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THE SMARTER WAY TO CONNECT

Quadrant Televentures Limited

(formerly HFCL Infotel Limited)

65TH ANNUAL REPORT 2011-12

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr. Rahul Sethi
Mr. Babu Mohanlal Panchal
Mr. Viney Kumar (Nominee of IDBI Bank)
Mr. Yatinder Vir Singh
Mr. Vinay Kumar Monga

COMPANY SECRETARY & MANAGER U/S 269
Mr. Kapil Bhalla

AUDIT COMMITTEE
Mr. Babu Mohanlal Panchal
Mr. Viney Kumar (Nominee IDBI Bank)
Mr. Yatinder Vir Singh
Mr. Vinay Kumar Monga

SHARE TRANSFER & INVESTOR'S GRIEVANCE COMMITTEE
Mr. Babu Mohanlal Panchal
Mr. Yatinder Vir Singh
Mr. Vinay Kumar Monga

REMUNERATION COMMITTEE
Mr. Babu Mohanlal Panchal
Mr. Yatinder Vir Singh
Mr. Vinay Kumar Monga

AUDITORS
M/s Khandelwal Jain & Co.
Chartered Accountants

INTERNAL AUDITOR
M/s Ernst & Young

COMPLIANCE OFFICER
Mr. Kapil Bhalla

BANKS & FINANCIAL INSTITUTIONS
IDBI Bank Ltd.
LIC of India
HDFC Bank Ltd.
ICICI Bank Ltd.
ING Vysya Bank Ltd.
Oriental Bank of Commerce
Punjab National Bank
State Bank of Patiala

REGISTERED OFFICE
Autocars Compound, Adalat Road,
Aurangabad – 431 005, Maharashtra

REGISTRAR & SHARE TRANSFER AGENTS
Cameo Corporate Services Ltd.
Subramanium Building No.1, Club House Road,
Anna Salai, Chennai – 600 002
Tel: 044-28460390-95 (5 lines), Fax: 044-28460129
E-mail: investor@cameoindia.com

Email ID for Investor Grievance/Redressal for the purpose of registering complaints by investors : secretarial@infotelconnect.com

CONTENTS

IMPORTANT COMMUNICATION TO ALL SHAREHOLDERS

In accordance with Green Initiative of the Ministry of Corporate Affairs ("MCA"), you are requested please register your Email ID for sending future communications through electronic mode. Kindly send your email ID at investor@cameoindia.com or secretarial@infotelconnect.com or Cameo Corporate Services Ltd., Subramanium Building No. 1, Club House Road, Anna Salai, Chennai-600002 (detail on page 2)

***** JOIN US IN THE GREEN INITIATIVE *****
*****SAVE TREES SAVE EARTH*****

NOTICE

NOTICE is hereby given that the **Sixty Fifth Annual General Meeting** of the Members of the Company will be held as scheduled below:

Day and Date	:	**Friday, September 28, 2012**
Time	:	**12.00 Noon**
Venue	:	**Registered Office at Autocars Compound, Adalat Road, Aurangabad – 431 005, (Maharashtra)**

To transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2012, Statement of Profit and Loss for the year ended on that date along with the Reports of the Board of Directors and the Auditors thereon;
2. To appoint a Director in place of Mr. Yatinder Vir Singh, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass, with or without modification(s), if any, the following resolution as a **Special Resolution:**

   "RESOLVED THAT pursuant to the provisions of Sections 224, 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Khandelwal Jain & Co., Chartered Accountants (Firm Registration No. 105049W) be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be decided by the Board of Directors in addition to the re-imbursement of all out of pocket expenses incurred in connection with the audit of the Company".

Special Business

4. To Consider and, if thought fit, to pass, with or without modification(s), if any, the following resolution as an **ORDINARY RESOLUTION**:

   "**RESOLVED THAT** Mr. Rahul Sethi, who was appointed as an Additional Director by the Board of Directors on March 17, 2012 under Article 99 of the Articles of Association of the Company and section 260 of the Companies Act,1956 and who holds office up to the date of ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director under Section 257 of the Companies Act,1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the company, liable to retire by rotation".

By Order of the Board of Directors of

QUADRANT TELEVENTURES LIMITED

Place: Mohali **KAPIL BHALLA**
Dated: August 11, 2012 **COMPANY SECRETARY**

Notes:

1. A member entitled to attend and vote at the Annual General Meeting of the member is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company. The proxy shall not be entitiled to vote except on a poll. Duly completed proxy forms should be lodged with the company not later than 48 hours before the commencement of the meeting.
2. Corporate Members intending to send authorised representative(s) to attend the Annual General Meeting are requested to send a certified copy of the Board Resolution authorizing such representative(s) under section 187 of the Companies Act, 1956 to attend and vote on their behalf at the Meeting.
3. The Register of Members and the Transfer Books of the Company will remain closed from September 22, 2012 to September 28,2012 (both days inclusive).
4. As stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, a brief resume of the director seeking appointment/re-appointment as proposed in the Notice giving nature of expertise in specific functional areas, companies in which he holds directorship and/or membership/chairmanship of Committees including shareholding is appended to the Notice.
5. Members holding shares in dematerialized form are requested to notify immediately any change of address to their Depository Participants (DPs) and those who hold shares in physical form are requested to write to the Company's Registrar & Share Transfer Agents, ***M/s. Cameo Corporate Services Ltd., "Subramaniam Building", No. 1, Club House Road, Anna Salai, Chennai – 600 002.***
6. Members holding shares under more than one folio are requested to send the relative share certificates to the Registered Office of the Company for consolidation of the holding under one folio. After consolidation, the certificates will be returned by Registered Post.
7. Members/Proxies are requested to fill the enclosed Attendance Slip and deposit the same at the entrance of the meeting hall.
8. To avail the facility of nomination, members are requested to submit to the Company the nomination form, which will be supplied on request.
9. The documents referred to in the accompanying notice are available for inspection at the Registered Office of the Company on all working days between 12.00 Noon to 3.00 p.m. upto the date of the Annual General Meeting.
10. Members desiring information relating to the Accounts are requested to send their queries to the Company Secretary – 7 days before the date of the meeting so as to enable the Management to reply at the Meeting.
11. Members may address their queries/communications at secretarial@infotelconnect.com
12. Members are requested to kindly bring their copy of the Annual Report to the Meeting.

13. In terms of the provisions of Section 173 (2) of the Companies Act, 1956, the Explanatory Statement in respect of Item No. 3 & 4 is annexed hereunder.

14. **GREEN INITIATIVE:**

    In compliance with green initiative, the Company is sending the Annual Report, in electronic form to those shareholders who have provided the email addresses. The members are adviced to update changes, if any, in their e-mail addresses, from time to time, with the concerned Depository Participant/ Company's Registrar. The Company shall also display full text of these communications/documents/reports at its website: www.connectzone.in and physical copies of such communication/documents/annual reports/ reports will be made available at the registered office of the Company for inspection by the members during office hours on working days.

15. Members who hold the shares in physical form but desire to receive future communications in electronic form, are requested to kindly forward their e-mail addresses to the Company or to the RTA at ***M/s. Cameo Corporate Services Ltd., "Subramaniam Building", No.1, Club House Road, Anna Salai, Chennai – 600 002.***

16. In case of joint holders attending the meeting, only such joint holder, who is higher in the order of names, will be entitled to vote.

17. Non-resident Indian Members are requested to inform ***M/s. Cameo Corporate Services Limited*** immediately whenever there is a change in their residential status on return to India for permanent settlement.

18. Shareholders are requested to send any investor complaints at the Email ID for the Investor Grivance/Redressal division at : secretarial@infotelconnect.com

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF COMPANIES ACT, 1956

ITEM NO. 3

M/s. Khandelwal Jain & Co., Chartered Accountants (Firm Registration No. 105049W) were appointed as the Statutory Auditors of the Company in the last Annual General Meeting and hold office up to the conclusion of the forthcoming Annual General Meeting. The Board of Directors have recommended their re-appointment in the forthcoming Annual General Meeting of the company to hold office until the conclusion of the next Annual General Meeting, on such remuneration as may be fixed by the Board of Directors.

As on date, the Financial Institutions/Banks hold more than 25% of the Subscribed Share Capital of the Company.

Accordingly, in compliance with the provisions of Section 224A of the Companies Act, 1956, the appointment of the Statutory Auditors is required to be made by way of Special Resolution.

Your Directors therefore recommend the passing of the proposed resolution as a Special Resolution.

None of the Directors is interested in the proposed Resolution.

ITEM NO. 4

Mr. Rahul Sethi was appointed as an Additional Director on the Board of the Company in the meeting of Board of Directors held on March 17, 2012, in terms of section 260 of the Companies Act, 1956, to hold office up to the date of the ensuing Annual General Meeting .

The Company has received a notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Mr. Rahul Sethi for appointment as Director, liable to retire by rotation.

Mr. Rahul Sethi, aged about 60 years holds a Bachelor's degree in Commerce and has to his credit vast experience of over 41 years in the field of Marketing, Sales and Production and has been associated with the manufacturing industry in general and has experience in implementation of various projects and project financing. He has held prominent positions in various companies.

Mr. Rahul Sethi is not holding position as a Chairman or member in any committee of the Company.

Your Directors recommend the proposed resolution for approval by way of an Ordinary Resolution.

None of the Directors other than Mr. Rahul Sethi is interested in the proposed resolution.

By Order of the Board of Directors of

QUADRANT TELEVENTURES LIMITED

Place: Mohali — **KAPIL BHALLA**
Dated: August 11, 2012 — **COMPANY SECRETARY**

IMPORTANT COMMUNICATION TO SHAREHOLDERS

The Ministry of Corporate Affairs ("MCA") has started 'Green Initiative in Corporate governance" which provides for paperless compliances by companies through electronic mode. In accordance with MCA's Circular bearing No.17/2011 dated 21st April, 2011 and 18/2011 dated 29th April, 2011, Companies can now send documents and other notices to shareholders through electronic mode. Further, SEBI has also recently amended Clause 32 of the Listing Agreement to promote paperless compliances. Accordingly, the company intends to send all documents such as Notices, Annual Report and other communications in electronic form. Please note that all such documents shall also be available on the Company's website www.connectzone.in and shall also be kept open for inspection at the Registered Office of the Company during office hours. We seek your participation in this Green Initiative.

If you wish to receive shareholders communications through electronic mode PLEASE SEND YOUR EMAIL ID at investor@ cameoindia.com or secretarial@infotelconnect.com or Cameo Corporate Services Ltd., Subramanium Building No. 1, Club House Road, Anna Salai, Chennai-600002.

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DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT IN THE ANNUAL GENERAL MEETING (Information pursuant to Clause 49 of the Listing Agreement)

Name of Director	**Mr. Rahul Amarnath Sethi**	**Mr. Yatinder Vir Singh**
Director Identification Number (DIN No.)	00216395	02223708
Date of Birth	02.12.1951	16.08.1962
Date of Appointment	17.03.2012	09.04.2010
Qualification	B.Com	B.Com, M.Com
Expertise in Specific Functional areas	41 years of experience in the field of Marketing, Sales & Production. Implementation of various projects and project financing. Has held prominent positions in various companies.	Expert knowledge in the fields of Accounts, Finance, Capital Market and Administering the overall business of the Company.
Directorship in other Public Companies (including Subsidiaries of Public Ltd. Companies)	NIL	Applicomp (India) Limited Tirupati Ceramics Limited Infotel Tower Infrastructure Pvt. Ltd. Comet Power Pvt. Ltd.
Chairmanship/Membership of Committees of the Board of Public Limited Companies of which he is a Director	NIL	**Applicomp (India) Limited** Audit Committee - Member
No. of Shares held by Directors in the Company	NIL	NIL
Relationship, if any, with the other members of the Board	None	None

DIRECTORS' REPORT

To the Members of

QUADRANT TELEVENTURES LIMITED

Your Directors take pleasure in presenting the 65th (Sixty Fifth) Annual Report of your Company together with the Audited Accounts for financial year ended 31st March, 2012.

SUMMARY OF FINANCIAL RESULTS

The summarized Financial Results for the year ended 31st March, 2012 are as under:

(Rs. in million)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
I. Revenue from operations	**2813.02**	2360.51
II. Other Income	**15.89**	22.87
III. Total Income(I+II)	**2828.91**	2383.38
IV. Expenses		
Networks Operation Expenditure	**2164.99**	1978.56
Employee Benefits Expenses	**446.22**	453.78
Sales & Marketing Expenditure	**203.78**	402.31
Finance Cost	**281.18**	278.67
Depreciation and Amortisation Expenses	**1201.71**	1230.24
Other Expenses	**322.63**	276.48
	4620.51	4620.04
V. Profit before exceptional and extraordinary items and tax (III-IV)	**(1791.60)**	(2236.67)
VI. Exceptional Item	**-**	-
VII. Profit before extraordinary items and tax (V-VI)	**(1791.60)**	(2236.67)
VIII. Extraordinary items	**-**	-
IX. Profit before tax (VII-VIII)	**(1791.60)**	(2236.67)
X. Tax expenses (1) Current Tax (2) Deferred Tax		
XI. Profit (Loss) for the period from continuing operations (IX-X)	**(1791.60)**	(2236.67)
XII. Profit/(Loss) from discontinuing operations	**-**	-
XIII. Tax expenses of discontinuing operations	**-**	-
XIV. Profit/(Loss) from Discontinuing operations (after tax)(XII-XIII)	**-**	-
XV. Profit /(Loss) for the period (XI-XIV)	**(1791.60)**	(2236.67)

PERFORMANCE

The Company holds the UASL (Unified Access Services License) for providing Telephony Services in the Punjab Telecom Service Area comprising of the state of Punjab, the union territory of Chandigarh and the Panchkula Town of Haryana. Currently, the Company is providing Fixed Voice (Landline) services, DSL (Internet) services, Leased Line services, CDMA Mobile Services and GSM Mobile Services in the Punjab Telecom Circle.

As on March 31, 2012, the Broadband DSL subscriber base touched 1,15,538 (previous Year 1,04,850) witnessing a growth of about 10%, and the Fixed Voice (Landline) Subscriber Base touched 2,00,044 (previous year 1,89,988); the CDMA Mobile Services Segment customer base at 27,768 subscribers (previous year 2,41,798) since many of the Subscribers have opted to shift to the GSM Services of the Company by using the Mobile Number Portability (MNP) option.

As of March 31, 2012, the GSM Mobile Services Segment customer base has touched 13,21,225 (Previous Year 12,27,493) at the end of second year of operations.

The Revenue from operations of the Company increased by 19 % from Rs.2360.51 million in 2010-11 to Rs.2813.02 million in 2011-12. The Total Expenses changed marginally from Rs. 4620.04 million in 2010-11 to Rs. 4620.49 million in 2011-12.

Consequently the Loss during the year reduced from Rs. 2236.67 million in 2010-11 to Rs. 1791.60 million in 2011-12.

DIVIDEND

As on 31.03.2012, the Company had accumulated losses. Your Directors, therefore, have not recommended any dividend for the financial year 2011-12.

TRANSFER TO RESERVES

During the year under review, no amount has been transferred to reserves.

MATERIAL CHANGES AND COMMITMENTS OCCURRED BETWEEN THE END OF FINANCIAL YEAR AND THE DATE OF REPORT

Restructuring of Liabilities:

In accordance with the terms and conditions of the Corporate Debt Restructuring Package (CDR Package) approved by the Corporate Debt Restructuring Cell (CDR Cell) vide its letter No. CDR (JCP) 563/2009-10 dated August 13, 2009 and the consequent upon the approval of the shareholders the company had:

(i) The Company is currently in the process of completing all documentation with IDBI Bank Ltd. and the Debenture Trustee for the issuance of Secured Non Convertible Debentures of Rs.100/ – (Rupees One Hundred only) each, fully paid up – aggregating Rs. 319.69 Crores – to the Financial Institutions/Banks by way of conversion of 50% of the Outstanding debt.

(ii) Reduction of Share Capital:

In accordance with the terms and conditions of the Corporate Debt Restructuring Package (CDR Package) and the consequent approval by the shareholders accorded in the Extra Ordinary General Meeting held on 18th July, 2012 the Company has already initiated the steps for the reduction in the issued, subscribed and Paid up equity share capital of the Company by 90% i.e. by extinguishing/ canceling Rs.9/ – per equity share out of each equity share of Rs. 10/ – each fully paid up. Also the face value of each share would stand reduced from Rs. 10/ – per share to Rs. 1/ – per share, fully paid up. The Company has already initiated the process for filing the petition with High Court for the issuance of confirmatory orders for reduction of share capital by the Hon'ble High Court.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Since the Company does not carry on any manufacturing activity, the provisions of Section 217(1) (e) of the Companies Act, 1956 relating to Conservation of Energy are not applicable. However, the Company is regularly taking steps to conserve energy. During the year under review, the Company has not spent any amount on Research and Development and Technology Absorption.

During the year, there was no foreign exchange earnings, the total foreign exchange outgo was to the tune of Rs. 34.69 million, which was on account of import of material, finance charges and travel expense.

DIRECTORS

During the year, Mr. Rahul Sethi was appointed as an Additional Director on the Board w.e.f.17th March, 2012 and holds office till the date of the ensuing Annual General Meeting of the Company. The Company has received notice in writing from a member in terms of the provisions of section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. Rahul Sethi as Director of the Company. Your Directors recommend his appointment as Director at the forthcoming Annual General Meeting.

The Board of Directors comprises of five independent directors viz. Mr. Rahul Sethi, Mr. Babu Mohanlal Panchal, Mr. Yatinder Vir Singh, Mr. Viney Kumar (Nominee Director of IDBI Bank) and Mr. Vinay Kumar Monga.

In accordance with the provisions of Section 260 of the Companies Act, 1956 read with Article 104 of the Articles of Association of the Company, Mr. Yatinder Vir Singh retires by rotation at the ensuing Annual General Meeting and, being eligible, offer himself for re-appointment.

Yours Directors recommend his appointment at the forthcoming Annual General Meeting.

MANAGER UNDER SECTION 269 OF THE COMPANIES ACT, 1956

During the year under review, the Board of Directors have re-appointed Mr. Kapil Bhalla as the Manager under section 269 of the Companies Act,1956, for a further period of three years w.e.f. 31.01.2012 – on the terms and conditions approved by the Remuneration Committee. Mr. Kapil Bhalla was earlier appointed as Manager under section 269 of the Companies Act, 1956 for a period of three years from 31.01.2009 to 30.01.2012. Further, the shareholders of the Company have approved the reappointment of Mr. Kapil Bhalla as Manager u/s 269 of the Companies Act, 1956 in the Extra Ordinary General Meeting held on 18th July, 2012. The terms of appointment and remuneration payable to the Manager are within the limits specified under Schedule XIII of the Companies Act, 1956.

AUDITORS

M/s Khandelwal Jain & Co., Chartered Accountants, who are appointed as the Statutory Auditors of the Company in the 64th Annual General Meeting of the Company, hold office until the conclusion of the forthcoming Annual General Meeting. The Auditors had expressed their willingness to act as the Statutory Auditors of the Company; the Company has received the requisite certificate pursuant to section 224(1B) of the Companies Act, 1956 from M/s Khandelwal Jain & Co., regarding their eligibility for re-appointment. Your Directors therefore recommend the appointment of M/s Khandelwal Jain & Co., as the Statutory Auditors at the ensuing Annual General Meeting.

PARTICULARS OF EMPLOYEES

During the financial year 2011-12, no employee was drawing remuneration in excess of the monetary ceiling in accordance with the revised provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, i.e. Rs. 60.00 Lacs per annum, if employed for full year or Rs.5.00 Lacs per month, if employed for part of the year.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is a continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Your Company is dedicated to serve the society at large. Commitment towards health, safety and environment protection are the core values of the Company. Your Company is continuously making efforts to preserve the environment by undertaking various measures such as plantation of trees, encouraging paperless transactions, optimum use of natural resources etc.

Your Company shall continue to undertake more activities and initiatives to improve the quality of life and society at large.

LISTING

The equity Shares of your Company are Listed on BSE Limited (Formerly Bombay Stock Exchange Limited).

CASH FLOW STATEMENT

The Cash Flow Statement for the financial year ended 31st

March, 2012, in conformity with the provisions of clause 32 of the Listing agreement with the Stock Exchange in India, is annexed hereto.

COST AUDITOR

In compliance with the Cost Audit directions issued by the Ministry of Corporate Affairs (Cost Audit Branch) vide Notification No. Cost Audit No. F. No. 52/26/CAB-2010 dated May 2, 2011, the Company has appointed M/s Sanjay Gupta & Associates, Cost Accountants, New Delhi as the Cost Auditors of the Company for the Financial year 2012-13.

AUDIT COMMITTEE

Pursuant to the provisions of Section 292A of the Companies Act, 1956 and provisions of the Listing Agreement, the Company has constituted an Audit Committee. The composition, scope and powers of the Audit Committee together with details of meetings held during the year under review, forms part of Corporate Governance Report.

TRANSFER TO IEPF

As of March 31st, 2012, there was no payment of Unclaimed dividend due for transfer to the Investor Education and Protection Fund (IEPF) account of the Central Government after expiry of seven years.

SUBSIDIARY

As on 31 March 2012 the Company has one Wholly owned Subsidiary namely, Infotel Tower Infrastructure Private Limited, which carries on the business of manpower outsourcing and trading activities related to telecommunication operations. Information on the Subsidiary in terms of the provisions of Section 212 of the Companies Act, 1956 is annexed and forms part of this Report as Annexure I.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard 'AS-21' pertaining to Consolidated Financial Statement read with Accounting Standard AS-23 on Accounting for Investments in Associates, your Directors have pleasure in presenting the Consolidated Financial Statements, which form part of the Annual Report & Accounts.

FIXED DEPOSITS

The Company has not accepted / renewed any deposits from the public under section 58A of the Companies Act, 1956 during the year. The Company had discontinued the NBFC business in the year 2004 and transferred the entire outstanding amounts to an Escrow Account maintained with Oriental Bank of Commerce. In respect of the request received from depositors from time to time, the Company has been making the payment of the amount of deposits out of the said Escrow Account. Certain amount of deposits which were unclaimed for a period of seven years have been transferred to the Investor Education and Protection Fund (IEPF) in terms of the provisions of section 205C of the Companies Act, 1956 out of said Escrow Account, as and they became due.

AUDITORS' REPORT

The Statutory Auditors of the Company, M/s Khandelwal Jain & Co., Chartered Accountants, have submitted Auditors' Report on the accounts of the Company for the accounting period ended 31st March, 2012 , which is self explanatory.

MANAGEMENT'S EXPLANATION TO THE AUDITORS' OBSERVATIONS:

Auditors Observation

As mentioned in Note 27(8)(a) to the Financial Statements, based on Company`s request Corporate Debt Restructuring (CDR) cell vide their letter dated August 13, 2009 (CDR letter) has revised the terms of CDR scheme with effect from April 1, 2009. The Company has accounted for the impact of revised CDR scheme as approved by CDR Cell after complying with the most of the terms and conditions stipulated therein, however compliance of the some of them is still in process. These financial statements do not include any adjustment which may arise due to inability of the management to fulfill the remaining conditions precedent.

Management's Explanation

The Company has given effect to most of the terms and conditions of the revised Corporate Debt Restructuring (CDR) Scheme. Compliance of some of the terms and conditions are under way. The Company is confident of fulfilling the remaining conditions precedent for the complete implementation of the Revised CDR Scheme and would fully implement the remaining terms of the Revised CDR Scheme on the completion of such approvals and conditions precedent. The Management does not foresee any financial implications on account of the delay in the implementation of the same.

CORPORATE GOVERNANCE

Corporate Governance Report, Management Discussion and Analysis Report as well as Corporate Governance Compliance Certificate are attached and form part of this report.

HUMAN RESOURCE (HR) DEVELOPMENT

The Company's HR policies and processes are continuously aimed at intellectual growth and orientation in order to effectively motivate the employees at all levels in the drive for growth and expansion of the Organization's business. Regular innovative programs for learning and development are drawn up in order to create an encouraging work environment for empowering the employees at all levels and maintaining well structured reward and recognition mechanism. The Company encourages its employees to strengthen their innovative skills in order to enhance the Organization's productivity and creativity.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) that in the preparation of the annual accounts for the financial year ended 31st March, 2012 , the applicable accounting standards have been followed along with proper explanations relating to material departures;

(ii) that the Directors have selected appropriate accounting policies and applied them consistently, made changes wherever required, disclosed the same in the financial statements wherever applicable and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the loss of the Company for the said year;

(iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and

(iv) that the Directors have prepared the accounts for the financial year ended 31st March, 2012 on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors wish to express their gratitude for the wholehearted support received throughout the year from the Department of Telecommunications, Financial Institutions, Banks, Lenders, various Central and State Government Departments, Business Associates, Shareholders and Subscribers.

Your Directors also take this opportunity to put on record their sincere appreciation for the contribution made by the employees at all levels.

For and on behalf of the Board of Directors of

QUADRANT TELEVENTURES LIMITED

Babu Mohanlal Panchal
Director

Yatinder Vir Singh
Director

Place : Mohali
Date : August 11, 2012

ANNEXURE I

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

(RELATING TO SUBSIDIARY COMPANY - INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED)

1.	Name of the Company		Infotel Tower Infrastructure Private Limited
2.	Financial Year ended on		31.03.2012
3.	Shares of the Subsidiary held by the Company on the above date		
	(a)	Number and Face Value	10,000 equity shares of Rs.10/ – each
	(b)	Extent of Holding	100%
4.	Net aggregate of profits/(losses) of the subsidiary for the above financial year so far as they concern members of the Company (Rs.)		
	(a)	dealt with in the accounts of the Holding Company for the year ended on March 31, 2012	(39,42,038)
	(b)	not dealt with in the accounts of the Holding Company for the year ended on March 31, 2012	Nil
5.	Net aggregate of profits/(losses) of the Subsidiary Company for its previous financial year since it became a subsidiary so far as they concern the members of the Company (Rs.)		
	(a)	dealt with in the accounts of the Holding Company for the period ended March 31, 2011	(46,15,197)
	(b)	not dealt with in the accounts of the Holding Company for the period ended March 31, 2011	Nil

MANAGEMENT DISCUSSION & ANALYSIS REPORT

OVERVIEW

Quadrant Televentures Limited (formerly HFCL Infotel Limited) is a Unified Access Services Licensee in the Punjab Telecom Circle, which comprises of the state of Punjab, the Union Territory of Chandigarh and the Panchkula town of Haryana. The Company initially started its operations as a 'fixed line service provider' under the brand name "CONNECT" in the year 2000. Subsequently, the Company was granted the UASL License (Unified Access Services License) in the Punjab Telecom Circle in 2003; In September 2007, the Company launched its CDMA based full mobility services under the brand name "PING". In March 2010, the Company also launched its GSM based Mobile Services in Punjab Telecom Circle. Apart from the UASL License, the Company also holds the ISP-Category B (Internet Service Provider) License for the Punjab Telecom Circle and the IP-1 (Infrastructure Provider-Category – 1) License for providing services in the Punjab Telecom Circle.

Currently, the Company is providing Fixed Voice (Landline) services, DSL (Internet) services, Leased Line services, CDMA Mobile Services and GSM Mobile Services in the Punjab Telecom Circle.

As at 31.03.2012 , the company had a total subscriber base of 16,64,575 telephony customers, including 2,00,044 fixed-line customers, 1,15,538 Broadband customers 27,768 CDMA mobile customers and 13,21,225 GSM mobile customers.

The Company with its extensive optic fiber cable network of over 3800 km, provides services in over 150 cities / towns covering 52 of the 55 Short Distance Charging Areas ("SDCAs") of Punjab Telecom Circle, as defined by the Department of Telecommunications, Ministry of Communications & Information Technology, Government of India.

The Company had launched its GSM Mobile Services in March 2010, in Punjab Telecom Circle. Currently, there are 10 Operators providing GSM Mobile Service in Punjab Telecom Circle. The Company's GSM Services have been launched in a substantial part of the Circle over the last one year in the face of intense competition from the established Players who were already present and operating in the Circle.

Key Business and Financial highlights for the financial year ended 31.03.2012 are:

- The Broadband customer base has increased by 10% to 1,15,538 (previous year 1,04,850).
- CDMA based mobile customer base has gone down to 27,768 (previous year 2,41,798) – pursuant to migration to GSM Services of the Company.
- The Fixed Voice Subscriber base has increased to 2,00,044 (previous year 1,89,988).
- GSM based Mobile Subscriber base now stands at 13,21,225 (previous year 12,27,493).
- During the financial year 2011-12, the Company generated gross revenue of Rs. 2813.01 million, which is higher by 19% as compared to the previous year's Rs. 2360.51 million.

INDUSTRY STRUCTURE

The Telecommunication Services Sector operates in a licensed and highly regulated environment. The sector can be classified in terms of segments for which the Government of India (GOI) issues Licenses through the Department of Telecommunications (DoT):

- Unified Access Service Operators (UAS) – Offering fixed line and Mobile Services.
- National Long Distance Operators (NLDO) – Inter-linking the Access Operators.
- International Long Distance Operators (ILDO)– Connecting the domestic operators (Access and National Long Distance) with operators in other countries.
- Other Value-added Services Providers – Internet Access Services including Internet Telephony, VSAT based services, Radio Paging Services, Public Mobile Radio Trunking Services, Global Mobile Personal Communications Services through Satellite.

The Government of India is empowered to decide on the policies that govern the Telecommunication Services Sector and issue licenses to the private sector players. The Government plays these roles through the Department of Telecommunications (DOT) and the Telecom Commission, both functioning under the Ministry of Communications and Information Technology.

Apart from the above, the Telecom Regulatory Authority of India (TRAI), an autonomous body with quasi-judicial powers to regulate the Telecommunications Services was established in early 1997. The Act governing the establishment and role of TRAI was amended in 2000, pursuant to which TRAI's powers to adjudicate disputes have been vested in the Telecom Disputes Settlement Appellate Tribunal (TDSAT).

KEY INDUSTRY DEVELOPMENTS

Growth & Market Trends

The Indian Telecom market has grown to 951.34 million telecom subscribers as at March 31, 2012 (as against 846.32 million telecom subscribers as at March 31, 2011). With 919.17 million wireless connections there is an addition of over 8.5 million connections per month.

The share of private sector in Total Telephony is 87.01%. Overall teledensity has reached 78.66%. Urban Tele-density is about 169.55%, whereas rural teledensity is at 39.22% which is also steadily increasing. Broadband connections have also crossed 13.81 million connections.

The customer base of Wireline Telephony has been overshadowed by the growth in mobile services mainly due to convenience of use of mobile set with features like telephony directory and SMS coupled with cheaper or more affordable tariffs.

Indian telecom market has still a huge untapped potential to grow further. With a large population yet to have access to telecommunication and tele-density still being 78.66% and rural tele-density being 39.22%; there is therefore a significant growth opportunity for the sector, especially in rural areas with 3G and BWA yet to make significant inroads. The rural market is expected to drive the next round of growth for the voice based services while data services will create the much needed boost in the maturing urban markets. One can therefore safely assume that the Indian Telecom market will achieve the mark of one billion telecom subscribers much before March 31, 2013.

Broadband

It is necessary to increase the broadband connectivity for the masses for the knowledge based society to grow quickly and for reaping the consequent economic benefits.

Telecommunication is significantly driving the economic and social development across the globe. The telecom industry in India too has achieved a tremendous growth in the last decade; the telecom industry has now embarked on the transition from voice services to data services. The voice telephony market has almost attained saturation limits; however there is a huge scope for the data/broadband services; the telecom sector with the support of the government is taking great strides for providing the much needed boost to data/ broadband services.

Insights

- Broadband telephony in India has a great opportunity.
- When mobile broadband picks up, there will be greater scope for development.
- Wireless data services have captivated a major chunk of internet customers in India.

  Several policies have been announced and are being implemented by the Government in order to promote broadband in the country:

- The coming year will provide a great boost for the broadband services; there are quite a few significant strides being undertaken by the government. The National Telecom Policy 2012 has 'broadband on demand' vision & intends to leverage telecom infrastructure to offer internet and web economy in order to ensure equitable and inclusive development across the country; NTP 2012 further aims to strengthen the e-governance and mobile governance in key social sectors such as health, education and agriculture. The Government envisages to offer citizen centric democratic governance through the help of technology by providing affordable and reliable broadband on demand by 2015 and to achieve 175 mn broadband connections by 2017 and 600mn by the year 2020 at minimum 2 Mbps download speed and to make available higher speeds of at least 100 Mbps on demand. Clearly, this will provide a tremendous opportunity for all the internet service providers in India.
- Government is all set to provide national optic fiber network to all village panchayats by 2014. It has a dream to provide broadband access for all by 2020. These prominent initiatives will throw umpteen opportunities in the Indian broadband market. Broadband is the key driver for many other technologies. Industry consensus is that India would became the second largest mobile broadband market globally, when mobile broadband picks up there will be greater scope for development.

Regulatory Developments / Changes

Telecom Regulatory Authority of India (TRAI) and Department of Telecommunications (DoT) had declared certain policy measures in the previous year which included key regulatory changes and developments undertaken by the TRAI and DoT.

- DoT had also issued guidelines for 'sharing of passive infrastructure' except sharing of spectrum, where under sharing of passive infrastructure has been permitted to share Tower, Ducts and Nodes etc.
- DoT had issued orders for the implementation of 'Mobile Number Portability' across all circles w.e.f 21-01-2011 based on recommendations of the Telecom Regulatory Authority of India (TRAI). The TRAI recommendations highlighted subscribers' eligibility for porting i.e. switching operators without having to change their numbers – as well as the rights, obligations and duties of operators – both donors and recipients which has come into effect w.e.f. 21st January 2011.
- Pursuant to the auction of spectrum in the "3G" and "BWA" segments many new lucrative services with new applications in mobile and BWA have been launched in the metros and large cities across India.
- TRAI had introduced the National Do Not Call (NDNC) Registry which had been introduced in 2008 by TRAI which has now been changed to "National Consumer Preference Register (NCPR); fresh TCCCPR Regulations have been introduced and finally implemented w.e.f 27th September 2011. Till the implementation of the new TCCCPR /NCPR Guidelines the earlier NDNC Guidelines continued to operate. These Guidelines are aimed at safeguarding and securing the privacy of the Telcom Subscribers.

Future Perspective

After being in the overdrive for the last one decade, the telecom sector has now come in the grip of strong competition and licensing issues. Continuously falling call rates to woo customers has resulted in shrinking margins for almost all the players – established as well as new; while the older established players are able to survive on wafer thin margins on account of larger volumes, the going has become very tough for the new entrants especially in view of the high initial network costs and licensing issues. Currently the industry is faced with high overheads and operating costs and continuously shrinking margins and increasing competition.

Mobile Number Portability (MNP)

The launch of MNP in 21st'January, 2011, saw an intense competition between the various Telecom Players, especially the established players, in wooing the premium segment customers on the basis of offering better network and wider coverage as well as better value added services. Also with the presence now of almost all the players in each and every telecom circle, there is an intense competition to retain and acquire new customers. While on one hand, the call charges have been continuously reducing in the face of intense competition, at the same time, there has been a continuous increase in the operating costs for the Service providers including network charges and costs of maintaining higher number of tower sites.

Litigation pertaining to the allocation of 2G Licenses

Over the last one year the Telecom Industry has been rocked by litigations – in the nature of Public Interest Litigations (PILs) – filed in the Hon'ble Supreme Court of India challenging the very allotment of new Telecom Licenses by the Department of Telecommunications (DoT) in the year 2008. The petitions which were filed in the Hon'ble Supreme Court of India have rocked the telecom industry and have practically affected each and every member of the Telecom Industry including the well established PAN India operators who had been providing services over the last decade. The petitions have purportedly sought to question the very process and methodology of allotment of Telecom Licenses allotted by the DoT in 2008 on the 'First Come First Served Basis' as well as the purportedly low License Fee charged by the DoT for the same at 2001 Price levels. The PIL Petitioners had sought to question the allocation of new Licenses at the rates which were prevalent during 2000 – 2001 thereby alleging heavy losses to the state exchequer by charging very low license fees– instead of adopting the auction route which was adopted by DoT in the allocation of 3G Spectrum – especially in view of the high Auction Prices for the 3G Licenses in 2010 – which brought in enormous funds through the process of auctioning /bidding for spectrum. The low pricing of the 2G License was also alleged on account of the fact that some of the Licenses sold substantial / part of the equity stake in the allottee Licensee company(ies) to overseas Telecom Players and/or Investors for unprecedented huge amounts which were manifold higher than the License Fees that was originally charged by the DoT.

The petitions have also sought to challenge the very process that was followed by the Telecom Ministry and the DoT in the allotment of Licenses and had sought the highest Court's intervention in the matter and cancellation of the Licenses allotted by DoT in 2008. In its landmark judgement, the Hon'ble 'Supreme Court vide its Order dated 2nd February 2012 ordered for the "cancellation of all the 122 Licenses" granted by DOT in January 2008. This judgment has deeply impacted the Telecom industry and put the Govt. in a spot as lot of litigations / international pressures against the Govt. of India are likely to take place as a consequent of this judgment in view of the foreign investors/ collaborators in telecom sector. The Govt. has also filed a Presidential reference in the Hon'ble Supreme Court against the judgment especially in view of its implications with regard to the direction for having to "essentially auction all scarce resources".

In view of the cancellation of the 122 Licenses and the proposed higher 'reserve price' expected to be fixed for the auction of 'Spectrum', it is expected that the call rates in future would become substantially higher thereby affecting the subscriber. Also, the Licensees whose Licenses have been cancelled would stand to be adversely impacted as they would have to shell out a much higher amount by way of License Fee – expected to be 10 to 15 times higher – than the amount of License Fee paid earlier by them .

3G Services

Leading Telecom Players who had been granted 3G spectrum in various Telecom circles have launched the 3G Services in all metros as well as large cities. The 3G Services facilitate a very high quality and faster internet services on the mobile phones apart from facilitating video-calling on the 3G enabled mobile handsets. Owing to the competition, the 3G services are priced very competitively by the Industry; with the launching of these services, the 3G Players have got an edge over the 2G players in the premium segment customers who have opted for these services.

Telecom Policy

New National Telecom Policy-2012

The Govt. has announced the new **National Telecom Policy-2012** on 13th June'2012. The Policy broadly envisages a Unified Licensing regime wherein a single License would entitle an Operator to provide all types of services under one license; apart from this the NTP 2012 provides for availability of 300 MHZ of spectrum for allocation, liberalized M&A guidelines to be issued, increase in rural teledensity, provide affordable and reliable broadband-on-demand by the year 2015 and to achieve 175 million broadband connections by 2017, promote indigenous manufacturing, indigenous R&D, recognize Telecom as Infrastructure sector, evolve policy framework for financing the sector with consistence long term sustainability, strengthen the institutional, legal, and regulatory framework and re-engineer processes to bring in more efficiency, timely decision making and transparency to promote the use of energy efficient equipments and renewable energy technologies to achieve long term sustainability ,to promote Quality of service and protection of consumer interests to promote security of the networks for secure communication flow on the network ,to asses the manpower requirements at different skill and expertise levels by partnering with National Skill Development Council and industry and to review the TRAI Act with a view to addressing the regulatory inadequacies /impediments in effective discharge of its functions.

Primary objective of NTP-2012 is maximizing public good by making available affordable, reliable and secure telecommunications and broadband services across the entire country. The main thrust of the policy is on the multiplier effect and transformation impact of such services on the overall economy. It recognizes the role of such services in furthering the national development agenda while enhancing equity and inclusiveness, Availability of affordable and effective communications for the citizens is at the core of the vision of the National Telecom Policy-2012. NTP-2012 also recognizes the predominant role of the private sector in this field and consequent policy imperative of ensuring continued viability of service providers in a competitive environment. Pursuant to NTP-2012, these principles would guide decisions needed to strike between the interests of users/consumers, service providers and government revenues.

IMPOSITION OF LICENSE FEE BY DOT ON THE INTERNET SERVICES PROVIDED BY THE COMPANY

As of June 30, 2012, no License Fee was payable by the Company as a ISP – Category B Licensee (Internet Service Provider – Category – B License).

The Department of Telecommunications (Data Services Wing), Ministry of Communications and IT, Government of India has vide its notification No. 820-01/2006-LR (Vol-II) Pt. dated 29.06.2012 has now imposed a License Fee on all the ISP and ISP-IT Licenses commencing from July 1, 2012. Accordingly – a License Fee of 4% on the AGR (Adjusted Gross Revenue) has now become payable w.e.f. July 1, 2012; further, effective April 1, 2013, this License Fee of 4% on the AGR (Adjusted Gross Revenue) would stand enhanced to 8% of the AGR (Adjusted Gross Revenue). This imposition has already impacted the revenues of the company which would stand further impacted @8% w.e.f. April 1, 2013

OPPORTUNITIES AND THREATS

Opportunities

Following rapid decline in equipment prices, Broadband Internet Access has emerged as a viable value-addition tool and growth driver for the wire line telephony segment. The Company has already deployed broadband network equipment in most of the areas served by the Company's wireline services. It is also doing a major foray in Wireless Broadband & doing selective FTTH rollouts .

It is felt that the largest growth driver in telecom market lies in Mobile. Realizing that mobile service is the largest growth opportunity and to corner a larger pie in the growing telecom market, the company had rolled out its GSM mobile services in March 2010. As of March 31, 2012 the company had over 13.5 Lac GSM Mobile Subscribers.

The Company believes that the aforesaid expansion would provide economies of scale and improve the Company's financial position significantly. The proposed expansion would assist the Company to increase the top line growth and thereby, combat potential revenue stagnation and profitability pressures arising out of decline in tariffs and competition.

Threats

The competitive intensity in Punjab has always been very high; Currently, there are eight Operators in the Punjab Telecom Circle with Airtel, Vodafone, Idea, Tata (GSM and CDMA) and Reliance (GSM and CDMA) being very well established in the GSM Mobile Segment apart from BSNL and Aircel.

High level of competition causes tremendous pressure on new customer acquisitions, retention of existing customers and tariffs. The Deployment of 4G technology can pose a threat to the business.

Apart from the above threats, there is also a fresh threat in the form of an Application / Petition filed by Cellular Operators Association of India (COAI) – which had earlier in 2009 – filed a civil appeal against the Union of India & Others in the Hon'ble Supreme Court of India challenging the allotment of GSM Spectrum to the CDMA Operators under Dual Technology; COAI has now again made an application for the expeditious disposal of the said Petition in the in the light of the '2G Quashing order passed by the Hon'ble Supreme Court of India on February 2, 2012'. COAI has reiterated its earlier prayer for the quashing of the GSM Spectrum allotted to the CDMA Operators namely – Tata, Reliance and Quadrant Televentures Limited. Any adverse judgement in the matter could have an impact on the GSM License and GSM Spectrum granted to the Company under dual technology by DoT and consequently on the GSM Business.

OUTLOOK

The Company foresees a high degree of competition in the years to come, especially in the mobile telephony segment. The Company during the financial year 2009-10 had expanded the wireless network footprint to most parts of Punjab. In terms of subscriber base, all existing mobile operators are showing a healthy growth pattern and no single major operators holds sway over the market.

The Company derives a substantial part of its earnings from wire line (copper based network) services.

Even the overall market for Fixed Line services – the Company's largest service stream – has witnessed considerable growth and the Management believes that the Company will sustain all round healthy growth in both the Wireline as well as the GSM / CDMA segments on account of following factors:

- The planned expansion of wireless services into Pan Punjab, at low incremental capital cost and low incremental operating cost will help improve the overall asset utilization and profitability ratios.
- The Company expects its subscriber base to grow faster as the mobile telephony segment is growing significantly faster than the fixedline segment.
- With equipment becoming cheaper in recent times, the Company has started offering very affordable tariff packages for broadband internet access services. Increasing demand for high-speed Internet access would be a key driver for the Company's copper based wireline service.

RISKS & CONCERNS

As is the case with any infrastructure project, the Company is also exposed to a number of risks. Some key risks have been mentioned below:

1. **Financing Risks**

   The Company has made substantial investments in laying the core network infrastructure and launch of services in Punjab circle. However, to attract new customers, and to offer new / better services, the Company needs to continually make further investment in the expansion / up gradation of its network.

   As is the case for any other capital-intensive infrastructure business, the deployment of telecommunication services infrastructure entails significant capital expenditure, a substantial portion of which needs to be incurred before the realization of adequate revenues. As a result a lot of investment would go in before matching revenues are realized.

   Thus, the Company's operating results and financial condition depends, among other things, on timely securing of significant external financial resources at competitive rates to fund these requirements. Further, the envisaged fund requirement might also escalate upward due to variety of factors viz., slower uptake of services, stiff competition, change in regulatory scenario, technological up gradation requirements and delays in planned capital expenditure.

2. **Market and Competition Risk**

   The Company faces stiff competition for the mobile segment from other services providers in Punjab Circle. Most of the Company's competitors are already well-established brand names with an already existing all-India customer base, and potential to cross subsidize long-distance tariffs and intra-network tariffs.

3. **Regulatory Risks**

   In the ordinary course of business, the Company is required to obtain various regulatory approvals, which mostly are recurring in nature viz., SACFA / WPC approval for frequency allocation, Right of Way for laying network cables, testing approval for interconnection with BSNL, TRAI approval for interconnection agreements and tariffs etc.

   Although, the Company has obtained all such approvals in the past and would continue to apply for these approvals pursuant to roll out schedule, such approvals may not be available in time or on favorable terms and conditions, which may result in time delays and cost overrun which could have an adverse effect on the business and operations of the Company.

4. **Risk of Rapid Technological Changes**

   The telecommunication services industry is characterized by rapid technological change. Given the fast pace of technological innovation in the telecommunication sector, the Company faces the risk of its technology becoming obsolete and may need to invest significantly large .amounts to upgrade its networks.

5. **Dependence on Key Personnel**

   The Telecom business is dependent on key senior executives and the loss of any of the Team could have a material adverse effect on the Company's business, operating results and financial condition.

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or its disposition and that transaction are authorized, recorded and reported correctly. The Internal control is supplemented by an extensive internal audit, review by management and audit committee and documented policies, guidelines and procedures. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

An independent firm of Chartered Accountants is entrusted with the internal audit function which conducts audit, reviews, evaluates and submits quarterly reports for review by the management and the Audit Committee at regular intervals.

The Internal Auditors reports continuously evaluate the Internal Control Systems and are considered by the Audit Committee for appropriate actions and corrections, wherever deemed necessary.

The management reviews and evaluates detailed revenue budgets for various products and departments and the actual performance is measured on monthly basis and a detailed analysis of the variances is carried out by a periodical review by the Board in order to set right any material deviations. In addition a budgetary control on all items of capital expenditure ensures that actual spending is in line with the capital budget.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

It has been Company's endeavor to expand the operations geographically and also in terms of providing new value added services. The Company has expanded its wireline services to 150 cities / towns of Punjab and widened its wireless footprint to cover the whole of Punjab by introducing the wireless mobile services.

The revenue from telecom services has increased by 19% from Rs. 2360.51 million in 2010-11 to Rs. 2813.02 million in the current year. The total expenses have marginally decreased from Rs. 4620.04 million in 2010-11 to Rs. 4620.51 million in 2011-12. Consequently, the Loss from Telecom Services during the year reduced from Rs. 2236.67 million in the year 2010-11 to Rs. 1791.60 million in 2011-12.

Revenue at a glance is as follows:

(Rs. in millions)

Parameter	FY 2011-12	FY 2010-11
Unified Access Services	1704.4	1474.3
Internet Services	898.5	732.3
Interconnect Usage Charges	161.3	107.9
Infrastructure Services	48.8	46.0
Other Income	15.9	22.9
Total	**2828.9**	**2383.4**

FINANCIAL PERFORMANCE

Key Financial Indicators

Telecom Business

(Rs. in millions)

Parameter	FY 2011-12	FY 2010-11
Revenue from Telephony Service	2813.02	2360.5

On Gross Basis

(Rs. in millions)

Parameter	FY 2011-12	FY 2010-11
Gross Income	2828.9	2383.4
Loss for the year	1791.6	2236.7

Major Expenses at a glance are as follows:

(Rs. in millions)

Parameter	FY 2011-12	FY 2010-11
Network Operations Expenditure	2164.9	1978.6
Employees Benefit Expenditure	446.2	453.8
Sales & Marketing Expenditure	203.8	402.3
Administration & Other Expenditure	322.6	276.5
Finance Cost	281.2	278.7
Total	**3418.7**	**3389.9**

Share Capital

The Authorised Share Capital of the company is Rs. 15000 million. Against this, the Paid up Share Capital is Rs.8371.03 million comprising of Rs.6122.6 million by way of Equity Shares and Rs. 2248.45 million by way of Cumulative Redeemable Preference Shares. Pursuant to the Corporate Debt Restructuring Scheme (CDR Scheme) as approved by the Corporate Debt Restructuring Cell (CDR Cell) in August, 2009, the Company had issued fully paid up Cumulative Redeemable Preference Shares of Rs. 100/ – each aggregating Rs. 1590 million to the Lenders. The Company is now in the process of issuing the Secured Non Convertible Debentures of Rs. 100/ – each aggregating Rs. 3190 million to the Financial Institution/Banks by way of conversion of their outstanding Loans of the company, in order to consolidate the financial position of the company and reduce the debt burden.

Further, in accordance with the terms and conditions of the Corporate Debt Restructuring Package (CDR Package) approved by the Corporate Debt Restructuring Cell (CDR Cell) vide its letter No. CDR (JCP) 563/2009-10 dated August 13, 2009, the Company is required to effect 'reduction of the issued, subscribed and Paid up equity share capital' by 90% i.e. by extinguishing/ cancelling Rs.9/ – per equity share out of Rs. 10/ – per share fully paid up in order to write off a substantial part of the accumulated losses over the last ten years. The company has already obtained the approval of the shareholders in the Extra Ordinary General Meeting held on 18th July, 2012 for the aforesaid reduction in Capital; the Company is now in the process of filing the Petition with the High Court for seeking the Court's confirmation for the reduction of the issued, subscribed and Paid up equity share capital by cancelling Rs.9/ – per equity share out of Rs. 10/ – per share. The Reduction in Capital shall become effective subsequent to the confirmation by the Hon'ble High Court.

Secured Loans

The Secured Loans of the company have decreased from 3196.98 million as at March 31, 2011 to Rs 3196.91 million as at March 31, 2012.

Unsecured Loans

The unsecured loans have remained at the earlier level of Rs. 2675.5 million as at March 31, 2012

Fixed Assets

During the Financial year 2011-12, the net block has increased from Rs. 4912.7 million as at March 31, 2011 to Rs. 4544.8 million as at March 31, 2012. The Capital Work in Progress is Rs.184.43 million as at March 31, 2012 as compared to Rs. 305.42 million as at March 31, 2011.

Investments

The company has a wholly owned subsidiary namely Infotel Tower Infrastructure Private Limited. The Company has an investment of Rs. 1,00,000/ – in 10,000 Equity shares of Rs. 10/ – each at par in the said wholly owned subsidiary.

Current Liability

The Current liability and provisions of the company stood at Rs.7788.08 million on March 31, 2012 as compared to Rs.6881.81 million on March 31, 2011..

Current Assets

The current assets of the company stood at Rs.940.09 million on March 31, 2012 as compared to Rs.882.96 million on March 31, 2011. These mainly include cash & bank balances, loans and advances and sundry Debtors.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCE

As the company reorganizes to gain competitive edge, our human resources plays a key role in helping us deal with a fast-changing competitive environment. We strongly believe in the quality and productivity of our employees.

The company has a current manpower strength 524 as against 552 during the previous year – with an average age of employees being 37yrs. The company has a professionally qualified work force out of which more than 69% are professionals drawn from various fields including Engineers, MBA's, C.As / C.S.s etc.

By adopting new Human Resource Practices, it is always our endeavour to become 'Employer of Choice' by adding value to our organization through :

- Effectively managing and utilizing the human resource.
- Tying 'performance appraisal' and 'compensation' to competencies.
- Developing competencies that enhance individual and organizational performance.
- Increasing the innovation, creativity and flexibility necessary to enhance competitiveness.
- Applying new approaches to work process design, succession planning, career development and inter-organizational mobility.
- Managing the implementation and integration of technology through improved staffing, training and communication with employees.

The organization has taken a lot of initiatives for people. Organizational Development Intervention and continuous inputs are being designed for the employees at all levels for individual growth as also to ensure achievement of business success on sustainable basis.

CAUTIONARY STATEMENT

This Report may contain forward looking statements, which may be identified by their use of words like 'plan', 'expects', 'will', 'believes', 'estimates' or other words with similar attributes. All statements that address the future expectations and projections including but not limited to the statement about the company's strategy for growth, product development, market position, expenditures and financial results are forward looking statements.

Forward-looking statements are based on certain assumptions and expectations of future events and the company cannot guarantee that these are accurate and that they will be realized in view of the continuously changing market dynamics and government Policies. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The company assumes no responsibility to publicly amend, modify or revise any of these forward looking statements on the basis of any subsequent developments, information and events.

For and on behalf of the Board of Directors

Babu Mohanlal Panchal — **Director**

Yatinder Vir Singh — **Director**

Place : Mohali
Date : August 11, 2012

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2011-12

(As required under Clause 49 of the Listing Agreement entered into with Stock Exchange)

Corporate Governance is crucial to the very existence of the Company as it builds trust, confidence and long term relation with its investors, customers and all other stakeholders apart from building a healthy and positive corporate image; it also encourages efficient use of resources and ensures accountability and transparency thereby leading to an overall progress and balanced growth of business.

1. Company's Philosophy and Principles on Corporate Governance

Philosophy

Transparency, Accountability, Integrity, Fairness, Purposefulness, Trust, Communication and Quality constitute the Company's Philosophy on Corporate Governance with the ultimate aim of value creation for all.

Principles

Company has laid a strong foundation for making Corporate Governance as the way of life by implementing a Corporate Governance Policy. The Policy is based on highest standard of Corporate Governance practices, which apart from fulfilling the requirements of clause 49 of the listing agreement entered with Stock Exchanges laid stress on complete transparency, business ethics and social obligations of the Company. The Company's philosophy on Corporate Governance is based on the following two core basic principles:

- Management must have executive freedom to drive the enterprise forward without undue restraints.
- This freedom of Management should be exercised within the framework of effective accountability.

The Corporate Governance in the Company, based on the principles and philosophy as mentioned above, takes place at three interlinked levels i.e.,

a) Strategic supervision by the Board of Directors.

b) Monitoring by various Committees of the Board of Directors.

c) Periodical Reporting and Disclosures.

2. Board of Directors

(A) Composition of the Board

As of March 31, 2012 the Board of Directors of the Company consists of five non-executive, independent Directors as per details mentioned in the table given below. The Board Members possess requisite management skills and adequate experience and expertise. The Board directs and reviews the overall business operations of the Company; the day-to-day affairs are being managed by the respective Business Heads.

The Directors, with their diverse knowledge, experience and expertise, bring in their independent judgment in the deliberations in the decisions of the Board.

None of the directors are members in more than ten Committees and/or Chairman of more than five Committees across all companies in which they are directors. Directors in this respect made necessary Annual disclosures.

Board of Directors as at 31.03.2012.

Name of the Director	Date of appointment	Category	No. of other Director-ships	Comm-ittee Member-ships *	Comm ittee Chairman-ships *
Mr. Rahul Sethi	17.03.2012	NED/ID	NIL	NIL	NIL
Mr. Babu Mohanlal Panchal	09.04.2010	NED/ID	NIL	2	1
Mr. Yatinder Vir Singh	09.04.2010	NED/ID	2	3	0
Mr. Vinay Kumar Monga	09.04.2010	NED/ID	NIL	2	0
Mr. Viney Kumar (Nominee Director of IDBI Bank)	29.09.2009	NED/ID/ NOMINEE	1	1	0

Note:

**Includes Membership / Chairmanship in QUADRANT TELEVENTURES LIMITED (excludes Private Companies)*

Committees considered are Audit Committee and Share Transfer & Investors' Grievance Committee.

[C-Chairman; NED–Non Executive Director;; ID-Independent Director, NID-Non Independent Director; PD–Promoter Director]

No Director is related to any other Director on the Board in terms of the definition of relative' given under the Companies Act, 1956.

(B) Attendance at the Board Meetings/ Annual General Meeting

Board meets every quarter to review and discuss the operations and operating results and financials apart from other items pertaining to statutory compliances and routine administrative items on the agenda. The Company Secretary while preparing the Agenda Notes, Minutes of the meeting(s), is responsible for ensuring the compliance with the applicable laws and regulations including the Companies Act, 1956 read with the Rules issued there under and the Secretarial Standards recommended by the Institute of Company Secretaries of India.

Additional board meetings are held whenever required. During the financial year ended 31.03.2012, the Board met 5 times on the following dates viz. 30th May 2011, 10th August 2011, 12th November, 2011, 11th February, 2012 and 17th March 2012.

The 64th Annual General Meeting of the shareholders was held on September 30, 2011.

<table>
<tr><th colspan="4">ATTENDANCE AT BOARD MEETINGS / AGM IN THE FINANCIAL YEAR – 2011-12</th></tr>
<tr><th rowspan="2">Name of the Director</th><th colspan="2">No. of Board Meetings</th><th rowspan="2">Last AGM attended</th></tr>
<tr><th>Held during the tenure</th><th>Attended</th></tr>
<tr><td>Mr. Rahul Sethi**</td><td>1</td><td>1</td><td>No</td></tr>
<tr><td>Mr. Babu Mohanlal Panchal*</td><td>5</td><td>5</td><td>Yes</td></tr>
<tr><td>Mr. Yatinder Vir Singh</td><td>5</td><td>3</td><td>No</td></tr>
<tr><td>Mr. Viney Kumar (Nominee of IDBI Bank Ltd)</td><td>5</td><td>5</td><td>No</td></tr>
<tr><td>Mr. Vinay Kumar Monga</td><td>5</td><td>4</td><td>No</td></tr>
</table>

Chairman of the Audit Committee

***Appointed w.e.f.17.03.2012*

(C) Information Placed before the Board

As required by the terms of Corporate Governance, following matters are regularly placed before the Board in addition to the matters, which statutorily require the Board's approval:

a. Minutes of all Committee Meetings;

b. Quarterly Un-audited Financial Results of the Company;

c. Annual Operating Plans, Budgets and updates thereon;

d. Information on recruitment, resignation and remuneration of all senior officers just below the Board level including appointment of Chief Financial Officer, Manager and Company Secretary;

e. Show cause, demand, prosecution notices, penalty notices etc. which are materially important;

f. Material default in financial obligations, if any, to and by the Company or substantial non-payment for goods sold or services rendered by the Company;

g. Non-compliance of any regulatory and statutory requirements or listing requirements and shareholders' service;

h. Details of any joint venture or collaboration agreement;

i. Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.

j. Legal Compliance reports and Certificates.

k. Accounts of the subsidiary Companies.

3. Committees of the Board

Board has constituted various Committees for smooth and efficient operations of Company's activities. The Committees meet at regular intervals to review their respective areas of operation. The draft minutes of the proceedings of each Committee meeting are circulated to the members of that Committee for their comments and thereafter, confirmed by the respective Committee in its next meeting. The proceedings of all such Committee meetings are regularly placed before the Board.

(A) Audit Committee

As on 31.03.2012, the Audit Committee comprised of the following members:

- Mr. Babu Mohanlal Panchal (Chairman)
- Mr. Yatinder Vir Singh
- Mr. Viney Kumar (Nominee of IDBI Bank Ltd)
- Mr. Vinay Kumar Monga

The constitution of the Audit Committee of the Company is in line with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges read with Section 292A of the Companies Act, 1956; Mr. Babu Mohanlal Panchal – a Qualified Chartered Accountant – is the Chairman of the Audit Committee. The Committee meets regularly and the Statutory Auditors, the Internal Auditors, and other senior officers including the CFO are permanent invitees to the Committee Meetings. The quorum for the Audit Committee is two independent members. The Company Secretary is the convener of the Audit Committee Meetings.

Broad Terms of reference, as stipulated by the Board, to the Audit Committee are as follows:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to Statutory Auditors.
- Approval of appointment of the Cost Auditor
- Approval of appointment of the Internal Auditor
- Reviewing, with the management, the annual financial plans and financial statements before submission to the Board for approval, with particular reference to:

  a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956

b. Changes, if any, in accounting policies and practices and reasons for the same

c. Major accounting entries involving estimates based on the exercise of judgment by management

d. Significant adjustments made in the financial statements arising out of audit findings

e. Compliance with listing and other legal requirements relating to financial statements

f. Disclosure of any related party transactions

g. Qualifications, if any, in the draft Audit Report.

- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
- Reviewing, with the management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with Statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

The Audit Committee has been mandatory authorized to review the following Information:

- Management discussion and analysis of financial condition and results of operations
- Statement of significant related party transactions, submitted by the management
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses;

During the year under review, four Audit Committee meetings were held on the following dates:

30th May 2011, 10th August 2011, 12th November, 2011, and 11th February, 2012.

The Attendance of the members at the Audit Committee Meetings was as under:

Name of the Members	No. of Meetings held during the tenure	No. of Meetings Attended
Mr. Babu Mohanlal Panchal	4	4
Mr. Yatinder Vir Singh	4	3
Mr. Viney Kumar (Nominee of IDBI Bank)	4	4
Mr. Vinay Kumar Monga	4	4

(B) Remuneration Committee

The Remuneration Committee of the Company comprises of all Non-Executive Directors. The constitution of the Remuneration Committee meets with the requirements of the Listing Agreement.

As at 31.03.2012 the Remuneration Committee comprised of the following Non Executive Directors.

- Mr. Babu Mohanlal Panchal
- Mr. Yatinder Vir Singh
- Mr. Vinay Kumar Monga

The Company Secretary acts as the secretary to the committee.

The Committee is responsible for overseeing the following matters:

a. Determination of the remuneration packages i.e. salary and perquisites payable to the Managing / Executive Director / Manager / CEO.

b. Determination of the amount of bonus, stock option, pension rights and compensation payments to the Managing / Executive Director / Manager / CEO.

During the year under review, the Committee met once during the last financial year on January 28, 2012. The Attendance of the members at the Remuneration Committee Meeting was as under:

Name of the Members	No. of Meetings held during the tenure	No. of Meetings Attended
Mr. Babu Mohanlal Panchal	1	1
Mr. Yatinder Vir Singh	1	1
Mr. Vinay Kumar Monga	1	-

The Remuneration Committee of the Directors of the Company in its meeting held on January 28, 2012 had approved the reappointment of Mr. Kapil Bhalla as Manager u/s 269 of the Companies Act, 1956 for a further period of three years as also the remuneration payable to him as Manager.

The reappointment of Mr. Kapil Bhalla as Manager under section 269 of the Companies Act, 1956 and the terms and conditions of his appointment as approved by the Remuneration Committee was approved by the Board of Directors. Further, the shareholders of the Company have approved the reappointment of the Manager u/s 269 of the Companies Act, 1956 in the Extra Ordinary General Meeting held on 18th July, 2012.

(C) Share Transfer and Investors' Grievance Committee

There are two Committees viz. Share Transfer and Investors' Grievance Committee & Share Transfer In-house Committee to look into the redressal of shareholders complaints in respect of transfer / transmission / transposition split of shares, issue of duplicate share certificates and non-receipt of dividend etc. and to oversee the performance of Registrar and Share Transfer Agent and recommends measures for overall improvement in quality of investor services etc.

The Share Transfer and Investors' Grievance Committee (STIG) – which is a Board level Committee – approves the transfer / transmission / transposition in excess of 5000 shares in each individual transaction;

As of March 31, 2012, the STIG consisted of the following members:

1. Mr. Babu Mohanlal Panchal
2. Mr. Yatinder Vir Singh
3. Mr. Vinay Kumar Monga

Mr. Kapil Bhalla, Company Secretary is the Compliance officer.

This Committee meets on need basis to approve the share transfers / transmission in excess of 5000 shares pertaining to any single shareholder as well as the issue of duplicate share certificates. In respect of requests received for "Loss of shares", only the STIG Committee is empowered to issue the duplicate share certificates.

During the year under review, the STIG Committee met twice on May 4, 2011 and June 30, 2011; the attendance of the Members at the meeting was as under:

Name of Member	No. of Meetings held during the year	No. of Meetings Attended
Mr. Babu Mohanlal Panchal	2	Nil
Mr. Yatinder Vir Singh	2	2
Mr. Vinay Kumar Monga	2	2

(D) Share Transfer In-house Committee (STIC)

Besides the STIG which consists of Board Members, there is another In-house Committee known as the Share Transfer In-House Committee (STIC), which meets fortnightly for the approval of transfer/transmission/transposition/split of physical shares for quantities upto 5,000 shares pertaining to any single shareholder, in each individual transaction, and to take on record / note the remat / demat of shares done by the Registrar and Share Transfer Agent (RTA) on fortnightly basis, apart from the redressal of shareholders' complaints.

As of March 31, 2012, the STIC consisted of the following members:

1. Mr. Babu Mohanlal Panchal, Director
2. Mr. Yatinder Vir Singh, Director
3. Mr. Vinay Kumar Monga, Director
4. Mr. Sunil Jit Singh, Chief Financial Officer
5. Mr. Kapil Bhalla, Company Secretary & Manager u/s 269

The Share Transfer In-House Committee is empowered to approve transfer / transmission / transposition of up to 5000 shares for any single shareholder. A meeting of the Committee is held fortnightly. This Committee is not empowered to issue duplicate shares in case of loss of share certificate(s) but is only authorized to issue duplicate certificate(s) in cases where mutilated / torn / partially burnt original shares certificates. are surrendered to the Company.

During the year-ended March 31, 2012, 25 meetings of the Share Transfer In-House Committee were held.

(E) Sitting Fee paid to the Directors

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs.5000/ – for each meeting of the Board and/or Committee (except for Share Transfer In-House Committee – for which no Sitting Fee is paid).

The details of Sitting Fees paid to Directors during the financial year .2011-12 is as under: –

Name of the Director	Sitting Fee Paid (Rs.)				Total Sitting Fee Paid
	Board Meeting	Audit Committee	Remuneration Committee	STIG Committee	
Mr. Babu Mohanlal Panchal	25000	20000	5000	Nil	50000
Mr. Yatinder Vir Singh	15000	15000	5000	10000	45000
Mr. Viney Kumar (Nominee of IDBI Bank)**	25000	20000	Nil	Nil	45000
Mr. Vinay Kumar Monga	20000	20000	Nil	10000	50000
Mr. Rahul Sethi	5000	Nil	Nil	Nil	5000

*** Sitting Fee was paid to the IDBI Bank*

No other remuneration is paid to the Non-Executive Directors.

4. General Body Meetings

The location and time of the last three Annual General Meetings is as under:

Year	AGM No.	Location	Date	Time
2008-2009	62nd	B-71, Industrial Area, Phase-VII, Mohali	29.09.2009	12.00 Noon
2009-2010	63rd	Autocars Compound, Adalat Road, Aurangabad, 431005, Maharashtra	30.09.2010	12.00 Noon
2010-2011	64th	Autocars Compound, Adalat Road, Aurangabad, 431005, Maharashtra	30.09.2011	12.00 Noon

No Extraordinary General Meeting of the shareholders was held during 2011-12; however an Extra Ordinary Meeting of the Shareholders was held on July 18, 2012 at the Registered Office at Aurangabad for approving – among other items – the Reduction of Capital in terms of Section 100 – 104 in terms of the CDR Scheme

Postal Ballot

No voting through Postal Ballot was done during 2011-12

Special Resolutions

- In the Annual General meeting held on 29th September, 2009 no Special Resolution was passed.
- In the Annual General meeting held on 30th September, 2010 no Special Resolution was passed.
- In the Annual General Meeting held on 30th September, 2011 following Special Resolutions were passed for:

  Appointment of M/s Khandelwal Jain & Co., Chartered Accountants, as the Statutory Auditors of the Company under Section 224, 224A of the Companies Act 1956.

  Amendment in the terms & conditions of 2% Cumulative Redeemable Preference Shares (CRPS) of Rs.100 each issued in accordance with the CDR Scheme.

  Amendment in the terms & conditions of the Secured Non Convertible Debentures of Rs.100 each in accordance with the CDR Scheme.

5. Disclosures

a. **Related Party Transactions**

Disclosures on materially significant related party transactions i.e. transactions of the Company with Promoters, Directors, Management, Subsidiaries or Relatives etc. that may have potential conflict with the interests of the Company at large.

Related Party transactions have been disclosed as a part of Financial Statements as required under Accounting Standard 18 – Disclosure on Related Party Transactions, issued by the Institute of Chartered Accountants of India.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

b. **Code of Conduct**

The Company has a Code of Conduct for members of the Board and Senior Management. The Code lays down, in detail, the standards of business conduct ethics and governance.

A copy of the Code is posted on the Company's website, www.connectzone.in

The Code has been circulated to all the members of the Board and Senior Management and they have affirmed compliance of the same. A declaration signed by the Manager under Companies Act, 1956 to this effect which forms part of this report.

The Company has obtained from all the members of the Board and Senior Management an affirmation that they have complied with the Code of Conduct in financial year 2011-12.

c. **Risk Management**

The Company has adequate internal control systems in place and exercise various risk-mitigating measures. The Company has formed a detailed policy framework for risk assessment and risk management.

d. **Non-Compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets during the last three years.**

There has been no instance of non compliance by the Company or penalty or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

e. **Secretarial Audit**

A qualified practicing Company Secretary carries out secretarial audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number in dematerialized shares held with NSDL and CDSL.

f. **Code for Prevention of Insider Trading Practices**

In terms of the provisions of SEBI (Prevention of Insider Trading Regulations), 2002, as amended, the Company has formulated a "Code of Internal procedure and conduct for prevention of insider trading". The Code lays down the guidelines and advises the designated employees on procedure to be followed and disclosures to be made while dealing in shares of the Company.

6. **Whistle Blower Policy**

Whistle Blower Policy was adopted by the company w.e.f 14th May, 2007, to receive and investigate the complaints under the Whistle Blower Policy. As at March 31, 2012 Mr. P.D.S.Bajwa, Business Head was responsible for carrying out a comprehensive, neutral and fair investigation into the matters reported, if any. The policy was circulated to all the employees of the Company and is also posted on the website.

7. **Means of Communication**

A. The Quarterly, Half Yearly and Annual results are published in "The Financial Express" – English daily and "Loksatta" – vernacular language paper and forwarded to Stock Exchanges immediately. Press releases are also issued simultaneously.

B. The Company's official website www.connectzone.in contains a separate dedicated section 'Investor Relations' where shareholders information is available. The Annual Report of the Company is also available on the website in a user-friendly and downloadable form.

C. All material information about the Company is promptly sent through facsimile and email to the Bombay Stock Exchanges, where the shares of the Company are listed.

D. Annual Report: containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis (MD&A) Report forms part of the Annual Report.

E. Annual Report, Quarterly Financial Results, Shareholding Pattern, etc of the Company as on March 31, 2012 were also posted on the website of the Company – www.connectzone.in.

8. **Management Discussion and Analysis Report**

Management Discussion and Analysis Report forms part of the Annual Report.

9. **General Shareholder Information**

a. **Company Registration Details:** The Company is registered in the State of Maharashtra, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is **L00000MH1946PLC197474.**

b. **65th Annual General Meeting**

The 65th Annual General Meeting of the Company is scheduled to be held on 28th September, 2012.

c. **Financial Year and Financial Calendar**

Financial Year : 1st April to 31st March

d. **Financial Calendar of the Company (Tentative)**

Results - Qtr ending 30.06.2012	2nd week of August, 2012
Results - Qtr ending 30.09.2012	2nd week of November 2012
Results - Qtr ending 31.12.2012	2nd week of February 2013
Results - year ending 31.03.2013 (Audited)	In the last week of May 2013
Annual General Meeting	In September, 2013

e. **Dates of Book Closure**

The Company's Register of Members and Share Transfer Books will remain closed before date of Annual General Meeting and intimation of the same shall be given to stock exchanges and published in news papers.

The Financial year covers the period from 1st April, 2011to 31st March, 2012.

f. **Dividend payment date:**

The Board has not recommended any dividend for the financial year 2011-12

g. **Registered Office**

The Registered Office of the Company is situated at:

Autocars Compound,
Adalat Road,
Aurangabad – 431005
Maharashtra
Tel. No. : 0240-2320754
e-mail:*secretarial@infotelconnect.com*

h. **Listing of Equity Shares on Stock Exchanges**

Company's shares are listed on **BSE Limited** (Formerly **Bombay Stock Exchange Ltd.)**

As at March 31, 2012, the subscribed and issued equity share capital of the Company consists of 61,22,60,268 equity shares of Rs.10/ – each. The Equity Shares of the Company are listed on the Bombay Stock Exchange (BSE). However, the Company is in the process of 'Reduction of paid up Equity Share Capital' by 90% as approved by the shareholders in the Extra Ordinary General Meeting held on July 18, 2012 in accordance with the provisions of the Corporate Debt Restructuring Scheme (CDR Scheme) approved by the CDR Cell, for the purpose of reducing the Accumulated Losses in the Balance Sheet of the Company.

The requisite Listing Fee has been paid by the Company up to 31.03.2013 to the Bombay Stock Exchange where shares of the Company are listed. .

i. Stock Code

- The Stock Exchange, Mumbai – 511116

j. Stock Price Data

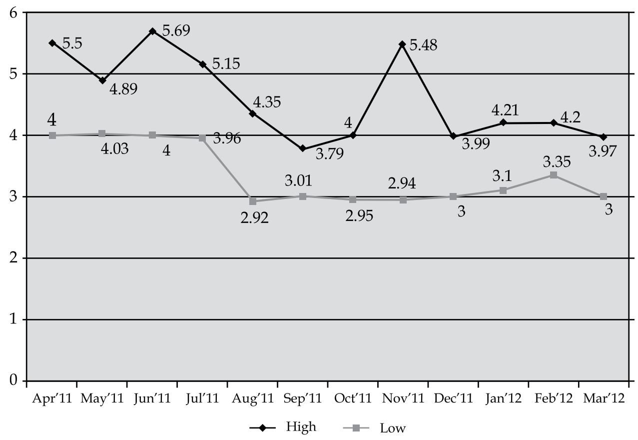
The reported high and low closing prices of the Company's shares traded during the fiscal 2011-2012 on the Bombay Stock Exchange are given below:

Month	High	Low
Apr' 11	5.50	4.00
May' 11	4.89	4.03
Jun '11	5.69	4.00
Jul '11	5.15	3.96
Aug '11	4.35	2.92
Sep '11	3.79	3.01
Oct '11	4.00	2.95
Nov '11	5.48	2.94
Dec '11	3.99	3.00
Jan '12	4.21	3.10
Feb '12	4.20	3.35
Mar '12	3.97	3.00

Performance in comparison to BSE Sensex

Share Price (High – Low)

FY 2011-12



k. Registrar & Share Transfer Agents

All Securities transfer work, both in physical and demat segments are handled by M/s. Cameo Corporate Services Ltd., Chennai, who are the Registrar & Share Transfer Agents of the Company for all aspects of investor servicing relating to shares.

l. Registrars for Public Deposits

M/s. Cameo Corporate Services Ltd., Chennai are the Registrars to handle all Public Deposit unclaimed funds due to be transferred to the Central Government fund Investor Education Protection Fund (IEPF) after the expiry of the stipulated period of seven years from the date of maturity and provide service to the deposit holders in this regard .

m. Share Transfer System

Trading in Equity Shares of the Company is permitted only in dematerialized form. Shares sent for transfer in physical form are registered and returned within a period of 21 days from the date of receipt of the documents, provided all documents are valid and complete in all respects. In accordance with SEBI guidelines, the Company offers the facility of transfer-cum-demat to shareholders after share transfers are affected in physical form.

With a view to expediting the process of share transfers, the Share Transfer In-House Committee is authorized to approve share transfers where the number of shares pertaining to a single shareholder is below 5000 in number. In case of issue of duplicate share certificate (in lieu of the lost share certificate), a Board level Committee known as Share Transfer and Investors' Grievance Committee (STIG) alone is authorized; the Share Transfer In-House Committee does not have any power for issuance of Duplicate Share Certificate (except in case of mutilated certificate). The Share Transfer In-house Committee and the Share Transfer and Investors Grievance Committee meet at regular intervals to consider the other transfer proposals and attend to the shareholder grievances.

n. Distribution of Shareholding as on 31st March, 2012

Shareholding of Nominal Value	Shareholders		Shareholding	
Rs.	Number	% of total	Rs.	% of total
10 – 5000	11101	67.4873	20474200	0.3344
5001 – 10000	2167	13.1740	19311860	0.3154
10001 – 20000	1279	7.7755	21018990	0.3433
20001 – 30000	455	2.7661	12110970	0.1978
30001 – 40000	224	1.3617	8209390	0.1340
40001 – 50000	351	2.1338	17040080	0.2783
50001 – 100000	451	2.7418	35388280	0.5779
100001 & Above	421	2.5594	598.904.8910	97.8186
Total :	**16449**	**100.0000**	**612.260.2680**	**100.0000**

Shareholding Pattern as on 31st March, 2012

1	Category Of Shareholders	No. of Share-holders	Total no. of shares	Shares in demat	Total Shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					as a % of (A+B)	as a % of (A+B+C)	Number of shares	As a %(IX) =(VIII)/(IV)
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)
A	**Shareholding Of Promoter And Promoter Group**							
1	Indian Bodies Corporate	1	326705000	326705000	53.3604	53.3604	218704937	66.9426
2	Foreign	0	0	0	0	0	0	0
	Total Share Holding Of Promoter And Promoter Group (A)=(A)(1)+(A)(2)	1	**326705000**	**326705000**	**53.3604**	**53.3604**	**218704937**	**66.9426**
B	**Public Shareholding**							
1	Institutions							
a.	Mutul Fund/UTI	0	0	0	0	0	N.A.	N.A.
b.	Financial Institution/Banks	8	183409085	183409085	29.956	29.956	N.A.	N.A.
c.	Foreign Institutional Investors	1	125000	125000	0.0204	0.0204	N.A.	N.A.
	Sub – Total (B)(1)	9	183534085	183534085	29.9765	29.9765	N.A.	N.A.
2	Non-Institutions							
a.	Bodies Corporate	395	77313341	76797032	12.6275	12.6275	N.A.	N.A.
b.	Individuals							
	I – Individual Shareholders Holding Nominalshare Capital Upto Rs. 1 Lakh	15279	11865093	11224057	1.9379	1.9379	N.A.	N.A.
	II – Individual Shareholders Holding Nominalshare Capital In Excess Of Rs. 1 Lakh	287	11166147	11166147	1.8238	1.8238	N.A.	N.A.
c.	Any Other							
	-Clearing Members	12	43243	43243	0.007	0.007	N.A.	N.A.
	-Hindu Undivided Families	373	1377291	1377291	0.225	0.225	N.A.	N.A.
	-Non Resident Indians	92	253293	250803	0.0414	0.0414	N.A.	N.A.
	-Overseas Corporate Bodies	1	2775	0	0.0004	0.0004	N.A.	N.A.
	Sub – Total (B)(2)	16439	102021183	100858573	16.663	16.663	N.A.	N.A.
	Total Public Shareholding (B)=(B)(1)+(B)(2)	16448	285555268	284392658	46.6395	46.6395	N.A.	N.A.
	Total (A)+(B)	16449	612260268	611097658	100	100	218704937	35.7209
C	Shares Held By Custodians And Against Which Depository Receipts Have Been Issued	0	0	0	0	0	N.A.	N.A.
	Grand Total (A)+(B)+(C)	16449	612260268	611097658	100	100	218704937	35.7209

TOP TEN SHAREHOLDERS OF THE COMPANY AS ON 31.03.2012

S. No.	Name of the Shareholders	Number of shares	% of total Shareholdings
1	QUADRANT ENTERPRISES PRIVATE LIMITED	32,67,05,000	53.3604
2	IDBI BANK LTD.	118271641	19.3172
3	ORIENTAL BANK OF COMMERCE	39073070	6.3817
4	MANTU HOUSING PROJECTS LTD.	21000000	3.4299
5	MASITIA CAPITAL SERVICES LTD	13015565	2.1258
6	ING VYSYA BANK LIMITED	11871038	1.9388
7	LIFE INSURANCE CORPORATION OF INDIA	10772205	1.7594
8	MOOLSONS HOLDINGS PRIVATE LIMITED	8296559	1.3550
9	MADAN LAL LIMITED	5080251	0.8297
10	INDSEC SEC. & FIN. LTD.	4840000	0.7905

o. Dematerialization of Shares

As on 31st March, 2012, 99.16% of the issued Equity Share Capital of the company is held in dematerialized form with National Securities Depository Limited and Central Depository Services (India) Limited.

p. Unclaimed Dividends

As of March 31st, 2012, there was no payment of Unclaimed dividend due for transfer to the Investor Education and Protection Fund (IEPF) account of the Central Government after expiry of seven years

q. Outstanding GDR/ADR or Warrants

As on date there are no Global Depository Receipts (GDR), American Depository Receipts (ADR) or warrants pending conversion and likely to impact the equity share capital of the Company.

1,667,761 Zero percent Non Convertible Debentures (Erstwhile OFCDs issued in terms of the CDR Package approved on 24th June, 2005) held by LIC and SBOP would be redeemable at par, after the full settlement of dues to term lenders on 31st March, 2016.

r. **Corporate Office**

Company's corporate Office is located at:
B-71, Phase VII, Industrial Focal Point,
Mohali – 160 055. **(Punjab)**

s. Address for Correspondence

Shareholders may correspond on all matters relating to transfer / dematerialization of shares and any other query relating to shares of the Company as per addresses mentioned below:

For Shares held in Physical form:

Cameo Corporate Services Ltd.
Unit: Quadrant Televentures Limited
(Formerly HFCL Infotel Limited)
"Subramaniam Building",
No.1, Club House Road
Anna Salai, Chennai-600 002
Telephone Nos. : 044-2846 0390 (5 lines)
Email: investor@cameoindia.com

For Shares/Debentures held in Demat form:

Shareholders would have to correspond with the respective Depository Participants for shares held in demat mode.

For **any query / other correspondence**

The Company Secretary

QUADRANT TELEVENTURES LIMITED
Autocars Compound, Adalat Road,
Aurangabad – 431005, Maharashtra
Tel. No. : 0240-2320754
e-mail: secretarial@infotelconnect.com

t. Cost Audit

In compliance with the Cost Audit directions issued by the Ministry of Corporate Affairs (Cost Audit Branch) vide Notification No. Cost Audit No. F. No. 52/26/CAB-2010 dated May 2, 2011 providing for the conducting of Cost Audit of the Cost Accounting records of a Telecom Company having an aggregate Net Worth exceeding Rs. 5 Crores or Annual Turnover exceeding Rs.20 Crores in the immediately preceding financial year or which is LISTED on any Stock Exchange, the Company has re-appointed M/s Sanjay Gupta & Associates, Cost Accountants, New Delhi as the Cost Auditors of the Company for the Financial year 2012 – 13.

u. Compliance Officer Mr. Kapil Bhalla, Company Secretary, is the Compliance Officer for complying with the requirements of SEBI Regulations and the Listing Agreements with the Stock Exchanges in India.

E-mail: secretarial@infotelconnect.com

v. Website:

http://www.connectzone.in

w. Extent to which mandatory requirements have not been complied with:

N.A.

x. Extent to which non mandatory requirements have been complied with:

(i) Remuneration Committee has been formed and it is functioning regularly as reported earlier in this report.

(ii) Whistle Blower Policy was formulated and is effective from 14th May, 2007.

y. Shares / Convertible Instruments held by Non Executive Directors: **NIL**

z. Email ID for correspondence : secretarial@infotelconnect.com

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchange (s), it is hereby declared that all the Board Members and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct for the year ended 31" March, 2012.

For QUADRANT TELEVENTURES LIMITED

Place: Mohali **Kapil Bhalla**
Date: August 11, 2012 **Company Secretary & Manager**
u/s 269 of Companies Act, 1956

CEO/CFO CERTIFICATION

To,

The Board of Directors

Quadrant Televentures Limited.

Compliance Certificate by the Manager and the Chief Financial Officer (CFO) under Corporate Governance pursuant to the revised Clause 49 of Listing Agreement.

We, Kapil Bhalla, Company Secretary & Manager appointed in terms of the Companies Act, 1956 and Sunil Jit Singh, CFO certify to the Board that:

(a) We have reviewed the financial statements and the cash flow statement for the year ended 31st March 2012, and that to the best of our knowledge and belief:

  (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

  (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with the existing Accounting Standards, applicable laws and regulations.

(b) There are, to best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the Auditors and the Audit Committee

  (i) Significant changes in internal control during the year.

  (ii) Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and

  There are no significant frauds, which we became aware, and the involvement of management or employee.

(SUNIL JIT SINGH) **CHIEF FINANCIAL OFFICER**	**(KAPIL BHALLA)** **COMPANY SECRETARY & MANAGER** **U/S 269 OF THE COMPANIES ACT 1956**

Date: August 11, 2012
Place: Mohali

CERTIFICATE BY PRACTISING COMPANY SECRETARY

On compliance with the conditions of Corporate Governance under clause 49 of the Listing Agreement(s)

To

THE MEMBERS OF QUADRANT TELEVENTURES LIMITED

AURANGABAD, MAHARASHTRA

We have examined the compliance of condition of Corporate Governance by Quadrant Televenture Limited (the Company) for the year ended 31st March 2012 as stipulated in Clause 49 of the Listing Agreement (s) of the said Company with the Stock Exchange (s).

The Compliance of condition of Corporate Governance is the responsibility of the management. Our examination has been limited to review of the procedure and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit not an expression of opinion on the financial statement of the Company.

In our opinion, and to the best of our information, and according to the explanations given to us, subject to the laying down of detailed format framework for risk assessment and minimization procedure by the Company in progress, we certify that the Company has complied with the condition of Corporate Governance as stipulated in Clause 49 of above mentioned Listing Agreement(s).

We state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For Arora & Gujral
Company Secretaries

Vishal Arora
Partner
C. P. No. 3645

Dated : August 11, 2012
Place: Chandigarh

AUDITORS' REPORT

To

THE MEMBERS OF

QUADRANT TELEVENTURES LIMITED

1. We have audited the attached Balance Sheet of **QUADRANT TELEVENTURES LIMITED** ('the Company') as at 31st March, 2012, the Statement of Profit & Loss and also the Cash Flow Statement 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.

2. We have 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.

4. