



रेलटेल
RAILTEL

A Government of India
Undertaking

चतुर्थ
वार्षिक रिपोर्ट
2003-2004

FOURTH
ANNUAL REPORT
2003-2004

रेलटेल कार्पोरेशन ऑफ इण्डिया लिमिटेड
(भारत सरकार का उपक्रम)

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

CONTENTS

S.No.	Items	Page No.
1.	Management Team	1
2.	Chairman's Speech	2
3.	Directors' Report	4
4.	Auditors' Report	8
5.	CAG Comments	11
6.	Profit & Loss A/c	17
7.	Balance Sheet Abstract and Company's General Profile	31

MANAGEMENT TEAM

Board of Directors

- | | |
|--------------------------|--------------------|
| 1. Shri S.C. Gupta | Chairman |
| 2. Shri R.C. Sharma | Managing Director |
| 3. Shri Mahesh Mangal | Director (NPM) |
| 4. Smt. Saroj Rajwade | Director (Finance) |
| 5. Shri B. Krishnakumar | Director (POM) |
| 6. Shri V.G. Rameshkumar | Director |
| 7. Shri A.K. Bhatnagar | Director |

Regional Offices

1. General Manager(North)
3rd Floor, Microwave Complex,
Railway Colony, Thomson Road,
New Delhi. Tel.: +91-11-23220500
2. General Manager (South)
2nd Floor, B-Block, Rail Nilayam
Secunderabad-500071
Telefax: +91-40-27820429
3. General Manager (Eastern)
CSTE office 3rd Floor, New Administrative
Building Garden Reach,
(South Eastern Railway Office Campus)
Kolkata-700043 Tel: + 91-33-24504988
4. General Manager (West)
1st Floor, Adjacent to Annexe Building
Railway Station, Churchgate,
Mumbai-400020 Telefax: +91-22-22071330

Regd. and Corporate Office

10th floor, Bank of Baroda Building,
16, Parliament Street,
New Delhi - 110001
Ph. 51501455, 23311994, Fax 23311711
Email: info@railtelindia.com

Bankers

State Bank of India

Auditors

M/s B. Aggarwal & Co.,
Chartered Accountants,
16A/17, Ajmal Khan Road,
Karol Bagh,
New Delhi - 110 005

CHAIRMAN'S SPEECH

Respected CRB, FC and other members of the Railway Board and my dear shareholders,

I welcome you all at this 4th annual general meeting of your Company.

2. The annual accounts for the year ended 31st March, 2004 and the report of the Directors have already been circulated to you.

3. I would just like to touch upon few of the achievements made by your Company during the year. The Company had earned gross receipt of around Rs. 26 crore out of which a sum of about Rs. 10 crore has been booked as gross revenue during the year and the remaining amount has been booked as advance from customers. You will be glad to know that the Company has been able to earn operating profit to the extent of Rs. 4.24 crore before interest, depreciation and tax. But after providing these, the net loss amounted to Rs. 15.74 crore.

4. During the current financial year, the total revenue income upto August, 2004 have touched Rs. 13.40 crore from business operations. The Company has already targeted total revenue receipts of Rs. 100 crore during the current financial year. With the signing of the Agreements for both phases of STM 16 network, it is expected that STM-16 equipments would be in position by end of the last quarter of the calendar year enabling higher earnings in the period January - March, 2005.

5. The Company has recently concluded a deal with one of its leading customers for offering dark fibre on IRU basis for a period of 15 years and simultaneously offered almost equal quantity of bandwidth capacity from and out of its OFC network. The MoU has been signed on 25th September, 2004 and part payment of Rs. 12.97 crore of total consideration of about Rs. 66.50 crore of the deal has been received. This has given us a boost and a comfortable level in achieving the targeted goals

of sales during the current financial year.

6. In addition, the Company could for the present proudly make a mention of a few of its customers including AirTel, Hutch, Idea Cellular, BPL Mobile, Spice, Tata Teleservices, STPI, SIFY etc. and it is likely that more players would soon become the customers of our Company.

7. As you know, at present the funding has been done by IRFC only. Out of the total sanctioned loan of Rs. 200 crore, the Company has so far drawn Rs. 150 crore from them. The Company has already made request to the IRFC for extending concession in rate of interest, particularly in view of falling of interest rates in the open market. I would also like to inform you that the bankers of the Company namely State Bank of India have syndicated a loan of Rs. 400 crore for us at an interest rate of 8% p.a. only to meet in part the cost of our OFC related projects. The Company would avail the first tranche of such loan in the near future.

8. As regards physical progress of OFC network during the financial year 2003-04, the Company has been able to lay OFC on 4153 route KMs and commissioned electronics on 6597 route KMs, thereby making a total of 23606 RKMs laid and 17452 RKMs of OFC lit as on 31st March, 2004. With this, all the metros and mini metros have been connected on OFC network. Further, during the last five months of current financial year, further progress has been made and it is hoped that by March, 2005, STM-16/STM-4 network will be fully covering the total length of about 25000 RKMs. As on 31st August, 2004, the total OFC laid has been 24950 RKMs, out of which 20405 RKMs have been lit using STM-4 and STM-1 equipment. Further commissioning of OFC is in process. With the OFC links commissioned so far, we have been able to connect 164 important cities and 1674 stations on OFC network.

9. Your Company had also undertaken a highly advanced Internet Protocol based MPLS-IP

backbone network, utilizing the bandwidth through existing STM-4 and proposed STM-16 SDH network. The latest State of Art MPLS Protocol has been planned to take care of not only Internet Protocol but also other old Protocols such as SNA, ATM etc. The network will also cater for multi-media services for video and voice. The work has already been awarded to M/s ITI and will be fully commissioned by December, 2004. On completion of this work, your Company shall be able to provide broadband VPN and internet services to users as well as to corporate and government organizations.

10. As you could see from the financial results achieved by the Company as also the physical progress on laying and commissioning of OFC and placing of equipment for use, RailTel has made progressive efforts towards achieving its objectives. At the same time, I would like to add here that doing well in 2003-04, while creditable, is not enough? As you know, RailTel operates in an intensely and increasingly competitive environment. To consistently succeed in such a milieu, your Company will have to do even better by driving its brand harder, achieving greater operational efficiencies, exploring new markets and continuously reinventing itself. I am sure we will do all of these and more to deliver superior performance and high shareholder value for all of you.

11. While your Company had already raised its paid up share capital to the extent of Rs. 234 crore including 219 crore against OFC related assets taken over by the Company from Railways under the terms of the Agreement dated 30.7.2003, the management is looking for raising funds towards equity from the proposed joint venture partner(s) including PSUs of Railways.

- a. RailTel should go in for the business in IP-I/IP-II and ISP services immediately.
- b. RailTel should venture in ILD business only after tying up with any of the foreign carriers for ensuring minimum of 4.6% of incoming traffic by 2008.
- c. RailTel may pend NLD business till such time the Regulatory Authorities permit carrier selection and facility less operators.

- d. RailTel must focus to become an efficient infrastructure provider with a strong O&M team and thin marketing set up.

12. I, on behalf of the Board, express my sincere thanks to the Ministry of Railways and the Railway Board for their continued support and encouragement to the Company. I wish to express my sincere thanks to IRFC for providing us the loan to facilitate building up of our network since inception of this Company. I also wish to express my gratitude to the bankers of the Company led by State Bank of India for granting to us the loan facility at 8% p.a..

13. With these words, I propose that the annual accounts for the year ended 31st March, 2004 together with the reports thereon may be considered and adopted.

CHAIRMAN

Note: This does not purport to form part of the proceedings of the AGM.

DIRECTORS' REPORT

The Directors have pleasure in presenting their fourth annual report together with the annual accounts of the Company for the year ended 31st March, 2004.

1. PROJECTS

1.1 During the year under report, OFC works on about 30,000 Route KMs were in progress and out of this, 24,441 Route KMs of OFC has already been laid including golden quadrilateral and diagonals connecting 4 Metros (Delhi, Mumbai, Kolkata & Chennai) and 4 mini Metros (Ahemdabad, Pune, Secunderabad & Bangalore). The commissioning of OFC system has been quite rapid since the formation of RailTel. Till 2000-01, 4487 Route Kms of OFC system only had been commissioned and after formation of RailTel, 14,750 Route Kms has been added to this till June, 2004 making a total of 19,237 RKM of lit fibre. Further, RailTel have plans to complete the network spanning about 40,000 Route KMs by March 2008.

1.2 In addition to OFC works, STM-1/4 (155/622 MBPS) system has been commissioned on 15,319 Route KMs till June, 2004. This includes 11,000 RKM of STM-1 and 10,000 RKM of STM-4 links across Indian Railways. All four metros and 4 mini metros have been connected on RailTel's STM-4 network. 159 important cities and 1639 other Railway Stations have been connected on OFC media so far.

1.3 Further that the two contracts for the work of provisioning of STM-16 (2.5 GBPS) broadband network on 24,300 route KMs are in progress and this network has been targeted to be ready by 31st March, 2005. With the commissioning of STM-16 broadband network during current financial year, RailTel would become a truly carrier grade Telecom Company in the country and would be in a position to effectively compete with its competitors.

1.4 RailTel has also undertaken a highly advanced Internet Protocol based MPLS-IP backbone network, utilizing the bandwidth through existing STM-4 and proposed STM-16 SDH equipments. The latest State of Art MPLS Protocol has been planned to take care

of not only Internet Protocol but also other older Protocols such as SNA, ATM etc. The network will cater for multi-media services for video and voice. The MPLS network is designed to cover 38 important cities in most of the parts of India. The network is designed in a way that any failure of connecting SDH communication link will not affect the traffic flow of customers. The contract for this work has already been awarded and this work is also likely to be completed by end December, 2004.

1.5 RailTel has successfully carried out technology trials for providing Internet connectivity in running trains. RailTel is going to introduce this facility on trial basis on New Delhi - Bhopal Shatabdi Express between New Delhi - Mathura by September, 2004. On successful trials, the services may be extended to other Rajdhani/Shatabadi routes.

1.6 As already reported earlier, RailTel has commissioned a cyber café/Internet kiosk on platform no. 12 of New Delhi Railway station in June, 2003 to provide facility of high speed Internet browsing, E-mail, Audio Video chatting, Video Conferencing, IP telephony etc. Further, provisioning of this facility at 50 Railway Stations is planned in the current financial year. RailTel have, in total, identified 271 locations for provision of this facility. The work at remaining stations will be processed during the next financial year after taking into account the experience gained.

2. MARKETING

2.1 RailTel has already started marketing the surplus bandwidth on the existing optical fibre and digital microwave links and leasing dark fibres (OFC without electronics equipments) and tower space for hoisting antennae. RailTel has established four regional offices and 3 territorial offices, besides corporate office.

2.2 RailTel has an impressive clientele within the short spell of 3 years. In true sense, RailTel's commercial operations have started only in the year 2002-03, as our end-to-end network, even at STM-4 level, was not ready so far. With the STM-16



Visit of the Hon'ble State Minister of Railways to Corporate office of Rail Tel in June, 2004.

backbone network to be made available in the current financial year (2004-05), the client will further grow. At present our customers include M/s AirTel, M/s Hutch, M/s Idea Cellular, M/s BPL Mobile, M/s Spice, M/s Tata Teleservices, M/s VSNL, M/s Bharati, M/s STPI, M/s BSNL, M/s SIFY, M/s Equant, M/s C-DAC etc.

3. CAPITAL STRUCTURE

3.1 The authorized capital of the Company is Rs. 1000 crores. As on 31st March, 2004, paid up share capital of the Company stood at Rs. 158.05 crores including Rs. 143.05 crores equity allotted for consideration other than cash against the OFC related assets of Railways. Further, equity shares of Rs.76.35 crores have been allotted on 8th July, 2004 for consideration other than cash against OFC related assets of Railways. The Government of India holds the entire share capital of the Company.

4. FINANCIAL RESULTS

4.1 During the year under report, the Company has been able to earn operating profit to the extent of Rs. 4.24 crores before interest, depreciation and tax. After providing for interest and depreciation, the net loss of the Company amounted to Rs. 15.74 crores as against that of Rs. 1.15 crores incurred during the preceding financial year.

4.2 The Company has recently been granted sanction of a credit facility of Rs. 400 crores by a

syndicate of PSU banks lead by the State Bank of India at a coupon rate of 8.00% per annum with an overall cost to the Company at 8.25% per annum. This rate is on a stand alone basis without a letter of comfort / guarantee from the Ministry. Further, steps to avail of such credit are being taken by the Company. However, the process of raising of equity from the PSUs of Railways is still in hand.

4.3 As earlier reported, RailTel had tied up a loan of Rs. 200 crores from IRFC (Indian Railway Finance Corporation) Out of this, RailTel has drawn Rs.150 crores.

5. INDUSTRIAL RELATIONS

Cordial industrial relations were maintained during the year.

6. VIGILANCE

The Company has set up a vigilance cell at its corporate office. The General Manager (Mktg. & Network Planning) has been given the additional responsibility of the Chief Vigilance Officer of the Company.

7. EMPLOYMENT OF WOMEN, USE OF OFFICIAL LANGUAGE AND OTHERS

7.1 There is a adequate representation of women employment in the Company. Further Company is following the guidelines of the Official Languages Act. The Annual Report is also 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.

7.2 No presidential directives were received from the Government during the financial year 2003-04.

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

There was no employee of the Company who 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.

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

The Company has not earned foreign exchange during the year under report and neither spent any money in foreign exchange.



Visit of Chairman, RailTel to the stall of RailTel in "Convergence India" held in March, 2004 at Delhi.

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

10. DIRECTORS RESPONSIBILITY STATEMENT

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 had been followed alongwith proper explanation relating to material departures;

b) that the Directors had selected 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;



Railtel Participation in Technical Exhibition "Telecom India" held in November, 2003 at Mumbai.

c) that the Directors had 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 had prepared the annual accounts on a going concern basis.

11. CORPORATE GOVERNANCE

The Company is seized of the concept of corporate governance and the principles underlying the same. As a part of good corporate governance, the Company has been taking steps to implement such concepts including constitution of Audit Committee. Such Audit Committee consists of three Directors namely S/Shri R.C.Sharma, VG Rameshkumar and AK Bhatnagar, Shri R.C. Sharma has been elected as Chairman of the Audit Committee.

12. AUDITORS

12.1 The Comptroller and Auditor General of India (CAG) have re-appointed M/s B. Aggarwal & Co., Chartered Accountants as Auditors of the Company to audit the annual accounts for the year ended 31st March, 2003. In terms of the authorization given by the members in their last annual general meeting, the Board had already considered and approve payment of audit fee of Rs. 25,000/- to them. Similarly, the approval of the shareholders is solicited for authorizing the Board for fixation of remuneration payable to the statutory auditors for the year 2004-05 as and when appointed.

12.2 The comments of the CAG on the accounts of the Company for the year ended 31st March, 2004 forms part of this report.

13. DIRECTORATE

Shri R.C. Sharma, Additional Member (Telecom) in the Ministry of Railways has been assigned the responsibility of discharging the functions of the Managing Director of the Company w.e.f. 1st August, 2003, in addition to his regular duties attached to the parent post. The selection process for appointment of the Managing Director of the Company on regular basis is already in hand with the concerned authorities.

14. ACKNOWLEDGMENTS

The Board express its gratitude towards Indian Railways and other Departments for their cooperate and continued assistance, active and timely support and guidance received. The Company is also thankful to the IRFC and the State Bank of India in extending cooperation and timely financial support to the Company. The Company is also thankful to the office of CAG and the statutory auditors for their valued contribution. The Board also places on record its appreciation of the services rendered by all categories of employees and others including the part-time officials from Railways. The Board also expresses its gratitude to the valued customers of the Company for their kind patronage.

For and on behalf of the Board

(S.C. Gupta)
Chairman

Place: New Delhi
Dated: 27.07.2004

**B. Aggarwal & Co.**

Chartered Accountants

**Auditor's Report to the Members of
RAILTEL CORPORATION OF INDIA LIMITED**

We have audited the attached Balance Sheet of M/s RAILTEL CORPORATION OF INDIA LIMITED (hereinafter referred to as the 'Company') as at March 31, 2004 and also the Profit and Loss Account of the company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

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 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 the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said Order.

Further to our comments in the Annexure referred to 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 purpose of our audit;
- b) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of the books.
- c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the Books of Account;
- d) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standard referred to in sub-section (3c) of section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors, as on 31st March 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (i) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner required and give a true and fair view in conformity with accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2004 and;
 - ii) In the case of the Profit & Loss Account of **Loss** for the year ended on that date.

For B. AGGARWAL & CO.

Chartered Accountants

(KAPIL AGGARWAL)

PARTNER

Place : New Delhi
Date : 27 July 2004

ANNEXURE TO THE AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH (3) THEREOF)

- 1) The Company has maintained proper records showing full particulars, including quantitative details of fixed assets on the basis of information available. According to the information and explanation given to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner which, in our opinion, is reasonable, having regard to the size of the Company and nature of the assets. No material discrepancies were noticed on such verification.

According to the information and explanations given to us, none of the fixed assets have been disposed off during the year.
2. The stocks consist of spare parts only. According to the information and explanations 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 the 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 stocks, as compared to book records.
3. We are informed that the Company has not taken/granted any loans, secured or unsecured, from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion, and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods/service. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control.
5. As explained to us 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 and exceeding during the year to Rs. 5,00,000 or more in respect of each such party.
6. During the year, the Company has not accepted any deposits within the meaning of section 58 A and 58 AA of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal Audit system commensurate with the size and the nature of its business.
8. The Company is not required to maintain cost records as prescribed under Section 209 (1) (d) of the Companies Act, 1956.
9. According to the information and explanations given to us, there are no statutory dues payable in respect of Provident Fund, Investor Education and Protection Fund, Employee State Insurance Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, cess which are out standing as at for a period of more than six months from the date they became payable.

10. The Company has been registered on 26th September, 2000, i.e. only four years before. Hence the requirements of clause (x) of paragraph 4 of the Order is not applicable to the Company.
 11. According to the information & explanation given to us, the Company has not defaulted in repayment of due to Financial Institutions or Bank or Debenture holder.
 12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. The Company is not a Chit Fund, Nidhi or mutual benefit Society. Hence the requirements of clause (xiii) of paragraph 4 of the Order is not applicable to the Company.
 14. The company has kept adequate records of it transactions and contracts in shares, securities, and other investments and timely entries have been made therein. The shares, securities and other investments, are held in the name of the company or are in the process of being transferred in the Company's name.
 15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or Financial Institutions.
 16. As per information and explanations given to us, Term Loans were applied for the purpose of which loan were obtained.
 17. According to the information and explanations given to us, no funds raised on Short-term basis have been used for long term investment. Similarly, no funds raised on long term basis have been used for Short-term investment.
 18. According to the information and explanations given to us no preferential allotment of shares has been made by the company to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
 19. The Company has not issued any debenture. Hence the requirement of clause (xix) of paragraph 4 of the Order is not applicable to the Company.
 20. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.
- The other matters referred to in the order have not been reported upon, as they are not applicable to the Company.

Place : New Delhi
Date : 27 July 2004

For B.AGGARWAL & CO.
Chartered Accountants

(KAPIL AGGARWAL)
PARTNER

**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 31ST MARCH 2004**

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619 (4) of the Companies Act, 1956, on the accounts of RailTel Corporation of India Limited, New Delhi for the year ended 31st March 2004.

Sd/-
(Revathi Bedi)
Principal Director of Commercial Audit and
Ex-officio Member Audit Board-III,
New Delhi

Place: New Delhi

Dated: 10th September 2004

**REVIEW OF ACCOUNTS OF RAILTEL CORPORATION OF INDIA LIMITED, NEW DELHI
FOR THE YEAR ENDED 31ST MARCH 2004 BY THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA**

Note: This Review of Accounts has been prepared without taking into account the comments under ssection 619 (4) of the companies Act, 1956 and qualifications contained in the Statutory Auditors Report.

1. FINANCIAL POSITION:

The table below summarises the financial position of the company under broad heading for the last three years:

	Rupees in Crore		
	2001-02	2002-03	2003-04
Liabilities:			
(a) Paid up capital			
(i) Government	15.00	15.00	234.40
(ii) Others	0.00	0.00	0.00
(b) Reserves & Surplus			
(i) Free Reserve & Surplus	0.00	0.00	0.00
(c) Borrowings			
(i) From Government of India	0.00	0.00	0.00
(ii) From Financial Institutions	0.00	0.00	0.00
(iii) Foreign Currency Loans	0.00	0.00	0.00
(iv) Cash Credit	0.00	0.00	0.00
(v) Others	100.00	150.00	150.00
(vi) Interest accrued and due	0.00	0.00	0.00
(d)			
(i) Current liabilities & Provisions	19.49	58.49	453.64
ii) Provision for Gratuity	0.00	0.00	0.01
(e) Deferred Tax Liability	0.00	0.00	0.00
Total	134.49	223.49	838.05
Assets:-			
(f) Gross Block	0.09	11.44	728.42
(g) Less: Depreciation	0.01	0.57	15.88

(h)	Net Block	0.08	10.87	712.54
(i)	Capital Work in Progress (including advances for capital expenditure)	42.60	141.24	53.02
(j)	Investments	0.00	0.00	0.00
(k)	Current Assets loans & advances	90.00	68.62	54.50
(l)	Misc expenditure not written off	1.60	1.40	0.89
(m)	Accumulated Loss	0.21	1.36	17.10
(n)	Deffered tax asset	0.00	0.00	0.00
	Total:	134.49	223.49	838.05
(o)	Working Capital (k-d (i)-c(vi))	70.51	10.13	-399.14
(p)	Capital Employed (h+o)	70.59	21.00	313.40
(q)	Net worth [a+b (i) -l -m]	13.19	12.24	216.41
(r)	Net worth per Rupee of paid up Capital	0.88	0.82	0.92

2. SOURCES AND UTILISATION OF FUNDS:

Funds amounting to Rs. 716.98 Crore from internal and external sources were realised and utilised during the year as detailed below:-

<u>Source of Funds</u>	Rupees in Crore	
(a) Funds from Operations		
(i) Loss	(15.74)	
Add: Misc Expenses written off	0.51	
Add: Increase in Depreciation	15.31	
		0.088
(b) Decrease in Working Capital		409.27
(c) Increase in Share Capital		219.40
(d) Increase in Provision for gratuity		0.01
(e) Decrease in capital works in progress		88.22
Total:		716.98

Utilisation of Funds

(a) Addition to fixed assets	716.98
Total:	716.98

3. WORKING RESULTS:

The working results of the Company for the last three years ending 31st March, 2004 are given below:

	Rs. in Crore		
	2001-02	2002-03	2003-04
(i) Operating income	0.03	2.34	9.79
(ii) Other or Misc. Income	2.82	3.65	1.17
(iii) Profit before tax and prior period adjustments	-0.37	-1.15	-15.69
(iv) Prior period Adjustment	0.00	0.00	-0.06
(v) Profit before tax	-0.37	-1.15	-15.75
(vi) Provision for Taxation	0.00	0.00	0.00
(vii) Deferred tax liability	0.00	0.00	0.00
(viii) Profit after tax	-0.37	-1.15	-15.75

4. RATIO ANALYSIS

Some important ratios on the financial health and working of the Company at the end of last three years ending 31st March, 2004 are as under:

	2001-02	2002-03	2003-04
A. Liquidity Ratio			
Current Ratio [k/d(i)+c(vi)]	4.62	1.17	0.12
B. Debt equity ratio			
Long term debt equity [c (i to v)/q]	7.58	12.25	0.69

5. SUNDRY DEBTORS

The Sundry Debtor and Sales in the last three years ended 31st March, 2004 were as follows

Rupees in Crore

As on 31st March	Sundry Debtors			Operating Income during the (including Excise duty)	Percentage of Sundry Debtors to Sales
	Considered good	Considered doubtful	Total		
2002	—	—	—	—	—
2003	0.10	—	0.10	2.34	4.27
2004	0.49	—	0.49	9.79	5.01

Debtors outstanding

Less than 6 months
6 months to 1 years
1 years to 3 years
More than 3 years
Total

Rupees in crore

0.14

0.35

0.00

0**0.49**

Place: New Delhi
Date: 10th September, 2004

Sd/-
Revathi Bedi
Principal Director of Commercial Audit
and Ex-officio Member Audit Board III
New Delhi

BALANCE SHEET AS AT MARCH 31, 2004

PARTICULARS	Schedule	Amount (Rs.)	
		As on 31.03.2004	As on 31.03.2003
SOURCES OF FUNDS			
Shareholder's Funds	1	1,580,546,070	150,000,070
Share Capital to be issued for OFC assets to Govt. of India		763,542,000	—
Loan Fund	2	1,500,000,000	1,500,000,000
TOTAL (Rs.)		<u>3,844,088,070</u>	<u>1,650,000,070</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		7,284,463,939	114,491,481
Less: Depreciation		158,758,382	5,686,967
Net Block	3	7,125,405,557	108,804,514
Capital Work-in-Progress	4	518,847,705,	1,400,022,471
Advances for Capital Expenditure	5	11,321,644	12,353,913
Current Assets, Loans & Advances	6	7,655,574,906	1,521,180,898
Inventory		4,716,479	
Sundry Debtors		4,932,173	972,096
Cash & Bank Balances		431,976,911	672,885,284
Others Current Assets		9,260,512	2,063,769
Loans & Advance		94,068,757	10,288,409
		544,954,833	686,209,558
Less : Current Liabilities & Provisions	7		
Current Liabilities		4,536,394,023	584,902,290
Provisions		120,889	91,825
		4,536,514,912	584,994,115
Net Current Assets		(3,991,560,080)	101,215,443
Miscellaneous Expenditure	8		
(To the extent not written off or adjusted)			
Preliminary Expenditure		8,006,861	12,010,291
Deferred Revenue expenditure		977,318	1,954,638
Profit & Loss Account		171,089,065	13,638,800
TOTAL (Rs.)		<u>3,844,088,070</u>	<u>1,650,000,070</u>
Accounting Policies	12		
Notes on Accounts	13		
Schedules 1-13 attached form an integral part of accounts			
As per our report of even date		Saroj Raiware	R.C.Sharma
For B. AGGARWAL & CO.		Director (Finance)	Managing Director
Chartered Accountants			
(Kapil Aggarwal)			
(Partner)		S C Hans	
Place : New Delhi		Company Secretary	
Date: 27 July 2004			

Profit & Loss Account for the year ended on 31.03.2004

PARTICULARS	For the year ended on 31.03.2004	Amount (Rs.)	For the Year ended on 31.03.2003
INCOME			
Lease Revenue-Dark Fiber	8,866,575		
Lease Revenue-Tower Space	10,490,612	5,527,633	
Lease Revenue-Bandwidth	78,522,662	17,914,619	
Interest Income from Banks	26,134,620	33,161,128	
(TDS Rs. 33,45,368/- Previous Year Rs. 74,53,034/-)			
Prior Period Adjustments	34,345	4,198	
Other Incomes	11,719,978	3,320,146	
	<u>135,768,792</u>	<u>59,927,724</u>	
Less :			
Incidental income during construction period transferred to capital work in progress	11A <u>22,339,486</u>	113,429,306	<u>34,068,735</u> 25,858,989
EXPENDITURE			
Employee's Remuneration & Benefits	9 27,770,633		12,671,111
Administrative Expenses	10 65,777,236		24,964,345
Revenue share with Railways	6,726,061		-
Preliminary Expenses charged off	4,003,430		4,003,430
Prior period Adjutments	650,937		-
	<u>104,928,297</u>		<u>41,638,888</u>
Less :			
Incidental expenditure during construction period transferred to capital work-in-progress	11B <u>33,927,764</u>	71,000,533	108,095.890 9,771,379 <u>31,867,507</u>
Net Profit/Loss before interest, depreciation & tax	42,428,773	108,095.890	(6,008,518)
Interest on Loan	155,117,624		
Less Interest on Loan capitalised	108,310,001 46,807,623		
Depreciation	153,071,415		5,551,684
Provision for Income Tax	-	199,879,038	-
	<u>(157,450,265)</u>		<u>(11,560,202)</u>
Loss brought forward from previous year		(13,638,800)	(2,078,598)
Balance transferred to Micellaneou Expenditure		(171,089,065)	(13,638,800)
Accounting Policies	12		
Notes on Accounts	13		
Schedule 1 to 13 attached form integral part of accounts			
As per our report of even date For B. AGGARWAL & CO. Chartered Accountants	Saroj Raiware Director (Finance)		R.C.Sharma Managing Director
(Kapil Aggarwal) (Partner)		S C Hans Company Secretary	
Place : New Delhi Date: 27 July 2004			

SHAREHOLDER'S FUNDS

SCHEDULE 1

PARTICULARS	As on 31.03.2004	Amount (Rs.)	As on 31.03.2003
SHARE CAPITAL			
Authorised Capital			
1,00,00,00,000 Equity shares of Rs. 10/- each	10,00,00,00,000		10,00,00,00,000
Issued, Subscribed & Paid up Capital			
1,50,00,007 Equity shares of Rs. 10/- each (Previous year 15000007 Equity hare of Rs. 10/- each)	150,000,070		150,000,070
143,054,600 Equity hare of R 10/- each allotted for consideration other then cash (Previous year Rs Nil)	1,430,546,000		
TOTAL (Rs.)	1,580,546,070		150,000,070

358,989

,867,507
008,518)

,551,684

,560,202)

,078,598)
,638,800)

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ector

LOAN FUNDS

SCHEDULE 2

PARTICULARS	As on 31.03.2004	Amount (Rs.)	As on 31.03.2003
Secured Loans			
	—		—
Unsecured Loans			
Loan from Indian Railway Finance Corporation Limited	1,500,000,000		1,500,000,000
TOTAL	1,500,000,000		1,500,000,000
Loans due for repayment within one year	NIL		NIL

Schedule 3

Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION & AMORTIATION				NET BLOCK	
	AS ON 1-4-2003	ADDITIONS DURING THE PERIOD	AMOUNT TRANSFERRED FROM C/WIP DURING THE PERIOD	SALE/ TOTAL AS ON 31/03/2004	UPTO 31/ 31-03-2003	FOR ADJUSTMENT THE YEAR	TOTAL AS ON 31/03/2004	AS ON 31/03/2003	AS ON 31/03/2004	AS ON 31/03/2003
A. FIXED ASSETS										
RIGHT OF WAY	3,780,000,000	-	-	3,780,000,000	83,916,000	-	83,916,000	3,696,084,000	-	-
COMPUTER	3,719,379	1,753,675	-	5,473,054	357,632.00	723,750	1,081,382	4,391,672	33,617,470.00	-
FURNITURE & FIXTURE	1,954,320	409,322	-	2,363,642	800,957.00	233,043	-	1,034,000	1,329,642	11,533,663.00
AIR CONDITIONERS	1,408,272	438,400	-	1,846,672	33,455.00	226,286	-	259,741	1,586,931	1,374,817.00
ELECTRICAL EQUIPMENTS	28,200	120,456	-	148,656	28,200.00	1,579	-	29,779	118,877	-
OFC & RELATED ASSETS	52,657,400	1,939,044,754	928,775,681	2,920,477,835	2,048,950.00	57,725,911	-	59,774,861	2,860,702,974	50,608,450.00
HDPE PIPES	9,326,800	-	-	9,326,800	362,915.00	425,785	-	788,700	8,538,100	8,963,885.00
TELECOM & RADIO										
EQUIPMENT	42,633,200.	20,524,596	-	63,157,796	1,658,899.00	2,126,858	-	3,785,757	59,372,039	40,974,301.00
OFFICE EQUIPMENTS	1,763,910.	428,906	-	2,192,816	195,959.00	148,049	-	344,008	1,848,808	1,567,961.00
SDH/STM EQUIPMENT	74,000	204,021,718	-	204,095,718	3,048,196	3,048,196	-	3,048,196	201,047,522	-
LONG HAUL STM-1	77,900,000	-	-	77,900,000	636,065	636,065	-	636,065	77,263,935	-
SHORT HAUL	179,100,000	-	-	179,100,000	2,655,172	2,655,172	-	2,655,172	176,444,828	-
PRE FAB BUILDING	-	-	-	37,080,950	1,004,721	1,004,721	-	1,004,721	36,076,229	-
B. CAPITAL EXPENDITURE ON ASSET NOT OWNED BY THE COMPANY	1,000,000	-	-	1,000,000	200,000	200,000	-	400,000	600,000	8,000,000.00
TOTAL A & B	114,491,481	5,999,794,109	1,169,878,349	7,284,163,939	5,686,967	153,071,415	-	158,758,382	7,125,405,557	108,804,514
PREVIOUS YEAR	917,035	113,601,528	(27,082)	114,491,481	136,434	5,551,684	(1,151)	5,686,967	108,804,514	780,601

CAPITAL WORK IN PROGRESS
SCHEDULE 4

PARTICULARS		As on 31.03.2004	Amount (Rs.)	As on 31.03.2003
OFC Laying Works by Railways against Deposit Works	304,546,712		863,778,078	
Other OFC Laying Works	94,191,926		310,572,977	
Buildings	3,861,930		-	
Prefab Buildings	4,367,182			
Installation of STM Equipment	17,094,417		134,759,826	
		424,062,167		1,309,110,881
Add				
Net Incidental Expenditure brought forward from last year	90,911,590		7,113,056	
Interest on loan capitalised	108,310,001			
Incidental expenditure during construction period	33,927,764		117,867,269	
	233,149,355		124,980,325	
Less				
Incidental Income during construction period	22,339,486		34,068,735	
	210,809,869		90,911,590	
Less				
Net Incidental expenditure capitalised during the year	116,024,331	94,785,538	-	90,911,590
Total		518,847,705		1,400,022,471

SCHEDULE 5
ADVANCE FOR CAPITAL EXPENDITURE

PARTICULARS		As on 31.03.2004	Amount (Rs.)	As on 31.03.2003
Unsecured Considered Good				
-covered by Bank Guarantees	111,644		1,439,965	
-others	11,210,000	11,321,644	10,913,948	12,353,913
TOTAL (Rs.)		11,321,644		12,353,913

CURRENT ASSETS, LOANS & ADVANCES

SCHEDULE 6

PARTICULARS	As on 31.03.2004	Amount (Rs.)	As on 31.03.2003
CURRENT ASSETS			
Inventory (As certified by the management)	4,716,479		
Sundry Debtors (Unsecured considered good)			
Debts outstanding for period exceeding six months	3,553,047	972,096	
Others	1,379,126	—	972,096
Cash and Bank Balances			
Cheques in hand	68,837,712,00	43,576,411	
Imprest Balances	35,641	54,758	
Funds in Transit	—	5,427,837	
Balances with Scheduled Banks			
Current account	12,572,336	2,048,065	
Collection A/c	3,256,151		
Term deposits	347,275,071	431,976,911	621,778,213
<i>(includes Rs. 2 crores pledged with SBI against Bank Guarantees)</i>			
Accrued Interest on Term deposits		9,260,512	2,063,769
Loans And Advances			
Employee' Advances (Unsecured considered good)	244,622	265,150	
Others Advances (Unsecured considered good)	89,023,107	2,570,225	
Income Tax deducted at source	4,801,028	7,453,034	
		94,068,757	10,288,409
Total	544,954,833		686,209,558

CURRENT LIABILITIES AND PROVISIONS

SCHEDULE 7

PARTICULARS	As on 31.03.2004	Amount (Rs.)	As on 31.03.2003
CURRENT LIABILITIES			
Sundry Creditors			
- For capital expenditure	3,963,410,453	367,426,371	
- For others	233,918,731	51,974,489	
	<u>4,197,329,184</u>	<u>419,400,860</u>	
Deposits & Other advances	23,530,897	1,131,020	
Book Overdraft	20,161,875	78,587,732	
Other Liabilities	<u>295,372,067</u>	<u>85,782,678</u>	584,902,290
PROVISIONS			
Provision for Income Tax	-		
Provision for Gratuity	43,848	33,754	
Provision for leave salary contribution	<u>77,041</u>	<u>120,889</u>	<u>91,825</u>
TOTAL	<u><u>4,536,614,912</u></u>	<u><u>85,782,678</u></u>	<u><u>584,994,115</u></u>

MISCELLANEOUS EXPENDITURE

SCHEDULE 8

PARTICULARS	As on 31.03.2004	Amount (Rs.)	As on 31.03.2003
(To the extent not written off or adjusted)			
Deferred Revenue expenditure	1,954,638	2,931,957	
Less			
Amount written off during the year	<u>977,320</u>	<u>977,319</u>	1,954,638
Preliminary Expenses	12,010,291	16,013,721	
Less			
Amount written off during the year	<u>4,003,430</u>	<u>4,003,430</u>	
	<u>8,006,861</u>		<u>12,010,291</u>
TOTAL (Rs.)	<u><u>8,984,179</u></u>		<u><u>12,010,291</u></u>

EMPLOYEES REMUNERATION & BENEFITS**SCHEDULE 9**

PARTICULARS	For the year ended on 31.3.2004	Amount (Rs.)	For the year ended on 31.3.2003
Salary & Wages	19,417,755		9,574,744
Employer Contribution to Provident Fund and Other Charges	68,448		60,142
Lease Charges	3,782,861		1,238,156
Foreign Service Contribution	2,883,688		1,294,774
Gartuity	10,094		24,684
Leave Salary Contribution	18,970		43,520
LTC	23,427		-
Medical Expences	1,565,390		435,091
TOTAL	27,770,633		12,671,111

ADMINISTRATIVE EXPENSES
SCHEDULE 10

E 9

 Year
 n
 3
 4,744
 0,142
 8,156
 4,774
 4,684
 3,520
 5,091
 1,111

PARTICULARS	As on 31.03.2004	Amount (Rs.)	As on 31.03.2003
Licence fee & USO Fund contribution	11,743,982		2,546,248
Internet Connectivity charges	1,449,208		-
Tour & Travel	5,693,141		5,163,000
Office Expenses	9,464,305		3,139,443
Conveyance	1,104,891		323,591
Auditor's Remuneration			
Plant & Machinery	9,871,083		-
Others	2,172,299		-
Auditor's Remuneration			
- Audit Fee	27,000		
- For other Services	21,600	48,600	26,250
Rent, Rates & Taxes	6,588,781		5,842,199
Vehicle Hiring Expenses	4,085,174		2,666,142
Bank charges	2,907,464		537,583
Professional Consultancy Fees	1,095,575		393,880
Communication expenses	2,911,033		1,476,828
Book & Periodicals	90,061		28,737
Furnishing expenses	1,256,952		1,135,061
Computer software expenses	36,595		276,180
Loss on sale of Fixed Assets	-		21,931
Exchange loss	-		372
Advertisement, Publicity & Business Promotion	4,512,757		571,722
Miscellaneous expenses	745,335		815,179
TOTAL	65,777,236		24,964,346

INCIDENTAL INCOME DURING CONSTRUCTION PERIOD
SCHEDULE 11-A

PARTICULARS	As on 31.03.2004	Amount (Rs.)	As on 31.03.2003
Interest Income	22,291,851		33,161,128
Other Income	47,635		907,607
TOTAL	22,339,486		34,068,735

INCIDENTAL EXPENDITURE DURING CONSTRUCTION PERIOD

SCHEDULE 11-B

PARTICULARS	As on 31.03.2004	Amount (Rs.)	As on 31.03.2003
Salary & Wages	13,880,797		4,122,526
Lease Charges	2,362,173		424,373
Foreign Service Contribution	2,051,173		327,066
Medical Expenses	977,255		54,742
Tour & Travel Expenses	3,593,652		137,908
Office Expenses	2,515,661		12,221
Conveyance Expenses	373,459		167,347
Rent, Rates & Taxes	2,793,565		-
Vehicle Hiring Expenses	2,672,758		733,423
Bank Charges	8,202		-
Professional Consultancy Fees	311,533		-
Communication Expenses	1,849,460		281,798
Books & periodicals	33,846		5,236
Advertisement Expenses	2,189,390		-
Repair & Maintenance			
Plant & Machinery	-	-	-
Others	3,747	3,747	-
Miscellaneous Expenses		57,426	48,995
TOTAL		33,927,764	9,771,379

E 11-B

As on
1.03.2003

1,122,526
424,373
327,066
54,742
137,908
12,221
167,347
-
733,423
-
-
281,798
5,236
-
-
48,995
9,771,379

SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE 12

1. General

The Financial Statements have generally been prepared as a going concern on the basis of accrual method of accounting in accordance with generally accepted accounting principles, practices and applicable accounting standards.

2. Fixed Assets

Fixed Assets are stated at historical cost and all directly attributable expenses relating to the assets are allocated to the respective asset heads.

- b) The irrevocable and exclusive right held by the Company to install, construct, own, operate, maintain and keep the Optical Fiber Network on, under or over the Railway land for laying cable, pipes etc. alongside, under, over or across the track, access, easements, quasi-easements and all other rights relating or incidental to the Optical Fiber Network free from all encumbrances, subject to exceptions, is capitalized and is treated as RIGHT OF WAY.

3. Capital Work-in-Progress

- a) Expenses incidental to construction of various assets are being apportioned on prorata basis to particular assets.
- b) Corporate office expenses directly attributable to construction for the year are allocated to the regions for apportionment to capital work in progress of the respective regions on pro-rata basis.
- c) In respect of supply cum erection contracts, the value of supplies received at site and accepted, is treated as capital works in progress.
- d) Deposit work contracts are accounted for

on the basis of statement of account received from executing agencies / technical assessment of the work executed.

- e) Income directly identifiable with capital work in progress are adjusted against the cost of different works on pro-rata basis.

4. Borrowing Costs

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

5. Income recognition

- a) Income from lease, renting or sale of end-to-end bandwidth, hire charges for tower space and accommodation, internet & other service charges are accounted for on proportionate basis over the lease / contract period after the activation of connection.
- b) Other income including interest income on deposits with banks are accounted for on accrual basis.

6. Depreciation

- a) Depreciation is charged as per straight line method on fixed assets of the Company at the rates notified under Schedule XIV of the Companies Act, 1956.
- b) Assets purchased for value of less than Rs. 5000/- or of written down values of Rs. 5000/- or less at the beginning of the year are depreciated at 100%.
- c) Depreciation on Right of Way is provided at 3.33% per year on the straight-line method.

7. Other Expenditure

Expenses common to operation and construction activities are allocated to the Profit & Loss Account and incidental expenditure during construction in proportion to the income earned and accretion to capital work-in-progress.

8. Miscellaneous Expenditure

- a) Preliminary expenses incurred towards incorporation of the Company are to be written off to the Profit & Loss account over a period of five years from the date of commencement of commercial operations.
- b) Corporate office furnishing expenses are deferred over a period of three years i.e the period for which building is taken on rent.

9. Deferred Tax

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been announced up to the balance sheet date. Deferred tax attributable to timing differences between the taxable income and accounting income. The effect of tax rate change is considered in the profit & loss account of the respective year of change.

10. Retirement Benefits

The liability for retirement benefits of the employees in respect of gratuity and leave encashment is accounted for annually on the basis of actuarial valuation.

Notes on Accounts

1. Contingent Liabilities include:
 - a. Claims against the Company not acknowledged as debts of Rs. 587 Lakh. (Previous Year Rs. 592 Lakh)
 - b. Counter Guarantees to Bank for Bank Guarantees of Rs. 10000 Lakh.(Previous Year Rs. 10000 Lakh)
2. Estimated amounts of contracts remaining to be executed on capital account as certified by the management and not provided for is Rs.13038 Lakh (previous Year Rs. 12091 Lakh).
3. Balances shown under advances,sundry debtors and creditors are subject to confirmation/ reconciliation and consequential adjustment, if any.
4. 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.
5. There is no outstanding balance of small-scale industries of more than Rs. 1 Lakh lying for more than thirty days as on 31.03.2004.
6. Due to the policy of providing depreciation @ 100% on assets costing up to Rs. 5,000/- and assets whose written down value is up to Rs. 5,000/-, the depreciation charged to Profit & Loss account is greater by Rs. 4.62 Lakh (Previous year Rs. 9.25 Lakh)
7. Total remuneration and benefits paid to the Directors during the year are as per following:

Particulars	Amount(Rs)	
	2003-04	2002-03
Remuneration	15.49 Lakh	2.01 Lakh
Others	6.60 Lakh	1.10 Lakh

8. The Company has not created Deferred Tax assets as a matter of prudence in terms of Accounting Standard (AS 22) on Accounting of Taxes on income issued by the Institute of Chartered Accountants of India, as the company has only unabsorbed losses till now and there are no reserves & surplus till 31.03.2004.
9. In accordance with the agreement entered into with the Ministry of Railways on 30th July 2003, vide Clause 3, the Railways agreed to grant to the Company, subject to the provisions of the said agreement, for a period of thirty years an irrevocable and exclusive right to install, control, own, operate, maintain and keep optical fiber network under or over (as appropriate) on the Railways land, value for which has been determined in the agreement at Rs. 37800 lakh.

The Company has capitalized the rights as Right of Way under Fixed Assets by creating liability of Rs. 37800 lakh as grant fee payable over a period of thirty years with deferment of payment for 5 years. The Company shall be amortizing the asset during the period of 30 years by charging depreciation @ 3.33% each year. During the year the Company has provided for Rs 839.16 lakh towards amortisation of ROW.

10. a. Under the agreement with the Railways the Company is required to make payment for maintenance of its OFC to the Railway. Until the Railways take over the maintenance, the

Company is making its own arrangements for maintenance. Therefore, no provision for payment of maintenance charges to Railways has been made in the accounts.

- b. Under the agreement with the Railways, the Company is to allot equity share of Rs. 25000 lakh in the name of President of India for transfer of OFC assets to the Company. During the year Rs. equity shares worth of Rs. 14305 lakh were allotted to the President of India through the Ministry of Railways against the assets transferred. Further the assets of value Rs. 7635 lakh were transferred to the Company during the year, share against are yet to be allotted in the name of President of India as at the end of the year necessary disclosure for which has been made in the accounts.
11. a. The Company has allotted certain works for laying of OFC to the Railway as deposit works on the basis of estimate submitted by them In view of Company the estimate submitted by Railway were on higher side and the same has been revised on the strength of technical/financial assessment done during the year. As a result of which total project have been capitalised during the year at Rs. 6432 lakh against the original estimate of Rs. 8775 lakh.
- Further estimate for projects under progress shown under capital work in progress have been revised Rs at Rs.4580 lakh against the original estimate of Rs. 5813 lakh.
- b. In addition to above, OFC works undertaken by the Company and completed during the year have been capitalised during the year at Rs.2836 lakh.
12. In the absence of details and assessment the life of assets transferred from Railways, the impact on depreciation is unascertained.
13. Operating lease
- a. General description on leasing arrangement
- The Company has been offering bandwidth and tower space to its customer a operating lease for fixed period.
- b. Future minimum lease rentals received under operating lease for each of the following period as on March 31, 2004 are as under;
- | | |
|--|------------------|
| Not later than one-year | 982 lakh |
| Later than one year and up to five years | 300 lakh |
| Later than five years | 932 lakh |
| | 2214 lakh |
14. In terms of Para 3.4 of the Agreement with the Ministry of Railways, the Railways have to pay for long haul telecom services provided by the Company. As the assessment of such income to be recoverable from the Railways is still to be done, no adjustment for the same has been done for the revenue share payable to the Railways. (Amount unascertainable)
15. Additional information pursuant to Schedule VI of the Companies Act, 1956, is as follows:
- a. Licensed and installed capacity: Not Applicable.
- b. Quantitative information in respect of gross income derived from services rendered or supplied:

REGULATIONS ACT, 1958
GENERAL PROFILE

	Amount (Rs.)	
	Current Year	Previous Year
i. Income from renting of space including tower	104.90 lakh	75.37 lakh
ii. Sales revenue from end-to-end bandwidth	785.23 lakh	179.15 lakh
c. Value of import calculated on CIF basis		
i. Capital Goods	NIL	NIL
ii. Spare Parts	NIL	NIL
d. Expenditure in foreign currency		
i. Professional and consultancy fee	NIL	NIL
ii. Others	NIL	25.38 lakh
e. Value of Components, stores and spare parts consumed (imported and indigenous)	NIL	NIL
f. Earning in Foreign Exchange	NIL	NIL

16. Comparative figures for the previous year have been rearranged and regrouped wherever necessary.

17. Figures have been rounded off to the nearest rupee.

As per our report of even date
For B. AGGARWAL & CO.
Chartered Accountants

(Kapil Aggarwal)
(Partner)

Place : New Delhi
Date: 27 July 2004

Saroj Raiware
Director (Finance)

R.C.Sharma
Managing Director

S C Hans
Company Secretary

PART 4 OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

I. Registration Details

State Code

5 5

Registration No.

1 0 7 9 0 5

Balance Sheet Date

3 1

0 3

2 0 0 4

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

3 8 4 4 0 8 8

Total Assets

3 8 4 4 0 8 8

Sources of Funds

Paid - Up Capital

1 5 8 0 5 4 6

Share Application Money

7 6 3 5 4 2

Secured Loans

NIL

Reserves & Surplus

NIL

Unsecured Loans

1 5 0 0 0 0 0

Application of Funds

Net Fixed Assets

7 6 5 5 5 7 5

Investment

NIL

(*includes CWIP & Advance for Capital Expenditure)

Net Current Assets

3 9 9 1 5 6 0

Misc. Expenditure

8 9 8 4

Accumulated Losses

1 7 1 0 8 9

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

Turnover including other Incomes

1 1 3 4 2 9

Total Expenditure

2 7 0 8 7 9

+ -

Profit/Loss Before Tax

- 1 5 7 4 5 0

+ -

Profit/Loss After Tax

1 5 7 4 5 0

Earning Per Share in Rs.

NIL

Dividend Rate %

-

V. Generic Name of Three Principal Services of Company

Item Code No.

N I L

Product Description

Rent from Tower Space

Item Code No.

N A

Product Description

Sale of Bandwidth

Item Code No.

N A

Product Description

Director (Finance)