Students Activities, IEEE Calcutta Section.

He is also on the Board of Directors of Dedicated Freight Corridor Corporation of India.

#### **4. Remuneration of Directors**

Being a Government Company, the whole-time directors are appointed by the President of India through the Ministry of Railways and draw remuneration as per Industrial Dearness Allowance (IDA) pay scales pre-determined by the Government and as per the terms and conditions of their appointment issued by the Government.

With the approval of the administrative Ministry i.e. Ministry of Railways, part-time (non-official)/ independent directors were paid or are entitled for sitting fee within the ceiling prescribed by Rule 10-B of the Companies (Central Government's) General Rules and Forms per meeting of Board or Committee thereof. Besides, they are also reimbursed travelling, boarding and lodging expenses etc. in case any of them is stationed outside Delhi.

##### **4.1 Disclosure of Remuneration package of whole-time Directors for 2011-12**

The remuneration paid to Directors during the year was of ₹ 95 lakhs (₹ 65 lakhs remuneration and ₹ 30 lakhs other emoluments) in the current year as against that of ₹ 91 lakhs (₹ 57 lakhs remuneration and ₹ 34 lakhs other emoluments) in the previous year.

No stock option has been made available or offered by the Company during the year 2011-12 as the equity shares of the company are held only the Govt. of India.

#### 4.2 Details of Payments made to Part-time Non-Official Directors During the year 2011-12

Sl No.	Name of the part-time non-official Directors	Sitting Fee*		Total
		Board Meeting	Other Meeting	
1	Shri A.K. Sinha	0.72	-	0.72
2.	Shri R.K. Goyal	0.48	-	0.48
3.	Shri Bhaskar Gupta	0.48	-	0.48
4.	Shri A.K. Bandyopadhyay	Nil**	-	-

\*excluding out of pocket expenses and expenses on stay at hotel etc. on actual basis.

\*\*not claiming the sitting fee.

#### 5. Board procedure

BoD Meeting and Attendance during 2011-12:

The Board of Directors met five times during the financial year 2011-12.

Leave of absence was granted in terms of section 283(1) (g) of the Companies Act and granted in all cases of absence by Directors.

Details of attendance of the Directors during 2011-12 are given below:-

Director	No. of Meetings during 2011-12		Attended last Annual General Meeting
	Held (during their respective tenures)	Attended	
Shri Kul Bhushan	2	2	
Sh.Sudesh Kumar, ex-Chairman	3	3	Yes
Sh.S.K. Vasishta, ex-M.D.	3	2	Yes
Shri Rajiv Sinha	5	5	Yes
Sh.R.K. Bahuguna	5	5	Yes
Sh. R.K. Mitra	5	5	Yes
Sh.Naresh Salecha	5	5	Yes
Shri Bhaskar Gupta	4	3	
Sh.A.K. Bandyopadhyay	5	2	Yes
Shri A.K. Sinha	4	4	Yes

Mr. S.C. Hans, Company Secretary, attended all the Board Meeting of the Company held during 2011-12.

#### 6. Code of Conduct for Board members and senior management of the Company and Key Values for entire organization

The Company has in place a Code of Conduct for Board members and for Senior Management (including whole-time directors, Executive Directors and General Managers and above. These Codes came into effect from 30th November, 2007 and have been posted on the website of the Company - [www.railtelindia.com](http://www.railtelindia.com) The declaration signed by MD affirming receipt of compliance with the Code of Conduct and Key Values from Board of Directors and members of Senior Management team during 2011-12 is placed as Annexure 'A.'

## 7. Audit Committee

7.1 Terms of reference for the Audit Committee as decided by the BoD.

- a. Review of financial statements.
- b. Review of project and other capital schemes.
- c. Review of operational performance vis a vis standard parameters.
- d. Periodic review of systems and internal control.
- e. Review of Government Audit and Statutory Audit Reports.
- f. Development of commensurate and effective internal audit functions.
- g. Special study/investigation of any matter including issues referred to by the Board.

Audit Committee will have access to all financial and other data/information of the Company.

Review: The Audit Committee reviewed the financial reporting process during the year, and the Annual Financial Statements for 2011-12 were approved by the Board of Directors on 28.06.2012.

No Subsidiary has been formed by the Company.

### 7.2 Audit Committee Composition and Attendance during 2011-12

The Audit Committee of the Board, consisting of four part-time non-official (independent) Directors of the Company, was originally set up with the approval of Board of Directors as a per the requirement under Section 292A of the Companies Act, 1956. This has been reconstituted as and when there has been a change in independent directors.

Audit Committee is now comprised of four independent director, one part-time official director.

The Committee had five meetings during the financial year 2011-12 on 10th August, 2011, 18th August, 2011, 28th Nov., 2011, 19th January, 2012 and 22nd February, 2012.

The attendance by the members at the meetings held during the year 2011-12 is as follows:

Member	Status	Meeting held (During their respective tenure)	Meeting attended
Shri A.K. Bandyopadhyay	Chairman	5	5
Shri Naresh Salecha	Member	5	3
Shri R.K. Goyal	Member	5	5
Shri A.K. Sinha	Member	5	5
Shri Bhaskar Gupta	Member	5	5

The Director/Finance had attended the meeting as a Special Invitee.

Mr. S.C. Hans, Company Secretary, is the Secretary of the Audit Committee and attended all the 5 meetings held during 2011-12.

## 8. Remuneration Committee

The Board of Directors in their meeting held on 31st March, 2011 had re-constituted the remuneration committee consisted of one part time official director, two part time official Directors. During the year, no meetings of such Committee could be held.

Earlier the then members of Remuneration Committee conducted two meetings on 19th January, 2011 and 22nd February, 2012 to recommend the PRP for the financial year 2010-11. The Board accepted such recommendations in its meeting held on 2nd April, 2012.

### Organization Committee

Similarly, an organization committee was also constituted by the Board with part time official director, one part time non official Director and also a whole time functional Director. During last year no meetings could be convened.

### 9. Shareholders' Grievance Committee

The total equity capital of the Company is held by the Government of India and as such, the Company did not constitute any Shareholders' Grievance Committee.

### 10. General Body Meetings

The Last 3 (three) Annual General Meetings were held as under:

Financial Year	Date of holding meeting	Time	Location
			Rail Bhawan, New Delhi
2008-09	25th September, 2009	4 PM	-do-
2009-10	29th September, 2010	5 PM	-do-
2010-11	23rd September, 2011	4 PM	-do-

### 11. Disclosures

- There has been no related party transaction of material nature with potential conflict interest.
- The Company has followed the Accounting Standard issued by the Institute Chartered Accounts of India in the preparation of Financial Statement.
- The Company has not made any public issue of shares or made any offer of shares in any manner to public. There has been no instance of non-compliance on any matter related to the capital market.
- Management: A Management Discussion and Analysis Report spelling out the business environment in which the Company operates, its Vision, Mission and Objectives, operational performance, strengths and opportunities, constraints, risk and concerns, strategy, internal control system and human resource has been included as part of the Directors' Report.

### 12. CEO/CFO Certification

The Managing Director and Director Finance certified in writing the due compliances.

### 13. General Information for shareholders

11th Annual General Meeting

Date : 29.08.2012

Time : 4 PM

Venue : 2nd Floor, Committee Room,  
Rail Bhawan, New Delhi-110001

Factual Calendar for approving matters pertaining to financial year 2011-12	
Approval of Annual Accounts by BoD	28.6.2012
Adoption of Audited Annual Accounts by Shareholders	

#### Dates of Book closure

In view of the fact that the shares of the Company are not listed on Stock Exchange(s), It did not resort to closure of the Register of Members and Transfer Books.

#### Dividend payment date

Dividend when declared is normally paid within 5 days. During the financial year 2011-12 the Company had paid on 31st March, 2012 an interim dividend to its shareholders of ₹ 5 crores on the paid-up share capital of ₹ 320.94 crores. This being the interim and final shall be placed before the members of the Company for final declaration.

#### Distribution of Shareholding (As on the date of this report)

Category	No. of shares held	%age of shareholding
Central Government in the name of the President of India and Government nominees	320938407	100.00%
<b>TOTAL</b>	<b>320938407</b>	<b>100.00%</b>

#### 7 shares are in the names of different nominees of Govt. of India.

Transfer of shares is normally technical in nature, from one Government nominee shareholder to another consequent upon change of official, as the Government holds 100% of the shares. To affect this transfer, Company Secretary is the authorized officer, and no transfer is pending.

Regional Offices and Territorial Offices of the Company etc.

The Company has four Regional Offices at New Delhi, Mumbai, Kolkata and Secunderabad. It has got 13 territorial offices in various cities, details of which are available in the Directors' Report itself.

In addition, the Company has NOC at New Delhi, Secunderabad, Kolkata and Mumbai.

#### Address for correspondence with the Registered Office (regarding the Corporate Governance matters covered under this report is given below)

The Company Secretary,  
RAILTEL Corporation of India Ltd.  
10th Floor, Bank of Baroda building,  
16, Sansad Marg,  
New Delhi-110001  
Tele.: 011-23319914 and Fax: 011-23311711  
E-mail: [schans@railtelindia.com](mailto:schans@railtelindia.com)

#### 14. Non-Mandatory Requirements

- Information to Shareholders** : Apart from the annual report etc sent to the shareholders before the Annual General Meeting, periodical reports on the progress of the Company both in physical and

financial are submitted in the form of PCDO and other correspondence to the Govt. of India, Ministry of Railways (100% holder of the equity share capital of the Company).

2. **Qualified Auditors' Report** : The Company has suitably explained from time to time on the qualifications made by the Auditors in the annual accounts of the Company.
3. **Training of Board Members** : The normal practice is to furnish a set of documents / booklet to a director on his / her joining the Board. This includes data about the Company including its Brochure, Annual Report, Latest Unaudited financial results and MoU targets & achievement, Memorandum and Articles of Association.
4. **Evaluation of Board Members** : Mechanism for evaluating the performance of part-time non official directors is in abeyance till all independent directors join the Board.
5. **Whistle Blower Policy** : The Company has evolved a policy on the subject.

RailTel being a Govt company under the Ministry of Railways is covered under Railways is covered under Chief Vigilance Commission (CVC). Therefore, as per CVC guidelines, a mechanism has been established in the Company for all its employees to report about any unethical behavior, actual or suspected fraud to the CVO or the Managing Director directly. No employee has been denied access to the Audit Committee of the Board of Directors.

6. **Remuneration Committee** : A remuneration committee was constituted on 30th March, 2009, in terms of the requirements of Department of Public Enterprises- Office Memorandum dated 26th November 2008 for deciding the annual bonus / variable pay pool and policy for its distribution across executive and non-unionized supervisors, within the prescribed limits. The Chairman of the committee was an independent director. During the year under review, two meetings were held on 19th January, 2012 and 22nd February, 2012 and all the members of the committee (except Mr. Naresh Salecha, Nominee Director in meeting held on 19th January, 2012) were present at the meeting. Consequent to the fresh appointment of two part time non official Directors on the Board of the company in May, 2011, the Remuneration Committee was reconstituted with the following named Directors :
  1. Shri A.K. Sinha
  2. Shri A.K. Bandyopadhyay
  3. Shri R.K. Goyal
  4. Shri Bhaskar Gupta
  5. Shri Naresh Salecha

#### 15. Compliance Certificate

This report duly complies with the legal requirements in respect of data that should be disclosed in a corporate governance report. The non-mandatory requirements have also been highlighted in the report to the extent they have been adopted by the Company. Information on various matters is being placed every quarter before the Board of Directors. The Quarterly Report about compliance with the corporate governance requirements as prescribed is also being sent to the DPE/Ministry within specified period after the end of each quarter.

**Annexure A**

**Declaration by Managing Director regarding compliance with the Code of Conduct by Board Members and Senior Management during the financial year 2011-12**

I, R.K. Bahuguna, Managing Director, RailTel Corporation of India Ltd., do hereby declare that all the members of the Board of Directors and the Senior Management Team of the Company have affirmed their compliance of the Code of Conduct and Key Values of the Company during 2011-12.

**Managing Director**

**Place : New Delhi**

**Date : 29.6.2012**

## Managing Director and Finance Head Certification

We have reviewed financial statements and the cash flow statement for the financial year 2011-12 and to the best of our knowledge and belief:

- i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- iii) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are illegal or violative of the Company's code of conduct.
- iv) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed, to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- v) We have discussed with the auditors and the Auditors Committee
  - (a) Significant changes in internal control over financial reporting during the year.
  - (b) Significant changes in accounting policies during the year, and that the same have been disclosed in the notes to the financial statements; and
- vi) There was an instance of fraud in Western Region of the Company as reported to in the notes to the accounts to the Balance Sheet.

**R.K. Mitra**  
Director Finance

**R.K. Bahuguna**  
Managing Director

Place : New Delhi  
Date : 29.06.2012

**ACKNOWLEDGEMENT OF RECEIPT  
OF  
CODE OF BUSINESS CONDUCT AND ETHICS FOR BOARD MEMBERS AND  
SENIOR MANAGEMENT**

I have received and read the code of Business Conduct and Ethics for Board Members and Senior Management of RailTel Corporation of India Ltd. I understand the standards and policies contained in the said Code of Business Conduct and Ethics and understand that there may be additional policies or laws specific to my job. I further agree to comply with the said Code of Business Conduct and Ethics.

If I have questions concerning the meaning or application of the said Code of Business Conduct and Ethics, any policies of the RailTel or the legal and regulatory requirements applicable to my job, I know I can consult Director or Company Secretary concerned of the Company knowing that my questions or reports will be maintained in confidence.

Further, I undertake to provide following Affirmation on an Annual basis to the Company within 30 days from the end of 31st March every year.

**AFFIRMATION**

I, R.K. Bahuguna, Managing Director having read and understood the Code of Business Conduct and Ethics for Board Members and Senior Management, hereby solemnly affirm that I have complied with and has not violated any of the provisions of the Code during the year ended 31st March, 2012.

**R.K. Bahuguna  
Managing Director**

**Date : 29.6.2012**

**Place : New Delhi**

## Auditors' Report

### TO THE MEMBERS OF RAILTEL CORPORATION OF INDIA LTD

1. We have audited the attached Balance Sheet of RAILTEL CORPORATION OF INDIA LTD as at 31st March 2012, Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the accounts of Northern Region and Corporate Office audited by us and Southern, Eastern and Western Region of the Company audited by Branch Statutory Auditors duly appointed by Comptroller & Auditor General of India, New Delhi and whose reports have been considered by us in framing our 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 standard, 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 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 the 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 (Auditors Report) order 2003 as amended by Companies (Auditors Report) (Amendment) order 2004, issued by the Central Government in terms of sub section (4A) of Section 227 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 check, as we considered appropriate we annex hereto a statement on the matters specified in paragraph 4&5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that
  - (i) (a) Sundry Debtors, Loans and Advances and Current Liabilities include ₹ 11008 lakhs receivable from ministry of Railway and ₹ 6341 lakhs payable to ministry of Railway respectively on various accounts/works. In some of the accounts there are no movements for a long time. In absence of balance confirmation/reconciliation/reliability/adjustability of the same cannot be commented upon.  
(b) In addition to the facts stated above balance appearing under the head Sundry Debtors, Loan and Advance and Current Liabilities are subject to confirmation, reconciliation and their consequential financial impacts on the accounts if any are not readily ascertainable.
  - (ii) No Value Added Tax (Sales Tax) is levied on Railway Deposit Works and Assets transferred to Railways. The liability arising on this since inception has not been quantified and its consequential impact on the financial statement is unascertainable. Further VAT liability of ₹ 400 lakhs provided during the previous year (2009-10) on estimated basis is yet to be paid.

- (iii) Non transfer of Short Haul STM-1 and primary multiplexing equipments, to the Railway costing ₹ 227 lakhs as required under clause 3.1.4. of the agreement with Ministry of Railway dated 21.09.2006 (herein after referred to as the "agreement" and being used by the Railways. The effect for the same has not been given in the financial books.
- (iv) Company has not taken insurance cover for the Assets of the Railtel due to which assets are exposed to risk which may apprehend losses to the company. However, company has organized a committee to assess/opinion on the insurance value of the assets of the company. The report of the committee still not submitted.
- (v) The company has reassessed the useful life of various fixed assets items, vide Technical Committee's recommendation in File No. RCIL/12-13/Project/Codal Life of Assets (New)/1 and duly approved by Managing Director on 21/06/12 (refer notes to account no 4 of Significant Accounting Policies). The effect of additional depreciation on account of revision in useful life of assets ,amounting to ₹ 52.74 Cr. has been charged to P&L account under the head "Depreciation & Amortization " .
- (vi) Depreciation on fixed assets transferred from Railways has been charged without reassessing the remaining useful life of the asset, the impact on such transaction is not ascertained.
- (vii) Liability on account of gratuity and leave encashment have been provided on adhoc basis amounting to ₹ 44 lakhs (previous year 44 lakhs).
- (viii) Liability on account of leave travel concession (LTC) has not been ascertained/provided as per actuarial valuation and as such AS-15 has not been complied with.
- (ix) In previous years, Company made a provision of ₹ 2670 Lacs for losses arising out of impairment of Assets on an adhoc basis. In current year, impairment loss has been assessed to ₹ 3071 lakhs and balance impairment loss of ₹ 401 lakh has been recognized in the current year and effect has been taken on Fixed Assets.

**5. We further report that**

- (a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us.
- (c) We have received reports on account of branch officers audited by other Auditors and some have been dealt with by us in our report.
- (d) The Balance Sheet Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns of the branches.
- (e) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standard, referred to in sub section 3C of section 211 of the Companies Act, 1956 except for Accounting Standards 15 for Employee Benefits in respect of non provision of liability for LTC.

- (f) In terms of Notification No. G. S. R. 829(E) dated 21.10.2003 issued by the Department of Company Affairs, Government of India, the provision of section 274 (l) (g) of the Companies Act, 1956 are not applicable to the Directors of the Company.

Subject to monetary effect of our observations in para 4 above on the value of assets, liabilities, income and expenditure which is not quantifiable in our opinion and to the best of our informations and according to the explanations given to us the said accounts read together with the accounting policies and notes there on give the information required by the companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- (i) In the case of Balance Sheet of the State of affairs of the Company as at 31st March 2012.  
(ii) In the case of Profit & Loss Account of the Profit of the Company for the year ended on that date and  
(iii) In the case of Cash Flow Statement of the Cash Flow for the year ended on that adds.

**For V. K. Verma & Co.**  
**Chartered Accountants**  
**FRN : 000386-N**

**Mukesh Chand**  
**Partner**  
**M. No. 016197**

**Place: New Delhi**  
**Date : 29.06.2012**

## *Annexure to the Auditors Report*

### **Referred to in Paragraph 3 of our report of even date**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. However, there is no system for allotting identification numbers on the assets and as such the same are not mentioned in the Asset register maintained.  
(b) The management has not carried out 100% physical verification of fixed assets during the year under audit. In the absence of non physical verification of some assets, the discrepancy, if any, with the book records, could not be ascertained and hence accounted.  
(c) No substantial part of fixed assets has been disposed off during the year, affecting the going concern basis.
- (ii) The company has maintained proper records of inventory.
- (iii) (a) The Company has neither granted nor taken any loans, secured or unsecured from companies, Firms and other parties, mentioned in the register maintained under section 301 of the Companies Act, 1956.  
(b) Since, the Company has neither granted nor taken any loans, as referred to in para 3 (a) above, provisions of clause (iii) (b) to (iii) (g) are not applicable.
- (iv) (a) According to the information and explanations given to us, during the year under audit there have been no contracts or arrangements which need to be entered in the register maintained under section 301 of the Companies Act, 1956.  
(b) In view of clause 5 (Q) above, the clause 5 (b) is not applicable.
- (v) The company has not accepted any deposit within the meaning of section 58 & 58AA of the Companies Act, 1956.
- (vi) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business. However, it needs further strengthening in scope and coverage.
- (vii) The Company has maintained cost records as prescribed by Central Government under section 209 (1) (d) of the Companies Act, 1956 vide notification no G.S.R. 689 (E) dated 8th October 2002 as per information and explanations given to us and as certified by a firm of cost accountants.
- (viii) (a) According to information and explanations given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Employee State Insurance, Income Tax, Sales Tax/Vat, Service Tax, Custom Duty, Excise Duty, cess and other applicable statutory dues with the appropriate authorities and there is no arrear of outstanding statutory dues as at the last day of the financial for the period of more than six months from the dated they become payable. However VAT/ Sales Tax liability of ₹ 400 lakhs provided during F.Y. 2009-10 on adhoc basis has still not been paid by the Company.

(b) According to information and explanations given to us, there are disputed dues of service tax/sales Tax aggregating to ₹ 2322.41 lakhs which have not been deposited the details are as under.

Name of the Statute	Nature of the Dues	Amount (In Lakhs)	Period to which the amount relates	Forum have dispute is pending
Service Tax Department	Service Tax	78.880	1.05.2006 10.05.2007	Commissioner of Central Excise (Adjudication)
Service Tax Department	Service Tax	1.32	15.04.2004 31.03.2007	Commissioner of Central Excise (Adjudication)
Service Tax Department	Service Tax	69.63	01.04.2008 31.03.2009	Commissioner of Central Excise (Adjudication)
Service Tax Department	Service Tax	352.20	01.04.2003 31.12.2005	Committee of Dispute
Department of Trade & Taxes	Value Added Tax	1820.38	2007-08	Office of the Value Added Tax officer (Audit VAT)
	<b>Total</b>	<b>2322.41</b>		

- (c) The Company has no accumulated losses as at 31st March 2012 and the company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (d) In our opinion and according to information and explanations given to us, the company has not defaulted in repayment of dues to a financial Institution or Banks. The company does not have any borrowings by way of debentures.
- (e) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (f) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provision of clause 4 (xiii) of the companies (Auditor's Report) order 2003 are not applicable to the company.
- (g) The company is not dealing in or trading in shares, securities, debentures and other investment. Accordingly, the provisions of clause 4 (xiv) of the companies (Auditor's Report) order 2003 are not applicable to the company.
- (h) In our opinion and according to the information and explanation given to us, the company has not given any guarantees for loan taken by others from banks or Financial Institution.
- (i) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (j) According to information and explanation given to us and on overall examination of the Balance Sheet of the company we are of the opinion that the funds raised on short term basis have not been used for long term investment & vice versa.

- (k) The Company has not made preferential allotment of shares during the year, to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (l) The Company has not issued any debentures during the year and accordingly, the provisions of clause 4 (xix) of the order is not applicable to the company.
- (m) During the year under audit the company has not raised money by public issue and accordingly the provision of clause 4 (xx) of the order are not applicable to the company.
- (n) According to the information and explanations provided to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For V. K. Verma & Co.**  
**Chartered Accountants**  
**FRN : 000386-N**

**Place : New Delhi**  
**Date : 29.06.2012**

**Mukesh Chand**  
**Partner**  
**M. No. 016197**

## 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 FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

The preparation of financial statements of Railtel Corporation of India Limited for the year ended 31<sup>st</sup> March 2012 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 statement under Section 227 of the Companies Act, 1956 based on independent audit in accordance with 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 29.06.2012.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors on the accounts of Railtel Corporation of India Limited for the year ended 31<sup>st</sup> March 2012 and as such have no comments to make under Section 619 (4) of the Companies Act, 1956.

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

(Dinesh Bhargav)  
Principal Director,  
Rly - Commercial

Place : New Delhi

Dated : 03.08.2012

## Balance Sheet as at 31st March, 2012

Particulars	Note No.	As at 31.03.2012 Amount in Lakhs (₹)	As at 31.03.2011 Amount in Lakhs (₹)
<b>Equity and Liabilities</b>			
<b>(1) Shareholders's Funds</b>			
(a) Share Capital	1	32,094	32,094
(b) Reserves and Surplus	2	38,151	31,193
(c) Money received against share warrants		-	-
<b>(2) Share application money pending allotment</b>	<b>3</b>	<b>432</b>	<b>15</b>
<b>(3) Non-Current Liabilities</b>			
(a) Long-term borrowings	4	6,296	12,217
(b) Deferred tax liabilities (Net)	5	126	88
(c) Other Long term liabilities	6	59,491	40,741
(d) Long term provisions	7	467	3,444
<b>(4) Current Liabilities</b>			
(a) Short-term borrowings	8	57	1,104
(b) Trade payables	9	4,842	4,201
(c) Other current liabilities	10	18,902	14,030
(d) Short-term provisions	11	4,189	4,189
<b>Total of Equity &amp; Liabilities</b>		<b>165,047</b>	<b>143,316</b>
<b>ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	12	56,947	67,841
(ii) Intangible assets	12	-	-
(iii) Capital work-in-progress	13	3,296	2,733
(iv) Intangible assets under development			
(b) Non-current investments		-	-
(c) Deferred tax assets (net)		-	-
(d) Long term loans and advances	14	1,263	1,104
(e) Other non-current assets		-	-
<b>(2) Current assets</b>			
(a) Current investments		-	-
(b) Inventories	15	230	65
(c) Trade receivables	16	10,688	12,554
(d) Cash and cash equivalents	17	66,889	36,424
(e) Short-term loans and advances	18	22,804	21,696
(f) Other current assets	19	2,930	899
<b>Total Assets</b>		<b>165,047</b>	<b>143,316</b>

Significant accounting policy and notes to accounts 29  
The notes referred to above form an integral part of Balance Sheet  
This is the statement of Balance Sheet referred to in our report of even date

**As per our report of even date attached**

**For and on behalf of  
For V.K. Verma & Co.  
Chartered Accountants  
FRN No. : 000386-N**

**Mukesh Chand  
Partner  
M.No. 016197**

**S.C. Hans  
Company Secretary**

**R.K. Mitra  
Director Finance**

**R.K. Bahuguna  
Managing Director**

**Place : New Delhi  
Date : 28.06.2012**

## Profit & Loss Account for the year ended on 31st March, 2012

(₹ in lakhs)

Particulars	Note No.	For the Year Ended on 31.03.12 Amount in Lakhs(₹)	For the Year Ended on 31.03.11 Amount in Lakhs(₹)
I. Revenue from operations	20	34742	34974
II. Other Income	21	5655	1333
III. Total Revenue (I+II)		<u>40397</u>	<u>36307</u>
IV. Expenses			
Cost of materials consumed	22	11740	14392
Purchase of Stock-in-Trade		0	0
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		0	0
Employee benefit expense	23	3592	3475
Financial costs	24	619	1127
Depreciation and amortization expense	25	11033	6584
Other expenses	26	1810	1435
<b>Total Expenses</b>		<u>28794</u>	<u>27013</u>
Prior Period Adjustment (Net)	27	-272	-359
V. Profit before exceptional and extraordinary items and tax		11875	9653
VI. Exceptional Items	28	1409	0
VII. Profit before extraordinary items and tax (V - VI)		10466	9653
VIII. Extraordinary Items		0	0
IX. Profit before tax (VII - VIII)		<u>10466</u>	<u>9653</u>
X. Tax expense			
(1) Current tax		1842	54
(2) Deferred tax		39	58
XI. Profit/(Loss) for the period from continuing operations		<u>8585</u>	<u>9541</u>
XII. Profit/(Loss) from discontinuing operations		0	0
XIII. Tax expense of discounting operations		0	0
XIV. Profit/(Loss) from Discontinuing operations (XII-XIII)		0	0
XV. Profit/(Loss) for the period (XI + XIV)		<u>8585</u>	<u>9541</u>
XVI. Earning per equity share		2.36	2.97
(1) Basic		2.36	2.97
(2) Diluted			

Significant accounting policy and notes to accounts 29  
The notes referred to above form an integral part of Balance Sheet  
This is the statement of Profit & Loss referred to in our report of even date

As per our report of even date attached

For and on behalf of  
For V.K. Verma & Co.  
Chartered Accountants  
FRN No. : 000386-N

Mukesh Chand  
Partner  
M.No. 016197

S.C. Hans  
Company Secretary

R.K. Mitra  
Director Finance

R.K. Bahuguna  
Managing Director

Place : New Delhi  
Date : 28.06.2012

## SHARE CAPITAL

Note No. 1

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>Share Holders Funds</b>		
<b>Authorised Share Capital</b>		
1,00,00,00,000 Equity shares of ₹ 10/- each	<u>100000</u>	<u>100000</u>
<b>Issued, Subscribed &amp; Paid up Capital</b>		
15,00,000,7 Equity Shares of ₹ 10/- each	1500	1500
30,59,38,400 Equity shares of ₹ 10/- each allotted for consideration other than cash	30594	30594
<b>TOTAL</b>	<b><u>32094</u></b>	<b><u>32094</u></b>
<b>Earning Per Share</b>		
		(₹ in lakhs)
The calculation of EPS as per the Accounting standard –20 is as follows:		
Net Profit/ Loss (-) available for Equity Shareholders (a)	<u>8585</u>	<u>9541</u>
Weighted average of Equity share of ₹10 each in lakhs) (b)	<u>3642</u>	<u>3209</u>
Basic Earning per share )a/b	<u>2.36</u>	<u>2.97</u>
Weighted average No. of Equity share of each (b)(in lakhs) ( c)	<u>3642</u>	<u>3210</u>
Diluted Earning per share (a)/ ( c)	<u>2.36</u>	<u>2.97</u>

## (I) (1)(b) RESERVES & SURPLUS

Note No. 2

Particulars	As at 31.03.2012 (₹ in lakhs)		As at 31.03.2011 (₹ in lakhs)	
<b>RESERVES &amp; SURPLUS</b>				
<b>General Reserve</b>				
Opening Balance	16000		12000	
Add: - Addition during the year	<u>4000</u>	20000	<u>4000</u>	16000
<b>Profit &amp; Loss Account</b>				
Opening Balance	15193		11168	
Add: - Profit (Loss) for the year	<u>4585</u>	<u>19778</u>	<u>5541</u>	<u>16709</u>
Amount available for appropriation		<b>39778</b>		<b>32709</b>
<b>Less:- Appropriation</b>				
Interim Dividend		500		800
Proposed Dividend		900		500
Dividend Distribution Tax		227		216
<b>Surplus</b>		<b><u>38151</u></b>		<b><u>31193</u></b>

## (I) (2) SHARE APPLICATION MONEY PENDING ALLOTMENT

Note No. 3

Particulars	As at 31.03.2012 (₹ in lakhs)		As at 31.03.2011 (₹ in lakhs)	
Share Capital to be issued		432		15
<b>TOTAL</b>		<b><u>432</u></b>		<b><u>15</u></b>

1. Share Capital to be issued includes an amount of ₹ 432.33 lakh (Previous Year ₹ 15 lakhs) for which equity shares are to be issued/adjusted to the Ministry of Railways. As per clause no. 3.2.4 of MOU date 21.09.2006 with Ministry of Railways, the company is required to issue equity against the assets taken from Railways. Necessary equity is still to be issued.

## (I) (3)(a) LONG TERM BORROWINGS

Note No. 4

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>TERM LOAN</b>		
<b>a) SECURED LOAN</b>		
Syndicated Term Loan from Banks led by State Bank of India	0	6300
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.		
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.		
<b>b) UNSECURED LOAN</b>		
Term Loan from Indian Railway Finance Corporation Ltd.	2080	4164
<b>c) LOANS AND ADVANCES FROM RELATED PARTIES</b>		
Advances for Railways Deposit Works	4216	1753
<b>GRAND TOTAL (a+b+c)</b>	<b>6296</b>	<b>12217</b>
Loans due for repayment within one year	2080	4184

## (I) (3)(b) DEFERRED TAX LIABILITIES

Note No. 5

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>Unsecured</b>		
Deferred Tax Liabilities	126	88
<b>TOTAL</b>	<b>126</b>	<b>88</b>

The Company has created Deferred Tax liability amounting to ₹ 39 lakhs as per Accounting Standard-22 on Taxes on Income as notified under Companies Accounting Standard Rules, 2006.

**(I) (3)(c) OTHER LONG TERM LIABILITIES**
**Note No. 6**

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>Unsecured</b>		
<b>TRADE PAYABLES</b>		
Retention Money	1942	3775
Liquidated Damage	3	3
<b>OTHERS</b>		
Advance from Customers	56665	35908
Securities Deposits and Others	881	1055
<b>TOTAL</b>	<b><u>59491</u></b>	<b><u>40741</u></b>

Operating lease- As a Lessor (Accounting Standard-19)

A) General description on leasing arrangement

1. The Company has been offering Bandwidth, Dark Fibers, Internet services, VPN services, and tower space to its customer as operating lease for fixed period.
2. The company has entered into various agreements to provide Bandwidth/Dark Fiber on indefeasible right to use (IRU) for a period of 5, 10 or 15 year. The lease rental receivable accepted by the customers is credited to Profit & Loss account on a straight-line basis over the lease term.
3. Balances shown as above are subject to confirmation/ reconciliation and consequential adjustments, if any.
4. Due to nature of assets being virtual, it is not possible to compute the gross carrying amount, depreciation for the year, and accumulated depreciation on assets given on operating lease as at March 31, 2012, accordingly not disclosed.

B) Future minimum lease rentals receivable under operating lease for each of the following period as on March 31, 2012 are as under-

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
later then one year and upto five year	25630	20978
later then five year	19590	14930
<b>TOTAL</b>	<b><u>45220</u></b>	<b><u>35908</u></b>

## (I) (3)(d) OTHER LONG TERM PROVISIONS

Note No. 7

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>Unsecured</b>		
<b>OTHERS</b>		
Provision for Impairment	0	2670
Provision for DoT Penalty	379	379
Provision for Arbitration Claim	46	354
Provision for Doubtful Advances	42	41
<b>TOTAL</b>	<b><u>467</u></b>	<b><u>3444</u></b>

### 2. Information as per requirement of AS-29

Particulars	Opening Balance	Paid/Adjustment	Closing Balance
Provision for Arbitration Claim	354	308	46

No Provision has been added in the current year, also none of the amount has been written back in the current year.

## (I) (4)(a) SHORT TERM BORROWINGS

Note No. 8

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>Unsecured</b>		
Book Overdraft-Union Bank of India	57	1104
<b>TOTAL</b>	<b><u>57</u></b>	<b><u>1104</u></b>

**(I) (4)(b) TRADE PAYABLES**
**Note No. 9**

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>Unsecured</b>		
Sundry Creditors for Capital Expenses	1228	942
Sundry Creditors for Revenue Expenses	3614	3259
<b>TOTAL</b>	<b><u>4842</u></b>	<b><u>4201</u></b>

**1. Contingent Liabilities**

- a. Claims against the Company not acknowledged as debts are ₹ 592.20 lakh. (Previous Year ₹ 3691 lakh)
- b. Bank Guarantees issued on behalf of the company ₹ 1600.54 lakh (Previous year ₹ 2260 lakh).
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (as certified by the management) ₹ 5156 lakh (net of advances) (Previous Year ₹ 7868 lakh).
3. Balances shown as above are subject to confirmation / reconciliation and consequential adjustments, if any.

**(I) (4)(C) OTHER CURRENT LIABILITIES**

**Note No. 10**

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>Unsecured</b>		
<b>INCOME RECEIVED IN ADVANCE</b>		
Advance from Customers	9545	7920
<b>UNPAID DIVIDEND</b>	900	500
<b>OTHER PAYABLES</b>		
Others Current Liabilities	8067	5410
EMD from Contractors	390	200
<b>TOTAL</b>	<b><u>18902</u></b>	<b><u>14030</u></b>

- Balances shown as above are subject to confirmation/reconciliation and consequential adjustments, if any.
- The disclosure with regards to suppliers under Micro and Small Enterprise Development Act 2006. The Company has not received any memorandum (as required to be filled by the suppliers with the notified authority under the Micro, Small, and Medium Enterprise Development Act 2006) claiming their status as on 31st March 2012 as micro, small, or medium enterprises. Consequently, the amount paid/payable to these parties during the year is Nil.
- Company has not made any provision towards liability on account of VAT on the Railways Deposit works. Company had made an adhoc provision of ₹ 400 lakhs in the financial year 2009-10. However, credit of input VAT has also not been availed on mentioned Railway deposit works.

## (I) (4)(d) SHORT TERM PROVISIONS

Note No. 11

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>Unsecured</b>		
<b>PROVISION FOR EMPLOYEE BENEFITS</b>		
Superannuation Benefits to Employees	44	44
<b>OTHERS</b>		
Provision for Taxation (MAT)	4145	4145
<b>TOTAL</b>	<b>4189</b>	<b>4189</b>

1. In respect of 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.

### 2. Provident Fund

All regular employees of the Company (excluding those on deputations) are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and employer make monthly contribution to the plan at a pre-determined rate (presently 12%) of the employees' salary consisting of Basis pay and Dearness allowance. These contributions are made to the fund administered and managed by Government of India. The contributions of PF of the employee on deputation are made to the funds of their parent department.

3. The provision for Gratuity and Leave encashment benefits for the regular employees of the Company are provided on the basis of statements received upto 31-03-2011 from the LIC of India. Provision in the current financial year- 2011-12 has been made on adhoc basis amounting to ₹ 44.25 lakh. The employer contributions for the employee on deputation are made to the funds of their parent department.

### 4. Information as per requirement of AS-29

Particulars	Opening Balance	Paid/Adjustment	Closing Balance
Provision for Taxation MAT	4145	0	4145

No Provision has been added in the current year, also none of the amount has been written back in the current year.

Note No. 12

(₹ in lakhs)

(II) (1)(a) FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK				
	As At 3.4.2011	Additions During the Year	Transfer/ Adjustment During the Year	Total As at 31.03.2012	Up to 31.03.2011	For the Year	Other Adjustment (Not effecting Year P&L)	Depreciation Adjustments	Impairment	Adjustment due to change in Dep. Rate	Total Up to 31.03.12	As at 31.03.2012	As at 31.03.2011
(II) (1) (a) (i) TANGIBLE ASSETS (A)													
LAND-FREE HOLD	222	-	222	-	-	-	-	-	-	-	-	222	222
BUILDING	-	-	-	-	-	-	-	-	-	-	-	-	-
LEASEHOLD LAND & BUILDING	29	-	-	29	-	-	-	-	-	-	-	29	29
PLANTS & EQUIPMENTS	-	-	-	-	-	-	-	-	-	-	-	-	-
Computers	419	23	(5)	437	278	47	(5)	-	-	22	342	95	142
OFC and Related Assets	51,484	3,448	(180)	55,752	14,523	2,972	-	(3)	-	-	17,492	38,260	38,961
Telecom & Radio Equipments	17,826	361	(137)	18,051	3,432	1,131	(15)	1,091	1,814	-	8,647	9,604	14,309
Prefab Buildings	1,248	41	-	1,290	510	60	-	1	-	-	371	519	938
MPLS Network	4,042	-	-	4,042	1,135	357	-	-	-	561	3,205	887	2,907
STM-16 Network	12,688	235	(26)	12,848	3,061	811	-	730	1,708	-	6,339	6,509	9,576
FURNITURE & FIXTURES	111	9	-	120	53	5	-	-	-	32	90	30	56
VEHICLES	6	29	-	35	3	-	-	-	-	-	3	32	3
OFFICE EQUIPMENTS	314	16	-	331	88	14	-	-	-	137	239	92	227
OTHERS	-	-	-	-	-	-	-	-	-	-	-	-	-
LEASEHOLD IMPROVEMENT	669	-	-	669	285	66	-	-	-	-	351	318	365
TEMPORARY FIXTURES	10	-	-	10	10	-	-	-	-	-	10	-	-
TOTAL (A)	91,050	3,164	378	94,835	23,209	5,163	-23	-5	1,071	5,274	36,859	56,947	67,841
(II) (1)(a) (ii) INTANGIBLE ASSETS (B)													
TOTAL (B)	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A+B)	91,050	3,164	378	94,835	23,209	5,163	(23)	(5)	1,071	5,274	36,859	56,947	67,841
PREVIOUS YEAR	85,542	5,856	1,788	91,050	18,503	5,107	-	(400)	-	-	23,209	67,841	66,439

1. Optical Fiber Cable (OFC-UTR-2B0) have been taken over from Railways for ₹ 417.60 lakh after physical verification by the management, at a pre-determined price for issuing of equity to Railway.

2. A committee was formed by management of the company by comprising three members as GM/FR, GM/MPM/SS and GM/Project/CD for measurement of useful life of assets. Committee has given their recommendations to change life of some of the assets. Due to revision of useful life of the assets, amortization of depreciable assets has been changed and consequently an additional depreciation amounting to ₹ 52.74 crore is charged to Profit & Loss account including ₹ 10.16 crore pertaining to those assets whose life had already expired in current year or earlier.

3. STM-16 equipment's received from the Railways valued at ₹ 227 lakhs pertaining to Western Region (Previous Year ₹ 954 lakh) is pending for transfer back to Railways during the year the same is being pursued with the Railways by the Western Region.

**(II)(1) (a) (iii) CAPITAL WORK IN PROGRESS**
**Note No. 13**

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
OFC laying works, Pre Fab Building	1190	1550
Installation of STM & Other Equipment	203	210
Buildings	1903	973
<b>TOTAL</b>	<b><u>3296</u></b>	<b><u>2733</u></b>

1. 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.

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

a. Value of imports calculated on CIF basis

i. Capital Goods	Nil	₹1071 Lakhs
ii. Spare parts	Nil	Nil

b. Expenditure in foreign currency

i. Professional/ Consultancy Fee	Nil	Nil
ii. Others	Nil	Nil

c. Value of component, spares and spare parts consumed (Imported and indigenous)	Nil	Nil
--	-----	-----

d. Earning in Foreign Exchange	Nil	Nil
--------------------------------	-----	-----

## (II)(1) (b) LONG TERM LOANS AND ADVANCES

Note No. 14

### (II)(1) (b) CAPITAL ADVANCES

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>Unsecured Considered Good</b>		
Advances for Residential Flats	512	495
Advances for Railways Deposit Works	25	11
Advance for Office Building	11	8
<b>TOTAL (a)</b>	<b><u>548</u></b>	<b><u>514</u></b>

### (II) (1) (b) SECURITY DEPOSITS

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
Unsecured		
Security Deposits	200	175
<b>TOTAL (b)</b>	<b><u>200</u></b>	<b><u>175</u></b>

### (II) (1) (b) OTHER LOANS AND ADVANCES

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
Other loans and advances	515	415
<b>TOTAL (C)</b>	<b><u>515</u></b>	<b><u>415</u></b>
<b>Total of Long Term Loans and Advances (A+B+C)</b>	<b><u>1263</u></b>	<b><u>1104</u></b>

Balances shown as above are subject to confirmation/reconciliation and consequential adjustments, if any.

**(2) CURRENT ASSETS**
**Note No. 15**
**(II) 2 (a) INVENTORIES**

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
(Taken, valued and certified by the Management )		
Stores & Spares-At Cost	230	65
<b>TOTAL</b>	<b><u>230</u></b>	<b><u>65</u></b>

**(II) 2(b) TRADE RECEIVABLES**
**Note No. 16**

Particulars	As at 31.03.2012 (₹ in lakhs)		As at 31.03.2011 (₹ in lakhs)	
<b>(Unsecured)</b>				
<b>(A) Debts outstanding for period exceeding six months</b>				
Considered Good	1250		1715	
Considered Doubtful	<u>473</u>		<u>473</u>	
	1723		2188	
Less: Provision for Doubtful Debts	<u>473</u>		<u>473</u>	
	1250		1715	
Other Debts Considered good	<u>3419</u>	4669	<u>6119</u>	7834
<b>(B) Dues from Railways</b>				
Debts outstanding for period exceeding six months	3264		1719	
Debts outstanding for period less than six months	<u>2801</u>		<u>3001</u>	
	6065		4720	
Less: Provision for Doubtful Debts	<u>46</u>	6019	<u>0</u>	4720
<b>TOTAL</b>		<b><u>10688</u></b>		<b><u>12554</u></b>

Balances shown as above are subject to confirmation / reconciliation and consequential adjustments, if any.

**(II) 2(c) CASH AND CASH EQUIVALENTS**

**Note No. 17**

<b>Particulars</b>	<b>As at 31.03.2012</b>		<b>As at 31.03.2011</b>	
	<i>(₹ in lakhs)</i>		<i>(₹ in lakhs)</i>	
<b>Balance With Banks</b>				
Current Account	239		1830	
Collection A/c	2329		588	
Term deposits	<u>64317</u>	66885	<u>33822</u>	36240
Cheques/Drafts in Hands		-		175
Cash in Hand		3		8
Balance With Banks (Margin Money)		1		1
		<u>66889</u>		<u>36424</u>

Balance With Banks (Margin Money) has been kept with Banks for issuing of Bank Guarantee.

## (II) 2(d) SHORT TERM LOANS AND ADVANCES

Note No. 18

### LOANS AND ADVANCES TO RELATED PARTIES (A)

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
<b>Unsecured</b>		
<b>LOANS AND ADVANCES TO RELATED PARTIES</b>		
Indian Railways	4898	5348
<b>OTHERS</b>		
MAT Credit Entitlement	5983	5983
Prepaid Taxes	9008	8459
Others	2915	1906
<b>TOTAL</b>	<b><u>22804</u></b>	<b><u>21696</u></b>

- Balances shown as above are subject to confirmation / reconciliation and consequential adjustments, if any.
- In the opinion of the management, the value of loans and advances on realization in the ordinary course of business, will not be less than the value at which these are stated as above.
- Loans and advances include a sum of ₹ 379 lakhs deposited with the Department of Telecommunication, under protest, on account of share on income, interest, and penalty. The company has filed an appeal with Telecom Dispute Settlement and Appellate Tribunal (TDSAT). Against which necessary provision exist.
- In the current year company has received income tax refund of ₹ 617.50 lakhs for the year 2009-10 against claimed amount of ₹ 893.50 lakhs. Refund order has not been received. An amount of ₹232 lakhs is yet to be received against refund order issued by the Income tax authorities for the year 2007-08 & 2008-09.

## (II) 2(e) OTHER CURRENT ASSETS

Note No. 19

Particulars	As at 31.03.2012 (₹ in lakhs)	As at 31.03.2011 (₹ in lakhs)
Accrued Interest on term Deposits	2930	899
<b>TOTAL</b>	<b><u>2930</u></b>	<b><u>899</u></b>

In the opinion of the management, the value of current assets on realization in the ordinary course of business, will not be less than the value at which these are stated as above.

## (I) REVENUE FROM OPERATION

Note No. 20

Particulars	For the year ended on 31.03.2012 (₹ in lakhs)	For the year ended on 31.03.2011 (₹ in lakhs)
Income from IP-1	7040	5661
Income from NLD (BANDWIDTH)	19886	17419
Income from ISP	2400	2233
Income from NLD (VPN)	910	604
Income from Railway Deposit Works	3572	6710
Other Operating Revenue-Telecom Business	934	2347
<b>TOTAL</b>	<b><u>34742</u></b>	<b><u>34974</u></b>

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 in some of the cases excluding octroi, sales tax, royalties, other taxes etc.

## (II) OTHER INCOMES

Note No. 21

Particulars	For the year ended on 31.03.2012 (₹ in lakhs)	For the year ended on 31.03.2011 (₹ in lakhs)
Other Non Operational Income	253	0
Interest Income	5402	1333
<b>TOTAL</b>	<b><u>5655</u></b>	<b><u>1333</u></b>

## (III) (a) COST OF MATERIAL CONSUMED

Note No. 22

Particulars	For the year ended on 31.03.2012 (₹ in lakhs)	For the year ended on 31.03.2011 (₹ in lakhs)
Repair & Maintenance Expenses	2113	2280
Share of Revenue with Konkan Railway	90	143
Hire Charges Radio Modem/Optic Fibers	1679	720
Protection Bandwidth & Connectivity Charges	513	555
Internet Bandwidth	64	175
Franchise Expenses	100	102
Spectrum Charged and NLD Licence Fees to DoT	76	105
Electricity & Power Exps.	676	555
License Fees to DoT	1270	1100
Revenue Share to Railways	1609	2108
Expenses on Railway Project	3550	6549
<b>Total</b>	<b><u>11740</u></b>	<b><u>14392</u></b>

### (III) (b) EMPLOYEE BENEFIT EXPENSES

Note No. 23

Particulars	For the year ended on 31.03.2012 (₹ in lakhs)	For the year ended on 31.03.2011 (₹ in lakhs)
Salaries & Wages	3367	3327
Contribution to PF & Other Funds	185	313
Staff Welfare Expenses	204	138
Less:- Expenses transferred to Railways Deposit Works	164	303
<b>TOTAL</b>	<b><u>3592</u></b>	<b><u>3475</u></b>

#### Related Party Disclosure as per Accounting Standard-18 is as follows

Sh. RK Bahuguna (Managing Director)	Key Management	From 1.10.2011
Sh. SK Vasistha (Ex Managing Director)	Key Management	Upto 30.09.2011
Sh. Rajiv Sinha (Director (POM))	Key Management	Continue
Sh. RK Mitra (Director Finance)	Key Management	Continue

1. Salaries and wages includes Director Remuneration of ₹ 95 (₹65 Remuneration and ₹30 other emoluments) lakhs in current year and ₹ 91 (₹57 Remuneration and ₹34 other emoluments) lakhs in previous year.

#### 2. Fee Paid to Non Official Directors

Sh. AK Sinha	₹ 0.72 Lakhs	₹ 0.32 Lakhs
Sh. Bhaskar Gupta	₹ 0.48 Lakhs	Nil
Sh. RK Goyal	₹ 0.48 Lakhs	Nil
<b>Total</b>	<b><u>₹ 1.68 Lakhs</u></b>	<b><u>₹ 0.32 Lakhs</u></b>

**(III) (c) FINANCIAL COST**
**Note No. 24**

Particulars	For the year ended on 31.03.2012 (₹ in lakhs)	For the year ended on 31.03.2011 (₹ in lakhs)
Interest Expenses	619	1127
<b>Total</b>	<b><u>619</u></b>	<b><u>1127</u></b>

**(III) (d) DEPRECIATION AND AMORTISATION EXPENSES**
**Note No. 25**

Particulars	For the year ended on 31.03.2012 (₹ in lakhs)	For the year ended on 31.03.2011 (₹ in lakhs)
Depreciation	10637	5107
Impairment	401	1870
Earlier Year Depreciation	-5	-393
<b>Total</b>	<b><u>11033</u></b>	<b><u>6584</u></b>

### (III) (e) OTHER EXPENSES

Note No. 26

Particulars	For the year ended on 31.03.2012 (₹ in lakhs)	For the year ended on 31.03.2011 (₹ in lakhs)
<b>Auditor Remuneration</b>		
As Auditor	13	4
For Taxation Matter	3	1
For Others	1	0
Out of Pocket Expenses	1	2
Books & Periodicals	9	13
Communication Expenses	92	93
Conveyance Expenses	88	68
Bank Charges & Commission	6	11
Legal & Professional Expenses	62	107
Rates & Taxes	12	17
Rent	634	424
Repair & Maintenance – Others	283	123
Tender Expenses	56	30
Training & Recruitment Expenses	20	7
Travelling Expenses	183	200
Printing & Stationary Expenses	46	40
Vehicle Hire charges	173	138
Business promotion Expenses	36	44
Other Miscellaneous Expenses	113	112
Loss due to Fire Fixed Assets	0	38
Loss due to sale of Fixed Assets	5	0
Corporate Social Responsibility	27	67
Provision for Bad and Doubtful Debts	46	78
<b>Less : Expenses transferred to Railways Deposit Works</b>	<b>99</b>	<b>182</b>
<b>TOTAL</b>	<b><u>1810</u></b>	<b><u>1435</u></b>

**(V) Prior Period Adjustment (Net)**
**Note No. 27**

Particulars	For the year ended on 31.03.2012 (₹ in lakhs)	For the year ended on 31.03.2011 (₹ in lakhs)
Prior Period Expenses	240	133
Prior Period Incomes-Operation	-495	-492
Prior Period Income Other	-17	0
<b>Total</b>	<b><u>-272</u></b>	<b><u>-359</u></b>

**(VI) Exceptional Items**
**Note No. 28**

Particulars	For the year ended on 31.03.2012 (₹ in lakhs)	For the year ended on 31.03.2011 (₹ in lakhs)
Provision for Railways	<u>1409</u>	<u>0</u>

RailTel has billed for Internet Bandwidth as per Railway Board letter no. 2005/Tele/RCIL/1 dated 03.04.2008 till 31.03.2012. Recently Railway Board has issued an administrative order for revision of rate of Internet Bandwidth w.e.f. December 2008. The impact of revision has been calculated to ₹ 1409 lakhs for the period upto 31.03.2012. This amount has been charged to Profit & Loss account as under exceptional item.

## **Significant Accounting Policies & Notes to Accounts**

### **Significant Accounting Policies**

#### **1. General**

The Financial Statements have been prepared under the historic cost convention, in accordance with the Notified Accounting Standards by Companies (Accounting Standards) Rules 2006 (as amended) and in accordance with the applicable requirements of the Companies Act, 1956 as adopted consistently by the Company.

#### **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 capitalized 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 works 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**

- a) Income is recognized on completion of provision of services. Service revenue includes Income from lease, renting or sale of end-to-end bandwidth, hires charges for tower space and accommodation, Internet bandwidth and VPN services and is net of discount. Income from services are recognized on transfer of all significant risks and rewards to the customer and when no significant uncertainty exists regarding realization of the consideration and on time proportion basis in accordance with the related contract.

- b) In cost plus contracts executed for Railways, revenue is worked out by including eligible items of expenditure in the bills raised on the clients and charging specified margin.

## EXPENDITURE

### 7. Depreciation

- a) Depreciation on fixed assets is provided on Straight Line basis (SLM) in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956, except in following cases where it is provided at the rates higher than prescribed in the said Schedule:
- 1) Lease hold improvements : On straight line method @ 10% per annum
  - 2) Prefabricated Building : On straight line method @ 4.75% per annum
  - 3) (a) Telecom Radio Assets, : On straight line method @ MPLS/STM-16 Network 12.50% per annum  
(b) Radio Equipment : On straight line method @ 33.33%  
(c) Battery : On straight line method @ 20%
  - 4) Optical & Related Asset : On straight line method @ 5.28% per annum
  - 5) Office Equipment : On straight line method @ 20% per Annum
  - 6) Furniture : On straight line method @ 20% per Annum
  - 7) Computer : On straight line method @ 20% per Annum
- b) In case of leasehold land (other than perpetual lease) and leasehold property depreciation provided proportionately the period of lease.
- c) Fixed assets costing up to ₹ 5000/- acquired during the year are fully depreciated in the year of acquisition.

### 8. Impairment of Assets

An asset is treated as impaired when the carrying amount of assets exceeds its recoverable value as per accounting standard 28 issued by ICAI.

### 9. Retirement Benefits

The liability for retirement benefits of the regular employees in respect of gratuity and leave encashment is provided for based on the premium payable to LIC of India against the policy taken for that purpose. In case of deputations Foreign Service contribution is being paid to their parent organization.

### 10. License Fees and Revenue share

The variable license fees computed at prescribed rates is charged to the profit & loss account in the year in which the related revenues are recognized.

### 11. Establishment Expenses of Railways Project Works

A part of expenditure of Employees Remuneration & Benefits and Administrative Expenses, being 5% & 3% of cost of Railways Project incurred on the works & supplies is apportioned to Railway project expenses.

## 12. Foreign Currency Transaction

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

## 13. 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.

## 14. Provisions

- (a) Provision for Doubtful Debts is made when there is uncertainty of realization. For outstanding over 1 year, where services have been terminated, full provision is made except the amount is considered recoverable.
- (b) Provisions are recognized in respect of obligations, based on the evidence available, and wherever their existence on the Balance Sheet date is considered probable.
- (c) 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.

## 15. Cash and Cash Equivalents

Cash and cash equivalent in the Balance Sheet comprise of cash in hand and at banks, cheques in hand, short term investment and demand deposits.

## 16. Prior period adjustment and extraordinary items

Income/expenditure relating to prior period and prepaid expenses not exceeding ₹ 50000/- in each case are treated as income/expenditure of the current year.

## 17. Segment Reporting

The Company has identified Business Segment (Telecommunication and Construction) as primary reporting segments and secondary reporting segment based on the geographical location is "All over India."

**S. C. Hans**  
Company Secretary

**R.K. Mitra**  
Director (Finance)

**R.K. Bahuguna**  
Managing Director

For and on behalf of  
**V.K. Verma & Company**  
Chartered Accountants  
FRN. 000386N

**Mukesh Chand**  
Partner  
M. No. 016197

Place : New Delhi  
Date : 28.06.2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012 As Per AS-3 (Revised) (Indirect Method)

Amount in Lakhs(₹)

Particulars	For the Year ended on 31.03.2012	For the Year ended on 31.03.2011
<b>Cash Flow from Operating Activities</b>		
Net Profit/ (Loss) Before Tax & Extraordinary items	11,875	9,653
Adjusted for :		
Add : Depreciation	10,612	5,107
Add : Interest on Loan	619	1,127
Add : Impairment	3,071	1,870
Less : Interest received	5,402	1,333
<b>Net cash from operating activities before Extraordinary Item and change in working capital (a)</b>	<b>20,774</b>	<b>16,423</b>
<b>Working Capital changes</b>		
(Increase)/Decrease in Inventory	(165)	50
(Increase)/Decrease in other Current Assets	(2,032)	(859)
(Increase)/Decrease in other Loans & Advances	(1,267)	(2,387)
Increase/ ( Decrease) in Current Liabilities	22,702	26,005
Increase/ ( Decrease) in Deferred tax Liability	39	58
(Increase)/ Decrease in Sundry Debtors	1,867	(1,473)
TDS on Interest Income	95	31
<b>Net (Increase)/Decrease in Working Capital (b)</b>	<b>42,012</b>	<b>37,848</b>
Less: Deferred Tax	(39)	(58)
Less: Income Tax	(1,842)	(54)
	(1,881)	(112)
<b>Extraordinary Item</b>		
Add: Loss due to fire of Assets	-	38
Less:- Provisions for Railways	(1,409)	
Less: Depreciation adjustment for earlier years	(5)	(393)
	(1,414)	(355)
<b>Net cash from operating activities after Extraordinary Item before change in working capital (a)</b>		
<b>Net cash from operating activities</b>	<b>38,717</b>	<b>37,381</b>

**Cash Flow from Investing Activities**

Purchase/Sale of Fixed Assets	(2,785)	(4,108)
(Increase) / Decrease in Capital Work in Progress	(564)	658
Decrease in Gross Block Due to Fire	-	(45)
Interest received (Net of TDS)	5,307	1,302
Increase/ (Decrease) in Current Liabilities for capital works		(1,987)
Net cash from investing activities before Extraordinary Item	1,958	(4,180)

**Cash Flow from Financing Activities**

Equity Shares to be issued to Ministry of Railways	418	15
Repayment of Loan to IRFC	(2,084)	(2,084)
Loan from State Bank of India	(6,300)	(2,100)
Dividend & Dividend Tax Paid	(1,627)	(1,516)
Interest on Loan	(619)	(1,127)
Net cash from financing activities	(10,212)	(6,812)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>30,464</b>	<b>26,389</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>36,425</b>	<b>10,037</b>
<b>CASH AND CASH EQUIVALENT AT END OF PERIOD</b>	<b>66,889</b>	<b>36,425</b>

For and on behalf of  
For V.K. Verma & Co.  
Chartered Accountants  
FRN No. : 000386-N

Mukesh Chand  
Partner

S.C. Hans  
Company Secretary

R.K. Mitra  
Director Finance

R.K. Bahuguna  
Managing Director

Place : New Delhi  
Date : 28.06.2012

## Accounting Standard 17

## Annexure-A

### Primary Information relating to Business Segments for the year ended 31st March 2012

Amount in Lakhs(₹)

Particulars	Telecommunications Services		Railways Project		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>REVENUE</b>						
External Lease Revenue	31170	28264	3572	6710	34742	34974
Inter Segment Sales	0	0	0	0	0	0
<b>Total Revenue</b>	<b>31170</b>	<b>28264</b>	<b>3572</b>	<b>6710</b>	<b>34742</b>	<b>34974</b>
<b>RESULT</b>						
Segment Result (a)	31170	28264	3572	6710	34742	34974
Interest Expense (b)	619	1127	0	0	619	1127
Interest & Other Income (c)	5655	1333	0	0	5655	1333
Other Expenses (d)	26035	19337	3550	6549	29584	25885
Income Taxes(FBT)/Deferred tax(e)	1881	112	0	0	1881	112
<b>Profit from Ordinary Activities ((a)+(c)-(b)-(d)-(e))</b>	<b>8291</b>	<b>9022</b>	<b>22</b>	<b>161</b>	<b>8313</b>	<b>9183</b>
Prior period Income	511	548	0	0	511	548
Prior period Expenses	240	190	0	0	240	190
<b>Net profit</b>	<b>8561</b>	<b>9380</b>	<b>22</b>	<b>161</b>	<b>8583</b>	<b>9541</b>
<b>OTHER INFORMATION</b>						
Segment Assets	93835	67090	0	4720	93835	71810
Other Assets	104804	0	0	0	104804	0
<b>Total Assets</b>	<b>198639</b>	<b>67090</b>	<b>0</b>	<b>4720</b>	<b>198639</b>	<b>71810</b>
Capital Expenditure	3296	94296	0	0	3296	94296
Inter segment capital expenditure	0	0	0	0	0	0
Segment Liabilities	0	0	0	0	0	0
Unallocated Corporate Liabilities	90154	64620	4216	1753	94370	66373
<b>Total Liabilities</b>	<b>90154</b>	<b>64620</b>	<b>4216</b>	<b>1753</b>	<b>94370</b>	<b>66373</b>
Depreciation/Impairment	11033	5107	0	0	11033	5107
Total Liabilities exclude:						
Secured Loans	0	6300	0	0	0	6300
Unsecured Loans	2080	4164	0	0	2080	4164
Deferred Tax	126	88	0	0	126	88

The Company has two business segments as identified by the management. These are Telecommunication Services and Railways Project. Secondary information relating to geographical segments is not given as the entire operations are carried on in India.

**Annexure**  
(₹ in lakhs)

**Annual Report Data**

S.No.	PARTICULARS	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
1.	Total Income (incl. other income)	0.27	0.04	2.58	11.34	32.86	60.44	114.32	199.82	386.44	399.70	363.07	403.97
2.	Expenditure (incl. increase/decrease in stock)	-	0.40	3.18	7.10	14.25	26.78	51.75	81.97	222.42	224.49	193.01	171.42
3.	Operating Margin	0.27	(0.36)	(0.60)	4.24	18.61	33.66	62.57	117.85	164.02	175.21	170.06	232.55
4.	Interest Expenses	-	2.68	-	4.68	9.84	12.77	16.40	23.41	19.54	14.79	11.27	6.19
5.	Depreciation	-	0.01	0.55	15.31	29.13	31.32	5.09	38.94	41.81	47.07	51.07	110.33
6.	Profit before tax	0.27	(0.36)	(1.15)	(15.74)	(19.50)	(10.01)	41.08	62.15	102.67	113.35	107.72	116.03
7.	Profit after tax	0.16	(0.36)	(1.15)	(15.74)	(19.50)	(10.27)	40.85	56.14	102.04	112.29	95.41	85.85
8.	Dividend	-	-	-	-	-	-	-	5.00	8.00	15.00	13.00	14.00
9.	Foreign Projects reserve	-	-	-	-	-	-	-	-	-	-	0.00	-
10.	General Reserve	-	-	-	-	-	-	-	40.00	80.00	120.00	160.00	200.00
11.	Other Reserve	-	-	-	-	-	-	-	-	-	-	0.00	-
12.	Reserves & surplus	0.16	-	-	-	-	-	-	44.26	136.94	231.68	311.93	381.51
13.	Net Fixed Assets (Gross block)	0.04	0.09	11.44	728.44	769.63	763.06	611.37	728.05	773.26	869.42	910.50	938.35
14.	Inventories	-	-	-	0.47	0.41	0.91	0.91	0.79	0.50	1.15	0.65	2.30
15.	Foreign exchange earnings	-	-	-	-	-	-	-	-	-	-	0.00	-
16.	Share Capital	15.00	15.00	15.00	158.80	234.40	234.40	320.94	320.94	320.94	320.94	321.09	325.56
17.	Capital employed	13.10	70.57	21.00	313.36	640.17	566.18	533.01	560.47	554.69	550.36	706.08	1,324.98
18.	Government Investment	-	-	-	-	-	-	-	-	-	-	0.00	-
19.	Net Worth	15.16	14.96	13.44	141.60	414.79	187.53	314.91	365.20	457.88	552.62	633.02	707.07
20.	Profit before tax to capital employed	2.06%	-0.51%	-5.48%	-5.02%	-3.05%	-1.77%	7.71%	11.09%	18.18%	17.16%	15.26%	8.76%
21.	Operating margin to capital employed	2.06%	-0.51%	-2.86%	1.35%	2.91%	5.95%	11.74%	21.03%	29.04%	26.53%	24.09%	17.55%
22.	Profit after tax to share capital	1.07%	-2.40%	-7.67%	-9.91%	-5.32%	-4.36%	12.73%	17.49%	31.79%	24.69%	29.71%	26.37%
23.	Expenditure to Income	0.00%	1081.08%	123.06%	52.61%	43.37%	44.31%	45.27%	41.02%	87.55%	58.16%	65.16%	42.43%
24.	Number of Employees	1	16	48	121	158	253	278	332	352	361	369.03	389.00
25.	Income per employee	0.27	0.00	0.05	0.09	0.21	0.23	0.41	0.50	1.01	1.11	0.93	1.04
26.	Foreign exchange earning per employee	-	-	-	-	-	-	-	-	-	-	-	-
27.	Current ratio	1.20	4.62	1.17	0.12	0.43	0.38	1.01	0.75	0.83	0.94	1.08	3.70:1
28.	Debt/equity ratio	-	6.68	11.16	1.06	0.41	1.16	0.88	0.63	0.41	0.27	0.16	0.06
29.	Investments	-	-	-	-	-	-	-	-	-	-	-	-



रेलटेल  
RAILTEL

(A Mini Ratna Enterprise)

**Railtel Corporation of India Limited**

(A Mini Ratna Enterprise)

10th Floor, Bank of Baroda Building, 16 Parliament Street  
New Delhi-110001

Website : [www.railtelindia.com](http://www.railtelindia.com)