8th

Annual Report

2007-2008

RAILTEL CORPORATION OF INDIA LTD.

(A Govt. of India Undertaking)

MISSION / VISION

TO BECOME A PREMIER

TELECOM INFRASTRUCTURE SERVICE PROVIDER

TO OFFER COST-EFFECTIVE STATE OF THE ART

BROADBAND COMMUNICATION SOLUTIONS

IN ALL PARTS OF THE COUNTRY

BY UTILIZING INDIAN RAILWAYS' SEAMLESS RIGHT OF WAY

CONTENTS

DIRECTORS' REPORT

Gentlemen,

The Directors have pleasure in presenting their 8th annual report together with annual accounts of the Company for the year ended 31st March, 2008.

2. FINANCIAL RESULTS

2.1 The financial results of the Company's operations for the year 2007-08 is summarized below:

Rs. in crores

Particulars	*2007-08*	*2006-07*
Operating results		
Operating turnover	199.82	114.32
Operating Expenditure	81.97	51.75
Profit before interest, depreciation and tax	117.85	62.57
Interest on loan	23.41	16.40
Depreciation	38.01	5.09
Profit before tax	56.43	41.08
Income and fringe benefit tax	0.29	0.23
Net Profit	56.14	40.85
Appropriations		
Dividend (including interim)	5.00	0.00
Dividend Tax	0.85	0.00
Surplus / Loss (–) brought forward from previous year	-6.03	-46.88
General Reserve	44.26	0.00

During the financial year 2007-08, RailTel has received revenue receipts of Rs. 213.92 crores which is 74.63% higher than the revenue receipt of Rs. 122.5 crores for the financial year 2006-07. The income recognized for the year ended 31st March, 2008 amounted to Rs. 199.82 crores as against that of Rs. 114.32 crores for the year ended 31st March, 2007.

2.2 The operating profit earned during the year is Rs. 117.85 crores before interest, depreciation and tax as against that of Rs. 62.57 crores in the preceding year. After providing for interest and depreciation, the net profit before tax amounted to Rs. 56.43 crores. A provision for FBT of Rs. 0.29 crore has been made. The Company declared and paid interim dividend of Rs. 3 crores in December, 2007 on the basis of financial results achieved upto 30.9.2007 and it is proposed to give a final dividend of Rs. 2 crore now. The net surplus has been carried to the Balance Sheet after transferring a sum of Rs. 40 crores to general reserve.

2.3 The total outstanding against loans from Banks and the IRFC Ltd was Rs. 230.16 crores as at the end of the financial year as repayment of Rs. 41.84 crores of the loan has been made during the year.

3. CAPITAL STRUCTURE

3.1 The authorized capital of the Company is Rs. 1000 crores . As on 31st March, 2008, the issued, subscribed and paid up share capital of the Company stood at Rs. 320.93 crores including Rs. 305.93

crores equity allotted for consideration other than cash against the OFC related assets of Railways.

4. PROJECTS

4.1 In the year 2007-08, RailTel has continued its efforts to extend its reach by commissioning further Optical Fibre Cable and STM 16 and STM 4 long haul and STM 1 access bandwidth, besides concentrating on sales and marketing activities.

4.2 The long haul network coverage for STM 16 is 30,358 RKMs and the coverage for STM 1 stands at 21,840 RKMs. Upto March, 2008, the total station connected on the OFC network were 2941 Nos. (203 important and 2738 others)

4.3 DWDM equipment for phase 1 network has been received in March, 2008 and is likely to be commissioned by Sept, 2008. Tender for DWDM phase II network covering about 10,000 RKMs covering sections of northern part of the country shall be finalized by end Sept, 2008. The work is planned for commissioning by March, 2009.

4.4 In addition, the NGN network countrywide covering 18 major cities is being established and services will be launched soon.

4.5 The Company has been outsourcing maintenance of OFC to local agencies with a view to ensure continued and uninterrupted connectivity of OFC links. Simultaneously, the Company also continued its efforts to ensure greater coordination with Indian

Railways to make use of the existing infrastructure for maintenance of OFC and microwave tower(s). The Company has targeted to improve efficiency levels to the extent of 99.5% to ensure customer's satisfaction. Some of the difficult sections are also being maintained in house.

5. SALES & MARKETING

5.1 During the year under report, RailTel has continued to acquire more customers /clients and at the same time increase its business from the existing customers. RailTel is presently providing services to major Basic Service Operators and Cellular Service Operators like AirTel, Vodafone, Aircel, Idea Cellular, TTSL/TTML, Reliance Telecom, Spice, etc. RailTel is also providing services to internet service providers, print and electronics media, MSO cable operators etc. With the launch of MPLS-IP network, RailTel is targeting corporate VPN market and expects to grow VPN business from banks, corporate and academic institutions in the current financial year.

5.2 In the previous financial year, the utilization of RailTel's network has increased considerably. RailTel has leased 14024 E1s (28 Gbps) by end of 2007-08, as compared to 7696 E1s (15 Gbps) leased by the end of 2006-07 which constitutes an increase of 82 % in comparison to previous financial year. The trend is likely to continue in view of growth of telecom.

5.3 RailTel has already established regional offices at Delhi, Kolkata, Secunderabad and Mumbai with territorial offices at Bangalore, Chennai, Ahmedabad, Jaipur, Chandigarh, Lucknow, Bhubneswar and other cities for project execution, operation and maintenance of OFC, SDH electronics and routers as well as sales and marketing of bandwidth, internet leased lines, VPNs, tower space etc.

5.4 RailTel has been offering leased line services to Service Providers under IP-II licence and ISP services under ISP licence. RailTel is also providing infrastructure leasing services under IP I licence. VPN services are also being provided under NLD licence.

5.5 RailTel has also already signed Point of Interconnect agreements with most of the Telecos for launch of its NLD operations. It has been targeted to implement NLD services in a phased manner covering 45 cities under RailTel's NLD licence.

