



रेलटेल
RAILTEL

A Government of India
Undertaking



दसवीं वार्षिक रिपोर्ट 2009-2010

Tenth Annual Report 2009-2010

रेलटेल कार्पोरेशन ऑफ इण्डिया लिमिटेड
(भारत सरकार का उपक्रम)

RAILTEL CORPORATION OF INDIA LIMITED
(A Government of India Undertaking)



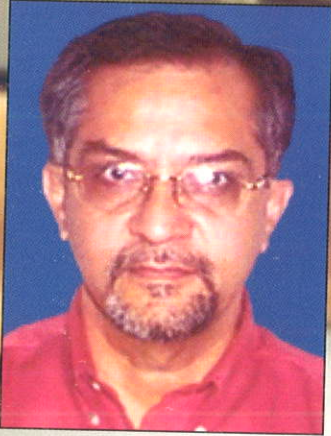
श्री एस.के. वशिष्ठ, प्रबंध निदेशक
Shri S.K. Vasishta, Managing Director



श्री सुदेश कुमार, अध्यक्ष
Shri Sudesh Kumar, Chairman



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



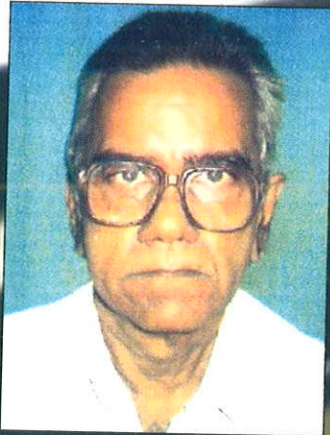
श्री राजीव सिन्हा, निदेशक (पी.ओ.एम.)
Shri Rajiv Sinha, Director (POM)



श्री आर.के. बहुगुणा, निदेशक (एन.पी.एम.)
Shri R.K. Bahuguna, Director (NPM)



श्री नरेश सलेचा, निदेशक
Shri Naresh Salecha, Director



श्री ए.के. बन्धुपाध्याय, निदेशक
Shri A.K. Bandyopadhyay, Director



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



श्री एस.सी. हंस, कम्पनी सचिव
Shri S.C. Hans, Company Secretary

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Quality Polcy

***Continually strive towards corporate policy of creating a national wide broadband telecom and multimedia network to supplement National Telecom Infrastrcture 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 Sudesh Kumar | Chairman (From 9.11.2009) |
| 2. Shri S.K. Vasishta | Managing Director |
| 3. Shri Rajiv Sinha | Director (POM) |
| 4. Shri R.K. Bahuguna | Director (NPM) |
| 5. Shri R.K. Mitra | Director (Finance) |
| 6. Shri Naresh Salecha | Nominee Director |
| 7. Shri R.C. Adwal | Nominee Director (up to 30th June,2010) |
| 8. Shri Sumant Chak | part time non official Director (Up to 4th March,2010) |
| 9. Shri A.K. Bandyopadhyay | part time non official Director (From 28.07.2010) |
| 10. Shri A.K. Sinha | part time non official Director (From 08.09.2010) |

Audit Committee

- | | |
|----------------------------|------------------------|
| 1. Shri Sumant Chak | (Up to 4th march,2010) |
| 2. Shri Naresh Salecha | |
| 3. Shri R.C. Ahwal | (up to 30th June,2010) |
| 4. Shri A.K. Bandyopadhyay | (From 4.9.2010) |
| 5. Shri S.K. Vasishta | (From 4.9.2010) |

Regional Offices

1. Regional General Manager (Northern)
502-502, Arunachal Building,
19, Barakhamba Road,
New Delhi-110001
Tele 011-23752114 – 16
2. Executive Director (Southern)
2nd Floor, B Block, Rail Nilayam
Secunderabad -500426
Tele: +91 40 27820429
Fax 040-27820682
3. Executive Director (Eastern)
1st Floor, New Koilaghat Building,
14, Strand Road, Kalkatta-700001
Tele 033-2218651 to 653
Fax 033-22138655
4. Executive Director (Western)
Microwave Complex,
Senapati Bapat Marg,
Opp. Ambika Mills, Mumbai-400013
Mumbai-400013
Tel : 022-24923925

Regd. & Corporate Office:

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

Website:

www.railtelindia.com

Bankers:

State Bank of India
ICICI Bank
Union Bank of India

Statutory Auditors:

Chandiok & Gulani
Chartered Accountants,
C- 44, Nizamuddin East, New Delhi-13
Tele: 011-24350860,
Fax:011-24350457

Branch Auditors:

Gala & Gala
Chartered Accountants,
409-413, Navrattan Building,
4th Floor, 120-122, PD Mello Road,
Carnac Bridge Corner,
Near Tata Pwer Building, Maszid (E)
Mumbai Maharashtra-400009
Tel: 022-23488173
Fax: 022-23481086

A Kayes & Co.
Chartered Accountants,
231, Kamalalaya Centre,
156 A, Lenin Sarani,
Kolkatta-7000 13 (WB)
Tele: 033-22157252
Fax : 033-22157753

Laxmi Niwas Neeth & Co.
Chartered Accountants,
5-9-29/40, Basheerbagh Palace Colony,
Flat No.14, Gopal Bhavan,
Hyderabad-500063 (AP)
Tele: 040-23240700
Fax: 040-40100860

DIRECTORS' REPORT

Gentlemen,

The Directors have pleasure in presenting their 10th annual report together with annual accounts of the Company for the year ended 31st March, 2010.

2. FINANCIAL RESULTS

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

Particulars	₹in crores	
	2009-10	2008-09
Operating results		
Operating turnover	399.70	386.44
Operating Expenditure	224.49	222.42
Profit before interest, depreciation and tax	175.21	164.02
Interest on loan	14.79	19.53
Depreciation	47.07	41.82
Profit before tax	113.35	102.67
Provision for arbitration claims	(3.54)	-
Income and fringe benefit tax	(5.39)	(0.36)
Prior period tax adjustments (net)	(1.01)	(5.39)
Depreciation adjustment for earlier years	8.88	13.12
Net Profit	112.29	102.04
Appropriations		
Dividend (including interim)	15.00	8.00
Dividend Tax	2.55	1.36
General Reserves	120.00	80.00
Profit & Loss Account	111.69	56.94

During the financial year 2009-10, the Company has earned a recognized income of ₹399.70 crores including income from Railways' deposit works of ₹112.68 crores as against that of ₹386.44 crores including Railway's deposits of ₹113.99 crores during the year ended 31st March, 2009.

2.2 The operating profit earned during the year is ₹175.21 crores before interest, depreciation and tax as against that of ₹164.02 crores in the preceding year. After providing for interest and depreciation, the net profit before tax amounted to ₹113.35 (previous year ₹102.67 crores). The Company declared and paid interim dividend of ₹15 crores in March, 2010. 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 ₹146.48 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 31st March, 2010, 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 ₹15.00 crores in February, 2010 during the year under report. It had also paid dividend distribution tax to the exchequer. No further dividend is recommended by the Board.

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 crores during the year and as such, the total accumulated reserves as at the end of the financial year 2009-10 amounted to ₹ 120 crores. Besides, the accumulated profit & loss account under the Reserves and Surplus Account was of the order of ₹ 111.69 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. 35,250 KMs by 31.03.2010 (in about 9 ½ years) 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 2009-10, RailTel has executed OFC works for 2800 KMs worth approx. ₹ 112 crores for the Indian Railways.

7.3 During the year, RailTel has also provided STM 1 connectivity at more than 300 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, through 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 31.03.2010, connectivity at 234 important & 3487 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.

7.6 Networking equipment worth more than ₹ 30 crores were procured for Indian Railway to enable them commission their UTS and PRS (Passenger Reservation System) commitments.

7.7 Boardband and Internet connectivity to all Railways Zonal and Divisional Headquarters has been extended on MPLS (Multi Protocol Level Switching) data network at 96 locations with approx. 300 mbps aggregated capacity.

7.8 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, creating a new Revenue stream. 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 31.03.2010, there were 359 regular employees on the rolls of the company including 105 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 544 man-days of training to its staff. As a number of employee have to handle contract related matters, a specialized 5 day course on "Contract Management" was organized at IRISSET/ Secunderabad where in 20 employees were trained.

iv) Revised pay scales for IDA employees were implemented during the year. institutions were availed of, providing 544 man-days of training to its staff. As a number of employee have to handle contract related matters, a specialized 5 day course on "Contract Management" was organized at IRISSET/ Secunderabad where in 20 employees were trained.maintained in house.

v) Remuneration committee, appointed by RailTel Board had submitted its recommendations for introduction of PRP (Performance Related Pay) in the company.

vi) Committee appointed by RailTel Board, had also submitted its recommendations for brining out changes in the organization structure. These are currently under study.

10. VIGILANCE

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

10.2 Vigilance Awareness Week was celebrated in corporate office as well as in the Regional offices of Rail Tel from period 3rd to 7th Nov.2009. 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. Sh. Joginder Singh former Director CBI was invited to deliver a special talk on Preventive vigilance in corporate world.

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

11.1 There are 14 women employees out of a total of 359 regular employees. The Company provides equal opportunity to all category of employees.

11.2 During the year, 24 officials from Indian Railways were absorbed in RailTel's permanent cadre.

11.3 Company is following guidelines of official language act. A number of activities including PCDOs are being done in Hindi. Progress of use of Hindi is regularly monitored.

11.4 Company celebrated "Hindi Pakhwada" in Sept'09 during which an Exhibition was organized, Eassy & 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.

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. PARTICULARS OF EMPLOYEES

No employee has drawn a remuneration of ₹ 24 lakhs or more per annum or ₹ 2 lakhs or more per month during the year 2009-10.

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

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

a) Energy conservation measures taken. Effective steps are being taken to conserve energy by 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 ₹ 6.01 crores (previous year ₹ 3.38 crores) on electricity and power expenses. The Units consumed will henceforth be worked out separately.

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

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

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

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

15. The Company has not earned foreign exchange during the year under report. The Company incurred an expenditure of ₹ 136.94 lakhs (previous year ₹ 918.71) on account of payment towards capital goods and ₹ 8.51 lakhs on others (previous year – ₹ 5.27 lakhs) in foreign currency during the year. Besides, the value of components, stores and spare parts consumed (both imported and indigenous) amounted to ₹ Nil lakhs (previous year ₹ 75.15 lakhs)

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

As per the requirements of the Act, necessary updated information including the names of Central Public Information Officer and the Astd. Public Information Officer are posted on the website of the Company. Queries received have been replied to within the stipulated time.

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, 2010, and the same are replied/dealt with as under:-

(a) Loans & Advances include ₹ 400.67 Lacs due from Railways since 2003-04 on account of MUX & QUAD Cable, which in our opinion is doubtful for recovery, but no provision has been made in the books of accounts.

During the year 2003-04, an amount of ₹ 8.09 crore towards OD Mux was billed to the Railways and out of which ₹ 4.09 crore has already been recovered. The balance amount is considered good and no provision against this is considered necessary.

(b) Non-transfer of Short Haul STM-1 and primary multiplexing equipments to the Railways costing ₹ 994 Lacs (Written Down Value of ₹ 608.34 Lacs), as required under Clause 3.1.4 of the agreement with Ministry of Railways dated 21.09.2006(hereinafter referred to as "the agreement" and being used by the Railways. This has resulted in non-accounting of the same in the current year.

During the year, company has transferred assets worth ₹ 2072 lacs. The balance of ₹ 994 to Railways was being transferred.

(c) During the year depreciation of ₹ 62.92 Lacs has been charged to Profit & loss Account on the STM-1 Equipments being used by the Railways

Since these equipments were part of the Company's assets and are not yet transferred to Railways, the depreciation has been charged to Profit & loss Account.

(d) Non-consideration of Depreciation Adjustment of earlier year of ₹ 888 Lacs & Prior Period Expenses (Net) of ₹ 101 Lacs for calculation of Minimum Alternate Tax (MAT).

As pointed out, the position will be corrected while filing IT Return for the year 2009-10.

(e) Non Transfer of Short Haul STM-1 and primary multiplexing equipments created by the company to the Railways, as required under clause 3.1.5 of "the agreement" as value has not been determined by the company, the impact could not be ascertained.

During the year, company has transferred assets worth ₹ 901 lacs and company is perusing balance transfer of assets.

(f) In the absence of any confirmation from the Railways towards the security deposit of Electricity lying with them amounting to ₹ 132.41 Lacs, we are unable to comment on its recoverability and consequential impact on the profits of the company.

Railways Board vide letter no 99/Elec/94/50/4 dated 24/10/2005 has issued instruction to zonal Railways to waive the Security Deposit against electricity connection provided to RailTel. In the current year ₹ 58.48 lacs has been adjusted and the balance is being pursued with Railways.

(g) During the course of audit, we found that Company has not taken insurance cover for the Assets of RailTel due to which assets are exposed to risk, which may apprehend losses to the company. The Company is proposing to take insurance cover of its assets other than OFC.

(h) Note No. 6 of Schedule-13 regarding non-reconciliation and non-confirmation of balances shown under Current Liabilities, Current Assets, Loans & Advances and amount receivable/payable to Railways and their consequential financial impacts on the accounts, if any, are not readily ascertainable in the absence of necessary details

The company is regularly writing to Zonal Railways and Ministry of Railways with details for payment of outstanding showing under current liabilities, Current assets, Loans and Advances.

(i) Note no. 1 of Schedule-13 regarding charging depreciation on Fixed Assets transferred from Railways without reassessing the remaining useful life of the asset, the impact on such transaction is not ascertained.

All the assets purchased from the Railways or from any outsiders are considered as new and depreciation is being charged as per the policy of the company.

(j) Note No. 10 of Schedule-13 regarding Non adjustment of ₹ 148.12 Lacs received from railways in earlier years for assets transferred to them in Ahmadabad-Palanpur Section, in absence of detail impact could not be ascertained.

Relevant details of transactions are being connected. Necessary entries will be passed in Accounts in the current year.

(k) Note No. 30 of Schedule 13 regarding provision for Impairment

The company has set up a committee for reviewing the impairment on the assets of the company. The recommendation of the committee will be kept in view in the current year.

(l) Note No 32 of Schedule-13 regarding non-grouping/ rearrangement of Figures of previous year in line with corresponding figures of current year. Had the qualification as reported in Para no. f (i),(ii),(iii) & (iv) been considered, the profit after tax for the year would have been ₹ 10891 Lacs (as against the reported figure of ₹ 11229 Lacs),the loans & advances would have been ₹ 19590 Lacs (as against the reported figure of ₹ 19857 Lacs),the fixed asset Gross Block would have been ₹ 85948 Lacs (as against the reported figure of ₹ 86942 Lacs), the fixed asset Net Block would have been ₹ 67893 Lacs (as against the reported figure of ₹ 68438 Lacs), the accumulated depreciation would have been ₹ 18440 Lacs (as against the reported figure of ₹ 18503 Lacs), the provisions would have been ₹ 5904 Lacs (as against the reported figure of ₹ 5770 Lacs, the Deprecation for the year would have been ₹ 4644 Lacs (as against the reported figure of ₹ 4707 Lacs) , the MAT Expenses for the year would have been ₹ 2122 Lacs (as against the reported figure of ₹ 1988 Lacs) and the MAT Credit Entitlement for the year would have been ₹ 1617 Lacs (as against the reported figure of ₹ 1483 Lacs).

The regrouping of the previous year figures has not been done as per the advice of Board of Directors.

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. During 2008-09, RailTel has got "Excellent" rating under such MoU for that financial year. The company hopes to get "Very Good" rating during the year under review i.e. 2009-10.

22. PUBLIC SECTOR DAY

India Corporate Week during 14th December, 2009 to 21st December, 2009 was observed by Department of Public Enterprises. The Govt. of India also observed public sector day on 9th and 10th April, 2010. 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 Chandiok and Guliani, Chartered Accountants of Delhi as Auditors of the Company to audit the annual accounts for the year ended 31st March, 2010. 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. Gala & Gala | Western Region |
| 2. A Kayes & Co. | Eastern Region |
| 3. Laxmi Niwas Neeth & Co. | Southern Region |
| 4. Chandiok & Guliani | Northern Region |

23.2 In terms of the authorization given by the members in their last annual general meeting, the Board has already considered and approved payment of audit fee of ₹ 5.39 lacs including out of pocket expenses.

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 2010-11 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 31st March, 2010 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.

25.2 Out of four vacancies of part time non official Directors, two have recently been filled in with the appointment of S/Shri AK Bandyopadhyaya and A.K. Sinha w.e.f. 28.07.2010 and 08.09.2010 respectively. The appointment of other two part time non official Directors is under consideration of the Govt. of India.

25.2 The Board met four times for transacting business during the year 2009-10.

25.3 Shri Sudesh Kumar was appointed as part time Chairman of the Company w.e.f. 9th November, 2009. The Board placed on record its appreciation of services rendered and guidance provided by the Shri Sukhbir Singh,

part time Chairman of the Company till 31st July, 2009.

25.4 During the year under report, Shri Sumant Chak, part time non official Director also ceased to be Director of the Company on 4th March, 2010. The board also placed on record its appreciation of the services rendered by him during his tenure with the Company. Besides, Shri Naresh Salecha, part time official Director also ceased to be Director on 15.6.2010 but he was appointed again by the Government on the Board as part time official Director w.e.f.1.07.2010..

25.5 Shri RC Adwal, part time official Director also ceased to be the Director of the Company w.e.f. 1st July, 2010. The Board places on record its appreciation for the services rendered by him during his tenure with the Company.

26. AUDIT COMMITTEE

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

Shri Sumant Chak, non official part time Director /Chairman.
Shri RC Adwal , part time official Director
Shri Naresh Salecha, part time official Director

Consequent to expiry of the tenure of Shri Sumant Chak, and also consequent to ceasing to hold office by Shri R.C. Adwal, the Audit Committee has been reconstituted as follows, pending appointment of more number of independent part time non official Directors:

1. Shri A.K. Bandyopadhyay, part time non official Director
2. Shri Naresh Salecha, part time official Director
3. Shri S.K. Vasishta, Managing Director

Since Shri A.K. Sinha ex-CMD, BSNL has also recently been appointed as a part time non official Director on the Board as stated above, the Board is soon considering the proposal to reconstitute the said Audit Committee.

27. ACKNOWLEDGMENTS

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

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

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

27.4 The Board also places on record its appreciation of the services rendered by all categories of employees

and others, which have enabled RailTel to achieve its objectives. The Board also expresses its gratitude to the valued customers of the Company for their kind and continued patronage.

For and on behalf of the Board

Director(Finance) Managing Director

Dated: 17.09.2010

Place: New Delhi

Annexure to the Directors' Report

1.0 MANAGEMENT DISCUSSION AND ANALYSIS REPORT

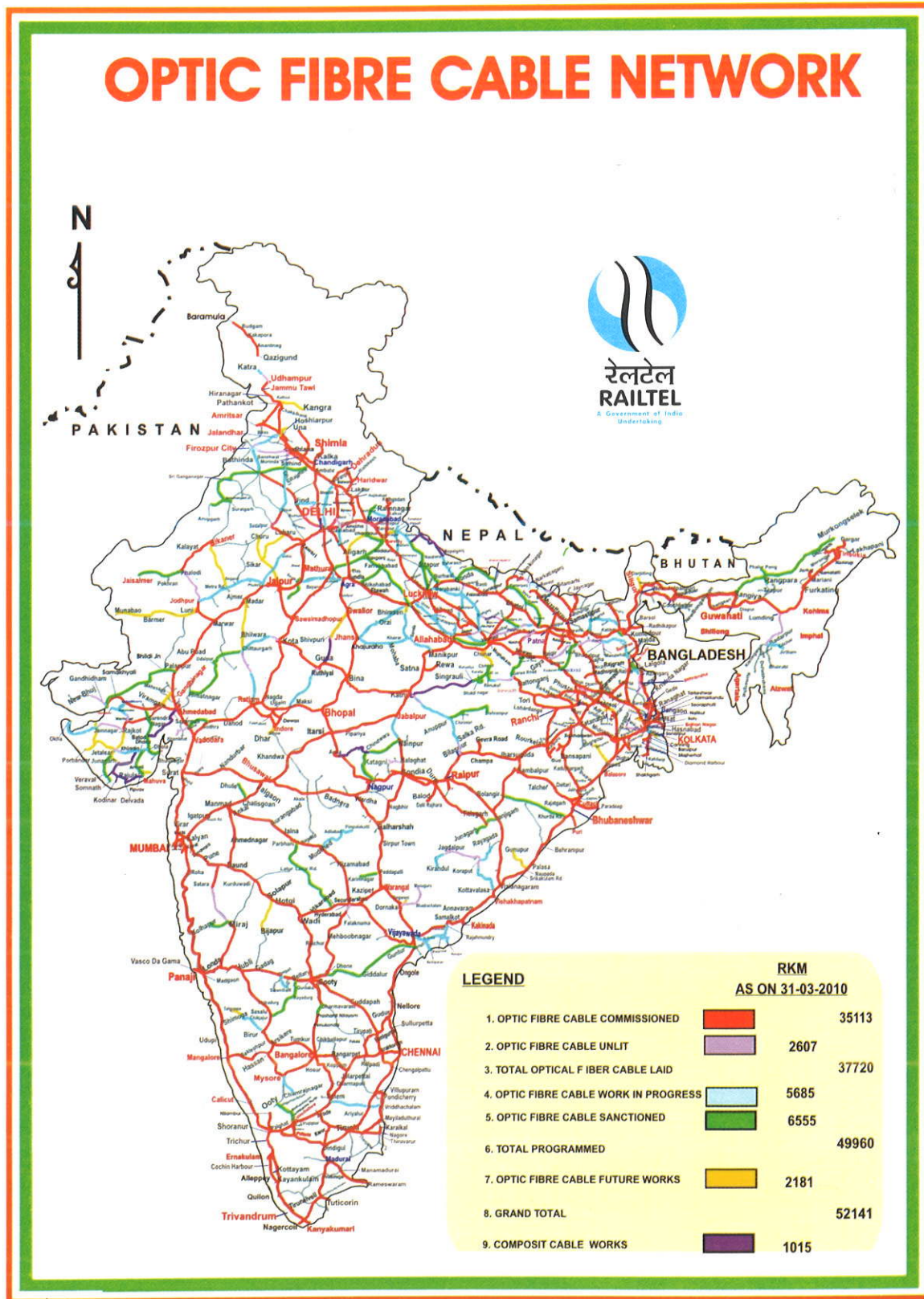
Industry Structure and Development:

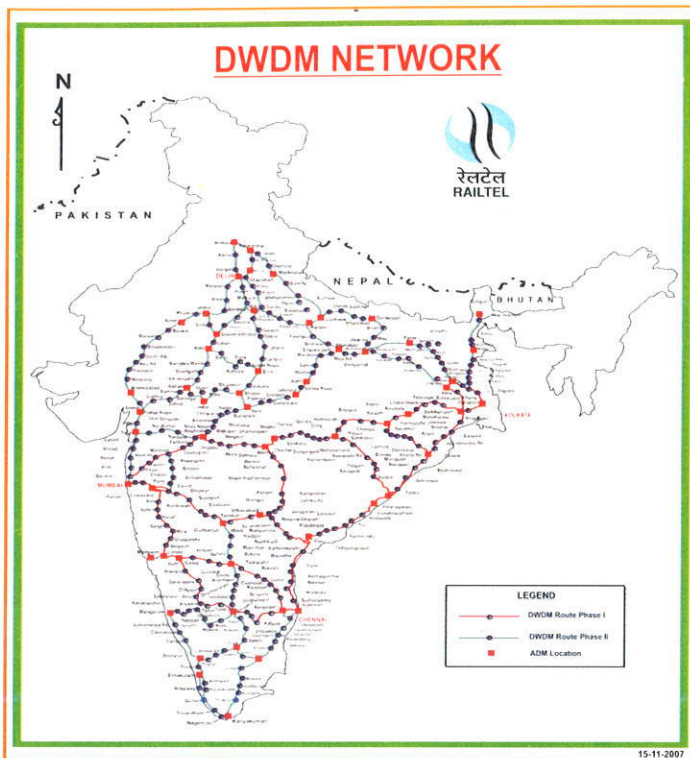
RailTel Corporation of India Limited was created in Sep 2000 with an aim to support coming up Mobile Telecom Service providers as well as provide Broadband services in the country specially in the rural and remote corners of the country. It was also to modernize telecom infrastructure of the Railways. 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 621.08 million in March 2010 implying a teledensity of 52.74%. Wireless subscribers have increased to 584.32 million by the end of March 2010, registering a growth of 3.6%. Wireless teledensity stood at 49.6%. This achievement has exceeded the target of 500 million subscribers in 2010. The growth of broadband subscriber base in India has hitherto been below expectations. The broadband subscribers have grown from a meager 0.18 million as on March 2005 to about 8.75 million as on March 2010. It is analysed that fixed line broadband has shown lower than expected growth as almost 30% - 40% of total 36 million fixed line connections are not capable of supporting broadband services. The internet usage in India is also low by world standards. In 2010, the estimated number of internet users is about 81 million which is about 6.9% of estimated population of 1.173 billion. The dominant access technology is DSL accounting for 86.53% market share followed by Cable Modem at 7.28%. Fibre access share is still less being 0.53%. The wireless access share is also currently very less at 0.9%. 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

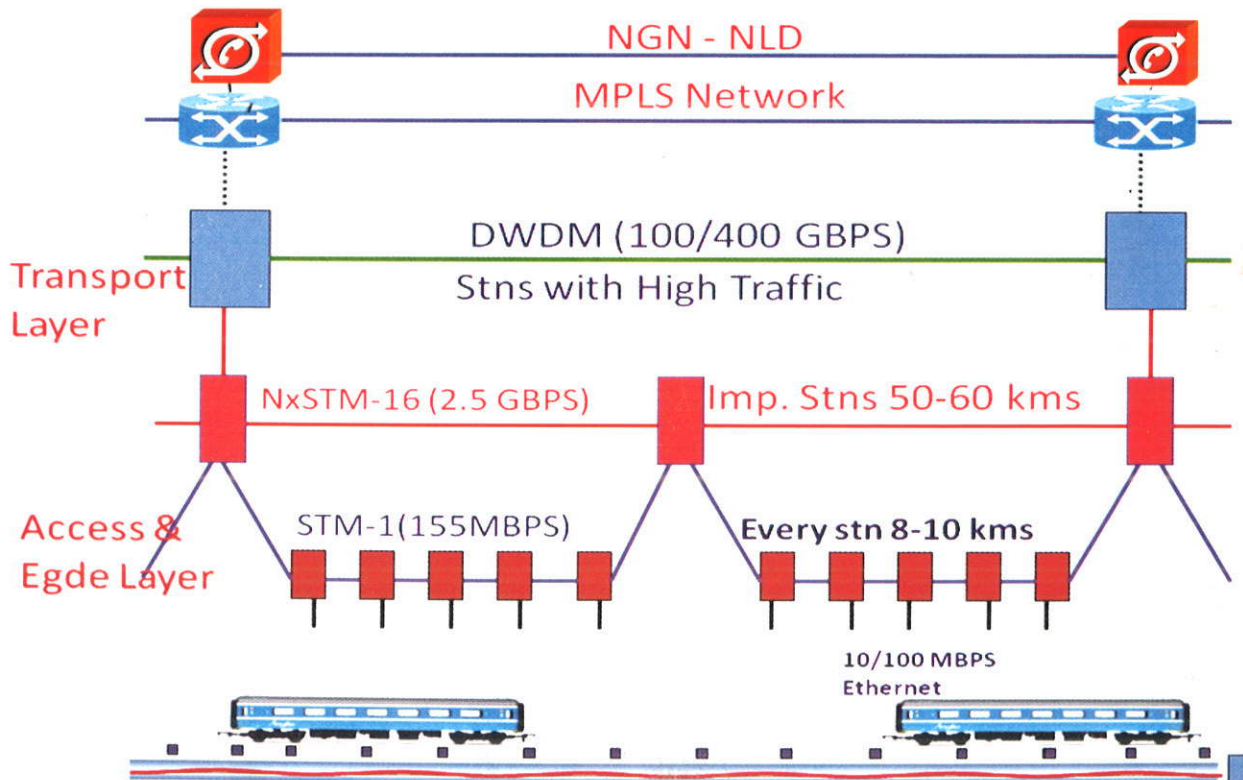
RailTel has exclusive seamless Right of Way (ROW) along 63,000 KM of Railway Track passing through 7000 stations across the country. Using this ROW, about 37000 KM of OFC has already been laid and over 35000 KM has been commissioned thus connecting 3721 stations till March'10. Works on another about 10000 KMs are in various stage of completion. The network diagram showing details of OFC laid, under progress and proposed is given below:



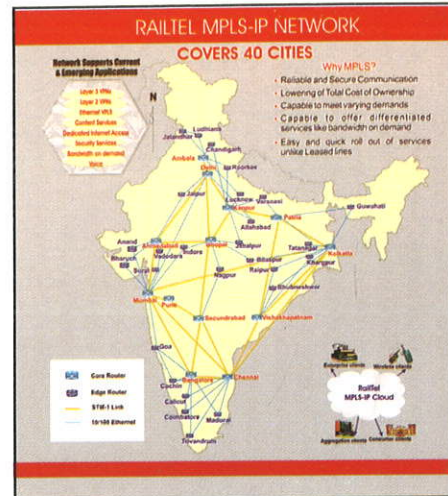


RailTel's transparent, robust, reliable, high speed OFC Backbone Network shall ultimately cover entire railway route across the country. In high bandwidth backbone segment, RailTel occupies a pride place with its unparalleled network. Its network has the ability to provide the mission critical customized 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

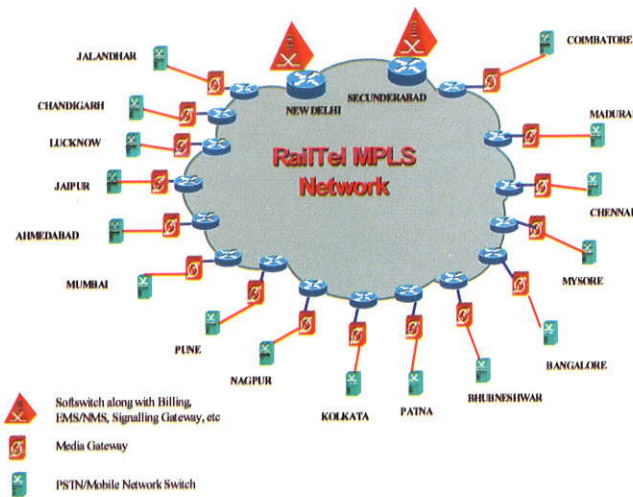
OFC System Architecture



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 the 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.

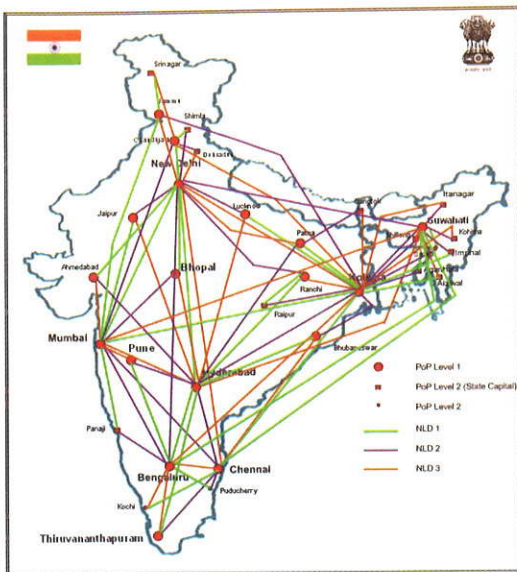
RailTel has participated to pilot a demonstration of WiMAX based broadband service deliver platform on moving trains with Southern Railways. The Pilot Project has utilized the backhaul as well as internet bandwidth of RailTel to deliver the same Onboard. Once successful and adopted on large scale such 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.

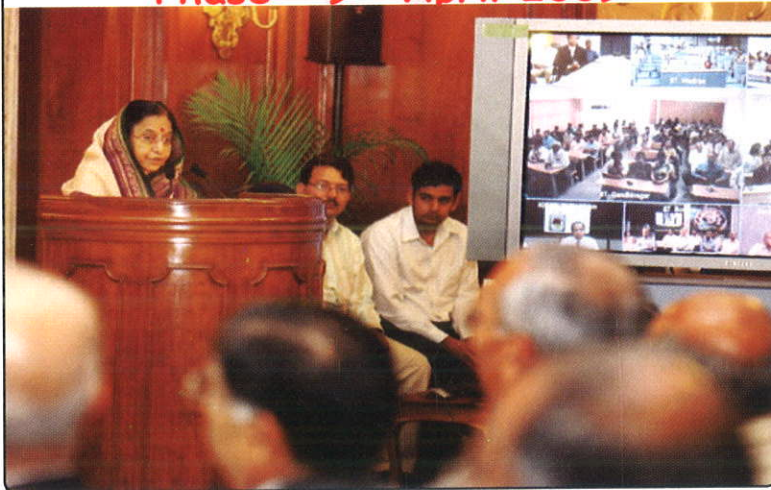
Once adopted on large scale such systems are likely to improve operational performance of the Railways and also enhance security environment.

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.



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. Idea is to interconnect all IITs, IIMs, Universities, Libraries, Laboratories, Hospitals and Agricultural Institutions in order to share Data and Resources across the country. The network shall also work as a platform for real time virtual class-room teaching from existing IITs to newly opened IITs and other Technical Institutions. RailTel has been enlisted as the lead network provider based on its reach and capacity.

President Inaugurating NKN Initial Phase - 9th April 2009



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. RailTel has provided 6 Core links and 24 Access links to operationalise

the network. The initial phase of network was formally inaugurated by President of India on 09.04.09. Subsequently, Cabinet Committee on Infrastructure (CCI) has approved setting up of NKN on dt. 26.03.2010, with an outlay of ₹ 5990 Crores to be implemented by NIC.

Railwire: Taking Broadband to Masses

Taking broadband to the masses has been enshrined as one of the objectives of RailTel, and accordingly RailTel has launched an innovative pilot service branded as "Railwire", which has been developed to take care of this special national requirement. Railwire has been created as an open source content delivery platform for

providing various services including Broadband Internet, IP telephony, e-HealthCare, e-Education, and other content driven services (gaming, video on demand services, etc) to home, SOHO & SMB segment using any available medium like WiMAX or ADSL or VDSL or Fiber or the cable operator's infrastructure. Pilot project has already been launched in Bangalore and running successfully for last one year in over 2000 homes delivering speeds upto 32 Mbps on broadband.

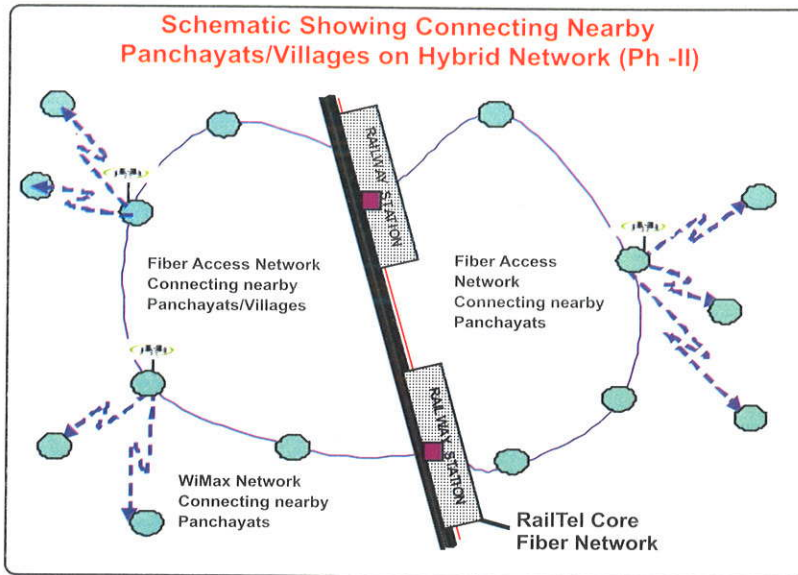
The most innovative part of the entire business model is to encourage entrepreneurship by bringing various people/organizations with content or network infrastructure to connect on a single platform and offer their services. This has enabled standalone cable operators to offer various value added services to their existing customers thereby not only retaining them but also increasing its service offerings and revenues against big Telecom operators. Alternatively, for the content generators/holders it provides an attractive platform to provide their content services to the end user directly. Thus organizations with various e-applications like e-education (NPTEL, IGNOU), e-Healthcare, e-gaming, video on demand, etc can have access to Railwire users directly.

The platform also empowers the subscriber/user through online tools to decide its own service offerings and select the same as and when required. User can select the speed of connectivity under "On Demand" services. This has catalyzed majority of users into selecting speed of atleast 8 Mbps and even going upto 32 Mbps on single broadband connection. Acknowledging the phenomenal success of Railwire platform, proposal is under consideration to shortly extend the services to cover whole of South India in the initial phase and shall cover whole of India subsequently.

The concept of Railwire in itself is unique and has a robust self sustaining business model. This model can easily be termed as a true infrastructure sharing model where each stakeholder shares a part of the infrastructure thereby creating a content rich platform at minimal CAPEX and OPEX requirement. This has catalyzed in providing cheapest & yet fastest Internet broadband enabled services to the masses. This model provides equal chance to various stakeholders including RailTel, content providers, data centers, cable operators, etc against full fledged integrated Telecom service operators.

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.



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.

RailTel has proposed a phased approach in connecting all Panchayats which are within 2-3 KMs from RailTel PoPs which can be connected through OFC within a short time frame while other nearby panchayats can be connected using wireless/Wimax technology. In later phases, the OFC can be extended to all Panchayats lying within 15-20 Kms from the nearest Railway stations having existing core OFC network thereby saving time and capex for the project.

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 companies 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, we have now 96.3 Gbps capacity only remaining to be utilized. Here also, the available capacity ranging from about 10 Gbps in Eastern Region to nearly 30% both in the Southern & Western Regions.

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 tariffs 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 as 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, APDRP projects 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 70% now. Low wariff was due to entry of newer telecos and the older expanding their own networks which has caused our revenues from IP₂ lowering despite nearly 33% increase in growth in terms of capacity lease, ranging from 27% increase in Northern Region's growth to 46% increase in Eastern Region's growth.

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 hapering 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 hall 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:

2009-10 has been an excellent year for RailTel, during the financial year 2009-10, total revenue earned by RailTel is ₹400 Crs, showing a positive growth over the previous year despite falling tariffs. The operating profit earned after tax during 2009-10 has been ₹113 Crs. RailTel has also paid an interim dividend of ₹15 Crs to Ministry of Railways..

The utilisation of RailTel's network has increased considerably. RailTel has leased 26900 E1s (54 Gbps) by end

of 2009-10, as compared to 20167 E1s (42 Gbps) leased during preceding year, which constitutes an increase of 33% in comparison to previous year. In business activity a total major number of Bandwidth customers increased to 110 from 80, hiring a total of 54 GB of Bandwidth in 2009-10. Internet Bandwidth customers increased to 184 from 155 and total business grew to 675 MBPS from 350 MBPS in the preceding year.

During the year 2009-10, 2949 RKms of OFC was added, making the network length to be 37720 Rkms long. Total number of stations now on OFC network has increased to 3747 from 2941 till 31st Mar, 2010. Simultaneously, continued progress has been made in commissioning of Long Haul back bone and 2893 RKms of STM 16/ STM 4 has been added during 2009-10, adding to a total of 44983 RKms of back bone 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 2010-11 is to achieve a total OFC network of 40000 RKM, increasing short-haul PoPs to 4000. Total E1 capacity is expected to be leased shall increased to 28000 by the end of 2010-11. During the year 2010-11, RailTel shall also commission 6500 KM of DWDM network having initial capacity of 100 G. The TDM Bandwidth customers during the current year are likely to reach a figure of 120 with capacity of 56 GB. During 2010-11 the internet business is expected to reach a figure of 1.5 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 15000 route kms where neither the Railway nor the RailTel had any plans in the foreseeable future to lay its own OFC. Consultancy for both these PPPs has been entrusted to TCIL (Telecom Communication India Ltd.) which is a central PSU.

Company has made several core and Access links available for the NKN (National Knowledge Network) which is a project of national importance. This has been done, (even in advance of the finalization of tariffs and other parameters wherever adequate capacity was either available or could be made available with some limited expenditure).

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.
- f. Introduction of PRP system.

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 either providing free broadband connection in some remote village/panchayat or sponsoring education of girl child or providing green toilets on heritage/hill stations trains. 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 commitme 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 dischar their func tions effectively.
- d. Independent verification and safeguarding integrity of the Company's financial reporting at 3 level of auditing -Internal Auditing, External Auditing, Statutory Auditing.
- e. A sound system of risk management and internal control.
- f. Timely and balanced disclosure of all material information concerning the company to all stakeholders including Ministry of Railways.

- g. Transparency and accountability management through implementation of RTI Act.
- h. Compliance with all the applicable rules and regulations as per CVC guidelines, CAG report & guidelines as per Company Act and Clauses of various licenses/registration.
- i. Fair and equitable treatment of all its stakeholders including employees, customers, shareholder 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 of Railtel. Apart from this Seven complaints were investigated which resulted in number of system improvement.

CVC's instructions on leveraging of technology were closely monitored by CVO and it was ensured that all the tenders being invited are uploaded and "on line bill payment status" system also evolves with access 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 of RailTel from period 3rd to 7th Nov 2009. 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. Sh. Joginder Singh former Director CBI was invited to deliver a special talk on Preventive vigilance in corporate world. This talk was attended by the officials of RailTel. An Essay competition on the topic of ' Role of Technology in setting up systems and processes for preventive vigilance' in Hindi & English were also held. A quiz 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 eight comprising of four whole-time directors (Managing Director and Director/NPM, Director/POM and Director/Finance), two government nominated part-time-(official) directors including part time Chairman and two part time non official Directors.

Normal strength of the Board of directors of the company as on 31st March, 2010, was seven: 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 from Administrative Ministry and part time Chairman, and one (out of four independent directors with a tenure of 3 years) non official part time Director till 4th March, 2010.

2.2 Strength of Independent Directors

The tenure of three independent directors concluded in October, 2008, and the tenure of fourth ended on 4th March, 2010. 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 is under consideration of the Govt. of India.

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

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

Mr. Sudesh Kumar, Member Electrical, Railway Board was appointed as Chairman, RailTel w.e.f. 9.11.2009, the date of Government order, in place of Mr. Sukhbir Singh who ceased to be Chairman, RailTel, w.e.f. 31.07.2009 on attaining the age of superannuation.

No change in part time official Directors during the year. Mr. Naresh Salecha, ED/FC and Mr. RC Adwal, ED/Tele from the Ministry of Railways remained on the Board during the year under report.

2.5 The details of Directors are given below:

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

Directors/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
Sudesh Kumar	Chairman – Part-time (official)	1	NIL	NIL
S.K. Vasishta	Managing Director – Whole–time	1	NIL	NIL
R.K. Bahuguna	Director/NetworkPlanning& Marketing (whole time Director)	1	NIL	Nil
Rajiv Sinha	Director/Projects,Operations& Maintenance (whole time Director)	1	Nil	Nil
R.K. Mitra	Director /Finance (whole time Director)	1	NIL	Nil
Naresh Salecha	Part time official Director	2	Nil	Two
Dr. Anup Kumar Bandyopadhaya	Part time non official Director	1	One	nil

Ceased to be directors during 2009-10 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)	1	Nil	1
Shri Naresh Salecha, ED/F(C), Ministry of Railways (held office from 28.09.2006 to 15.06.2010) Again appointed on Board w.e.f. 1.07.2010. Part time (official)	2	NIL	2
Shri Sukhbir Singh, Member Electricals Railway Board held office in RailTel as part time Chairman during the period from 15.5.2008 to 31.7.2009 Chairman – Part-time (official)	1	NIL	NIL
Shri Sumant Chak held office as part time non official Director from 5.03.2007 to 4.3.2010 Part time non official Director	1	2	1

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.
5. The number of committee memberships/chairmanships of directors is within the maximum limit of ten memberships.
6. The term 'official' indicates part-time Government nominated directors who hold office in the Government.
7. The term 'non-official' / 'independent' indicates part-time directors who hold no office in the Government and are independent.

3. Disclosures about Directors

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

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

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

**(i) Shri Sukhbir Singh, part time Chairman
(w.e.f. 15.5.2008 to 31.7.2009)**

Shri Sukhbir Singh (since retired in July, 2009) was a qualified B.Tech from IIT, Rorkee. He had a long association with Railways. He worked indifferent capacities in Railways including as DRM, Asansol and as GM, Allahabad). He was elevated to the post of Member Electrical & ex-officio Secretary to the Govt. of India, Ministry of Railways in May, 2008.

**(ii) Shri Sudesh Kumar, part-time Chairman
(w.e.f. 09.11.2009)**

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

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

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

He has had an illustrious career 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.

**(i) 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.

**(ii) 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 mainly for planning, networking as well as marketing activities.

**(iii) 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.

(iv) 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.

(v) Shri R.C. Adwal, part time official Director
(w.e.f. 8.08.2007 to 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.

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 2009-10

					₹ in lakhs
S.No	Name of the Directors S/Shri	Salary & Allowances	Other benefit and Perks	Leased accommodation	Total
1	SK Vasishta	12.43	5.05	2.48	19.96
2	Rajiv Sinha	11.82	4.80	2.38	19.00
3	RK Bahuguna	11.60	4.58	2.38	18.66
4	RK Mitra	11.46	4.58	2.38	18.42
				Total	76.04

No stock option has been made available or offered by the Company during the year 2009-10 as the equity shares of the company is held only the Govt. of India.

4.2 Details of Payments made to Part-time Non-Official Directors During the year 2009-10:

Sl No.	Name of the part-time non-official Directors	Sitting Fee		Total
		Board Meetings	Other meetings	
1	Shri Sumant Chak	₹ 56,000/-	₹ 16,000/-	₹ 72,000/-

5. Board procedure

BoD Meeting and Attendance during 2009-10:

The Board of Directors met four times during the financial year 2009-10 on:

11th June, 2009, 28th August, 2009, 16th December, 2009 and 21st January, 2010

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 2009-10 are given below:-

Director	No. of Board Meetings during 2009-10		Attended last Annual General Meeting
	Held (during their respective tenures)	Attended	
Shri Sukhir Singh	1	1	Yes
Sh.Sudesh Kumar	2	2	NA
Shri S.K. Vasishta	4	4	Yes
Shri Rajiv Sinha	4	4	Yes
Sh.RK Bahuguna	4	4	Yes
Sh. R.K. Mitra	4	4	Yes
ShNaresh Salecha	4	2	Yes
Sh.R.C. Adwal	4	4	Yes
Sh.Sumant Chak	4	3	Yes

Mr. S.C. Hans, Company Secretary, attended all the Board Meeting held during 2009-10.

6. Code of Conduct for Board members and senior management of the Company and Key Values for entire organization [Clause 49 I (D)]

The Company has in place a Code of Conduct for Board members and for Senior Management (including whole-time directors, Executive Directors and General Managers and above. These Codes came into effect from 30th November, 2007 and have been posted on the website of the Company – www.railtelindia.com. 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 2009-10 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 2009-10 were approved by the Board of Directors on 14.9.2010.

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 one independent director, one part-time official director and one functional director for the present.

The Committee had four Audit Committee meetings during the financial year 2009-10 on 4th August, 2009, 25th August, 2009, 15th December, 2009 and 24th December, 2009.

The attendance by the members at the meetings held during the year 2009-10 is as follows:

Member	Status	Meetings held (During their respective tenures)	Meetings attended
Shri Sumant Chak	Chairman	4	4
Shri Naresh Salecha	Member	4	3
Shri R.C. Adwal	Member	4	3

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 four meetings held during 2009-10.

8. Remuneration Committee

A remuneration committee of one part-time official director, one part time official Director and a whole-time director remained in place as required by the Government (DPE) office memorandum dated 26th November 2008), to implement the recommendations of 2nd Pay Revision Committee in respect of annual bonus/variable pay pool and policy for its distribution. The Committee conducted two meetings on 27th October, 2009 and 3rd 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 24th June, 2010.

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 constituted any Shareholders' Grievance Committee.

10. General Body Meetings

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

Financial Year	Date of holding meeting	Time	Location
2006-07	26 th September, 2007	3 PM	Committee Room (2 nd Floor), Rail Bhawan, New Delhi.
2007-08	30 th September, 2008	4 PM	-do-
2008-09	25 th September, 2009	4 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

10th Annual General Meeting

Date	:	29 th September 2010
Time	:	5.00 P.M.
Venue	:	2 nd Floor, Committee Room, Rail Bhawan, New Delhi-110001

Factual Calendar for approving matters pertaining to financial year 2009-10

Approval of Annual Accounts by BoD	17/09/2010
Adoption of Audited Annual Accounts by Shareholders	29/09/2010

The 10th AGM has been convened at a shorter notice received by the company from all of its shareholders.

Dates of Book closure:

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

Dividend payment date

Dividend when declared is normally paid within 5 days. During the financial year 2009-10 the Company had paid on 19th February, 2010 an interim dividend to its shareholders of `15 crores on the paid-up share capital of `320.94 crores. Final dividend recommended by the Board of Directors is Nil. 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 29th September 2010.

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%
TOTAL	320938407	100.00%

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 Securedrabad. 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, Securderabad, 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,

4. Evaluation of Board Members: Mechanism for evaluating the performance of part-time non official directors is in abeyance till all independent directors join the Board.
5. Whistle Blower Policy: The Company has not evolved a policy so far.
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 and clients 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 has been constituted on 30th March, 2009, in terms of the requirements of Department of Public Enterprises- Office Memorandum dated 26th November 2008 for deciding the annual bonus / variable pay pool and policy for its distribution across executive and non-unionized supervisors, within the prescribed limits. The Chairman of the committee was an independent director. Till date two meetings of the committee were held in the month of 27th October, 2009 and 3rd December, 2009 and all the members of the committee were present at the meeting.

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 15 days 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 2009-10

I, S.K. Vasishta, 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 2009-10.

Sd/-

S.K. Vasishta

Managing Director

Place: New Delhi

Date: 17.09.2010

Managing Director and Finance Head Certification

We have reviewed financial statements and the cash flow statement for the financial year 2009-10 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.

Sd/-
R.K. Mitra
Director Finance

Sd/-
S.K. Vasishtha
Managing Director

Place: New Delhi

Date: 17.09.2010

Annexure-A

**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, S.K. Vasishta, Managing Director having read and understood the Code of Business Conduct and Ethics for Board Members and Senior Management, hereby solemnly affirm that I have complied with and has not violated any of the provisions of the Code during the year ended 31st March, 2010

**Sd/-
S.K. Vasishta
Managing Director**

**Place: New Delhi
Date: 17.09.2010**

AUDITORS' REPORT

TO THE MEMBERS OF RAILTEL CORPORATION OF INDIA LIMITED

1. We have audited the attached Balance Sheet of RAILTEL CORPORATION OF INDIA LIMITED as at 31st March, 2010, 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 & Corporate Office audited by us and Southern, Eastern & Western Regions 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 standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's 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 checks as were considered appropriate, we annex hereto a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, the company has kept proper books of account as required by law so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the Profit & Loss Account, and the Cash Flow Statement have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956
 - e) 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(1) (g) of the Companies Act, 1956 are not applicable to the directors of the company.

- f) In our opinion and to the best of our information and according to explanations given to us, the said accounts of the company read with Significant Accounting Policies and Notes on Accounts (Schedule-13), subject to following comments:-
- (i) Loans & Advances include ₹ 400.67 Lacs due from Railways since 2003-04 on account of MUX & QUAD Cable, which in our opinion is doubtful for recovery, but no provision has been made in the books of accounts.
 - (ii) Non-transfer of Short Haul STM-1 and primary multiplexing equipments to the Railways costing ₹994 Lacs (Written Down Value of ₹ 608.34 Lacs), as required under Clause 3.1.4 of the agreement with Ministry of Railways dated 21.09.2006(hereinafter referred to as "the agreement" and being used by the Railways. This has resulted in non-accounting of the same in the current year.
 - (iii) During the year depreciation of ₹ 62.92 Lacs has been charged to Profit & loss Account on the STM-1 Equipments being used by the Railways
 - (iv) Non-consideration of Depreciation Adjustment of earlier year of ₹888 Lacs & Prior Period Expenses (Net) of ₹101 Lacs for calculation of Minimum Alternate Tax (MAT).
 - (v) 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.
 - (vi) In the absence of any confirmation from the Railways towards the security deposit of Electricity lying with them amounting to ₹132.41 Lacs, we are unable to comment on its recoverability and consequential impact on the profits of the company.
 - (vii) During the course of audit, we found that Company has not taken insurance cover for the Assets of RailTel due to which assets are exposed to risk which may apprehend losses to the company.
 - (viii) Note No. 6 of Schedule-13 regarding non-reconciliation and non-confirmation of balances shown under Current Liabilities, Current Assets, Loans & Advances and amount receivable/payable to Railways and their consequential financial impacts on the accounts, if any, are not readily ascertainable in the absence of necessary details
 - (xi) Note no. 1 of Schedule-13 regarding charging depreciation on Fixed Assets transferred from Railways without reassessing the remaining useful life of the asset, the impact on such transaction is not ascertained.
 - (X) Note No. 10 of Schedule-13 regarding Non adjustment of ₹ 148.12 Lacs received from railways in earlier years for assets transferred to them in Ahmadabad-Palanpur Section, in absence of detail impact could not be ascertained.
 - (xi) Note No. 30 of Schedule 13 regarding provision for Impairment.
 - (Xii) Note No 32 of Schedule-13 regarding non-grouping/rearrangement of Figures of previous year in line with corresponding figures of current year.

Had the qualification as reported in Para no. f (i),(ii),(iii) & (iv) been considered, the profit after tax for the year would have been ₹ 10891 Lacs (as against the reported figure of ₹ 11229 Lacs),the loans & advances would have been ₹ 19590 Lacs (as against the reported figure of ₹ 19857 Lacs),the fixed asset Gross Block would have been ₹ 85948 Lacs (as against the reported figure of ₹ 86942 Lacs),the fixed asset Net Block would have been ₹ 67893 Lacs (as against the reported figure of ₹ 68438 Lacs),the accumulated depreciation would

have been ₹ 18440 Lacs (as against the reported figure of ₹ 18503 Lacs), the provisions would have been ₹ 5904 Lacs (as against the reported figure of ₹ 5770 Lacs, the Deprecation for the year would have been ₹ 4644 Lacs (as against the reported figure of ₹ 4707 Lacs) , the MAT Expenses for the year would have been ₹ 2122 Lacs (as against the reported figure of ₹ 1988 Lacs) and the MAT Credit Entitlement for the year would have been ₹ 1617 Lacs (as against the reported figure of ₹ 1483 Lacs).

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 accountings principles generally accepted in India :

- i) In the case of balance Sheet, of the state of affairs of the company as at 31st March, 2010;
- 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 flows for the year ended on that date.

**For Chandiook & Guliani
Chartered Accountants
FRN: - 001199N**

**(Subasish Rout)
Partner
M. NO. 95572**

**Place: New Delhi
Date: 17th September, 2010**

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.

(b) *As per information and explanations given to us, the fixed assets have not been physically verified by the management and in absence of physical verification of all assets, the discrepancy, if any, with the book records could not be ascertained and accounted for.*

(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 procedures 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 & 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 region.

- (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 (a) above, the clause 5 (b) is not applicable.

- (vi) The Company has not accepted any deposit within the meaning of section 58A & 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 & coverage.*
- (viii) *No cost records has been maintained by the company as prescribed by Central Government under section 209(1) (d) of the Companies Act, 1956, vide notification no. G.S.R 689(E) dated 8th October, 2002*
- (ix) (a) According to information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Employees 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 year for the period of more than six months from the date they become payable.
- (b) According to information and explanations given to us, there are disputed dues of service tax aggregating to ₹ 502.03 Lakhs(excluding Interest & Penalty), 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 where 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	15.09.2004-31.03.2007	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 Disputes
Total		502.03		

- (x) The Company has no accumulated losses as at 31st March, 2010 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 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 share, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2004, are not applicable to the company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or Financial Institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to information and explanations given to us and on an 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 provisions of clause 4 (xx) of the Order are not applicable to the Company.
- (xxi) *During the year company detected fraudulent payments amounting to ₹ 157.02 Lacs to three parties. Necessary action has been initiated by the company for recovery. As an amount of ₹ 84.12 Lacs was payable to two of these parties, necessary provision of the balance amount of ₹ 72.90 Lacs has been made in the account as a matter of prudence. (Refer Note No. 27 of Schedule-13)*

For Chandiook & Guliani
Chartered Accountants
FRN: - 001199N

(Subasish Rout)
Partner
M. NO. 95572

Place: New Delhi
Date: 17th September, 2010

Balance Sheet As at 31st March, 2010

Particulars	Schedules	As at 31.03.10 Amount in Lakhs ₹	As at 31.03.09 Amount in Lakhs ₹
SOURCES OF FUNDS			
Share Holders Funds	1		
Share Capital		32094	32094
Reserves & Surplus	2	23168	13694
Loan Funds	3		
Secured Loan		8400	10500
Unsecured Loan		6248	8332
Deferred Tax Liability		30	-
TOTAL		<u><u>69940</u></u>	<u><u>64620</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	86942	77326
<i>Less: Accumulated Depreciation</i>		18503	14685
Net Block		<u>68438</u>	<u>62641</u>
Capital Work in Progress (including Capital Advances)	5	<u>3904</u>	<u>8131</u>
		72342	70772
Current Assets, Loans & Advances	6		
Inventories		115	50
Sundry Debtors		11082	4910
Cash & Bank Balances		10037	10173
Other Current Assets		40	33
Loans & Advances		<u>19857</u>	<u>14998</u>
Total	(a)	41131	30164
Less: Current Liabilities & Provisions	7		
Current Liabilities		37762	32888
Provisions		5770	3428
Total	(b)	<u>43533</u>	<u>36316</u>
Net Current Assets/Liabilities(-)	(a) - (b)	(2402)	(6152)
TOTAL		<u><u>69940</u></u>	<u><u>64620</u></u>

**Significant Accounting policies &
Notes to accounts**

12

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
Chandiok and Gulani
Chartered Accountants**

FRN. 001199N

Place: New Delhi
Date: 17th Sept 2010

CA Subasish Rout
Partner
M.No: 95572

S. C. HANS
Company Secretary

R. K. MITRA
Director (Finance)

S.K. VASISHTA
Managing Director

Profit & Loss Account for the year ended on 31st March, 2010

Particulars	Schedules	For the Year Ended on 31.03.10 Amount in ₹ Lakhs		For the Year Ended on 31.03.09 Amount in ₹ Lakhs	
INCOME					
Lease Revenue -NLD (Bandwidth)		19715		19065	
Lease Revenue - ISP Licence		1700		1588	
Lease Revenue-IP-1 Licence		4706		4667	
Lease Revenue- NLD (VPN)		1421		746	
Interest from Banks (Gross)		199		451	
TDS Rs 27.18 lakhs (Previous Year ₹ 95.85 lakh)					
Income From Railway Deposit Works		11268		11399	
Other Income		961		728	
		<u>39970</u>	39970	<u>38644</u>	38644
EXPENDITURE					
Employee's Remuneration & Benefits	8	2694		3583	
Administrative & Other Expenses	9	1359		1530	
Other Operation & Maintenance Expenses	10 A	2743		2330	3860
Operation & Maintenance Expenses	10B	1979	4723	2276	
License fees to DOT		1265		1213	
Revenue share to Railways		1379		1201	
Railway Project Expenses	11	10664		10109	
Provisions for Doubtful Debts/ Advances	12	365		0	
		<u>22449</u>		<u>22242</u>	
			<u>22449</u>		<u>22242</u>
Net Profit before interest, depreciation & tax			17521		16402
Interest on Loan			1479		1953
Depreciation			4707		4182
Net Profit for the year before tax			11335		10267
Less: -					
Provision for Impairment			-		800
Provision for Arbitration Claim			354		-
Prior Period Adjustment (Net)			101		539
Add: -					
Add:- Depreciation adjustment for earlier years			888		1312
Less Tax Expenses					
FBT Expenses			-		(36)
Deffered Tax Liability			30		-
Tax Adjustment for Earlier Year			4		-
Minimum Alternate Tax Expenses			1988		1163

MAT Credit Entitlement	(1483)	(1163)
Net Profit for the year after tax	11229	10204
Add Profit/Loss brought forward	5694	426
Dividend Paid (Interim)	1500	800
Dividend Distribution Tax	255	136
Net Profit Before Appropriation	15168	9694
Transferred to the General Reserves	4000	4000
Balance Surplus Carried to Balance Sheet	11168	5694
Basic/Diluted Earning per share (₹)	3.50	3.18
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
Chandiok and Gulani
Chartered Accountants
 FRN. 001199N

Place: New Delhi
 Date: 17th Sept 2010

CA Subasish Rout
 Partner
 M.No: 95572

S. C. HANS
 Company Secretary

R. K. MITRA
 Director (Finance)

S.K. VASISHTA
 Managing Director

Schedules annexed to and forming an integral part of the Balance Sheet and Profit & Loss Account for the year ended 31 st March, 2010

SHARE CAPITAL

Schedules 1

Particulars	As at 31.03.10 <i>Amount in ₹ Lakhs</i>	As at 31.03.09 <i>Amount in ₹ Lakhs</i>
Share Holders Funds		
Authorised Capital		
1,00,00,00,000 Equity shares of ₹ 10/- each	<u>100000</u>	<u>100000</u>
Issued, Subscribed & Paid up Capital		
1,50,00,007 Equity Shares of ₹ 10/- each	1500	1500
30,59,38,400 Equity shares of ₹ 10/- each allotted for consideration other than cash	30594	30594
TOTAL	<u><u>32094</u></u>	<u><u>32094</u></u>

Reserves & Surplus

Schedule 2

Particulars	As at 31.03.10		As at 31.03.09	
	Amount in ₹ Lakhs		Amount in ₹ Lakhs	
General Reserve				
Opening Balance	8000		4000	
Add: - Addition during the year	<u>4000</u>	12000	<u>4000</u>	8000
Profit & Loss Account				
Opening Balance	5694		426	
Add: - Profit (Loss) for the year	<u>5475</u>	11168	<u>5268</u>	5694
TOTAL		<u><u>23168</u></u>		<u><u>13694</u></u>

Loan Funds
Schedule 3

<i>Particulars</i>	<i>As at 31.03.10</i> <i>Amount in ₹ Lakhs</i>	<i>As at 31.03.09</i> <i>Amount in ₹ Lakhs</i>
Secured Loans		
Term Loan		
Syndicated Term Loan from Banks led by State Bank of India	8400	10500
Total (a)	<u>8400</u>	<u>10500</u>
<i>Above loans are secured by way of:</i>		
A. First ranking mortgage/Hypothecation charge, as appropriate charges over all the company's immovable and movable assets on pari passu basis.		
B. First Charge on Project account. During the currency of loan, all payments received would get deposited in the principal project account to be maintained at State Bank of India, CAG Branch, New Delhi.		
C. Assignment /Charge of proceeds from sale of network including payments from DOT in the events of Termination/Cancellation of Licence.		
D. Charge / Assignment in favours of lender of the borrowers right under projects assignments duly acknowledged and consented to by the relevant counter parties to such project assignments.		
E. Assignment /Charge of contractor guarantees and liquidated damages.		
F. Security / charge over any letters of credits and/or performance bonds provided by the shareholders/ vendors in favours of the company all in form and manner satisfactory to SBI.		
Unsecured Loans		
Term Loan from Indian Railway Finance Corporation Ltd.	6248	8332
Total (b)	<u>6248</u>	<u>8332</u>
GRAND TOTAL (a) + (b)	<u>14648</u>	<u>18832</u>
Loans due for repayment within one year	4184	4184

Schedule 4

	GROSS BLOCK			DEPRECIATION			Amount in ₹ Lakhs NET BLOCK			
	As At 1-4-2009	Additions During the Year	Transfer/ Adjustment During the Year	Total As at 31.03.2010	Upto 31-03-2009	For The Year	Depreciation Adjustments	Total Upto 31/03/10	As at 31.03.2010	As at 31-03-2009
FIXED ASSETS										
A:- BUILDINGS										
Free Hold Land	222	-	-	222	-	-	-	-	222	222
Lease Hold land & Buildings	-	30	-	30	-	1	-	1	29	-
Lease Hold Improvements	625	18	-	643	162	62	-	224	418	463
B:- PLANT & MACHINERY										
OFC and Related Assets	47936	6040	1144	52832	9457	2729	96	12089	40743	38479
Telecom & Radio Equipments	12377	5773	2973	15177	2338	832	776	2394	12783	10039
Prefab Buildings	1201	66	31	1236	201	56	6	251	986	1000
MPLS Network	4042	-	-	4042	626	256	-	882	3160	3416
STM-16 Network	10221	1796	55	11962	1615	699	10	2304	9658	8606
Computers	340	58	1	398	173	52	-	224	173	167
Vehicles	6	-	-	6	2	1	-	2	3	4
C:- FURNITURE & FITTINGS										
Furniture & Fixtures	96	11	-	106	39	8	-	47	60	57
Office Equipments	250	29	0.19	279	62	13	0.03	74	204	188
Temporary Fixtures	10	-	-	10	10	-	-	10	-	-
TOTAL	77326	13819	4204	86942	14685	4707	888*	18503	68439	62641
PREVIOUS YEAR	72804	10337	5815	77326	11815	4182	1312	14685	62641	60988

* Included ₹ 176.66 lakhs (Previous year ₹ 61.02 lakhs) of depreciation on assets capitalised from back date

Capital Work in Progress
Schedule 5

<i>Particulars</i>	<i>As at 31.03.10</i> <i>Amount in Rs Lakhs</i>	<i>As at 31.03.09</i> <i>Amount in Rs Lakhs</i>
Buildings	580	*
OFC laying works, Pre Fab Building	2060	4520
Installation of STM & Other Equipment	969	3611
Advances for Capital Expenditure	<u>296</u>	<u>**</u>
	3904	8131
Total	<u>3904</u>	<u>8131</u>

* Refer note no 32(a) of Notes to the Accounts (Schedule 13)

** Refer note no 32(b) of Notes to the Accounts (Schedule 13)

Current Assets, Loan & Advances

Schedule 6

Particulars	As at 31.03.10 Amount in ₹ Lakhs		As at 31.03.09 Amount in ₹ Lakhs	
CURRENT ASSETS				
Inventory (At Cost) (Taken, valued and certified by the Management)				
Stores & Spares		115		50
Sundry Debtors (Unsecured)				
(A) Debts outstanding for period exceeding six months				
–Considered Good	1520		373	
–Considered Doubtful	424		142	
	<u>1944</u>		<u>515</u>	
Less: Provision for doubtful debts	424		142	
	<u>1520</u>		<u>373</u>	
Other Debts Considered good	4239	5759	<u>4537</u>	4910
(B) Dues from Railways				
Debts outstanding for period exceeding six months	2182			
Debts outstanding for period less than six months	3141	5323		*
	<u> </u>			
Cash & Bank Balances				
Cheques in Hand	-		2189	
Funds In Transit	-		1425	
Cash / Imprest Balances	4		<u>5</u>	
	4		3619	
Balances with Scheduled Banks in				
Current Account	1133		894	
Collection Account (C/A)	3470		619	
Term deposits	<u>5430</u>	10037	<u>5041</u>	10173
Other Current Assets				
Accrued Interest on Term deposits		40		33
LOANS AND ADVANCES				
Advances recoverable in cash or in kind or for value to be received				
–Considered Good	7628		7223	
–Considered Doubtful	83		-	
	<u>7711</u>		<u>7223</u>	
Less: Provision for Doubtful Advances	83		-	
	<u>7628</u>		<u>7223</u>	
MAT Credit Entitlement	3733		2249	
Prepaid taxes	<u>8497</u>	19857	<u>5526</u>	14998
Total		<u><u>41131</u></u>		<u><u>30164</u></u>

* Refer note no 32(c) of Notes to the Accounts (Schedule 13)

Current Liabilities & Provisions

Schedule 7

<i>Particulars</i>	<i>As at 31.03.10</i>		<i>As at 31.03.09</i>	
	<i>Amount in ₹ Lakhs</i>		<i>Amount in ₹ Lakhs</i>	
Current Liabilities				
Sundry Creditors				
For Capital expenditure	6707		9113	
For Others	7079		6115	
	13786		15278	
Advances from Customers	14314		12568	
Advances from Projects	4685		*	
Security Deposits & Others	1240		*	
Book Ovredraft (Uncashed Cheques)	779		800	
Other liabilities	2958	37762	4242	32888
Provisions				
Provision for Impairment on Assets	800		800	
Provision Others	354		0	
Provision for MAT	4238		2249	
Provision for DOT Penalty	379	5770	379	3428
TOTAL		43533		36316

* Refer note no 32 (d) of Notes to the Accounts (Schedule 13)

Employees Remuneration & Benefits

Schedule 8

Particulars	For the Year Ended on 31.03.10	For the Year Ended on 31.03.09
	Amount in ₹ Lakhs	Amount in ₹ Lakhs
Directors Remuneration	77	75
Employee Cost Executive	2593	2970
Establishment Expenses.	157	130
Staff Outsourcing Expenses	590	347
Leave Salary Contribution	32	31
Gratuity	37	30
	<u>3484</u>	<u>3583</u>
Less:- Expenses transferred to Railway Deposit Works (Schedule 11)	790	*
	<u>2694</u>	<u>3583</u>

* Refer note no 32 (e) of Notes to the Accounts (Schedule 13)

Administrative & other Expenses
Schedule 9

<i>Particulars</i>	<i>For the Year Ended on 31.03.10</i> <i>Amount in ₹ Lakhs</i>	<i>For the Year Ended on 31.03.09</i> <i>Amount in ₹ Lakhs</i>
Auditor Remuneration	5	3
Books & Periodicals	11	9
Communication Expenses	113	95
Conveyance Expenses	59	54
Bank Charges & Commission	12	7
Insurance Expenses	0.07	1
Legal & Professional Expenses	57	59
Rates & Taxes	14	4
Rent	312	339
Repair & Maintenance	106	140
Tender Expenses	37	44
Training & Recruitment Expenses	27	41
Travelling Expenses	189	212
Printing & Stationary Expenses	45	46
Vehicle Hire charges	153	140
Business promotion Expenses	51	44
Other Miscellaneous Expenses	168	93
Donations	-	200
Loss on Sale of Fixed Assets	0.47	0
TOTAL	1359	1530

Other Operation and Maintenance Expenses

Schedule 10 A

<i>Particulars</i>	<i>For the year Ended 31.03.10 Amount in ₹ Lakhs</i>	<i>For the year Ended 31.03.09 Amount in ₹ Lakhs</i>
Share of Revenue with Konkan Railway	161	232
Hire Charges Radio Modem/Optic Fibers	562	487
Protection Bandwidth & Connectivity Charges	896	713
Internet Bandwidth	306	493
Franchise Expenses	150	*
Spectrum Charged and NLD Licence Fees to DoT	67	66
Electricity & Power Expenses	601	338
TOTAL	2743	2330

* Refer note no 32 (g) of Notes to the Accounts (Schedule 13)

Operation and Maintenance Expenses
Schedule 10 B

<i>Particulars</i>	<i>For the year Ended 31.03.10</i>		<i>For the year Ended 31.03.09</i>	
	<i>Amount in ₹ Lakhs</i>		<i>Amount in ₹ Lakhs</i>	
Repair & Maintenance Expenses	2647		2276	
Less: Recovered from Railways	667	1979	*	2276
		1979		2276

* Refer note no 32 (f) of Notes to the Accounts (Schedule 13)

Railways Project Expenses

Schedule 11

Particulars	For the year Ended 31.03.10		For the year Ended 31.03.09	
	Amount in ₹ Lakhs		Amount in ₹ Lakhs	
Railways Project Expenses -Contractors & Suppliers	9474		10109	
Tax Expenses/Provisions	400		-	
Add: Indirect Expenses transferred from Employees Remuneration & Benefits (Sch 9)	790	10664	*	10109
TOTAL		10664		10109

* Refer note no 32(e) of Notes to the Accounts (Schedule 13)

Provisions

Schedule 12

<i>Particulars</i>	<i>For the year Ended 31.03.10 Amount in ₹ Lakhs</i>	<i>For the year Ended 31.03.09 Amount in ₹ Lakhs</i>
Provision for Doubtful Debts	282	—
Provision for Doubtful Advances	83	—
TOTAL	365	—

Accounting Standard 17:

ANNEXURE A

Primary Information relating to Business Segments for the year ended 31st March 2010

Amount in Lakhs(₹)

	Telecommunications Services		Railways Project		Eliminations		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
REVENUE								
External Lease Revenue	28503	26794	11268	11399	0	0	39771	38193
Inter Segment Sales	-	-	-	-	-	-	-	-
Total Revenue	28503	26794	11268	11399	0	0	39771	38193
RESULT								
Segment Result (a)	28503	26794	11268	11399	0	0	39771	38193
Interest Expense (b)	1479	1953	-	-	0	0	1479	1953
Interest Income (c)	199	451	-	-	0	0	199	451
Other Expenses (d)	15958	15803	10664	10109			26622	25912
Income Taxes(FBT) / de	538	36	-	-	0	0	538	36
Profit from Ordinary Activities								
{(a)+(c)-(b) -(d)-(e)}	10726	9453	604	1290	0	0	11330	10743
Prior period Income	99	543	-	-			99	543
Prior period Expenses	200	1082	-	-			200	1082
Net profit	10625	8914	604	1290			11229	10204
OTHER INFORMATION								
Segment Assets	35808	28630	5323	1533			41131	30164
Other Assets	-	-	-	-			-	-
Total Assets	35808	28630	5323	-			41131	30164
Capital Expenditure	90846	85457	-	-			90846	85457
Inter segment capital ex	-	-	-	-			-	-
Segment Liabilities	-	-	-	-			-	-
Unallocated Corporate L	38848	33478	4685	2838			43533	36316
Total Liabilities	38848	33478	4685	-	0	0	43533	36316
Depreciation	4707	4182	-	-			4707	4182
Total Liabilities exclude:								
Secured Loans	8400	10500	-	-			8400	10500
Unsecured Loans	6248	8332	-	-			6248	8332
Deferred Tax	30	-	-	-			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.

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 capitalised as part of the construction cost and allocated to relevant fixed assets.

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

3. Capital Works-in-Progress

- a) In respect of supply-cum-erection contracts, the value of supplies received and accepted at site, is treated as capital work-in-progress. The capitalization is done on the basis of the date of issue of provisional acceptance certificate of the work.
- b) Contracts under deposit work are accounted for on the basis of statement of account received from executing agencies/ technical assessments of the works executed.
- c) Incidental expenditure related to company's own projects are not charged to the CWIP in view of very low materiality of such expenses.

4. Borrowing costs

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

5. Inventories

Stores and spares are valued at cost on FIFO basis.

INCOME

6. Income recognition

- 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 will be accounted for after due approval of the respective Railways.

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. The company has set up a committee to assess the extent of impairment of assets, adjustment if any will be made as advised by the committee.

9. Retirement Benefits

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

10. License Fees and Revenue share

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

11. Establishment Expenses of Railways Project Works

A part of expenditure of Employees Remuneration and Benefits, being 8% 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 ₹10000/- 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 ₹2168.12 lakh. (Previous Year ₹1235.19 Lakh)
 - b. Bank Guarantees issued on behalf of the company ₹2401.86 lakh (Previous year ₹2223.08 lakh).
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (as certified by the management) ₹10106.45 lakh (net of advances) (Previous Year ₹10792.86 lakh).
4. Some of the STM-1 equipments have been transferred to Railways during this year with retrospective effect. As a result, accumulated depreciation amounting to ₹845.84 lakh (Previous Year ₹371.69 lakh) has been written back and shown under depreciation adjustment for earlier year Depreciation for the current year upto the date of transfer is not charged on these assets.
5. STM-1 equipments received from the Railways valued at ₹2072 lakhs (Previous Year ₹360 lakh) has been transferred back to them during the year and the balance transfer of STM-1 equipments is being pursued with the Railways. The Company proposes to effect transfer of these assets and make the necessary adjustments as provided in the agreement. Further, with regard to balance STM-1 and primary multiplexing equipments 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.
6. Balances shown under advances, sundry debtors, creditors including Railways and service tax are subject to confirmation/ reconciliation and consequential adjustments, if any.
7. 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.
8. As per the directive no. 2006/tele/RCIL/4 dated 14.6.07 from the Ministry of Railways the income to be booked on the railway deposit works is 13% on the cost of such work excluding octroi, sales tax, royalties, other taxes etc.
9. Current assets includes an amount of ₹170.86 (net) lakhs (Previous Year ₹1048.30 lakhs as Liabilities) for which equity shares are to be adjusted to the Ministry of Railways (for taking over OFC assets) after adjusting an amount of ₹2072.00 lakhs (Previous year 360 lakhs) for STM-1 equipments transferred to the Railway in the current year. This amount of ₹170.86 lakhs will be adjusted against future issue of equity to Ministry of Railways.
10. An amount of ₹148.12 lakhs has been received from Railways on account of Ahmedabad-Palanpur section, for which details are not available with the company, consequently no adjustment for the same has been in the accounts of current year.
11. 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.

12. 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 31st March 2010 as micro, small, or medium enterprises. Consequently, the amount paid/payable to these parties during the year is Nil.
13. (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".

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

Particulars	2009-10 (₹ In lakh)	2008-09 (₹ In lakh)
Remuneration	47.33	58.12
Other payments	28.72	15.61

In addition, the part time non-official directors have been paid sitting fee during the year as under Sh. Sumant Chak

	0.72	0.85
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15. Auditor's remuneration includes:-

Particulars	2009-10 (₹ In lakh)	2008-09 (₹ In lakh)
Statutory Audit Fee	3.87	2.50
Tax Audit Fee	0.88	0.88
Other Services	0.00	0.06
Out of Pocket Expenses	1.51	0.00
Total	<u>5.39</u>	<u>3.44</u>

* In the current financial year 2010-11, Company has incurred ₹ 1.70 lakhs on out of pocket expenses (including boarding, lodging and traveling expenses) of Statutory Auditors related to year 2009-10

16. Loans and advances include a sum of ₹ 379 lakhs deposited with the Department of Telecommunication, under protest, on account of share on income, interest, and penalty. The company has filed an appeal with Telecom Dispute Settlement and Appellate Tribunal (TDSAT). against which necessary provision exist.
17. The Company has created Deferred Tax liability amounting to ₹ 29.84 lakhs as per Accounting Standard -22 on accounting of Taxes on Income as notified under Companies Accounting Standard Rules, 2006.
18. 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.
 - a. Telecommunication Services
 - b. Deposit Work Contracts.

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

19. 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, 2010. Accordingly not disclosed.

B. Future minimum lease rentals receivable under operating lease for each of the following period as on March 31, 2010 are as under;

	As on 31.03.10 (₹ In Lakh)	As on 31.03.09 (₹ In Lakh)
Not later than one-year	3247	5952
Later than one year and up to five years	3647	2400
Later than five years	7420	3437
Total	<u>14314</u>	<u>11789</u>

20. 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.

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

Detail of Related party transaction during the year:-

Nature of transaction	2009-10 (₹ In lakh)	2008-09 (₹ In lakh)
Managerial Remuneration (Key Management Person)	76.77	74.58

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

	2009-10 (₹ In Lakh)	2008-09 (₹ In Lakh)
Net Profit/ Loss (-) available for Equity Shareholders (a)(₹)	11230	10204
No. of Equity share of ₹ 10 each (b) (in lakhs)	3209	3209
Basic/ diluted Earning per share (a)/ (b) (₹)	3.50	3.18

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

	2009-10 (₹ In Lakh)	2008-09 (₹ In Lakh)
a. Value of imports calculated on CIF basis		
i. Capital goods	136.94	918.71
ii. Spare parts	NIL	NIL
b. Expenditure in foreign currency		
i. Professional and consultancy fee	NIL	NIL
ii. Others	8.51	5.27
c. Value of components, stores, and Spare parts consumed (Imported and indigenous)	NIL	75.15
d. Earning in foreign exchange	NIL	NIL

23. 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.

24. Loans and advances due from Directors include ₹ 3.68 lakhs (Previous year ₹ 0.84 lakhs). Maximum out standing during the year ₹ 3.68 lakhs (Previous year ₹ 0.84 lakhs).

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

	2009-10 (₹ in Lakh)	2008-09 (₹ in Lakh)
IEDC Reversal of Earlier Year	0.00	595.82
DoT Share on Revenue	16.35	2.88
O & M Charges	65.80	89.52
Electricity & Power	53.12	65.17
Rent	0.00	120.78
Last Mile Charges	0.00	16.15
Lease Charges for Dark Fiber	21.62	157.01
Establishment	14.94	Nil
Others	28.16	34.30
Prior Period Expenditure (A)	199.99	1081.63
Less Prior period Income (B)	99.28	543.02
Prior Period Expenditure (Net)(A-B)	<u>100.71</u>	<u>538.61</u>

26. The company is in the process of formulating a policy for physical verification of its assets.
27. During the last three years payments amounting to ₹ 125.42 lakhs were made from the accounts of the company fraudulently in favour of M/s Orbit Netcom Pvt Ltd and Orbit Teletronics. Against this amount ₹ 84.12 lakhs is payable to these two parties. The difference amount of ₹ 41.30 is recoverable from these two parties. Further an amount of ₹ 31.60 lakhs were made from the accounts of the company fraudulently in favor of M/s Aster Tele Services. The company has filed an F.I.R and has created a provision of ₹ 72.90 lakhs in the accounts.
28. Interest income from customers on account of delayed payment is accounted for as and when realized.
29. Disclosure under Accounting Standard -15

Provident Fund

All employees of the Company 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 .

Gratuity & Leave Encashment

The provision for Gratuity and Leave encashment benefits are provided on the basis of statements received from the LIC of India.

30. In compliance with AS 28, the Company has formed Committee to review the need of impairment from time to time. The necessary provision shall be made after review and recommendation of the committee in the subsequent years.
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. Disclosure on Previous year figures.

As following previous year figures have not been regrouped and rearranged in line with corresponding figures of current year, the disclosure of which is as under.

- a) Buildings: In previous year, ₹ 408 lakhs was included in OFC laying works & prefab Buildings. (Refer Schedule 5).
- b) Advances for Capital Expenditure: In previous year, ₹ 342 lakhs was included in Loans and Advances. (Refer Schedule 5).
- c) Dues from Railways: In previous year, out of total amount of ₹ 1533 lakhs due from Railways, ₹ 657

- lakhs was included in Sundry Debtors less than six month and ₹ 876 lakhs was included Loans & Advances. (Refer Schedule 6).
- d) Advances From Project, Security Deposits & Other: In previous year, ₹ 2838 (Advances from Project) and ₹ 779 lakhs (Security Deposit & Others) lakhs was included in Advances from Customers. (Refer Schedule 7).
- e) Employees Remuneration & Benefits: In previous year, ₹ 809 lakhs was included in Employees Remuneration & Benefits amounting to ₹ 3583 lakhs. (Refer Schedule 8).
- f) Recovered from Railways: In previous year, ₹ 535 lakhs was included in Income from IP-1 Licence. (Refer Schedule 10 B).
- g) Franchise Expenses: In previous year, ₹ 8 lakhs was included in Hire Charges Radio Modem Optic Fiber. (Refer Schedule 10 A).
33. Unless otherwise stated, the figures are in ₹ in Lakhs.

S.C. Hans
Company Secretary

R.K. Mitra
Director (Finance)

S.K. Vasishta
Managing Director

For and on behalf of
Chandiok and Guliani
Chartered Accountants
FRN. 001199N

Place: New Delhi
Date : 17th September 2010

Subasish Rout
Partner
M. No. 95572

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF RAILTEL CORPORATION OF INDIA LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Railtel Corporation of India Limited, New Delhi for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956, is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956, is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956, based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17 September 2010.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956, of the financial statements of Railtel Corporation of India Limited, New Delhi for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

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

(M.K. Biswas)

**Principal Director of Commercial Audit
&
Ex-officio Member Audit Board-III,
New Delhi**

Place : New Delhi

Dated: 28 September 2010

Cash Flow Statement For The Year ended March 31, 2010 (Indirect Method)

(Amount in Rs. Lakhs)

	CURRENT YEAR (2009-10)	PREVIOUS YEAR (2008-09)
Cash Flow From Operating Activities		
Net Profit/ (Loss) after Tax Adjusted for:-	11,229	9,441
Add : Depreciation	4,707	4,182
Add: Interest on Loan	1,479	1,953
Add: Provision For Impairment		800
Add: Loss on sale of Assets	0	
Less: Interest received	<u>199</u>	<u>451</u>
Net cash from operating activities before Extraordinary Item and change in working capital (a)	17,216	15,925
Extraordinary Item		
Less: Depreciation adjustment for earlier years	(888)	1,312
Net cash from operating activities after Extraordinary Item before change in working capital (a)	16,328	14,613
Working Capital changes		
(Increase)/ Decrease in Inventory	(65)	29
(Increase)/Decrease in other current assets	(7)	(16)
(Increase) /Decrease in other Loans & Advances	(4,859)	5,880
Increase/ (Decrease) in Current Liabilities	9,653	10,710
(Increase) / Decrease in Gross sundry debtors	(6,171)	(2,197)
Income Tax Paid (FBT)	-	36
Net (Increase) /Decrease in Working Capital (b)	<u>1,451</u>	<u>2,610</u>
Net cash from operating activities (a)+(b)	14,878	17,223
Cash Flow From Investing Activities		
(Increase)/ Decrease in Gross Block	(9,616)	(4,521)
(Increase) / Decrease in Capital Work in Progress	4,227	(2,950)
Interest received	199	451
Increase/ (Decrease) in Current Liabilities for capital works	<u>(2,406)</u>	<u>1,335</u>
Net cash from investing activities before Extraordinary Item	(7,596)	(8,355)
Extraordinary Item	-	-
Net cash from investing activities	(7,596)	(8,355)
Cash Flow From Financing Activities		
Repayment of Loan to IRFC	(2,084)	(2,084)
Loan from State Bank of India	(2,100)	(2,100)
Dividend & Dividend Tax Paid	(1,755)	(936)
Interest on Loan	<u>(1,479)</u>	<u>(1,953)</u>
	(7,418)	(7,073)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(136)	1,795
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,173	8,378
CASH AND CASH EQUIVALENT AT END OF PERIOD	<u>10,037</u>	<u>10,173</u>

* Net of Provision for Impairment & FBT Expenses

**For and on behalf of
Chandiok and Gulani
Chartered Accountants**
FRN. 001199N

Place: New Delhi
Date: 17th Sept 2010

CA Subasish Rout
Partner
M.No: 95572

S. C. HANS
Company Secretary

R. K. MITRA
Director (Finance)

S.K. VASISHTA
Managing Director

Balance Sheet Abstract and Company's General Profile

I. Registration Code State Code Registration No.

Balance Sheet Date

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

Right Issue

Bonus Issue

Private Placements

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Sources of Funds Total Liabilities

Total Assets

Paid - Up Capital

Share Application Money

Secured Loans

Reserve & Surplus

Application of Funds

Net Fixed Assets

Investments

(includes CWIP & Advance for Capital Expenditure)

Net Current Assets

Misc. Expenditure

Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover including other Incomes

Total Expenditure

Profit/Loss Before Tax

Profit/Loss after Tax

Earning Per Share in Rs.

Dividend Rate%

V. Generic Name of Three Principal Services of Company

Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text" value=""/>
Product Description	Rent from Tower Space
Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text" value=""/>
Product Description	Sale of Bandwidth
Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text" value=""/>
Product Description	Sale of VPN

For and on behalf of
Chandiok and Gulani
Chartered Accountants
FRN. 001 79N

Place: New Delhi
Date: 17th Sept 2010

CA Subasish Rout
Partner
M.No: 95572

S. C. HANS
Company Secretary

R. K. MITRA
Director (Finance)

S.K. VASISHTA
Managing Director

Annual Report Data

(Rs. in Crores)

S.No.	Particulars	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
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
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
3	Operating Margin	0.27	(0.36)	(0.60)	4.24	18.61	33.66	62.57	117.85	164.02	175.21
4	Interest Expenses	-	2.68	-	4.68	9.84	12.77	16.40	23.41	19.54	14.79
5	Depreciation	-	0.01	0.55	15.31	29.13	31.32	5.09	38.94	41.81	47.07
6	Profit before tax	0.27	(0.36)	(1.15)	(15.74)	(19.50)	(10.01)	41.08	62.15	102.67	113.35
7	Profit after tax	0.16	(0.36)	(1.15)	(15.74)	(19.50)	(10.27)	40.85	56.14	102.04	112.29
8	Dividend	-	-	-	-	-	-	-	5.00	8.00	15.00
9	Foreign Projects reserve	-	-	-	-	-	-	-	-	-	-
10	General Reserve	-	-	-	-	-	-	-	-	-	-
11	Other Reserve	-	-	-	-	-	-	-	40.00	80.00	120.00
12	Reserves & surplus	-	-	-	-	-	-	-	-	-	-
13	Net Fixed Assets (Gross block)	0.16	-	-	-	-	-	-	44.26	136.94	231.68
14	Inventories	0.04	0.09	11.44	728.44	769.63	763.06	611.37	728.05	773.26	869.42
15	Foreign exchange earnings	-	-	-	0.47	0.41	0.91	0.91	0.79	0.50	1.15
16	Share Capital	-	-	-	-	-	-	-	-	-	-
17	Capital employed	15.00	15.00	15.00	158.80	234.40	234.40	320.94	320.94	320.94	320.94
18	Government Investment	13.10	70.57	21.00	313.38	640.17	566.18	533.01	560.47	564.89	660.36
19	Net Worth	-	-	-	-	-	-	-	-	-	-
20	Profit before tax to capital employed	15.16	14.96	13.44	141.60	233.51	187.53	314.91	365.20	457.88	552.62
21	Operating margin to capital employed	2.06%	-0.51%	-5.48%	-5.02%	-3.05%	-1.77%	7.71%	11.09%	18.18%	17.16%
22	Profit after tax to share capital	2.06%	-0.51%	-2.86%	1.35%	2.91%	5.95%	11.74%	21.03%	29.04%	26.53%
23	Expenditure to income	1.07%	-2.40%	-7.67%	-9.91%	-8.32%	-4.38%	12.73%	17.49%	31.79%	34.99%
24	Number of Employees	0.00%	1081.08%	123.26%	62.61%	43.37%	44.31%	45.27%	41.02%	57.56%	56.16%
25	Income per employee	1	16	48	121	158	263	278	332	382	361
26	Foreign exchange earning per employee	0.27	0.00	0.05	0.09	0.21	0.23	0.41	0.60	1.01	1.11
27	Current ratio	-	-	-	-	-	-	-	-	-	-
28	Debt/equity ratio	1.29	4.62	1.17	0.12	0.43	0.38	1.01	0.79	0.83	0.94
29	Investments	-	6.68	11.16	1.06	0.41	1.16	0.86	0.63	0.41	0.27



रेलटेल कॉर्पोरेशन ऑफ इण्डिया लिमिटेड
(भारत सरकार का उपक्रम)

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(A Government of India Undertaking)

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