



रेलटेल  
RAILTEL

A Government of India  
Undertaking



ग्यारहवीं वार्षिक रिपोर्ट  
Eleventh Annual Report **2010-2011**

रेलटेल कॉर्पोरेशन ऑफ इण्डिया लिमिटेड  
(भारत सरकार का उपक्रम)  
**RailTel Corporation of India Limited**  
(A Government of India Undertaking)

श्री कुलभूषण  
अध्यक्ष  
Shri Kul Bhushan  
Chairman



श्री सुधीर कुमार वशिष्ठ  
प्रबंध निदेशक  
Shri Sudhir Kumar Vasishta  
Managing Director



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



श्री आर.के. बहुगुणा  
निदेशक (एन.पी.एम.)  
Shri R.K. Bahuguna  
Director/Network  
Planning & Marketing



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



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



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



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



श्री भास्कर गुप्ता  
निदेशक  
Shri Bhaskar Gupta  
Director



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



श्री एस.सी. हंस  
म.प्र. / कम्पनी सचिव  
Shri S.C. Hans  
GM/Company Secretary



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# *Vision and Mission*

## **Vision**

To become the preferred telecom solution and services 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 nation-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        | Chairman (from 02.09.2011)                        |
| 1.  | Shri Sudesh Kumar, ML   | Chairman (upto 30.06.2011)                        |
| 2.  | Shri S.K. Vasishta      | Managing Director                                 |
| 3.  | Shri Rajiv Sinha        | Director (POM) & M.D.(addl.Charge from 3.8.2011)  |
| 4.  | Shri RK Bahuguna        | Director (NPM)                                    |
| 5.  | Shri RK Mitra           | Director (Finance)                                |
| 6.  | Shri Naresh Salecha     | Nominee Director                                  |
| 7.  | Shri A.K. Bandyopadhyay | part time non official Director (from 28.07.2010) |
| 8.  | Shri A.K. Sinha         | part time non official Director (from 08.09.2010) |
| 9.  | Shri R.K. Goyal         | part time non official Director (from 26.5.2011)  |
| 10. | Shri Bhaskar Gupta      | part time non official Director (from 26.5.2011)  |

### Audit Committee

- |    |                         |                   |
|----|-------------------------|-------------------|
| 1. | Shri A.K. Bandyopadhyay | (from 4.9.2010)   |
| 2. | Shri Naresh Salecha     |                   |
| 3. | Shri R.K. Goyal         | (from 29.07.2011) |
| 5. | Shri Bhaskar Gupta      | (from 29.07.2011) |

### Regional Offices

1. RGM (Northern Region)  
501-502, Arunachal Building,  
19, Barakhamba Road,  
New Delhi-110001  
Tele 011-23752114 16
2. RGM (Southern Region)  
2nd Floor, B Block, Rail Nilayam  
Secunderabad -500426  
Tele: +91 40 27820429  
Fax 040-27820682
3. RGM (Eastern Region)  
1st Floor, New Koilaghat Building,  
14, Strand Road, Kalkatta-700001  
Tele 033-2218651 to 653  
Fax 033-22138655

### Regd. & Corporate Office:

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

### Website:

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

### Bankers:

State Bank of India

Union Bank of India

4. RGM (Western Region)  
Microwave Complex,  
Senapati Bapat Marg,  
Opp. Ambika Mills,  
Mumbai-400013  
Tele: 022-24923925

**Statutory Auditors:**

K.M. Agarwal & Co.,  
Chartered Accountants,  
36, Netaji Subhash Marg,  
Darya Ganj,  
New Delhi-110002  
Tele: 011-23277049  
Fax 011-23274380

**Branch Auditors:**

**Western Region:**

M K P S & Associates  
Chartered Accountants,  
301, Sanjay Appa Chambers,  
Behind Charat Singh Colony,  
82, New Chakala Link Road,  
Andheri (East)  
Mumbai, Maharashtra-400093  
Tel: 022-65236959 Fax 022-28373182

**Eastern Region:**

G. Basu & Co.  
Chartered Accountants,  
3, Chowringhee Approach,  
Kolkatta -700072 (WB)  
Tele: 033- 22126253 Fax 033-22127476

**Southern Region:**

Laxmi Niwas Neeth & Co.,  
Chartered Accountants,  
402, 4th Floor, Moghul's Court,  
Basheerbagh,  
Hyderabad-500001 (AP)  
Tele: 040-23240700 Fax 040-40100860

**Northern Region:**

K.M. Agarwal & Co.,  
Chartered Accountants,  
36, Netaji Subhash Marg,  
Darya Ganj,  
New Delhi-110002  
Tele: 011-23277049  
Fax 011-23274380

## Directors' Report

Gentlemen,

The Directors have pleasure in presenting their 11<sup>th</sup> annual report together with annual accounts of the Company for the year ended 31<sup>st</sup> March, 2011.

### 2. FINANCIAL RESULTS

2.1 The financial results of the Company's operations for the year 2009-10 is summarized below:

Particulars	₹ in crores	
	2010-11	2009-10
<b>Operating results</b>		
Operating turnover	363.07	399.70
Operating Expenditure	193.01	224.49
<b>Profit before interest, depreciation and tax</b>	170.06	175.21
Interest on loan	11.27	14.79
Depreciation	51.07	47.07
<b>Profit before tax</b>	107.72	113.35
Provision for arbitration claims	-	3.54
Income and fringe benefit tax	0.96	(5.39)
Provision for impairment	(18.70)	-
Prior period tax adjustments (net)	(3.58)	(1.01)
Depreciation adjustment for earlier years	3.93	8.88
Net Profit	96.53	112.30
<b>Appropriations</b>		
Dividend (including interim)	13.00	15.00
Dividend Tax	2.16	2.55
General Reserves (cumulative)	160.00	120.00
Profit & Loss Account (cumulative)	151.93	111.68

During the financial year 2010-11, the Company has earned a recognized income of ₹363.07 crores, against that of ₹399.70 crores during the year ended 31st March, 2010. Railways deposit works segment of recognized income has come down to ₹67.10 Crore in the current financial year from ₹112.68 Crore of previous year.

2.2 The operating profit earned during the year is ₹ 170.06 crores before interest, depreciation and tax as against that of ₹175.21 crores in the preceding year. After providing for interest and depreciation, the net profit before tax amounted to ₹107.72 crores (previous year ₹113.35 crores). The Company declared and paid interim dividend of ₹13 crores in March, 2011. The net surplus has been carried to Balance Sheet after transferring a sum of ₹ 40 crores to General Reserves.

2.3 The total outstanding against loans from Banks and the IRFC Ltd was ₹104.64 crores as at the end of the financial year as repayment of ₹41.84 crores of the loan has been made during the year.

### 3. CAPITAL STRUCTURE

3.1 The authorized equity capital of the Company is ₹1000 crores. As on 31<sup>st</sup> 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 The Company paid interim dividend of ₹8.00 crores in February, 2011 during the year under report. It had also paid dividend distribution tax to the exchequer. The Board also recommended payment of final dividend of ₹5 crores, calculated on pro rata basis considering the profitability of the Company in the previous year and the current year. In fact, the Company is also contributing by way of revenue share to Railways and the total share of such contribution comes to ₹21.08 crores as against such share of ₹13.79 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 2010-11 amounted to ₹160 crores. Besides, the accumulated profit & loss account under the Reserves and Surplus Account was of the order of ₹151.93 crores.

### 7. PROJECTS

7.1 From around 5,000 KMs of OFC which RailTel took over from Railways, as a legacy at the time of formation of the company, the OFC network has grown approx. 37,700 KMs by 31.03.2011 due to untiring zeal of RailTel personnel.

7.2 For expanding the OFC reach within the Country, RailTel is not only executing its own OFC projects but also handling OFC projects for Indian Railway on turnkey basis. In the year 2010-11, 2910 KMs of OFC has been laid.

7.3 During the year, RailTel has also provided STM 1 connectivity at approx. 200 stations so that Indian Railways could provide commercial service like UTS (Unreserved ticketing system), PRS (Passenger Reservation System), in addition to meeting their operational requirements.

7.4 This network is equipped with multiple STM 16 (capacity of over 30,000 voice channels) rings for providing premium service to its customers at more than 600 locations. STM 1 (capacity of approx 1900 voice channel) connectivity is also provided at all Railway Stations, though which the OFC passes. This is primarily to cater to Railways operational & commercial requirements. At certain important location services to outside customers have also been provided through this connectivity. As of 31.03.2011, connectivity at 234 important & 3684 other stations has been provided.

7.5 In order to tap market requiring high Bandwidth RailTel has commissioned DWDM (Dense Wave Division Multiplexing) over 10,000 KMs of its network. This is covering RailTel's network in Southern & Western India. This has been expanded and lighted with additional bandwidth for providing high capacity requirement of one of the multinational TELCO.

7.6 Boardband and Internet connectivity to all Railways Zonal and Divisional Headquarters has been extended on MPLS (Multi Protocol Level Switching) data network at 120 locations with approx. 1200 mbps aggregated capacity.

7.7 A soft Switch has been installed and different Telecom operators have been connected to it. This has been done so that STD traffic between various parts of the country could be carried on RailTel's network. The same soft switch has also been used to connect Railway's different captive exchanges for providing seamless connectivity.

## **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) There is no recognized staff union in the company. However, cordinal industrial relations were maintained with the staff during the year.
- ii) As of 31.03.2011, there were 360 regular employees on the rolls of the company including 87 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 works, specialized institutions were availed of, providing 512 man-days of training to its staff.

## **10. VIGILANCE**

10.1 This year our emphasis has been on preventive vigilance and system improvement rather than punitive vigilance.

10.2 Vigilance Awareness period was celebrated in corporate office as well as in the Regional offices of RailTel from period 6th September, 2010 to 17th September, 2010. MD/RailTel administered the pledge to all the RailTel officials in the corporate office.

10.3 In order to make speedy payment to Contractors and to bring transparency in business dealings, the RTGS (Real Time Gross Settlement) is introduced in the organization.

## **11. EMPLOYMENT OF WOMEN, USE OF OFFICIAL LANGUAGE ETC.**

11.1 There is adequate representation of women employees in the Company. Further, the Company is following the guidelines of the Official Language Act. The annual report is published bi-lingual in English and Hindi. The Company would progressively increase the use in Hindi in accordance with the official language policy of the Government. The officers and staff possess working knowledge in Hindi for their day to day working.

11.2 Company celebrated “Hindi Pakhwada” during 6<sup>th</sup> September, 2010 to 17<sup>th</sup> September, 2010 during which an Exhibition was organized, Essay & Quiz competitions were held. Company has started publishing a monthly Hindi Magazine “Darpan”. This covers both Technical and General topics which are contributed by all officers and staff. The magazine is also available on RailTel's website.

11.3 The Company also observed “Quami Ekta Week” (National Integration Week) from 19<sup>th</sup> to 25<sup>th</sup> November, 2010.

## **12. 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.

## **13. 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 appointed by the Government of India draw 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.

## **14. 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 2010-11.

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

15.1 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 to conserve energy by installing CFL tubes in office premises and other gadgets having 3 to 5 star ratings etc.

During the year, the Company incurred a total expenditure of ₹ 5.55 crores (previous year ₹ 6.01 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).

The Company has not earned foreign exchange during the year under report. The Company incurred an expenditure of ₹1071 lakhs (previous year ₹136.94) on account of payment towards capital goods and ₹ Nil lakhs on others (previous year – ₹ 8.51 lakhs) in foreign currency during the year.

## 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. PRESIDENTIAL DIRECTIVE

There has not been received any presidential directive by the administrative Ministry during the year.

## 18. 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 deference to the spirit behind the law appointed Public Information Officers to take care of the compliance of Right to Information Act, 2005.

## 19 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, 2011, and the same are replied/dealt with as under:-

Observations of Statutory Auditors on 2010-11 Accounts	Management Replies
(a) Sundry Debtors, Loans and Advances and Current Liabilities include ₹11790 lakhs receivable from ministry of Railway and ₹4678 lakhs payable to ministry of Railway	The Company is regularly writing to Zonal Railways and Ministry of Railways with details for payment of

Observations of Statutory Auditors on 2010-11 Accounts	Management Replies
<p>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>(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.</p>	<p>outstanding showing under Sundry Debtors, Loans and Advances and Current Liabilities</p> <p>Letters for balance confirmation has been sent to all Sundry debtors in the current financial year 2010-11. Efforts for reconciliation of current liabilities of all major parties will be made for completion within the current financial year.</p>
<p>During the year accounting policy in respect of income from STM-4 provided to Railways has been changed from approval basis to accrual basis and this has resulted into accounting of additional income of ₹2573 lakhs (Note No. 9)</p>	<p>This has been carried out as per the last year observations of Statutory Auditors and as per the normal accounting practice on accrual basis.</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 (Note No. 28)</p>	<p>Action for qualification of impact of VAT has been initiated through circular to Regions, so that the liability on this account is accounted within the current financial year.</p>
<p>In respect of the services where service tax is being levied on the bills, there are material discrepancies between the taxable income as per books of account, taxable income as per service tax returns and taxable income based on total collection received from customers which are under reconciliation. Liability if any arising on the non-collection, reconciliation and adjustment thereof and its impact on the financial statements is unascertainable (Western Region)</p>	<p>The same has been reconciled and an difference amount of ₹50.60 lakhs has been paid.</p>
<p>Non transfer of Short Haul STM-1 and primary multiplexing equipments, to the Railway costing ₹994 lakhs (Written Down Value of ₹515.42 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. This has resulted in non accounting of the same in the current year (Note No. 4).</p>	<p>The balance transfer of ₹994 lakhs is being perused with the Railways.</p>

Observations of Statutory Auditors on 2010-11 Accounts	Management Replies
<p>During the year depreciation of ₹62.92 lakhs has been charged to Profit &amp; Loss Account on the STM-1 Equipments being used by the Railway.</p>	<p>Since these equipment's were part of Company's Assets and are not yet transferred to Railways, the depreciation has been charged to P&amp;L account.</p>
<p>Non Transfer of Short Haul STM-1 and primary multiplexing equipments created by the Company to the Railways, as required under clause 3.1.5. of the agreement” as value has not been determined by the Company, the impact could not be ascertained (Note No. 4)</p>	<p>Most of the equipment's has already been transferred to the Railways; transfer of balance equipment's will be perused 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.</p>	<p>The Company is in the process of taking insurance to cover its assets.</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>All the assets purchased from Railways or from outsiders are considered as new and depreciation is being charged as per the policy of the Company.</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 has not been provided due to uncertainty in the amount claimed by the employees. The same will be provided as and when claimed by the employees.</p>
<p>The Company has made a provision of ₹1870 Lacs for losses arising out of impairment of Assets on an adhoc basis. In the absence of any accepted policy/detailed working in this regard the adequacy or otherwise of this provision cannot be established. (Note No. 30).</p>	<p>A GM level committee was appointed for the review of the impairment. Committee has finalized. Committee has finalized its report and management decide to provide an estimated amount of ₹18.70 Crore for the current financial year in addition to already existing ₹8 Crore. The Company will identify the impaired assets item wise, place/Region wise within the current financial year 2011-12.</p>

## 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:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- b) that the Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for prevention and detecting fraud and other irregularities; and
- d) that the Directors have prepared the annual accounts on a going concern basis.

## 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 on 15<sup>th</sup> December, 2010 in a ceremonial function held at Vigyan Bhawan, New Delhi.

21.2 The company hopes to get "Good" rating during the year under review i.e. 2010-11

## 22. PUBLIC SECTOR DAY

India Corporate Week during 14<sup>th</sup> December, 2010 to 21<sup>st</sup> December, 2010 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 K.M. Agarwal & Co., Chartered Accountants of New Delhi as Statutory Auditors of the Company to audit the annual accounts for the year ended 31<sup>st</sup> March, 2011. 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.	G Basu & Co.	Eastern Region
3.	Laxminiwas Neeth & Co.	Southern Region
4.	K.M. Agarwal & 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 ₹9.75 lacs including out of pocket expenses upto ₹0.90 lakhs.

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 2011-12 as and when appointed.

## 24. COMMENTS OF CAG

24.1 The comments of the CAG on the accounts of the Company for the year ended 31<sup>st</sup> March, 2011 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, two Govt. Nominees including the part time Chairman and four time non official Directors. Out of four, two part time Directors namely Shri R.K. Goyal and Shri Bhaskar Gupta have joined the Board on 26<sup>th</sup> May, 2011.

25.2 The Board met six times for transacting business during the year 2010-11.

25.3 Shri Sudesh Kumar superannuated from services on 30<sup>th</sup> 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 and the syndicate of banks led by State Bank of India in extending cooperation and timely financial support to the Company.

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)

D/POM & Managing Director

Dated: 26.08.2011

Place: New Delhi

## Annexure to the Directors' Report

### 1.0 MANAGEMENT DISCUSSION AND ANALYSIS REPORT

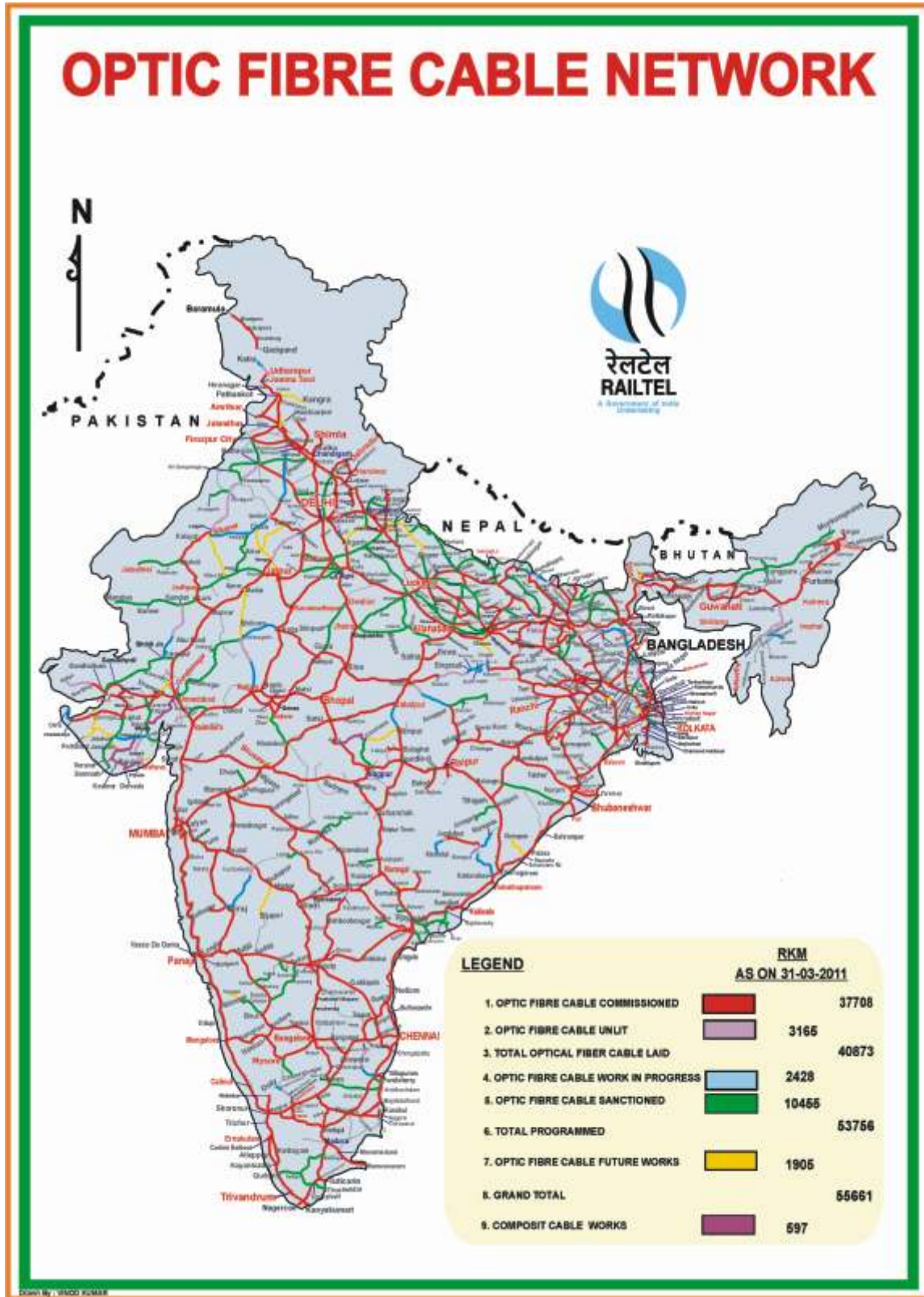
#### Industry Structure and Development:

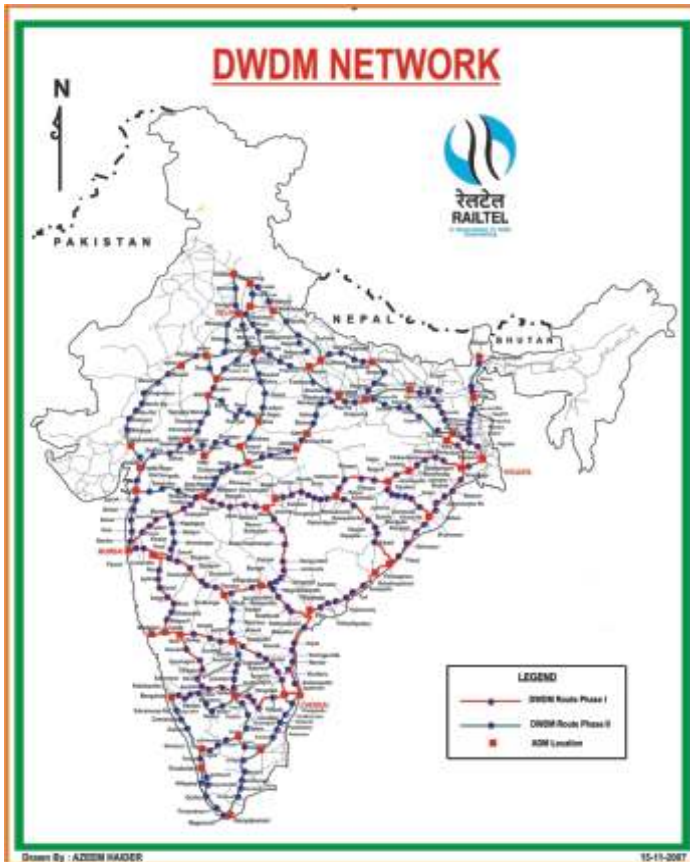
RailTel Corporation of India Limited was created in Sep 2000 with an aim to support coming up Mobile Telecom Service providers as well as provide Broadband services in the country specially in the rural and remote corners of the country. It was also to modernize telecom infrastructure of the Railways. Your company has since embarked on this path as well as to fulfill the objectives laid down in national Telecom Policy 1999.

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 846.32 million in March 2011 implying a teledensity of 70.89%. Wireless subscribers have increased to 811.59 million by the end of March 2011, registering a growth of 36.22% over the same quarter of last year. Wireless teledensity stood at 67.98%. The growth of broadband subscriber base in India has hitherto been below expectations. The broadband subscribers have grown from a meager 8.75 million as on March 2010 to about 11.89 million as on March 2011. It is analysed that fixed line broadband has shown lower than expected growth as almost 30% - 40% of total 34.73 million fixed line connections are not capable of supporting broadband services. The internet usage in India is also low by world standards. In 2011, the estimated number of internet subscribers is about 19.67 million apart from 381.40 million wireless subscribers who have subscribed to Data services. The dominant access technology is DSL accounting for 86.09% market share followed by Cable Modem at 5.97%. Fibre access share is still less being 0.20%. The wireless access share is also currently very less at 2.59%. As per Consultation Paper No. 09/2010, of TRAI, the desirable targets leading up to 100 million connections by 2014 have been mentioned, which are based on 5%, 20% and 40% households having broadband connections by 2010, 2012 and 2014 respectively. Similarly, there is target of achieving a rural teledensity of 25% by means of 200 million rural connections by the end of Eleventh Five Year Plan (2007 – 2012) which creates lot of opportunity for RailTel.

#### Network Strength

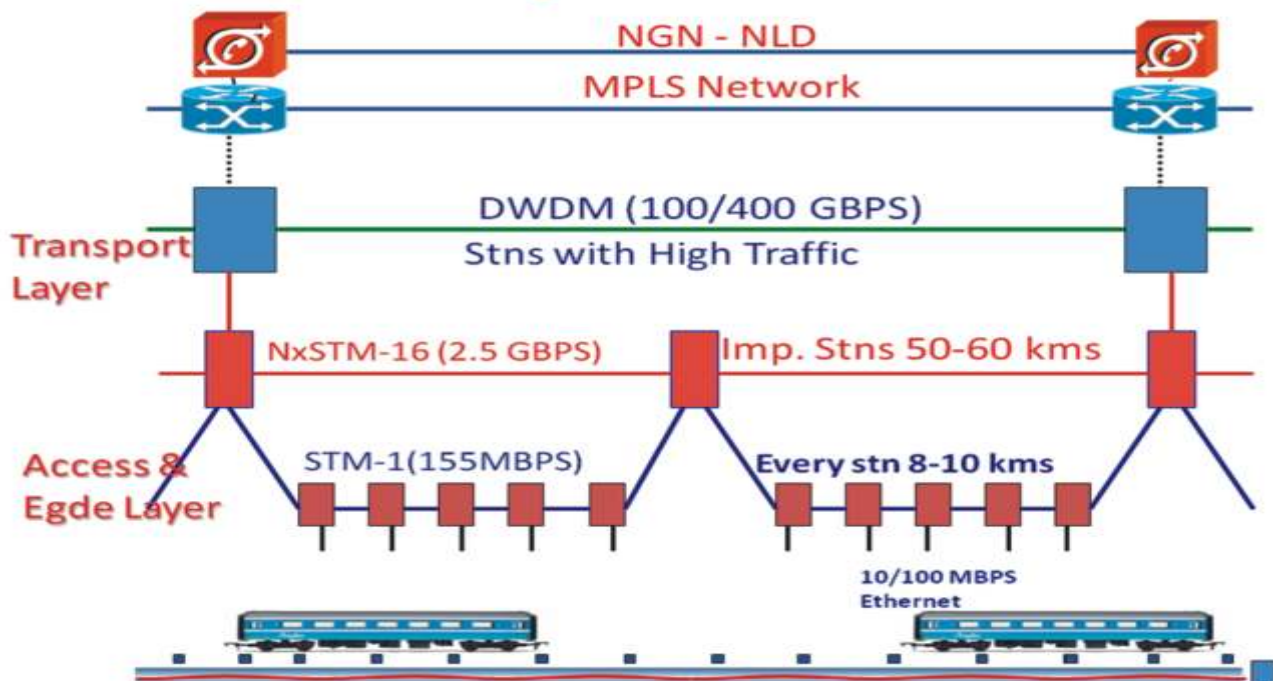
RailTel has exclusive seamless Right of Way (ROW) along 63,000 KM of Railway Track passing through 7000 stations across the country. Using this ROW, about 40873 KM of OFC has already been laid and over 37708 KM has been commissioned thus connecting 3918 stations till March'11. Works on another about 10000 KMs are in various stage of completion. The network diagram showing details of OFC laid, under progress and proposed is given on next page:





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 2012.

## OFC System Architecture

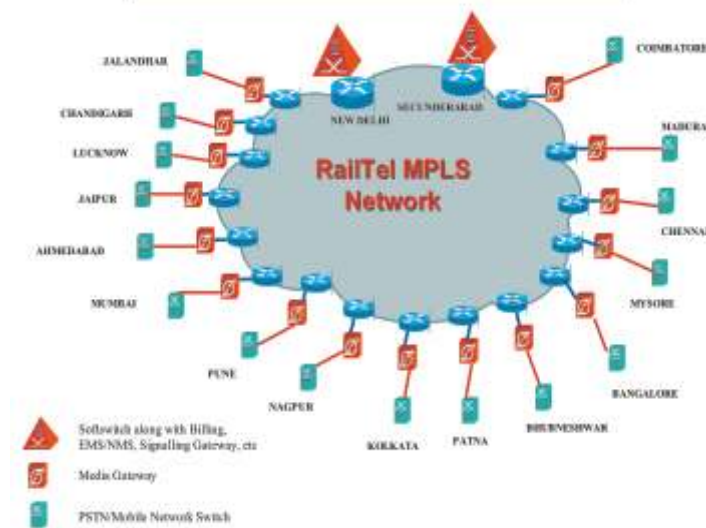


### MPLS- IP & NGN network

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

Staying “Connected” has become a basic requirement of every business and individuals alike. 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 and potential in various services that it offers.

### Bandwidth Leasing

During the year, 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 planned to develop high bandwidth streams so

as to achieve economy of scales to lower per unit bandwidth cost and also focus on bulk BW leasing. This shall enable RailTel to sell higher bandwidth capacities at lower tariff in line with industry expectation as well as bringing higher revenue through volume sales.

With this approach RailTel has been able to partner with all new Telcos who offloaded their maximum inter-city lease line requirement to RailTel. The confidence on RailTel's services had propelled these operators to sign long term IRU based agreement thereby ensuring long term commitments from the Telcos in this highly competitive market.

### **MPLS VPN**

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 introduced its Layer-3 and Layer-2 MPLS VPN with fully managed service and defined SLA parameters. RailTel has also developed the model of Account Managers for each of the targeted customer segment who interacts with the customer on regular basis for all new requirements.

This has resulted in attracting customers from various categories including Government, Corporate, Enterprises and specially the Banking Institutions in a big way. During the year, RailTel was able to bring most of the leading banks and Financial Institutions on to this network by leveraging its effective and unmatched policy of R3: Reach, Reliability and Rates.

### **Dark Fiber & MSOs**

During the last few years the market of Cable TV services in India have grown exponentially creating a major sector of bulk network requirement. The growth seen initially had been on analog systems which incidentally have shown major migration towards digital services during the year by all MSOs (Multi Service Operators). The migration has been largely to address the problems of capacity constraints and customer satisfaction against the DTH operators.

RailTel had over the last few years have supported MSOs by way of leasing dark fibers on its intercity and intracity routes which provided them with the advantage to address a larger market in the country. Understanding the complexities of MSO's business model, RailTel provided them with the option of long term and short term leasing of the Dark fiber thereby not only ensuring MSOs to sustain their businesses but also ensuring committed revenue to RailTel. With the inherent advantage of minimal outside interference on RailTel's fiber and proactive maintenance support on these fibers have ensured these MSOs to remain faithful to RailTel's services.

However with migration to the digitalized platform by choice as well as regulated by TRAI, this sector has become a major bulk bandwidth consumer even ahead of 3G or BWA players. 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.

## Managed 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 started offering managed site collocation services to these Telcos which has transformed into enthusiastic results for RailTel. New Telcos have also started collocating their MSC sites at RailTel's location which gives inherent advantage to RailTel in providing bandwidth services as well to these Telcos.

## ISP Services

RailTel is providing nationwide Internet services on its state of the art MPLS backbone. During the year there has been tremendous pressure on Internet tariffs due to falling prices. However, despite several challenges, RailTel has been able to maintain a healthy growth in this segment. Major customer segment includes ISPs, Educational Institutions and various Government departments. For IBW service, RailTel follows multiple marketing models including direct selling, franchisee model and revenue share arrangement. These arrangements ensure faster service delivery and providing managed services through its partners and franchisee.

## NLD Voice Services

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. During the year, NLD backbone of RailTel has been rolled out in 54 cities covering all major circles of India. RailTel has completed signing Interconnection agreement with all operators in the year using which RailTel will be able to carry calls to even to the remote and rural parts of the country. 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.

During this year your company has been empanelled as one of the three major NLD operators by MTNL for carrying over 250 millions minutes of voice traffic per month. The traffic have been started routing through RailTel and is growing gradually as per MTNL's requirement. In addition, new operators have also shown interest in RailTel's services and is expected to be finalized this year.

## 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 also facilitates network for real time train information system, displays at stations, centralized announcements, telephonic enquiry etc. at Railway stations. Railways Accident Relief trains are equipped with VSAT terminals and videography equipment. In case of any disaster, the live videos from site are transmitted through VSAT to central hub in IRPMU, Delhi; which are in turn is transmitted to concerned Divisional HQrs. of Railway on RailTel's MPLS network using multicast for informal management decision. RailTel also facilitates integrating Railway's other networks like FOIS, AFRES, COIS etc.

Further, RailTel has also facilitated for Mobile CUG connections for 130,000 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.

Further, during last year 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.

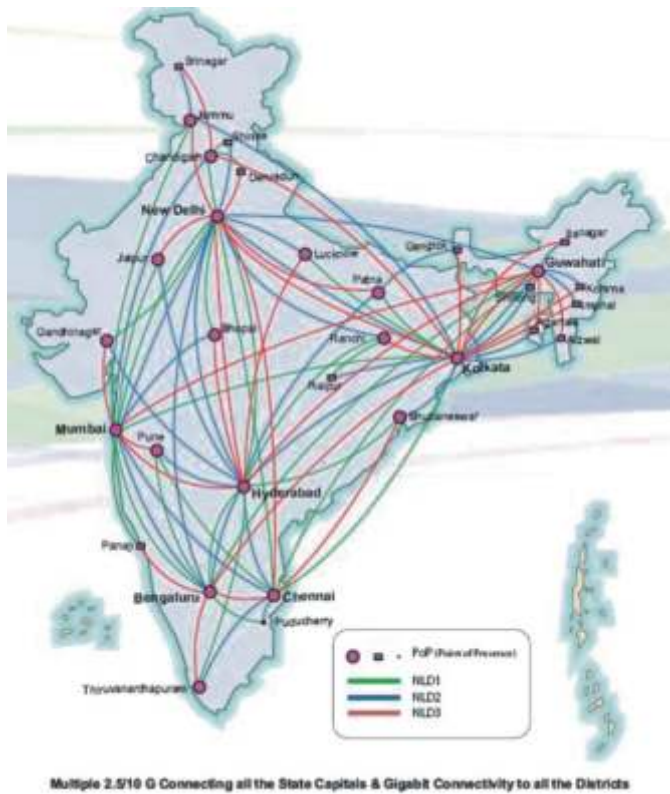
RailTel has participated to pilot a demonstration of WiMAX based broadband service deliver platform on moving trains with Southern Railways. The Pilot Project has utilized the backhaul as well as internet bandwidth of RailTel to deliver the same Onboard. Once successful and adopted on large scale such mobile broadband services shall help Railways in implementing Onboard E-ticketing relating onboard, surveillance apart from internet and video content services for passengers.

RailTel has also participated in a Pilot Demo Project to demonstrate optical fiber based sensing technology with a industry partner, under the direction of RDSO, Lucknow, to demonstrate efficacy of optical fiber based sensing technology providing following operating benefits to Indian Railways.

- To detect digging/excavation of earth near cables, so as to alert maintenance staff, preventing asset failure.
- Train tracking and train actuated warning system for level crossing gate for road users.
- Flat wheel detection etc.

Once adopted on large scale such systems are likely to improve operational performance of the Railways and also enhance security environment.

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.



### Creating Knowledge Society

National Knowledge Commission, a high level Advisory Body to the Prime Minister of India, envisaged establishing the National Knowledge Network, with multiple Giga Bit Bandwidth, to connect Knowledge Institutions across the country. The fruits of labour by RailTel and other partners were finally realized when Shri Kapil Sibal, Union Minister for Communication and Information Technology (C&IT) launched the Logo and Website of the NKN on 5<sup>th</sup> Feb 2011. He said we need to work even harder to reap the benefits of this kind of network and put it to the use of the children and people in the remote parts of India.

National Knowledge Network (NKN) envisages connecting all higher centres of learning and research by bringing together all stakeholders from science, technology, higher education, healthcare, agriculture and governance to a

common platform. Initially, the decision to set up NKN was announced in 2008-09 with an allocation of ₹100 crore to the Department of Information Technology, Ministry of Communications and IT. Hon'ble President of India, Smt. Pratibha Devisingh Patil inaugurated the NKN on 9<sup>th</sup> April, 2009. Since then this vision has translated into a concrete implementation plan with approval from Cabinet in March, 2010. An outlay of ₹5,990 Crore has been approved for this project and it shall be implemented over a period of next two years and operated for over next 10 years.



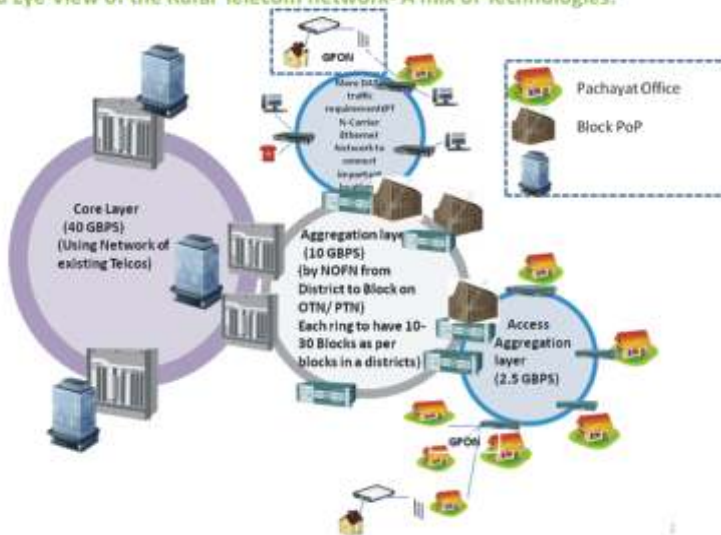
As per the network plan NKN shall have 84 Core links of 10 Gbps across 33 locations (state capitals & important cities), 600 Distribution links of 2.5 Gbps at District level and access links of 1G/100 Mbps capacity at 1500 locations (important institutions, universities). The network architecture and governance structure shall allow the participating institutions an option to connect to the Distribution layer through a last mile

connectivity bandwidth, which shall be built by RailTel, BSNL & PGCIL. During the year, RailTel has provided 26 Core links and 89 Access links to operationalise the network. Under the project, RailTel is slated to execute links worth ₹900 Cr. approx. by next year.

### Democratizing Information through Broadband to Panchayats

Democratizing information to improve governance and service delivery at the Panchayats through increased efficiency, accountability, transparency, collaboration, skill upgradation of communities at grassroots level functionaries, management and greater decentralized decision-making, is the need of the hour for the country. And in this process Broadband shall be the enabling technology by leveraging the benefits of Broadband connectivity, associated infrastructure such as computer hardware, software for applications in health, agriculture, education etc, and trained human resource will have to be created to enhance the governance system at the Panchayats.

Bird Eye View of the Rural Telecom network- A mix of Technologies.



In this effort, RailTel has digitalized its entire OFC core network on GIS platform and the analysis clearly shows that with the kind of reach and access provided by RailTel owned Core Optical Fibre Network. This Core OFC network has one of the largest presences in rural India with 7448 Panchayats in the vicinity of RailTel's Point of Presence (PoPs) within 3 KM radius and 1.5 Lac panchayats can be reached using RailTel PoPs within a radius of 20 KMs. Hence this vast OFC network can be leveraged by further laying of OFC to those Panchayats which are relatively nearer to RailTel PoPs.

A core team from RailTel, BSNL, PGCIL, CDOT & NIC has prepared a DPR to bring-out the scheme for creating National Optic Fiber Network in the country. The committee in its report has brought out the synergy that can be utilized between various operators for creation of this network incl. the issues of interconnection and seamless working. In addition, the committee has also brought out revenue generation potential with clear business plan and architecture of the whole setup. The report is under active consideration of High Level Committee after which it shall be placed for the approval of cabinet. RailTel shall be one of the active member for finalization of the NOFN in the country.

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

During the year, RailTel achieved another milestone by bagging the prestigious project from USOF/DoT for laying of fiber in 6 states of North-East for creation of intra/inter district network connecting all DHQs and SDHQs in the respective States. In this regard, a two Tender each for NE-I (Mizoram, Tripura, Meghalaya) &

NE-II (Arunachal Pradesh, Manipur & Nagaland) was floated by USOF in February 2011. RailTel had participated both the tenders in competition with M/s BSNL in which RailTel's offer was selected as L1 with the quote of ₹89.50 crore (against the benchmark subsidy rate of ₹89.93 Crores) in NE-I tender and with the quote of ₹298.50 crore (against the benchmark subsidy rate of ₹315.79 Crores) in NE-II tender.

The program envisages to lay OFC cable (at least 24 F underground) and provide minimum 2.5 Gbps bandwidth capacity upgradeable 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 7 years. The bandwidth so created has to be shared up to 70% with other Service Providers at prescribed rates i.e. 88% under NE-I and 73% in NE-II discounted over current TRAI rates over the agreement period. RailTel can use upto 30% of the created bandwidth for its own purpose. The whole project has to be completed within 24 months timeline from the date of signing of agreement.

This project provides RailTel with the inherent strength of being the sole operator in all the six states of NE region reaching . This shall also enable RailTel to have preference over any other agency to be part of various E-Government initiatives (both National & State) to provide network like NOFN, E-Health, E-education, SWAN, etc. The successful execution of this work will also provide RailTel with the opportunity to spread its network at a subsidized cost outside the Railway RoW specially when NE has lower Railway penetration.

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

RailTel on the strength of its network is aggressively pursuing various bandwidth requirements in Government departments in the field of Broadband to Panchayats, e-Education, e-Health, Defence Communication Network, UID Network, NDMA, etc.

In addition RailTel has been entrusted with two PPP projects as envisaged during the Rail Budget 2010. Minister for Railways had announced to take up the projects of Broadband and OFC roll out using Railways/RailTel's infrastructure across the country on PPP mode.

- “Para 125. Optic Fiber Cables- Indian Railways already has a network of 37000 RKM of optic fiber cables and work on adding another 12000 RKM is in progress. The balance 15000 route RKM is proposed to be taken up through PPP route, thus covering the entire Railway network.
- Ministry of Railways has proposed that PPP partners shall utilize RailTel's OFC & IP infrastructure to extend Broadband service including Railway infrastructure on PPP basis.

RailTel is the executing agency for both the PPP project. The projects are envisaged to be completed in next 2-3 years. RailTel has already initiated the process of identifying PPP partners for each of the project by competitive bidding.

### **Strengths**

RailTel has been recognized as a leading Telecom Infrastructure Company in the country, which has great work culture of Indian Railways of taking up complex projects and delivering timely and quality telecom services.

RailTel's biggest strength is its exclusive access to 63000 route kms of seamless and secure right of way of Indian Railways passing through 7,000 stations, most of which are in rural and remote areas. Your company built a positive image among its various customers having developed capability to roll out services well within assured timelines. RailTel's network is regarded as very reliable, high capacity and secured telecom networks. Due to its excellent rural coverage, where the future of telecom market resides, RailTel has an inherent strength with its network. This makes it a natural partner with various Government organisations, requiring creation of a rural telecom infrastructure to deliver their services. RailTel also has a unique strength of having access to physical infrastructure like Railway land/ spaces, assured power supply at each station apart from secure right of way. It also has 1000 Microwave Towers of Indian Railways, ready for the usage by telecom operators for rolling out their services. RailTel has created its optical fiber network by having point of presence (PoP) at each of the station, spaced at every 8 to 10 Kms, thereby having presence virtually in every important block/town/city. RailTel is one of the very few telecom company in the country which is a neutral player in telecom space and thus, provides services to all Telco's of the country, who have threat from RailTel in regard to their core business area.. Bandwidth utilization has also considerably improved and out of the 457.5 Gbps, the capacity utilization has been more than 80%.

### **Weaknesses**

The weakness of RailTel includes some natural disadvantages like its CORE networks is laid along the Railway track and have limited last mile access connectivity within cities/town etc. The telecom market is seeing a continuous fall in the tariff for various services and to keep in line with falling various, your company though tries its best, but find itself lagging the private sector promptness, who being main carriers decide about these tariff and try to work on marginal costing basis. There are capacity constraints on many sections because of which customers asking for large capacity links on these sections can not be served till network is upgraded. Of late customers are demanding end to end solutions especially in the area of VPN as well as managed services, which need to be developed in the company. The company business is highly dependent on mobile telecom operators, whose revenue are under stress due to price war as well as falling ARPU. Further, RailTel being a Government PSU has an inherent drawback associated with it is a slow acting organization, though all efforts are made to live up to the expectations of the customer. The company is into telecom service industry, where quality skill sets are difficult to retain, and with the remuneration policy, may not attract the best talent. RailTel works like a project organization and still evolving itself into market organization, which is a requirement being a business company.

### **Opportunities**

With the auction of 3G and BWA spectrum, now there is going to be a heavy demand for Gigabit bandwidth pipes, as Telco's roll out 3G mobile networks as well as Broad band services. Hence, there seems to be a good opportunity for the company to get a large share of BW market. Banking sector has also started implementing Core bank solutions, requiring secured and fiber based BW pipes.

With lot of Government efforts coming up in creating a knowledge economy, lot of emphasis has been given in creating and strengthening national knowledge network, wherein RailTel is already a partner. Thus, this

shall bring good business. Government is also working on a project of connecting 2.5 Lakhs panchayats on optical fiber cable, this is also a huge opportunity for the company. Various other projects of Government like data connectivity for Unique ID project and data connectivity for E-health and E-education are other areas of new opportunities.

## Threats

The telecom sector has seen the fiercest possible competition with entry of several new telecom operators. The tariffs have shown a very steep decline. The discounts which were earlier in the range of 20-40% in 2008-09 have been much higher even touching 80% now. Low tariff was due to entry of newer telcos and the older expanding their own networks which has caused our revenues from IP2 services lowering despite nearly 12% increase in growth in terms of capacity lease.

Falling bandwidth prices and difficulty in competing with telecom carriers who have integrated/created their own OFC network is a big threat, as later or sooner they will shift the bandwidth to their own network from RailTel. Other threats are, Fast pace of technological obsolescence, poor delivery mechanism for services to customers and inherent limitation in network rollout outside railway areas. Similarly delay in making RailTel a marketing oriented organisation is also hampering direct marketing efforts.

## Strategies

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 planned to develop high bandwidth streams 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 for providing complete network solutions to various Government projects which are generally high volume projects thus enhancing Revenue streams.

## Operational and Financial Performance

Despite all the turbulence in the Telecom market during 2010-11, RailTel has managed to perform beyond expectations. During the financial year 2010-11, total revenue earned by RailTel is ₹360 Crs, a decline of approx. 10% only than the previous year despite steeper fall in tariffs and surrenders during the year. The operating profit earned after tax during 2010-11 has been ₹110 Crs. almost equivalent to profit of last year of ₹ 112 Cr. RailTel has also paid an interim dividend of ₹8 Crs to Ministry of Railways.

The utilisation of RailTel's network has increased considerably. RailTel has leased 30078 E1s (59 Gbps) by end of 2010-11, as compared to 26900 E1s (54 Gbps) leased during preceding year, which constitutes an increase of 12% in comparison to previous year. In business activity a total major number of Bandwidth customers increased to 122 from 110, hiring a total of 59 GB of Bandwidth in 2010-11. Internet Bandwidth customers increased to 195 from 184 and total business grew to 2340 Mbps from 675 Mbps in the preceding year.

During the year 2010-11, 3153 RKms of OFC was added, making the network length to be 40873 Rkms long. Total number of stations now on OFC network has increased to 3918 from 3747 till 31<sup>st</sup> Mar, 2011. Simultaneously, continued progress has been made in commissioning of Long Haul back bone and 4403 RKms of STM 16/STM 4 has been added during 2010-11, adding to a total of 55617 RKM of backbone network.

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 diversification business plan, The target for the year 2011-12 is to achieve a total OFC network of 45000 RKM, increasing short-haul PoPs to 4500. Total E1 capacity is expected to be leased shall increase to 32000 by the end of 2011-12. During the year 2011-12, RailTel shall also commission DWDM network in the northern part of the country with initial capacity of 100 G. The TDM Bandwidth customers during the current year are likely to reach a figure of 150 with capacity of 65 GB. During 2010-11 the internet business is expected to reach a figure of 3 Gbps.

## **Outlook**

NKN and harnessing USOF for connecting about one lakhs panchayats is another major initiative taken by the Railways through RailTel. Two major PPP initiatives have been taken by the Railway Board regarding Broadband and for extending the OFC in the balance 12000 route kms where neither the Railway nor the RailTel had any plans in the foreseeable future to lay its own OFC. The DPR along with concession agreement for Broadband PPP project have already been sent to PPPAC for approval. The process of bidding for the project will subsequently be started using the online bidding platform as done during 3G/BWA.

Company has made several core and Access links available for the NKN (National Knowledge Network) which is a project of national importance. RailTel shall strive to provide more Access and Distribution links to NKN with the mandated capacity so as to ensure timely implementation of the network.

## **Human Resources**

Your company had evolved unique practices in human resources over the last few years. 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.

The performance evaluation criteria have been worked out based on Key Result Areas (KRAs) clearly stating the objective and the bench mark performance. This includes weightage to each of the key area. 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**

Your company is under process for identifying areas where it can play important role in bringing valuable change in the society. RailTel envisages investing in areas of bridging social divide by providing IT kiosks with free broadband connection in some remote village/panchayats as per the Govt. of India plan under NTP. These proposals are under consideration and are expected to be finalized in this year.

### **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, and 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. 10 inspections were carried out at different Regions & territories. Apart from this 11 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.

Vigilance Awareness Week was celebrated in corporate office as well as in the Regional offices and Territorial offices of RailTel from period 25th Oct to 1<sup>st</sup> Nov 2010. 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 31<sup>st</sup> March, 2011, is ten: consisting of four 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)

### 2.2 Strength of Independent Directors

There are independent directors, and the tenure of appointment is 3 years from the date of appointment. Two part time non official Directors have recently been appointed by the Government of India and filling up of two vacant posts of such part time Directors.

In addition, two part time official Directors (Nominees from the Ministry) including the part time Chairman are on the Board of the Company. Since the services of the Chairman had been superannuated on 30<sup>th</sup> June, 2011, the filling up of the post of the Chairman is under consideration of the Govt. of India.

### 2.3 Change in Whole- time Directors

There are no changes in the whole time / functional Directors during the year.

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

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

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 28<sup>th</sup> July, 2010 and 8<sup>th</sup> 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 26<sup>th</sup> May, 2011.

### 2.5 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 (including RailTel) excluding Directorship in private companies	Total No. of Committee memberships held including RailTel (excluding private companies)	
			As Chairman	As Member other than Chairman
	Chairman – Part-time (official)	<b>1</b>	<b>NIL</b>	<b>NIL</b>
S.K. Vasishta	Managing Director – Whole – time	<b>1</b>	<b>NIL</b>	<b>NIL</b>
Rajiv Sinha	Director/Projects, Operations & Maintenance (whole time Director)	<b>1</b>	<b>Nil</b>	<b>Nil</b>
R.K. Bahuguna	Director/Network Planning & Marketing (whole time Director)	<b>1</b>	<b>NIL</b>	<b>Nil</b>
R.K. Mitra	Director /Finance (whole time Director)	<b>1</b>	<b>NIL</b>	<b>Nil</b>
Naresh Salecha	Part time official Director	<b>1</b>	<b>Nil</b>	<b>Two</b>
Dr. Anup Kumar Bandyopadhaya	Part time non official Director	<b>1</b>	<b>One</b>	<b>Nil</b>
A.K. Sinha	Part time non official Director	<b>1</b>	<b>Nil</b>	<b>One</b>
R.K. Goyal	Part time non official Director	<b>1</b>	<b>Nil</b>	<b>One</b>
Bhaskar Gupta	Part time non official Director	<b>1</b>	<b>Nil</b>	<b>One</b>

### Ceased to be directors during 2010-11 and thereafter

	Whole-time / part-time official / independent	Members of the Boards of public companies (including 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 R.C. Adwal, ED/Tele, Ministry of Railways (held office from 08.08.2007 to 01.07.2010)	Part-time (official)	<b>1</b>	<b>Nil</b>	<b>1</b>

**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 2/3<sup>rd</sup> 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 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.

**(ii) Mr. S.K. Vasishta, Managing Director  
(w.e.f. 03.07.2007 (FN))**

Shri Sudhir Kumar Vasishta (age 59 years – Date of birth 13.09.1951).

He has had an illustrious carrier and prior to joining RailTel, he was working as Chief Signal & Telecom Engineer, Northern Railways. In his capacity as CSTE of Northern Railways, Eastern Railways and North Western Railways, he had been closely associated with planning, commissioning and maintenance of many major Signaling and Tele communication Systems.

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.

**(iii) 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 IRCON. Joined RailTel in August, 2005 and promoted to Director/POM in October, 2006. The assignment handled by him relates to projects, operations and maintenance of telecom assets of the Company spanning more than 30,000 RKM on railway route track. 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.

**(iv) Shri R.K. Bahuguna, 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 25 years of experience in the field of electronics and communications. He is associated with RailTel since October, 2001

and is 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.

**(v) 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.

**(vi) 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 was in Mumbai for a long period. He was Senior Deputy Director General of Shipping at Mumbai for five years. He is B.Com (Hons), MBA and LL B qualified personnel.

**(vii) Shri R.C. Adwal, part time official Director  
(w.e.f. 8.08.2007 till 01.07.2010)**

Mr. Adwal is an IRSSE officer and has served in various capacities in Indian Railways mostly in the field of computer communication. He is presently working as Executive Director (Telecom) with Ministry of Railways. He deals with policy relating to telecommunication in Indian Railways. He is a graduated Engineer in the field of Electronics & Communication from NIT, Kurukshetra.

**(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 31<sup>st</sup> 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 from IIT Delhi and B.Tech. (Civil) from IIT Delhi. 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 30 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.

Dr. 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

**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 2010-11**

				₹in lakhs
S.N.	Name of the Directors S/Shri	Salary & Allowances	Other benefit and Perks including lease accommodation	Total
1	SK Vasishta	14.40	8.17	22.57*
2	Rajiv Sinha	13.74	10.47	24.21
3	RK Bahuguna	15.44	10.52	26.05
4	RK Mitra	13.16	10.74	23.90
	Total	56.74	39.99	96.73

\*MD's remuneration excludes perks amounting to ₹5.1 lakhs approx. yet to be claimed by MD for the year 2010-11.

No stock option has been made available or offered by the Company during the year 2010-11 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 2010-11:

SI No.	Name of the part-time non-official Directors	Sitting Fee		Total
		Board Meetings	Other meetings	
1	Shri A.K. Sinha	2	2	₹32,000/-

### 5. Board procedure

BoD Meeting and Attendance during 2010-11:

The Board of Directors met six times during the financial year 2010-11.

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 2010-11 are given below:-

Director	No. of Board Meetings during 2010-11		Attended last Annual General Meeting
	Held (during their respective tenures)	Attended	
Sh.Sudesh Kumar	6	6	Yes
Sh.S.K. Vasishta, M.D.	6	6	Yes
Shri Rajiv Sinha	6	6	Yes
Sh.RK Bahuguna	6	6	Yes
Sh. R.K. Mitra	6	6	Yes
Sh.Naresh Salecha	5	5	Yes
Sh.R.C. Adwal	2	2	Yes
Sh.A.K. Bandyopadhyay	4	4	Yes
Shri A.K. Sinha	2	2	Yes

Mr. S.C. Hans, Company Secretary, attended all the Board Meeting held during 2010-11.

## **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 30<sup>th</sup> 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 2010-11 is placed as Annexure 'A'

## **7. Audit Committee**

### **7.1.1 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 2010-11 were approved by the Board of Directors on 19.08.2011

No Subsidiary has been formed by the Company.

### **7.2 Audit Committee Composition and Attendance during 2009-10**

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 three Audit Committee meetings during the financial year 2010-11 on 14<sup>th</sup> September, 2010, 28<sup>th</sup> December, 2010 and 28<sup>th</sup> March, 2011.

The attendance by the members at the meetings held during the year 2010-11 is as follows:

<b>Member</b>	<b>Status</b>	<b>Meetings held (During their respective tenures)</b>	<b>Meetings attended</b>
Shri A.K. Bandyopadhyay	Chairman	3	3
Shri Naresh Salecha	Member	3	3
Shri S.K. Vasishta	Member	1	1
Shri A.K. Sinha	Member	2	2

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 three meetings held during 2010-11.

## **8. Remuneration Committee**

The Board of Directors in their meeting held on 31<sup>st</sup> 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 27<sup>th</sup> October, 2009 and 3<sup>rd</sup> December, 2009 to recommend the PRP for the financial years 2007-08 and 2008-09. The Board accepted such recommendations in its meeting held on 24<sup>th</sup> June, 2010.

### **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 2009-10, the Committee convened its two meetings and submitted its recommendation. Such recommendations are under consideration.

## **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:

<b>Financial Year</b>	<b>Date of holding meeting</b>	<b>Time</b>	<b>Location</b>
2007-08	30 <sup>th</sup> September, 2008	4 PM	Rail Bhawan, New Delhi
2008-09	25 <sup>th</sup> September, 2009	4 PM	-do-
2009-10	29 <sup>th</sup> September, 2010	5 PM	-do-

## 11. Disclosures

- A. There has been no related party transaction of material nature with potential conflict interest.
- B. The Company has followed the Accounting Standard issued by the Institute Chartered Accounts of India in the preparation of Financial Statement.
- C. 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.
- D. 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	:	20.09.2011
Time	:	4 P.M.
Venue	:	2 <sup>nd</sup> Floor, Committee Room, Rail Bhawan, New Delhi-110001

Factual Calendar for approving matters pertaining to financial year 2010-11

Approval of Annual Accounts by BoD	19/08/2011
Adoption of Audited Annual Accounts by Shareholders	20/09/2011

### 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 2010-11 the Company had paid on 31<sup>st</sup> March, 2011 an interim dividend to its shareholders of ₹8 crores on the paid-up share capital of ₹320.94 crores. The Board has also recommended final dividend of ₹5 crores. It is expected that the members of the Company may confirm the interim dividend as final dividend at its AGM scheduled to be held on 20<sup>th</sup> September 2011.

**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>

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, Kolkatta 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, Kolkatta 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 Baorda building,  
 16, Sansad Marg,  
 New Delhi-110001  
 Tele: 011-23319914 and Fax 011-23311711  
 E-mail: schans@railtelindia.com

**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).
- 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.
- 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 Broucher, Annual Report, Latest Unaudited financial results and MoU targets & achievement, Memorandum and Articles of Association
- 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 30<sup>th</sup> March, 2009, in terms of the requirements of Department of Public Enterprises- Office Memorandum dated 26<sup>th</sup> 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. Till date two meetings of the committee were held in the month of 27<sup>th</sup> October, 2009 and 3<sup>rd</sup> December, 2009 and all the members of the committee were present at the meeting. Consequent to the fresh appointment of two part time non official Directors on the Board of the company in July/September, 2010, the Remuneration Committee was reconstituted on 31.3.2011 with the following named Directors :

1. Shri A.K. Bandyopadhyay
2. Shri A.K. Sinha
3. 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 2010-11**

I, Rajiv Sinha, Director/POM and 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 2010-11.

D/POM & Managing Director

Place: New Delhi

Date: 26 .08.2011

## Managing Director and Finance Head Certification

We have reviewed financial statements and the cash flow statement for the financial year 2010-11 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

Rajiv Sinha  
Director/POM & Managing Director

Place: New Delhi

Date: 26.08.2011

**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, Rajiv Sinha, Director /POM & 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 31<sup>st</sup> March, 2011

**Rajiv Sinha**  
**Director/POM & Managing Director**

**Date: 26.08.2011**

**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 31<sup>st</sup> March 2011, 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 ₹11790 lakhs receivable from ministry of Railway and ₹4678 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 realisability/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) During the year accounting policy in respect of income from STM-4 provided to Railways has been changed from approval basis to accrual basis and this has resulted into accounting of additional income of ₹2573 lakhs (Note No. 9)
  - (iii) 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 (Note No. 28)

- (iv) In respect of the services where service tax is being levied on the bills, there are material discrepancies between the taxable income as per books of account, taxable income as per service tax returns and taxable income based on total collection received from customers which are under reconciliation. Liability if any arising on the non-collection, reconciliation and adjustment thereof and its impact on the financial statements is unascertainable (Western Region)
- (v) Non transfer of Short Haul STM-1 and primary multiplexing equipments, to the Railway costing ₹994 lakhs (Written Down Value of ₹515.42 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. This has resulted in non accounting of the same in the current year (Note No. 4)
- (vi) During the year depreciation of ₹62.92 lakhs has been charged to Profit & Loss Account on the STM-1 Equipments being used by the Railway.
- (vii) Non Transfer of Short Haul STM-1 and primary multiplexing equipments created by the Company to the Railways, as required under clause 3.1.5. of the agreement” as value has not been determined by the Company, the impact could not be ascertained (Note No. 4)
- (viii) 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.
- (ix) 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)
- (x) 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.
- (xi) The Company has made a provision of ₹1870 Lacs for losses arising out of impairment of Assets on an adhoc basis. In the absence of any accepted policy/detailed working in this regard the adequacy or otherwise of this provision cannot be established. (Note No. 30)

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.

Accounting Standard 28 for Impairment of Assets.

- (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 (I) (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 31<sup>st</sup> March 2011.  
(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 K. M. Agarwal & Co.**  
**Chartered Accountants**  
**FRN : 000853N**

**(C. P. Mishra)**  
**Partner**  
**M. No. 073009**

**Date: 19.08.2011**

**Place : New Delhi**

## 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 physical verification of fixed assets during the year under audit. In the absence of any physical verification, 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) (a) In our opinion and according to information and explanations given to us, physical verification of inventory has not been carried out by the management.
- (b) In absence of physical verification of the inventory, we are unable to express our opinion on the procedure of the physical verification of the company.
- (c) The company has maintained proper records of inventory. However, in the absence of authentic records of physical verification the data cannot be compared with those in the inventory records and thus shortage/excess. If any could not be ascertained.
- (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) In our opinion and according to the information and explanations given to us, the existing internal control procedures, considering the size and nature of business of the company, needs to be strengthened for the purchase of inventory and fixed assets and for the sale of goods and services, During the year continuing failure to correct weakness in internal control system were noticed at regions.
- (v) (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.
- (vi) The company has not accepted any deposit within the meaning of section 58 & 58AA of the Companies Act. 1956.

- (vii) 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.
- (viii) The Company has maintained cost records as prescribed by Central Government under section 209 (I) (d) of the Companies Act, 1956 vide notification no G.S.R. 689 (E) dated 8<sup>th</sup> October 2002 as per information and explanations given to us and as certified by a firm of cost accountants.
- (ix) (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 date they become payable. However VAT/ Sales Tax liability of ₹400 lakhs on Railway Deposit works provided during the previous year has not been paid during the current year.
- (h) 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	78.88	01.05.2006 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>		

- (x) The Company has no accumulated losses as at 31<sup>st</sup> March 2011 and the company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) 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.

- (xii) 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.
- (xiii) 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.
- (xiv) 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.
- (xv) 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.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) 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.
- (xviii) 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.
- (xix) 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.
- (xx) 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.
- (xxi) 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 K. M. Agarwal & Co.**  
**Chartered Accountants**  
**FRN : 000853N**

**C. P. Mishra**  
**Partner**  
**M. No. 073009**

**Date: 19.08.2011**

**Place: New Delhi**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF RAILTEL CORPORATION OF INDIA LIMITED NEW DELHI FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011.**

The preparation of financial statements of RailTel Corporation of India Limited, New Delhi for the year ended 31<sup>st</sup> March 2011 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(4) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 19.08.2011.

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, New Delhi for the year ended 31<sup>st</sup> March, 2011 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

**(John K. Sellate)**

Pr. Director of Commercial Audit &  
Ex-Officio Member, Audit Board-IV

Place: New Delhi

Dated: 29.08.2011

## Balance Sheet As at 31<sup>st</sup> March, 2011

Particulars	Schedules	As at 31.03.11 Amount in Lakhs (₹)	As at 31.03.10 Amount in Lakhs (₹)
<b>SOURCES OF FUNDS</b>			
<b>Share Holders Funds</b>	1		
Share Capital		32,094	32,094
Share Capital to be issued		15	-
Reserves & Surplus	2	31,193	23,168
<b>Loan Funds</b>	3		
Secured Loan		6,300	8,400
Unsecured Loan		4,164	6,248
Deferred Tax Liability		88	30
	<b>TOTAL</b>	<b><u>73,854</u></b>	<b><u>69,940</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	91,050	86,942
Less: Accumulated Depreciation		<u>23,209</u>	<u>18,503</u>
		67,841	68,438
Less:- Provision for Impairment		<u>2670</u>	<u>800</u>
Net Block		65,171	67,638
Capital Work in Progress	5	<u>3,246</u>	<u>3,904</u>
		68,417	71,542
<b>Current Assets, Loans &amp; Advances</b>	6		
Inventories		65	115
Sundry Debtors		12,555	11,082
Cash & Bank Balances		36,425	10,037
Other Current Assets		899	40
Loans & Advances		<u>21,866</u>	<u>19,479</u>
<b>Total</b>	<b>(a)</b>	<b>71,810</b>	<b>40,752</b>
<b>Less: Current Liabilities &amp; Provisions</b>	7		
Current Liabilities		61,874	37,762
Provisions		<u>4,499</u>	<u>4,592</u>
<b>Total</b>	<b>(b)</b>	<b>66,373</b>	<b>42,354</b>
<b>Net Current Assets/Liabilities(-)</b>	<b>(a) - (b)</b>	<b><u>5,437</u></b>	<b><u>-1,602</u></b>
	<b>TOTAL</b>	<b><u>73,854</u></b>	<b><u>69,940</u></b>

**Significant Accounting policies &**

**Notes on accounts** **13**

The Schedules referred to above form an integral part of Balance Sheet

This is the Balance Sheet referred to in our report of even date

**For and on behalf of**  
**K. M Agarwal & Company**  
**Chartered Accountants**  
**FRN. 000853N**

<b>Place: New Delhi</b>	<b>C P Mishra</b>	<b>S.C. Hans</b>	<b>R.K. Mitra</b>	<b>Rajiv Sinha</b>
<b>Date: 19/08/2011</b>	<b>Partner</b>	<b>Company Secretary</b>	<b>Director (Finance)</b>	<b>Managing Director</b>
	<b>M. No. 073009</b>			<b>&amp; DPOM</b>

## Profit & Loss Account for the year ended on 31<sup>st</sup> March, 2011

Particulars	Schedules	For the Year	
		Ended on 31.03.11 Amount in Lakhs(₹)	Ended on 31.03.10 Amount in Lakhs(₹)
<b>INCOME</b>			
Lease Revenue - NLD (Bandwidth)		17,419	19,715
Lease Revenue - ISP Licence		2,233	1,700
Lease Revenue - IP-1 Licence		5,661	4,706
Lease Revenue - NLD (VPN)		604	1,421
Interest from Banks (Gross)		1,333	199
TDS 31.24 lakhs (Previous Year ₹27.18 lakh)			
Income From Railway Deposit Works		6,710	11,268
Other Income		2,347	961
		<u>36,307</u>	<u>39,970</u>
		36,307	39,970
<b>EXPENDITURE</b>			
Employee's Remuneration & Benefits	8	3,475	2,990
Administrative & Other Expenses	9	1,357	1,063
Other Operation & Maintenance Expenses	10A	2,354	2,743
Operation & Maintenance Expenses	10B	<u>2,280</u>	<u>1,979</u>
License fees to DOT		1,100	1,265
Revenue share to Railways		2,108	1,379
Railway Project Expenses	11	6,549	10,664
Provisions for Doubtful Debts/Advances	12	78	365
		<u>19,301</u>	<u>22,449</u>
		19,301	22,449
<b>Net Profit before interest, depreciation &amp; tax</b>		<b>17,006</b>	<b>17,521</b>
Interest on Loan		1,127	1,479
Depreciation		5,107	4,707
<b>Profit for the year</b>		<b>10,772</b>	<b>11,335</b>
<b>Less: -</b>			
Provision for Impairment		1,870	0
Provision for Arbitration Claim		0	354
Prior Period Adjustment (Net)		-358	101
<b>Add: -</b>			
Add:- Depreciation adjustment for earlier years		<u>393</u>	<u>888</u>
Net Profit for the year before Tax		9,653	11,768
Less Tax Expenses			
FBT Expenses		0	0
Deffered Tax Liability		58	30
Tax Adjustment of Earlier Year		0	4
Minimum Alternate Tax Expenses		2,157	1,988

MAT Credit Entitlement	-2,103	-1,483
<b>Net Profit for the year after tax</b>	<b>9,541</b>	<b>11,229</b>
Add Profit/Loss brought forward	11,168	5,694
Dividend Paid (Interim)	800	1,500
Dividend (Proposed)	500	
Dividend Distribution Tax	216	255
<b>Net Profit before Appropriation</b>	<b>19,193</b>	<b>15,168</b>
Transferred to the General Reserves	4,000	4,000
<b>Balance Surplus Carried to Balance Sheet</b>	<b>15,193</b>	<b>11,168</b>
<b>Basic Earning per share (₹)</b>	<b>2.973</b>	<b>3.50</b>
<b>Diluted Earning per share (₹)</b>	<b>2.972</b>	<b>3.50</b>
Significant Accounting policies & Notes on accounts	13	

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

**For and on behalf of**  
**K. M Agarwal & Company**  
**Chartered Accountants**  
**FRN. 000853N**

<b>Place: New Delhi</b> <b>Date: 19/08/2011</b>	<b>C P Mishra</b> <b>Partner</b> <b>M. No. 073009</b>	<b>S.C. Hans</b> <b>Company Secretary</b>	<b>R.K. Mitra</b> <b>Director (Finance)</b>	<b>Rajiv Sinha</b> <b>Managing Director</b> <b>&amp; DPOM</b>
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## Schedules annexed to and forming an integral part of the Balance Sheet and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2011

<b>SHARE CAPITAL</b>	<b>Schedule 1</b>	
Particulars	As at 31.03.11 Amount in Lakhs(₹)	As at 31.03.10 Amount in Lakhs(₹)
<b>Share Holders Funds</b>		
<b>Authorised Capital</b>		
1,00,00,00,000 Equity shares of ₹10/- each	<b>100000</b>	<b>100000</b>
<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>32094</b>	<b>32094</b>

**RESERVES & SURPLUS****Schedule 2**

Particulars	As at 31.03.11		As at 31.03.10	
	Amount in Lakhs(₹)		Amount in Lakhs(₹)	
<b>General Reserve</b>				
Opening Balance	12000		8000	
Add: - Addition during the year	<u>4000</u>	16000	<u>4000</u>	12000
<b>Profit &amp; Loss Account</b>				
Opening Balance	11168		5694	
Add: - Profit (Loss) for the year	<u>4025</u>	15193	<u>5475</u>	11168
<b>TOTAL</b>		<b><u><u>31193</u></u></b>		<b><u><u>23168</u></u></b>

## LOAN FUNDS

## Schedule 3

Particulars	As at 31.03.11 Amount in Lakhs(₹)	As at 31.03.10 Amount in Lakhs(₹)
<b>Secured Loans</b>		
<b>Term Loan</b>		
Syndicated Term Loan from Banks led by State Bank of India	6300	8400
<b>TOTAL (a)</b>	<b>6300</b>	<b>8400</b>
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.		
<b>Profit &amp; Loss Account for the year ended on 31st March, 2011</b>		
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>Unsecured Loans</b>		
Term Loan from Indian Railway Finance Corporation Ltd.	4164	6248
<b>TOTAL (b)</b>	<b>4164</b>	<b>6248</b>
<b>GRAND TOTAL (a) + (b)</b>	<b>10464</b>	<b>14648</b>
Loans due for repayment within one year	4184	4184

# Schedule 4

Amount in Lakhs(₹)

FIXED ASSETSS	GROSS BLOCK			DEPRECIATION				NET BLOCK			
	As At 1-4-2010	Additions During the Year	Transfer/ Adjustment During the Year	Total As at 31.03.2011	Upto 31-03-2010	For The Year	Depreciation Adjustments	Due to loss by Fire	Total Upto 31/03/11	As at 31-03-2011	As at 31-03-2011
<b>A:- BUILDINGS</b>											
Free Hold Land	222	-	-	222	-	-	-	-	-	222	222
Lease Hold land & Buildings	30	-	-	30	1	1	-	-	2	28	29
Lease Hold Improvements	643	26	1	668	224	65	(6)	-	283	385	418
<b>B:- PLANT &amp; MACHINERY</b>											
OFC and Related Assets	52,832	2,291	1,639	53,484	12,089	2,815	(381)	-	14,523	38,961	40,743
Telecom & Radio Equipments	15,177	2,780	130	17,827	2,394	1,048	(3)	(7)	3,432	14,395	12,783
Prefab Buildings	1,236	12	-	1,248	251	59	-	-	310	938	986
MPLS Network	4,042	-	-	4,042	882	256	(3)	-	1,135	2,907	3,160
STM-16 Network	11,962	720	14	12,668	2,304	788	(0)	-	3,092	9,576	9,658
Computers	398	25	3	420	224	54	(0)	-	278	142	173
<b>Vehicles</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>C:- FURNITURE &amp; FITTINGS</b>											
Furniture & Fixtures	106	4	-	110	47	6	-	-	53	57	60
Office Equipments	279	37	1	315	74	14	0	-	88	227	204
Temporary Fixtures	10	-	-	10	10	-	-	-	10	-	-
<b>TOTAL</b>	<b>86,942</b>	<b>5,896</b>	<b>1,788</b>	<b>91,050</b>	<b>18,503</b>	<b>5,107</b>	<b>(393)</b>	<b>(7)</b>	<b>23,209</b>	<b>67,841</b>	<b>68,439</b>
<b>PREVIOUS YEAR</b>	<b>77,326</b>	<b>13,819</b>	<b>4,204</b>	<b>86,942</b>	<b>14,685</b>	<b>4,707</b>	<b>888</b>	<b>-</b>	<b>18,503</b>	<b>68,439</b>	<b>62,641</b>

**CAPITAL WORK IN PROGRESS**

**Schedule 5**

Particulars	As at 31.03.11 Amount in Lakhs(₹)	As at 31.03.10 Amount in Lakhs(₹)
Buildings	973	580
OFC laying works, Pre Fab Building	1550	2060
Installation of STM & Other Equipment	210	969
Advances for Capital Expenditure	<u>513</u>	<u>296</u>
	3246	3904
<b>TOTAL</b>	<b><u><u>3246</u></u></b>	<b><u><u>3904</u></u></b>

**CURRENT ASSETS, LOANS & ADVANCES**
**Schedule 6**

Particulars	As at 31.03.11 Amount in Lakhs(₹)		As at 31.03.10 Amount in Lakhs(₹)	
<b>CURRENT ASSETS</b>				
Inventory (At Cost) (Taken, valued and certified by the Management )				
Stores & Spares		65		115
<b>Sundry Debtors</b> (Unsecured)				
<b>(A)</b> Debts outstanding for period exceeding six months				
- Considered Good	1715		1520	
- Considered Doubtful	473		424	
	2188		1944	
Less: Provision for Doubtful Debts	473		424	
	1715		1520	
Other Debts Considered good	6120	7835	4239	5759
<b>(B)</b> Dues from Railways				
Debts outstanding for period exceeding six months	1719		2182	
Debts outstanding for period less than six months	3001	4720	3141	5323
	183		4	
<b>Cash &amp; Bank Balances</b>				
Cheques in Hand	175		-	
Cash / Imprest Balances	8		4	
	183		4	
<b>Balances with Scheduled Banks in</b>				
Current Account	1830		1133	
Collection Account (C/A)	588		3470	
Term deposits	33824	36425	5430	10037
	899		40	
<b>Other Current Assets</b>				
Accrued Interest on Term deposits		899		40
<b>LOANS AND ADVANCES</b>				
<b>Advances Recoverable in Cash or in Kind or for value to be received</b>				
-Considered Good	7424		7249	
-Considered Doubtful #	420		462	
	7844		7711	
Less: Provision for Doubtful Advances #	420		462	
	7424		7249	
MAT Credit Entitlement	5983		3733	
Prepaid Taxes	8459	21866	8497	19479
<b>TOTAL</b>	<b>71810</b>		<b>40752</b>	

# For 2009-10-Changes in Figures due to regrouping--- Refer note no 35 e

**CURRENT LIABILITIES & PROVISIONS****Schedule 7**

Particulars	As at 31.03.11 Amount in Lakhs(₹)		As at 31.03.10 Amount in Lakhs(₹)	
<b>Current Liabilities</b>				
<b>Sundry Creditors</b>				
For Capital Expenditure	4720		6707	
For Others	6084		7079	
	<u>10804</u>		<u>13786</u>	
Advances from Customers	43829		14314	
Advances from Projects	1753		4685	
Security Deposits & Others	1254		1240	
Book Overdraft (Uncashed Cheque)	1104		779	
Dividend Payable	500			
Dividend Distribution Tax Payable	83			
Other Liabilities	<u>2547</u>	61874	<u>2958</u>	37762
<b>Provisions</b>				
Provision Others #	354		354	
Provision for MAT	<u>4145</u>	4499	<u>4238</u>	4592
<b>TOTAL</b>		<u><u>66373</u></u>		<u><u>42354</u></u>

# For 2009-10-Changes in Figures due to regrouping--- Refer note no 35 b, c , g &amp; h

**EMPLOYEES REMUNERATION & BENEFITS****Schedule 8**

Particulars	For the Year Ended on 31.03.11	For the Year Ended on 31.03.10
	Amount in Lakhs(₹)	Amount in Lakhs(₹)
Directors Remuneration	91	77
Employee Cost Executive	2814	2593
Establishment Expenses.	138	157
Staff Outsourcing Expenses	691	590
Leave Salary Contribution	3	32
Gratuity	41	37
	<b>3778</b>	<b>3484</b>
Less:- Expenses transferred to Railways Deposit Works (Schedule 11) #	303	494
	<b>3475</b>	<b>2990</b>

# For 2009-10-Changes in Figures due to regrouping--- Refer note no 35 i

## ADMINISTRATIVE & OTHER EXPENSES

## Schedule 9

Particulars	For the Year Ended on 31.03.11	For the Year Ended on 31.03.10
	Amount in Lakhs(₹)	Amount in Lakhs(₹)
Auditor Remuneration	4	5
Books & Periodicals	13	11
Communication Expenses	93	113
Conveyance Expenses	69	59
Bank Charges & Commission	11	12
Insurance Expenses	0	0
Legal & Professional Expenses	109	57
Rates & Taxes	17	14
Rent	424	312
Repair & Maintenance	123	106
Tender Expenses.	30	37
Training & Recruitment Expenses	7	27
Travelling Expenses	200	189
Printing & Stationary Expenses	40	45
Vehicle Hire charges	138	153
Business promotion Expenses	44	51
Other Miscellaneous Expenses	112	168
Loss due to fire- Fixed Assets	38	0
Corporate Social Responsibility	67	0
<b>TOTAL</b>	<b>1539</b>	<b>1359</b>
Less:- Expenses transferred to Railways Deposit Works (Schedule 11) #	182	296
	<u>1357</u>	<u>1063</u>

# For 2009-10-Changes in Figures due to regrouping--- Refer note no 35 j

**OTHER OPERATION AND MAINTENANCE EXPENSES****Schedule 10 A**

Particulars	For the Year Ended on 31.03.11	For the Year Ended on 31.03.10
	Amount in Lakhs(₹)	Amount in Lakhs(₹)
Share of Revenue with Konkan Railway	143	161
Hire Charges Radio Modem/Optic Fibers	719	562
Protection Bandwidth & Connectivity Charges	555	896
Internet Bandwidth	175	306
Franchise Expenses	102	150
Spectrum Charged and NLD Licence Fees to DoT	105	67
Electricity & Power Expenses	555	601
<b>TOTAL</b>	<b>2354</b>	<b>2743</b>

**OPERATION AND MAINTENANCE EXPENSES**

**Schedule 10 B**

Particulars	For the Year Ended on 31.03.11		For the Year Ended on 31.03.10	
	Amount in Lakhs(₹)		Amount in Lakhs(₹)	
Repair & Maintenance Expenses	2866		2647	
Less: Recovered from Railways	586	2280	667	1979
		<u>2280</u>		<u>1979</u>

**RAILWAYS PROJECT EXPENSES****Schedule 11**

Particulars	For the Year Ended on 31.03.11		For the Year Ended on 31.03.10	
	Amount in Lakhs(₹)		Amount in Lakhs(₹)	
Railways Project Expenses- Contractors & Suppliers	6064		9474	
Tax Expenses/Provisions	0		400	
Add: Indirect Expenses transferred from Administrative & Other Expenses (Sch 9) #	182		296	
Add: Indirect Expenses transferred from Employees Remuneration & Benefits (Sch 8) #	303	6549	494	10664
<b>TOTAL</b>		<b>6549</b>		<b>10664</b>

# For 2009-10-Changes in Figures due to regrouping--- Refer note no 35 l, j, k

**PROVISIONS**

**Schedule 12**

Particulars	For the Year Ended on 31.03.11 Amount in Lakhs(₹)	For the Year Ended on 31.03.10 Amount in Lakhs(₹)
Provision for Doubtful Debts	78	282
Provision for Doubtful Advances	0	83
<b>TOTAL</b>	<b>78</b>	<b>365</b>

## Schedule 13

### Significant Accounting Policies & Notes to Accounts

#### A) 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 work are accounted for on the basis of statement of account received from executing agencies/ technical assessments of the works executed.
- c) Incidental expenditure related to company's own projects are not charged to the CWIP in view of very low materiality of such expenses.

##### 4. Borrowing costs

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

##### 5. Inventories

Stores and spares are valued at cost on FIFO basis.

### INCOME

##### 6. Income recognition

- 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.
- c) Income in respect of STM-4 bandwidth provided to Railways accounted on accrual basis.

## 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:

Lease hold improvements	:	On straight line method @ 10% per Annum
Prefabricated Building	:	On straight line method @ 4.75 per annum
Telecom Radio Assets,		
MPLS/STM-16 Network	:	On straight line method @ 6.33% per annum
Optical & Related Asset	:	On straight line method @ 5.28% per annum

- b) In case of leasehold land (other than perpetual lease) and leasehold property depreciation provided proportionately over 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 are 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."

## B) Notes to Accounts

### 1. Fixed Assets / Capital Works-in-progress

Fixed assets have been taken over from Railways after physical verification by the management, at a pre-determined price. Depreciation has been provided on them without reassessing the remaining useful life of such assets as on the date of takeover. The impact, if any, on the accounts of the Company due to this cannot be ascertained.

2. Contingent Liabilities:
  - a. Claims against the Company not acknowledged as debts are ₹3691 lakh. (Previous Year 2168)
  - b. Bank Guarantees issued on behalf of the company ₹2260 lakh (Previous year ₹2402 lakh).
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (as certified by the management) ₹ 7868 lakh (net of advances) (Previous Year ₹10106.45 lakh).
4. STM-1 equipment's received from the Railways valued at ₹994 lakhs (Previous Year ₹994 lakh) are pending for transfer back to Railways during the year the same is being pursued with the Railways. The Company proposes to effect transfer of these assets and make the necessary adjustments as provided in the agreement. Further, with regard to balance STM-1 and primary multiplexing equipment's created by RailTel, the company is in the process of identifying the assets and necessary adjustment will be made after receiving the confirmation from the respective Railways.
5. Balances shown under advances, sundry debtors, creditors including Railways and service tax are subject to confirmation/ reconciliation and consequential adjustments, if any.
6. 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.
7. 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.
8. Share Capital to be issued includes an amount of ₹15 (net) lakh (Previous Year ₹171 lakhs as recoverable shown under current assets ) for which equity shares are to be adjusted to the Ministry of Railways (for taking over OFC assets) after adjusting an amount of ₹171 (Previous year ₹171 lakhs) for STM-1 equipments in the current year. This amount of ₹15 lakhs will be issued as equity to Ministry of Railways.
9. (a) Income in respect of STM – 4 bandwidth provided to Railways accounted for after due approval of the respective Railways till earlier year has been accounted for on accrual basis in the current year. The change in accounting policy has resulted in overstatement of the lease revenue by ₹2573 lacs and overstatement of Sundry Debtors by ₹2808 lacs.  
(b) The Company had taken STM 4 lease income from Railways on receipt basis in the previous years. The Tax authorities maintained that it should have been taken on accrual basis. They have issued penalty proceedings against the Company and alleged concealment of income. The management had filed an appeal before the CIT (Appeals).
10. In the opinion of the management, the value of current assets, loans and advances on realization in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.
11. The disclosure in 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 31<sup>st</sup> March 2011 as micro, small, or medium enterprises. Consequently, the amount paid/payable to these parties during the year is Nil.

12. (a) Provision for current tax for the year has been made under Minimum Alternate Tax (MAT) as per provision of section 115JB of the Income Tax Act, 1961.
- (b) In accordance with the Guidance Note on Accounting for Credit Available in respect of MAT under the Income Tax Act, 1961, issued by the Institute of Chartered Accountants of India, the Company has recognized this MAT credit as an asset under the head Loans and Advances and has credited the same to the Profit & Loss account under "Provision for Taxation".

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

<b>Particulars</b>	<b>2010-11 (₹ In lakh)</b>	<b>2009-10 (₹ In lakh)</b>
Remuneration	57	47
Other payments	34	29
In addition, the part time non-official directors have been paid sitting fee during the year as under.		
Sh A K Sinha	0.32 Lakhs	Nil
Sh Sumant Chak	Nil	0.72 Lakhs

14. Auditor's remuneration includes:-

<b>Particulars</b>	<b>2010-11 (₹ In lakh)</b>	<b>2009-10 (₹ In lakh)</b>
Statutory Audit Fee	3.80*	3.87
Tax Audit Fee	1.00	0.88
Other Services	0.00	0.00
Out of Pocket Expenses	0.86	1.51
<b>Total</b>	<b><u>5.66</u></b>	<b><u>5.39</u></b>

\*Excluding Service Tax

15. Loans and advances include a sum of ₹379 lakh 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.
16. The Company has created Deferred Tax liability amounting to ₹58 lakhs as per Accounting Standard -22 on Taxes on Income as notified under Companies Accounting Standard Rules, 2006.
17. In compliance of Accounting Standard-17 on Segment Reporting as notified under Companies Accounting Standard Rules,2006('as amended'), the required information is given as per Annexure-A. The Company has adopted following Business Segments as its reportable segment.
- Telecommunication Services
  - Deposit Work Contracts.

There is one geographical segments which is "All over India"

18. Operating lease- As a Lessor

A. General description on leasing arrangement

The Company has been offering Bandwidth, Dark Fibers, Internet services, VPN services, and tower space to its customer as operating lease for fixed period. The company has entered into various agreements to provide Bandwidth/Dark Fiber on indefeasible right to use (IRU) basis 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. Due to nature of assets being virtual, it is not possible to compute of gross carrying amount, depreciation for the year, and accumulated depreciation on assets given on operating lease as at March 31, 2011. Accordingly not disclosed.

B. Future minimum lease rentals receivable under operating lease for each of the following period as on March 31, 2011 are as under;

	<b>As on 31.03.11 (₹ In Lakh)</b>	<b>As on 31.03.10 (₹ In Lakh)</b>
Not later than one-year	7920	3247
Later than one year and up to five years	20978	3647
Later than five years	14930	7420
Total	<u>43829</u>	<u>14314</u>

19. Related Party Disclosure as per Accounting Standard-18 is as follows.

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

<b>Name of the related parties</b>	<b>Designation</b>	<b>Nature of Relationship</b>
Sh. S.K. Vasishta	Managing Director	Key Management Person From 03/07/07
Sh. Rajiv Sinha	Director (P.O.M.)	Key Management Person From 27/10/2006
Sh. R.K. Mitra	Director (Finance)	Key Management Person From 27/05/08
Sh. R. K. Bahuguna	Director (NPM)	Key Management Person From 19/07/2007

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

Nature of transaction

	<b>2010-11 (₹ In lakh)</b>	<b>2009-10 (₹ In lakh)</b>
Managerial Remuneration (Key Management Person)	91	77

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

	<b>2010-11</b> (₹ In Lakh)	<b>2009-10</b> (₹ In Lakh)
Net Profit/ Loss (-) available for		
Equity Shareholders (a)(₹)	9541	11230
Weighted average No. of Equity share of ₹10 each (b) (in lakhs)	3209	3209
Basic Earning per share(a)/ (b) (₹)	2.973	3.50
Weighted average No. of Equity share of ₹ 10 each (b)(in lakhs) ( c)	3210	3209
Diluted Earning per share (a)/ (c) (₹)	2.972	3.50

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

	<b>2010-11</b> (₹ In Lakh)	<b>2009-10</b> (₹ In Lakh)
a. Value of imports calculated on CIF basis		
i. Capital goods	1071	137
ii. Spare parts	NIL	NIL
b. Expenditure in foreign currency		
i. Professional and consultancy fee	NIL	NIL
ii. Others	NIL	9
c. Value of components, stores, and Spare parts consumed (Imported and indigenous)	NIL	NIL
d. Earning in foreign exchange	NIL	NIL

22. 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.

23. Detail of Prior Period adjustments (Net) is as given below:-

	<b>2010-11</b> (₹ in Lakh)	<b>2009-10</b> (₹ in Lakh)
DoT Share on Revenue	0	16
O & M Charges	91	66
Electricity & Power	24	53

Rent	4	0
Lease Charges for Dark Fiber	25	22
Establishment	1	15
Others	<u>45</u>	<u>28</u>
Prior Period Expenditure (A)	190	200
Less Prior period Income (B)	<u>(-)548</u>	<u>99</u>
Prior Period Expenditure (Net)(A-B)(-)	358	<u>101</u>

24. In the current year company has received income tax refund for the year 2007-08, 2008-09. The refund has so received is short for ₹276 lakhs for the year 2007-08 and ₹232 lakhs for the year 2008-09. The same has not been adjusted in the books/accounts pending reconciliation.
25. Information as per requirement of AS-29

Particulars	Opening Balance	Provision made during the year	Paid/Adjustment	Written Back	Closing Balance
Provision for MAT	4238	2157	2249	Nil	4145
Provision for Arbitration Claim	354	Nil	Nil	Nil	354

26. Reimbursement on account of maintenance of 4 fibers receivable from Railways are accounted on the basis of rates of the previous year, any adjustment in the rates are passed through adjustment entry in the current year. In the current year an amount of ₹44 lakhs has been adjusted from the recoverable from Railways.
27. Disclosure under Accounting Standard -15

#### **Provident Fund**

All regular employees of the Company (excluding depositions) 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 predetermined 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.

#### **Gratuity & Leave Encashment**

The provision for Gratuity and Leave encashment benefits for the regular employees of the Company are provided on the basis of statements received from the LIC of India. The employer contributions for the employee on deputation are made to the funds of their parent department.

28. Company has not provided any liability on account of VAT on the Railways Deposit works and correspondingly credit of input VAT has also not been availed.

29. In the current year company has raised bills of ₹113 lakhs in favor of M/s Metamax Communication Pvt Ltd. Against these invoices Metamax has released ₹109 lakhs. As on 31/03/2011 total outstanding from Metamax is ₹21 lakhs. The said account is under reconciliation by an independent professional CA firm and adjustment if any, will be accounted for in the current year on the receipt of the report.
30. A GM level committee was appointed for the review of the impairment. Committee has finalized. Committee has finalized its report and management decide to provide impairment of ₹18.70 Crore for the current financial year in addition to provision of ₹8 Crore already exists, without revising the earlier one.
31. The Company was allotted freehold land at Gurgaon by Haryana Urban Development Authority valued at ₹222 lakhs. The conveyance deed however is yet to be executed, though all the papers has been deposited with the Haryana Urban Development Authority.
32. As per the agreement dated 21/09/2006 Company agrees to share 5% of the gross revenue from 30/07/2003 till such time that STM-4 network is set up, hereinafter provided and 7% of Gross revenue thereafter. Revenue share was provided @5% from 21/09/2006 to 31/03/2009 but from the year 2009-10 onwards company is getting payment from Railways on account of STM-4 bandwidth from 21/09/2006. The additional liability of 2% (being difference of 7% and 5%) for the period 21/09/2006 to 31/03/2009 amounting to ₹813 lakhs has been provided for in the current year.
33. The Board of Directors of the company approves an amount of ₹112.29 (1% of net profit for the year 2009-10) lakhs to be incurred on Corporate Social Responsibility during the year 2010-11. Out of this amount approved by the Board only ₹67 lakhs has been incurred by the company during the year 2010-11 and only the same amount of ₹67 lakhs has been debited in the profit & loss account of the Company.
34. Unless otherwise stated, the figures are in ₹ in Lacs.
35. Below mentioned figures of previous year has been regrouped.

#### Balance Sheet

- a) Provision for Impairment of ₹800 lakhs has been shown below Gross Block of Fixed assets, in previous year the same was shown in Provisions other in Schedule 7. Refer explanation g below.
- b) Provision for ₹379 lakhs towards payment to DoT under protest has been deducted from Loans and advances (Schedule 6). In previous year the same was shown in Provisions other in Schedule 7.
- c) Provision as reflected in the Current Liabilities and provision has been reduced by ₹1178 lakhs due to item no a & b above.

#### Profit & Loss Account

- d) Last year C&AG has observed that 8% of total cost of Railways project has been reduced from Establishment expenses itself, while 5% should be reduced from Establishment expenses and 3% should be reduced from Administrative expenses. To following the same ₹296 lakhs has been added from Establishment expenses and reduced in the Administrative expenses.

#### Schedule-6-Loans & Advances

- e) Advances receivable in cash and kind has been bifurcated in considered good and considered doubtful. An amount of ₹379 lakhs shown previously in Considered good has been reclassified in considered doubtful. Refer explanation h below.
- f) Provision for doubtful advances has been increased by ₹379 lakhs due to explanation offered in b above.

#### Schedule-7 provisions

- g) Provision for Impairment of ₹800 lakhs has been reduces from gross block-refer explanation a above.
- h) Provision for DoT Penalty has been reclassified in Schedule 6 -refer explanation e above.

#### Schedule-8

- i) Expenses transferred to Railways Deposit works has been reduces by ₹296 lakhs and the same has been shown as reduction from Administrative expenses (Schedule 9) by following the C&AG observation. Refer Explanation d above.

#### Schedule 9

- j) Expenses transferred to Railways Deposit works has been added by ₹296 lakhs and the same has been shown as reduction from Establishment expenses (Schedule 8) by following the C&AG observation. Refer Explanation d & i above.

#### Schedule-11

- k) Amount of ₹790 lakhs has been bifurcated in two parts as in Establishment expenses and administrative expenses. Refer explanation i, j & d above.

**S.C. Hans**  
Company Secretary

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

**Rajiv Sinha**  
Managing Director  
& DPOM

For and on behalf of  
**K.M. Agarwal & Company**  
Chartered Accountants  
FRN. 000853N

**CA. C.P. Mishra**  
Partner  
M. No. 073009

Place: New Delhi  
Date: 19/08/2011

## Cash Flow Statement For The Year Ended March 31, 2011 (Indirect Method)

	Amount In Lakhs(₹)	
	For the Year Ended on 31.03.11	For the Year Ended on 31.03.10
<b>Cash Flow From Operating Activities</b>		
Net Profit/ (Loss) Before Tax	9,653	11,768
Adjusted for:-		
Add : Depreciation	5,107	4,707
Add : Interest on Loan	1,127	1,479
Add : Provision for Impairment	1,870	
Less: Interest received	1,333	199
Net cash from operating activities before Extraordinary Item and change in working capital (a)	16,423	17,756
<b>Working Capital changes</b>		
(Increase)/ Decrease in Inventory	50	(65)
(Increase)/Decrease in other Current Assets	(859)	(7)
(Increase) /Decrease in other Loans & Advances	(2,387)	(4,859)
Increase/ ( Decrease) in Current Liabilities	26,005	9,623
Increase/ ( Decrease) in Deferred tax Liability	58	30
(Increase) / Decrease in Sundry Debtors	(1,473)	(6,171)
TDS on Interest Income	31	27
	21,425	(1,422)
<b>Net (Increase) /Decrease in Working Capital (b)</b>	37,848	16,333
Less: Deferred Tax	58	30
Less: Income Tax	54	509
	(112)	(539)
<b>Extraordinary Item</b>		
Add: Loss due to fire of Assets	38	-
Less: Depreciation adjustment for earlier years	(393)	(888)
Net cash from operating activities after Extraordinary Item before change in working capital (a)	(355)	(888)
<b>Net cash from operating activities (a)+(b)</b>	37,381	14,906
<b>Cash Flow From Investing Activities</b>		
Purchase/Sale of Fixed Assets	(4,108)	(9,616)
(Increase) / Decrease in Capital Work in Progress	658	4,227
Decrease in Gross Block Due to Fire	(45)	
Interest received (Net of TDS)	1,302	172

Increase/ ( Decrease) in Current Liabilities for capital works	(1,987)	(2,406)	
Net cash from investing activities before Extraordinary Item	<u>(4,180)</u>	<u>(7,623)</u>	
<b>Extraordinary Item</b>	-	-	
Net cash from investing activities		(4,180)	(7,623)
<b>Cash Flow From Financing Activities</b>			
Equity Shares to be issued to Ministry of Railways	15	-	
Repayment of Loan to IRFC	(2,084)	(2,084)	
Loan from State Bank of India	(2,100)	(2,100)	
Dividend & Dividend Tax Paid	(1,516)	(1,755)	
Interest on Loan	(1,127)	(6,812)	(7,418)
Net cash from financing activities			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		26,389	(136)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		10,037	10,173
CASH AND CASH EQUIVALENT AT END OF PERIOD		<u>36,425</u>	<u>10,037</u>

**For and on behalf of  
K. M Agarwal & Company  
Chartered Accountants  
FRN. 000853N**

<b>Place: New Delhi</b>	<b>C P Mishra</b>	<b>S.C. Hans</b>	<b>R.K. Mitra</b>	<b>Rajiv Sinha</b>
<b>Date: 19/08/2011</b>	<b>Partner</b>	<b>Company Secretary</b>	<b>Director (Finance)</b>	<b>Managing Director &amp; DPOM</b>
	<b>M. No. 073009</b>			

**Accounting Standard 17:**
**Primary Information relating to Business Segments for the year ended 31st March 2011**
**ANNEXURE A**
**Amount in Lakhs(₹)**

	Telecommunications Services		Railways Project		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>REVENUE</b>						
External Lease Revenue	28264	28503	6710	11268	34974	39771
Inter Segment Sales	0	0	0	0	0	0
<b>Total Revenue</b>	<b>28264</b>	<b>28503</b>	<b>6710</b>	<b>11268</b>	<b>34974</b>	<b>39771</b>
<b>RESULT</b>						
<b>Segment Result (a)</b>	<b>28264</b>	<b>28503</b>	<b>6710</b>	<b>11268</b>	<b>34974</b>	<b>39771</b>
Interest Expense (b)	1127	1479	0	0	1127	1479
Interest Income (c)	1333	199	0	0	1333	199
Other Expenses (d)	19337	15958	6549	10664	25885	26622
Income Taxes( FBT ) / deferred tax (e)	112	538	0	0	112	538
<b>Profit from Ordinary Activities</b> <b>{{(a)+(c)- (b) - (d)- (e)}</b>	<b>9022</b>	<b>10726</b>	<b>161</b>	<b>604</b>	<b>9183</b>	<b>11330</b>
Prior period Income	548	99	0	0	548	99
Prior period Expenses	190	200	0	0	190	200
<b>Net profit</b>	<b>9380</b>	<b>10625</b>	<b>161</b>	<b>604</b>	<b>9541</b>	<b>11229</b>
<b>OTHER INFORMATION</b>						
Segment Assets	67,090	35808	4720	5323	71810	41131
Other Assets	0	0	0	0	0	0
<b>Total Assets</b>	<b>67090</b>	<b>35808</b>	<b>4720</b>	<b>5323</b>	<b>71810</b>	<b>41131</b>
Capital Expenditure	94296	90846	0	0	94296	90846
Inter segment capital expenditure	0	0	0	0	0	0
Segment Liabilities	0	0	0	0	0	0
Unallocated Corporate Liabilities	64,620	38848	1753	4685	66373	43533
<b>Total Liabilities</b>	<b>64620</b>	<b>38848</b>	<b>1753</b>	<b>4685</b>	<b>66373</b>	<b>43533</b>
Depreciation	5107	4707	0	0	5107	4707
Total Liabilities exclude:						
Secured Loans	6300	8400	0	0	6300	8400
Unsecured Loans	4164	6248	0	0	4164	6248
Deferred Tax	88	30	0	0	88	30

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.

# Balance Sheet Abstract and Company's General Profile

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

**For and on behalf of**  
**K. M Agarwal & Company**  
**Chartered Accountants**  
**FRN. 000853N**

Place: New Delhi Date: 19/08/2011	C P Mishra Partner M. No. 073009	S.C. Hans Company Secretary	R.K. Mitra Director (Finance)	Rajiv Sinha Managing Director & DPOM
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# Annexure

Amount 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
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
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
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
4	Interest Expenses	-	2.68	-	4.68	9.84	12.77	16.40	23.41	19.54	14.79	11.27
5	Depreciation	-	0.01	0.55	15.31	29.13	31.32	5.09	38.94	41.81	47.07	51.07
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
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
8	Dividend	-	-	-	-	-	-	-	5.00	8.00	15.00	13.00
9	Foreign Projects reserve	-	-	-	-	-	-	-	-	-	-	0.00
10	General Reserve	-	-	-	-	-	-	-	40.00	80.00	120.00	160.00
11	Other Reserve	-	-	-	-	-	-	-	-	-	-	0.00
12	Reserves & surplus	0.16	-	-	-	-	-	-	44.26	136.94	231.68	311.93
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
14	Inventories	-	-	-	0.47	0.41	0.91	0.91	0.79	0.50	1.15	0.65
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
17	Capital employed	13.10	70.57	21.00	313.38	640.17	566.18	533.01	560.47	564.89	660.36	706.08
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
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%
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%
22	Profit after tax to share capital	1.07%	-2.40%	-7.67%	-9.91%	-8.32%	-4.38%	12.73%	17.49%	31.79%	34.99%	29.71%
23	Expenditure to income	0.00%	1081.08%	123.26%	62.61%	43.37%	44.31%	45.27%	41.02%	57.56%	56.16%	53.16%
24	Number of Employees	1	16	48	121	158	263	278	332	382	361	389.00
25	Income per employee	0.27	0.00	0.05	0.09	0.21	0.23	0.41	0.60	1.01	1.11	0.93
26	Foreign exchange earning per employee	-	-	-	-	-	-	-	-	-	-	-
27	Current ratio	1.29	4.62	1.17	0.12	0.43	0.38	1.01	0.75	0.83	0.94	1.08
28	Debt/equity ratio	-	6.68	11.16	1.06	0.41	1.16	0.86	0.63	0.41	0.27	0.16
29	Investments	-	-	-	-	-	-	-	-	-	-	-



रेलटेल  
RAILTEL

A Government of India  
Undertaking

**रेलटेल कार्पोरेशन ऑफ इण्डिया लिमिटेड**

(भारत सरकार का उपक्रम)

**RailTel Corporation of India Limited**

(A Government of India Undertaking)

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New Delhi-110 001

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