6. ISO CERTIFICATION

ISO 9001:2000 certification had been obtained by all the Regions as well as corporate office of RailTel from Mody International Certification Ltd.

7. INDUSTRIAL RELATIONS

7.1 Cordial industrial relations were maintained during the year.

7.2 The total number of employees on the roll of the Company as at 31st March, 2008 were 378. In addition to the above, the Company had outsourced the services of 174 personnel in different capacities to facilitate work.

8. VIGILANCE

8.1 RailTel observed Vigilance Awareness Week – *Nov 12* to Nov 16, 2007. On this occasion, essay competition on the topic "How to improve Efficiency and Transparency in RailTel " was launched with prizes to winners.

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

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

9.2 The Company had observed 'Hindi Pakhwada' during the period from 14th September, 2007 to 28th September, 2007.

9.3 Recently, an inspection of RailTel was also carried out on 9th June, 2008 by Sub-Committee of Parliament Committee on Official Language.

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

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

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

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

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

11.2 The Company has not earned foreign exchange during the year under report. The Company incurred an expenditure of Rs. 1007.91 lakhs (previous year Rs. 605.98 lakhs) on account of payment towards capital goods and Rs. 6.47 lakhs on others (previous year – Rs. 6.34 lakhs) in foreign currency during the year.

12. EXPLANATION TO AUDITORS' QUALIFICATIONS ON THE ANNUAL ACCOUNTS

The Auditors have made observations in their Report on the annual accounts of the Company for the year ended 31st March, 2008 and the same are replied /dealt with as under :

(i)Loans and advances include Rs. 412.70 lakhs due since 2003-04 from Railways on account of MUX and QUAD CABLE which is doubtful, for which no provision has been made;

An amount of Rs. 3.61 crores is recoverable from Central and other Railways against PD MUX. It is mentioned here that the Railways were billed in the year 2003-04 an amount of Rs. 8.09 crores towards the PD MUX out of which Rs. 4.18 crores has already been recovered. The balance recoverable from the Central Railway is considered good and no provision against this is considered to be necessary.

(ii) Depreciation of Rs. 194.08 lacs charged on STM-I equipments used by Railways.

(iii) Non Transfer of short haul STM-1 and primary multiplexing equipments to Railways costing Rs. 3066 lacs (written down value of Rs. 2264.59 lacs) as required under clause 3.1.4 of the agreement with Ministry of Railways dated 21.9.2006 (hereinafter referred to as "the agreement"). These assets are being used by Railways.

(iv) Non transfer of short haul STM-1 and primary multiplexing equipments created by RailTel to Railways as required under clause 3.1.5 of "the agreement" (value not determined by the Company).

STM-1 equipment received from the Railways which were to be transferred valued at Rs. 3426 lakhs, only STM-1s valued Rs. 360 lakhs has been transferred back to them and the balance transfer of STM-1 equipment is being pursued with Railways. The

Company proposes to effect transfer of these assets in the current financial year and make the necessary adjustments as provided in the agreement. Further in regard to STM-1 and primary multiplexing equipments created by RailTel, the same have been identified and their values worked out. On transfer of these assets, necessary adjustments will be made in the books of accounts in the next financial year after confirmation from Railways.

Due to non transfer of the said asset to Railways, the Company is charging the depreciation on such STM-1 equipment till such the time of transfer.

(v)Loans and advances include Rs. 665.13 lacs as cenvat credit available, whereas as per service tax returns it is only Rs. 272.53 lacs. Since the same has not been reconciled, it could not be ascertained whether the difference is claimable or not.

The difference is largely on account of cenvat credit available for utilization in 2008-09 and beyond not having been reflected in the returns. The Region have been advised to revise their service tax returns for the year 2007-08 so as to reconcile the same with the figures as per accounts.

(vi)Prior period adjustments (net) include Rs.119.82 lacs on account of O&M claimed from Railways in 2006-07, and reversed this year. The revised claim of Rs. 202.17 lacs has been shown as income of the current year.

(VIII) Income from IP 2 includes Rs. 627.15 lacs claimed from Railways on account of maintenance expenses incurred on the 4 fibres used by them. The basis of the above claim is neither in accordance with the "the agreement" nor there is any confirmation for the revised basis. Hence the amount recoverable against the same could not be ascertained /established.

As regards accountal of proportionate O & M charges for OFC payable by Railways, it is stated that in the previous year, pending working out of actual proportionate O&M expenditure share of Railways, one sixth of RailTel's O&M expenditure for the year 2006-07 was provisionally shown as recoverable from Railways in the accounts for the year. During the current year, the actual porporationate expenditure chargeable to Railways for the maintenance of Railways one/two paid of OFC from 1/10/2006 has been worked out and billed to Railways. Consequently, the total amount billed as per agreement with Railways has been booked as income (including an amount pertaining to 2006-07 of Rs. 2.27 crores) The provisional proportionate expenditure shown as reduction in O&M expenditure last year of Rs. 1,19,82,261/- has been reversed and debited to prior period expenses in the current year's account. The matter of payment of proportionate O&M expenditure is being pursued with the Ministry of Railways.

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(vii)No income has been booked for Rs. 1619.80 lacs for the year and Rs. 3630.07 lacs for earlier years on account of lease rent payable by /claimed from Railways for use of STM-4 bandwidth.

With regard to STM-4 leasing to Railways as per the agreement with them, it is mentioned that for delivery of bandwidth of the capacities of STM-1 and above, provisioning is made by RailTel on the network after creating the same. The circuit needs to be tested between RailTel and the customer (in this case, Zonal Railways) before the circuit can be commissioned and bandwidth delivered. For this purpose, list of sections alongwith the date from which some bandwidth is being used, Zonal Railways wise have been furnished to Railway Board for verification /confirmation by the Zonal Railways vide RailTel letter No. RCIL/2006/M&P/CO/Railways dated 23.5.2008 addressed to Secretary /Telecom, Railway Board. On receipt of confirmation from the Zonal Railways, the circuits would be commissioned and invoices raised centrally on Railway Board for payment. Only on completion of this exercise, the amount can be reckoned as income for RailTel and accounted so.

(ix) No provision for lease rent payable to Railways for the buildings used by RailTel has been made (amount not ascertained by the Company).

RailTel is paying licence fee for land leased from Railways where it is taken for the exclusive use of RailTel. In respect of railway land/buildings used by RailTel from which services are being provided to Railways in addition to its own use, no licence fee is payable, hence no provision has been created.

(x) Note no. 25 of schedule 10 regarding non-reconciliation of account with Railways.

Company is regularly corresponding with the Zonal Railways and the Ministry of Railways with regard to all the dues recoverable from them.

13. DIRECTORS' RESPONSIBILITY STATEMENT:

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

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

(b) That the Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

(c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for prevention and detecting fraud and other irregularities; and

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

14. CORPORATE GOVERNANCE AND MOU RATING

14.1 The Company is seized of the concept of corporate governance and the principles underlying the same. As a part of good corporate governance practices, the Company has been taking steps to implement such concepts. It has already constituted / re-constituted Audit Committee of the Board.

14.2 RailTel is also signing an MoU with the Government of India, Ministry of Railways thereby laying inter alia the physical and financial targets for the year 2007-08. During 2006-07, RailTel has got “Very Good” rating under such MoU for that financial year.

15. AUDITORS

15.1 The Comptroller and Auditor General of India (CAG) have re-appointed M/s Goyal & Goyal of Delhi as Auditors of the Company to audit the annual accounts for the year ended 31st March, 2008. In terms of the authorization given by the members in their last annual general meeting, the Board has already considered and approve payment of audit fee of Rs. 1.25 lakhs inclusive of service tax ,in addition to reimbursement of expenses and other fee on account of tax audit as per last year. Similarly, the approval of the shareholders is solicited for authorizing the Board for fixation of remuneration payable to the statutory auditors for the year 2008-09 as and when appointed.

16. COMMENTS OF CAG

16.1 The comments of the CAG on the accounts of the Company for the year ended 31st March, 2008 shall also form part of this report.

17. DIRECTORATE

17.1 At present, the Board of RailTel consists of a part time Chairman, Managing Director and three functional Directors and two Govt. Nominees and four part time non-official Directors.

17.2 The Board met eight times for transacting business during the financial year 2007-08.

17.3 Shri S.K. Vij was appointed as part time Chairman of the Company with effect from 4th October, 2007. Thereafter, in his place, Shri SS Khurana was appointed as the part time Chairman w.e.f. 17th March, 2008. At present, Shri Sukhbir Singh has been appointed as Chairman w.e.f. 15th May, 2008.

17.4 The Board placed on record its appreciation of services rendered and guidance provided by the Shri SK Vij and Shri SS Khurana, Chairmen of the Company.

17.5 Smt. Saroj Rajware, Director/Finance left the Company on 30th November, 2007 consequent upon her appointment as DRM in the Railways. In her place, Shri R.K.Mitra has now joined as Director (Finance) on 27th May, 2008.

18. AUDIT COMMITTEE

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

1. Shri S. Murali
2. Shri Narinder Sharma
3. Dr. VK Koshy
4. Shri Naresh Salecha
5. Shri RC Adwal
6. Shri Sumant Chak

Shri S. Murali has been elected as Chairman of the Audit Committee.

19. ACKNOWLEDGMENTS

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

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

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

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

For and on behalf of the Board

Chairman

Dated: 03.09.2009

Place: New Delhi

Auditors' REPORT

TO THE MEMBERS OF RAILTEL CORPORATION OF INDIA LIMITED

1. We have audited the attached Balance Sheet of **RAILTEL CORPORATION OF INDIA LIMITED** as at 31st March, 2008, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date all of which we have signed under reference to this report. These financial statements are the responsibility of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account and Cash Flow Statement read with the Significant Accounting Policies and Notes thereon **subject to following comments: -**

   I. **Loans and advances include Rs. 412.70 lacs due since from 2003-04, from Railways on account of MUX & QUAD CABLE which is doubtful, for which no provision has been made;**

   II. **Depreciation of Rs. 194.08 lacs charged on STM – 1 Equipments used by Railways;**

   III. **Non Transfer of Short Haul STM-1 and primary multiplexing Equipments to Railways costing Rs. 3066.00 lacs (Written down value of Rs. 2264.59 lacs) as required under clause 3.1.4 of the agreement with Ministry of Railways dt. 21-9-2006 (hereinafter referred to as "the agreement"). These assets are being used by Railways.**

   IV. **Non Transfer of Short Haul STM-1 and primary multiplexing Equipments created by Railtel to Railways as required under clause 3.1.5 of "the agreement" (Value not determined by the company).**

   V. **Loans and advances include Rs. 665.13 lacs as Cenvat Credit available, whereas as per Service Tax Returns it is only Rs. 272.53 lacs. Since the same has not been reconciled, it could not be ascertained whether the difference is claimable or not.**

   VI. **Prior period adjustments (net) include Rs. 119.82 lacs on account of O&M claimed from Railways in 2006-07, and reversed this year. The revised claim of Rs. 202.17 lacs has been shown as income of the current year.**

   VII. **No income has been booked for Rs. 1619.80 lacs for the year and Rs. 3630.07 lacs for earlier years on account of lease rent payable by/ claimed from Railways for use of STM – 4 Bandwidth.**

   VIII. **Income from IP 2 includes Rs. 627.15 lacs claimed from Railways on account of maintenance expenses incurred on the 4 fibers used by them. The basis of the above claim is neither in accordance with "the agreement" nor there is any confirmation for the revised basis. Hence the amount recoverable against the same could not be ascertained/established.**

   IX. **No provision for Lease rent payable to Railways for the Buildings used by Railtel has been made (Amount not ascertained by the Company).**

X. **Note no.25 of Schedule '10' regarding non-reconciliation of account with Railways.**

XI. **Claims against the Company now acknowledged as debts should be Rs. 1,999.92 lacs instead of Rs. 802.79 lacs as given in the note no. 2(a) of Schedule 10.**

Give in the prescribed manner the information required by the Companies Act, 1956 ("the Act") and also give a true and fair view in conformity with Accounting Principles generally accepted in India:

(a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2008;

(b) In the case of the Profit & Loss Account, of the PROFIT for the year ended on that date; and

(c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

4. 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. In our opinion, the company has kept proper books of accounts as required by law so far as appears from our examination of those books. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

5. In our opinion, these accounts have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the Act.

6. Provision of section 274(1)(g) of the Companies Act, 1956 are not applicable to the directors of the company in view of General Circular No. 8/2002 dated 22/03/2002, issued by the Department of Company Affairs.

7. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of section 227 (4A) of the Companies Act,1956 and according to the information and explanations given to us during the course of audit and on the basis of such checks as were considered appropriate, we further state that: -

(i) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The company carries out physical verification as an ongoing process, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the program, the management during the year has physically verified a portion of the fixed assets and no material discrepancies between the book records and the physical inventory have been noticed. Certain assets have been transferred to Railways, however the same do not affect the status of the company as a going concern.

(ii) The inventory consists of spares parts only. According to information and explanation given to us, physical verification of inventory has been done by the management on yearly basis. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and nature of its business.

The company has maintained proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of stock as compared to book records.

(iii) (a) According to the records of the company examined by us and the information and explanations given to us, no loans have been granted by the company to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(b) According to the records of the company examined by us and the information and explanations given to us, no loans have been taken by the company from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(iv) In our opinion, and according to the information and explanations given to us it appears that there are adequate internal control procedures commensurate with the size of the company and the nature of its business, with regard to purchases of Inventory, Fixed Assets and sale of goods and services. However during the course of audit, it has been observed that there are major weaknesses in internal control procedures relating to capitalisation of assets as soon as they are put to use.

(v)According to the information and explanations given to us, we are of the opinion that there has not been any transaction during the year that need to be entered in the register maintained under section 301 of the Companies Act, 1956.

(vi) The company has not accepted any Public Deposits.

(vii)The company has an Internal Audit System commensurate with its size and nature of its business.

(viii) According to the information and explanations given to us, no cost records have been maintained by the company as prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.

(ix) (a) According to the information and explanations given to us, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Educational and Protection Fund, Employees State Insurances, Income tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service tax, cess and any other statutory dues with the appropriate authorities.

(b) According to the information and explanations given to us, there are no amount in respect of Sales Tax, Income Tax, Service Tax, Custom Duty, Wealth Tax, Excise duty and Cess that have not been deposited with the appropriate authorities on account of any dispute.

(x) The company has no accumulated losses as at 31.3.2008 and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.

(xi) According to the information and explanations given to us, the company has not made any default in repayment of dues to financial institutions or banks. The company does not have any borrowings by way of debentures.

(xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The company is not a Chit Fund, Nidhi, Mutual benefit fund or Society.

(xiv)To the best of our knowledge and according to the information and explanations given to us, the company is not dealing or trading in shares, debentures and other securities.

(xv) The company has not given any guarantees for loans taken by others from banks or financial institutions.

(xvi)According to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on a short- term basis, which have been used for long-term investment.

(xviii) According to the information and explanations given to us the company has not made any preferential allotment of shares.

(xix) The company has not issued any debentures and hence the question of creating securities does not arise.

(xx) The Company has not raised any fund through Public issue.

(xxi) To the best of our knowledge and belief, and according to the information and explanation given to us, no fraud on or by the company has been noticed during the course of our audit.

For Goyal & Goyal
Chartered Accountants

Place: New Delhi
Date: 22nd September, 2008

MUKESH GOYAL
(PARTNER)
M. No: - 80494

ANNUAL ACCOUNTS

Balance Sheet As at 31st March, 2008

Particulars	*Schedules*		*As at 31.03.08 Amount in Rs Lakhs*		*As at 31.03.07 Amount in Rs Lakhs*
SOURCES OF FUNDS					
Share Holders Funds	1				
Share Capital			32,094		32,094
Reserves & Surplus			4,426		–
Loan Funds	2				
Secured Loan			12,600		14,700
Unsecured Loan			10,416		12,500
TOTAL			**63,709**		**59,294**
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	3	72,805		61,137	
Less: Depreciation		**11,815**		**8,014**	
Net Block		60,990		53,123	
Capital Work in Progress	4	5,182		6,220	
Advances for capital expenditure	5	156		167	
			66,320		**59,510**
Investements			–		–
Current Assets, Loans & Advances	6				
Inventories		79		91	
Sundry Debtors		2,713		969	
Cash & Bank Balances		8,378		7,025	
Other Current Assets		17		5	
Loans & Advances		7,882		11,201	
Total	**(a)**	**19,069**		**19,291**	
Less: Current Liabilities & Provisions	7				
Current Liabilities		23,778		19,103	
Provisions		234		10	
Total	**(b)**	**24,012**		**19,113**	
Long Term Liabilities	**(c)**	1,849		997	
Net Current Assets/Liabilities(–)	**(a) – (b) – (c)**		(6,792)		(819)
Profit & Loss A/c		–			603
Total		**59,536**			**59,294**

Significant Accounting policies & Notes on accounts	10

"As per our report of even date attached"
For Goyal & Goyal
Chartered Accountants

Place: New Delhi Date: 22.09.2008	MUKESH GOYAL (Partner) M.No: 80494	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, 2008

Particulars	*Schedules*		*For the Year Ended on 31.03.08 Amount in Rs Lakhs*		*For the Year Ended on 31.03.07 Amount in Rs Lakhs*
INCOME					
Lease Revenue -IP-2 Licence		14,300		8,364	
Lease Revenue - ISP Licence		1,359		596	
Lease Revenue-IP-1 Licence		2,887		2,162	
Lease Revenue- VPN Licence		314		174	
Interest from Banks (Gross)TDS Rs. 136.14 lakh (Previous year 66.48 lakh)		580		295	
Other Income		542		68	
		19,982		**11,659**	
Less: Interest Income during Construction period transferred to Capital work in progress		-	**19,982**	**227**	**11,432**
EXPENDITURE					
Employee's Remuneration & Benefits	**8**	1,647		1,170	
Administrative & Other Expenses	**9**	2,603		1,818	
O&M Expenses		1,812		1,376	
License fees to DOT		1,877		529	
Revenue share to Railways		852		531	
Prior period Adjustments (Net)		566		426	
		8,357		**5,850**	
Less: Incidental Expenditure during construction period transferred to capital work in progress		160	8,197	**675**	5,175
Net Profit before interest, depreciation & tax			**11,785**		6,257
Interest on Loan		2,341		2,098	
Less: Interest on Loan Capitalised		–	2,341	458	1,640
Depreciation		3,894		3,201	
Less: Depreciation adjustment for earlier years		(93)	3,801	(2,692)	509
Net Profit / Loss(–) for the year before tax			5,643		4,108
Less: Tax Expenses					
For FBT (Including Rs 3.1 lakh for earlier year)			29		23
For Minimum Alternate Tax			636		450
Add: MAT Credit Entitlement			(636)		(450)
Net Profit /Loss(–) for the year after tax			**5,614**		**4,085**
Dividend Paid			300		
Dividend Proposed			200		
Dividend Distribution Tax			85		
Loss brought forward from previous year			**603**		**(4,688)**

Transdferred to the General Reserves		4,000	–
Balance of Surplus Carried over to Balance Sheet		426	(603)
Basic/Diluted Earning per share (Rs.)		1.75	1.27
Significant Accounting policies & Notes on Accounts	10		

"As per our report of even date attached"
For Goyal & Goyal
Chartered Accountants

		S. C. HANS	R. K. MITRA	S.K. VASISHTA
Place: New Delhi	MUKESH GOYAL	Company Secretary	Director (Finance)	Managing Director
Date:22.09.2008	(Partner)			
	M.No: 80494			

Schedules annexed to and forming an integral part of the Balance Sheet and Profit & Loss Account for the year ended 31 st March, 2008.

SHARE CAPITAL — **Schedule 1**

Particulars	*As at 31.03.08 Amount in Rs Lakhs*	*As at 31.03.07 Amount in Rs Lakhs*
Authorised Capital		
1,00,00,00,000 Equity shares of Rs. 10/- each	**100000**	**100000**
Issued, Subscribed & Paid up Capital		
1,50,00,007 Equity Shares of Rs. 10/- each	1500	1500
30,59,38,400(Previous year 30,59,38,400) Equity shares of Rs 10/- each allotted for consideration other than cash	30594	30594
TOTAL	**32094**	**32094**

Reserves & Surplus		
General Reserves Transfer during the year	4000	0
Surplus As per Profit & Loss Account	426	0
	4426	**0**

LOAN FUNDS

Schedule 2

Particulars	As at 31.03.08 Amount in Rs Lakhs	As at 31.03.07 Amount in Rs Lakhs
Secured Loans		
Term Loan		
Syndicated Term Loan from Banks led by State Bank of India	12600	14700
Total (a)	**12600**	**14700**

Above loans are secured by way of:

A. First ranking mortgage/Hypothecation charge,as appropriate charges over all the company's immovable and movable assets on pari passu basis.

B. First Charge on Project account. During the currency of loan,all payments received would get deposited in the principal project account to be maintained at State Bank of India,CAG Branch, New Delhi.

C. Assignment /Charge of proceeds from sale of network including payments from DOT in the events of Termination/Cancellation of Licence.

D. Charge / Assignment in favours of lender of the borrowers right under projects assignments duly acknowledged and consented to by the relevant counter parties to such project assignments.

E. Assignment /Charge of contractor guarantees and liquidated damages.

F. Security / charge over any letters of credits and/or performance bonds provided by the shareholders/ vendors in favours of the company all in form and manner satisfactory to SBI.

Unsecured Loans		
Term Loan from Indian Railway Finance Corporation Ltd.	10416	12500
Total (b)	**10416**	**12500**
GRAND TOTAL (a) + (b)	**23016**	**27200**
Loans due for repayment within one year	4184	4184

FIXED ASSETS **SCHEDULE 3**

Amount in Rs Lakhs

		GROSS BLOCK			DEPRECIATION			NET BLOCK		
Particulars 1-4-2007	*As At During the Year*	*Additiond Adjustment During the Year*	*Transfer/ Total As on 31.03.2008*	*Upto 31.03.2007*	*For The Year*	*Adjustment*	*Total Upto 31/03/08*	*As On 31-03- 2008*	*As On 31.03.2007*	
A. FIXED ASSETS										
Computers	225	80	-4	301	86	41	-2	125	176	139
Furniture & Fixtures	72	12	-4	80	27	6	-2	31	49	45
Office Equipments	165	33	-2	196	36	14	0	50	146	129
Lease Hold Improvements	227	347	0	574	51	55	0	106	468	176
Vehicles	6	0	0	6	1	1	0	2	4	5
OFC and Related Assets	38208	8345	0	46553	5534	2352	0	7886	38667	32674
Telecom & Radio Equipments	9124	1722	-399	10447	1521	595	-80	2036	8411	7603
Prefab Buildings	982	97	0	1079	118	47	0	165	914	864
MPLS Network	3914	35	0	3949	124	248	0	372	3577	3788
STM-16 Network	7994	1553	-147	9400	506	535	-9	1032	8368	7488
Free Hold Land	210	0	0	210	0	0	0	0	210	210
B. Capital Expenditure on assets not										
owned by the Company	10	0	0	10	10	0	0	10	0	0
								0	0	0
TOTAL	**61137**	**12224**	**-556**	**72805**	**8014**	**3894**	**-93**	**11815**	**60990**	53123
								0	0	
PREVIOUS YEAR	76306	25344	-40513	61137	7505	3201	-2692	8014	53123	68801

CAPITAL WORK IN PROGRESS — Schedule 4

Particulars		*As at 31.03.08 Amount in Rs Lakhs*		*As at 31.03.07 Amount in Rs Lakhs*
OFC laying works by Railways against deposit works	1590		1405	
Other OFC laying works, Pre Fab Building etc.	3547		4519	
Installation of STM Equipment	45		296	
		5182		6220
Add: Borrowing Cost Capitalised (Net)	–		231	
Incidental expenditure for earlier year re allocated	–		75	
Incidental expenditure incurred during the year	160		675	
	160		981	
Less: Net Incidental expenditure allocated to projects during the year	160	0	981	0
Total		**5182**		**6220**

ADVANCES FOR CAPITAL EXPENDITURE — Schedule 5

Particulars	*As at 31.03.08 Amount in Rs Lakhs*	*As at 31.03.07 Amount in Rs Lakhs*
Unsecured considered good	156	167
Total	**156**	**167**

CURRENT ASSETS, LOANS & ADVANCES — Schedule 6

Particulars		*As at 31.03.08 Amount in Rs Lakhs*		*As at 31.03.07 Amount in Rs Lakhs*
CURRENT ASSETS				
Inventory (At Cost)				
(Taken, valued and certified by the Management)				
Stores & Spares		79		91
Sundry Debtors				
(Unsecured)				
Debts outsanding for period exceeding six months				
–Considered Good	214		159	
–Considered Doubtful	142		27	
	356		186	
Less: Provision for doubtful debts	142		27	
	214		159	
Other Debts Considered good	2499	2713	810	969
Cash & Bank Balances				
Cheques in Hand			383	
Funds in Transit	0		1188	
Cash / Imprest Balances	3		1	
	3		1572	
Balances with Scheduled Banks in				
Current account	180		103	
Collection account	1045		44	
Term deposits	7150	8378	5306	7025
Other Current Assets				
Accrued Interest on Term deposits		17		5
LOANS AND ADVANCES				
(Unsecured, Unconfirmed cosidered good)				
Advances recoverable in cash or in kind or for value to be received	4965		10028	
MAT Credit Entitlment	1086		450	
Prepaid taxes	1831	7882	723	11201
Total		**19069**		**19291**

CURRENT LIABILITIES & PROVISIONS — Schedule 7

Particulars		*As at 31.03.08 Amount in Rs Lakhs*		*As at 31.03.07 Amount in Rs Lakhs*
Current Liabilities				
Sundry Creditors				
For capital expenditure	10448		8299	
For others	2898		1605	
	13346		9904	
Deposits & Customers' Advances	9728		8789	
Book Ovredraft (Uncashed Cheques)	6		–	
Other liabilities	698	23778	410	19103
Provisions				
Provision for Dividend	200		0	
Provision for Dividend Distribution Tax	34		0	
Provision forleave salary/ Gratuity	0	234	10	10
Total		24012		19113

contribution

EMPLOYEES REMUNERATION & BENEFITS — Schedule 8

Particulars	*For the Year Ended on 31.03.08 Amount in Rs Lakhs*	*For the Year Ended on 31.03.07 Amount in Rs Lakhs*
Directors Remuneration	42	27
Salary, Wages, Allowances and Perquisite	1398	1043
Employers Contribution to PF	17	14
Gratuity	30	4
Leave Salary Contribution	45	4
Staff Welfare Expenses	115	78
Total	**1647**	**1170**

ADMINISTRATIVE & OTHER EXPENSES — Schedule 9

Particulars	For the Year Ended on 31.03.08 *Amount in Rs Lakhs*	For the Year Ended on 31.03.07 *Amount in Rs Lakhs*
Auditor Remuneration	2	1
Books & Periodicals	7	5
Communication Expenses	111	97
Conveyance Expenses	45	43
Electricity & Power Expenses	220	153
Bank Charges & Commission	16	10
Insurance Expenses	0	1
Misc. Expenses	67	72
Legal & Professional Expenses	59	134
Rates & Taxes	27	15
Rent	112	95
Repair & Maintenance - Others	81	37
Tender Expenses.	48	44
Training & Recruitment Expenses	30	47
Travelling Expenses	146	130
Printing & Stationary Expenses	41	39
Vehicle Hire charges	102	85
Provision for doubtful Debts	116	27
Share of Revenue with Konkan Railway	168	122
Business promotion Expenses	53	17
Hire Charges Radio Modem/Optic Fiber	52	43
Protection Bandwidth & Connectivity Charges	587	256
Internet Bandwidth	330	309
Other Miscellaneous Expenses	79	108
Spectrum Charged and NLD Licence Fees to DoT	170	9
Total	**2290**	**1818**

SCHEDULE 10

Significant Accounting Policies & Notes to Accounts

(A) SIGNIFICANT ACCOUNTING POLICIES

1. General

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

2. Fixed Assets

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

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

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

3. Capital Works-in-Progress

(a)Corporate office expenses directly attributable to construction for the year and other corporate office expenses incidental to construction are allocated to regions for apportionment to capital work in progress of the respective regions on the basis of route KM of assets commissioned under each region and thereafter capitalised in the ratio of income and accretion to capital work in progress.

(b) Expenses incidental to construction of various assets are apportioned on pro-rata basis to respective assets.

(c)Income identifiable with capital work-in-progress is adjusted against the cost of different works on pro-rata basis.

(d)In respect of supply-cum-erection contracts, the value of supplies received and accepted at site, is treated as capital work-in-progress.

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

4. Borrowing costs

Borrowing costs attributable to the acquisition of qualifying assets during construction are capitalised 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 stated at cost.

INCOME

6. Income recognition

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

EXPENDITURE

7. Depreciation

Depreciation has been provided as under

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

8. Impairment of Assets:

An asset is treated as impaired when the carrying amount of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired.

9. Retirement Benefits

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

10. License Fees and Revenue Share

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

11. Foreign Currency Transaction

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

12. Taxes on Income:

(a) Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961.

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

13. Provisions, Contingent Liabilities & Contingent Assets:

(a)Provisions are recognized in respect of obligations, based on the evidence available, and wherever their existence on the Balance Sheet date is considered probable.

(b)Contingent liabilities are determined on the basis of available information. These liabilities are not provided for and are disclosed by way of notes on accounts.

(c) Contingent assets are not recognized in the accounts.

(B) NOTES TO ACCOUNTS

1. Fixed Assets / Capital Works-in-progress

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

2. **Contingent Liabilities:**

   (a) Claims against the Company not acknowledged as debts are Rs. 802.79 lakh. (Previous Year Rs. 1515.61 lakh)

   (b) Bank Guarantees issued on behalf of the company Rs. 2918.20 lakh (previous year 1125.33 lakh).

3. Estimated amount of contracts remaining to be executed on capital account and not provided for (As certified by the management) Rs. 12443.82 lakh (net of advances) (previous Year Rs. 2122.59 lakh)

4. Some of the STM-1 equipments have been transferred to Railway during this year with retrospective effect. As a result, accumulated depreciation amounting to Rs 74.62 lakh has been written back and shown under depreciation adjustment for earlier years.

5. STM-1 equipment received from the Railways which were to be transferred valued at Rs. 3426 lakh, only STM-1s valued Rs 360 lakh has been transferred back to them and the balance transfer of STM-1 equipments is being pursued with Railways. The Company proposes to effect transfer of these assets in the current financial year and make the necessary adjustments as provided in the agreement. Further in regard to STM-1 and primary multiplexing equipments created by RailTel, the same have been identified and their values worked out. On transfer of these assets, necessary adjustments will be made in the books of accounts in the next financial year after confirmation from Railways.

6. However, in regard to adjustment of value of assets against equity during the year, Company has transferred the STM-1 equipment to the Railways amounting to Rs 360 lakh in the current financial year and 2/4 fiber of OFC assets amounting to Rs 4126 lakh in the previous financial year and this total amount of Rs 4486 lakh was to be adjusted against the future issue of equity against taking over of

assets. In the current financial year Company has take over the OFC assets from the Ministry of Railway amounting to Rs 4170 lakh and adjusted against recoverable of Rs 4486 lakh and the balance is kept under current assets and will be adjusted against future issue of equity.

7. A sum of Rs. 29.92 lakh relating to depreciation for earlier years on the assets capitalised during the year from back date has been charged to profit & loss account.

8. Balances shown under advances, sundry debtors, creditors and service tax are subject to confirmation/ reconciliation and consequential adjustments, if any.

9. In the opinion of the management, the value of current assets, loans and advances on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

10. (a) To the extent information available, there are no Small Scale Industrial Undertakings to whom company owes an amount, which is outstanding for more than 30 days (previous year: NIL).

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

11. (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".

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

Particulars	2007-08 (Rs. In lakh)	2006-07 (Rs. In lakh)
Remuneration	21.63	18.71
Other payments	18.83	7.51

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

1. Dr. V.K. Koshy,Director	0.40	0.25
2. Sh. Narinder Sharma,Director	0.50	0.30
3. Sh. S.Murali, Director	0.50	0.35
4. Sh. Sumant Chak	0.45	0.00

13. Auditor's remuneration includes:

Particulars		
Statutory Audit Fee	1.22	0.84
Tax Audit Fee	0.88	0.22
Other Services	0.06	0.06
Out of Pocket Expenses	0.03	0.03
Total	2.19	1.15

Tax audit fee includes Rs .33 lakh (Previous year NIL) relating to earlier year

14. Company has deposit a sum of Rs 378 lakh to the Department of Telecommunication (Previous year 365.55 lakh) on account of share on income, interest and penalty. The Company has paid the demand under protest. The company has gone in appeal with Telecom Dispute Settlement and Appellate Tribunal (TDSAT), however in the current year company has created a provision by charging the same in the prior period expenses pending final disposal of the appeal.
15. The Company has Deferred Tax asset as at the Balance Sheet date on account of unabsorbed depreciation under tax laws and which will reverse in the tax holiday period itself, accordingly as per the accounting standard interpretation issued by the Institute of Chartered Accountants of India no provision for deferred tax assets has been created.
16. Amount of maintenance charges payable as per the clauses 3.1.2 and 3.1.3 of the agreement dated 21/09/06 on account of 1 /2 pair of fiber has been booked in the income from IP-2 Licence amounting to Rs 626.55 lakh while in the previous year the same was deducted from the O&M expenses.
17. Based on the guiding principles given in the Accounting Standards on Segment Reporting (AS-17) the company is primarily in the business of various Telecom services which have similar risks and returns. The company business activity falls within a single geographical and business segment (Telecom Services), and it has no other primary reportable segment.

18. Operating lease as per Accounting Standard 19 - 'LEASES'

A. General description on leasing arrangement

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

B. Future minimum lease rentals receivable under operating lease for each of the following period as on March 31, 2008 are as under;

	As on 31.03.08 (Rs. In Lakh)	As on 31.03.07 (Rs. In Lakh)
Not later than one-year	2996	2288
Later than one year and up to five years	2340	2217
Later than five years	3740	3820
Total	9076	8325

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

	2007-08 (Rs. In Lakh)	2006-07 (Rs. In Lakh)
Net Profit/ Loss (-) available for Equity Shareholders (a)(Rs.)	5609	4085
Weighted Average No. of Equity share of Rs. 10 each (b)	3209	3209
Basic/ diluted Earning per share (a)/(b) (Rs.)	1.75	1.27

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

a. Value of imports calculated on CIF basis		
i. Capital goods	1007.91	605.98
ii. Spare parts	NIL	NIL
b. Expenditure in foreign currency		
i. Professional and consultancy fee	NIL	NIL
ii. Others	6.47	6.34
c. Value of components, stores and spare parts consumed (imported and indigenous)	NIL	NIL
d. Earning in foreign exchange	NIL	NIL

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

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

Name of the related parties	Designation	Nature of Relationship
1. Sh. K. K. Bajpeyee	Managing Director	Key Management Person Upto 30/06/07
2. Sh. Rajiv Sinha	Director (P.O.M.)	Key Management Person
3. Smt. Saroj Rajware	Director (Finance)	Key Management Person Upto 30/11/07
4. Dr. V.K. Koshy	Director (Non Off.)	Key Management Person
5. Sh. Narinder Sharma	Director (Non Off.)	Key Management Person
6. Sh. S.Murali	Director (Non Off.)	Key Management Person
7. Sh. Sumant Chak	Director (Non Off.)	Key Management Person
8. Sh. R. K. Bahuguna	Director (NPM)	Key Management Person From 19/07/07
9. Sh. S.K. Vasishta	Managing Director	Key Management Person From 3/07/07

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

	2007-08 (Rs. In lakh)	2006-07 (Rs. In lakh)
Managerial Remuneration (Key Management Person)	42.31	27.12

22. Pending issuance of notification under Section 441A of the Companies Act, 1956, no provision has been made towards cess on the turnover of the company.

23. Loans and advances includes Rs .09 lakh (previous year Rs . 5.68 lakh) (Maximum outstanding due during the year Rs. .13 lakh (Previous year Rs. 6.49 Lakh) due from directors.

24. Loans and advances include Rs 4,506.51 lakh (previous year Rs. 8285.39 Lakh) due from Railways.

25. Balances due to/due from Railways on various accounts are subject to reconciliation/confirmation.

26. Long term liabilities are on account of Revenue share payable to Railways which is subject to moratorium for five years from the date of original agreement i.e. till 29/07/08. The deferred payment of revenue share for the five year period will be payable from the sixth year onward for which schedule of payment has to be decided by mutual consent, since the schedule is yet to be decided, the liability has been shown as a long term liability.

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

	2007-08 (Rs. Lakh)	2006-07 (Rs. Lakh)
IEDC Reversal of Earlier Year	NIL	318.36
DoT Share on Revenue	NIL	2.66
Provision of DoT Penalty	378.89	NIL
O & M Charges	144.15	25.16
Electricity & Power	30.66	9.81
Rent	NIL	42.13
Reversal of Income	NIL	106.85
Traveling Expenses	NIL	0.79
House Lease	0.74	NIL
Others	11.66	96.28
Total	566.10	522.05
Less: -		
Revenue Share to Rly for earlier Yrs	NIL	96.28
Total	566.10	425.77

28. Sundry Debtors includes Rs 418.24 (Previous year Rs 118.93 lakh) due from those customers from whom the company has received Rs 205.58 lakh as advance amount for other matters. The same have not been adjusted against one another since the accounting for various circuits are done independently.

29. The company was allotted free hold land at Gurgaon by Haryana Urban Development Authority. The necessary conveyance deed is however yet to be executed.

30. In the opinion of the management, during the year there are no indications that impairment of any asset has taken place. Accordingly, no provision for impairment of assets is required as per AS 28.

31. Unless otherwise stated, the figures are in Rupees Lakh.

32. Previous year's figures have been recast/regrouped/rearranged wherever considered necessary to conform to this year's presentation.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

I. Registration Code

State Code: 55 | Registration No.: 107905

Balance Sheet Date: 31 03 2008

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

Public Issue: NIL	Right Issue: NIL
Bonus Issue: NIL	Private Placements: NIL

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

Total Liabilities: 8539652	Total Assets: 8539652

Sources of Funds

Paid - Up Capital: 3209384	Share Application Money: NIL
Secured Loans: 1260000	Reserve & Surplus: 442601
	Unsecured Loans: 1041600

Application of Funds

Net Fixed Assets: 6632768 (includes CWIP & Advance for Capital Expenditure)	Investments: NIL
Net Current Assets: (-)679183	Misc. Expenditure: NIL
Accumulated Losses: NIL	

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

Turnover including other Incomes: 1998179	Total Expenditure: 1433932
+ - : + Profit/Loss Before Tax: 564247	+ - : + Profit/Loss after Tax: 561401
Earning Per Share in Rs.: 01.75	Dividend Rate%: 1.56

V. Generic Name of Three Principal Services of Company

Item Code No.: NA
Product Description: Rent from Tower Space

Item Code No.: NA
Product Description: Sale of Bandwidth

Item Code No.: NA
Product Description: Sale of VPN

"As per Our report of even date attached"

For Goyal & Goyal
Chartered Accountants

MUKESH GOYAL
(Partner)
M.No: 80494

R. K. MITRA
Director (Finance)

S. C. HANS
Company Secretary

S.K. VASISHTA
Managing Director

Place: New Delhi
Date: 22.09.2008: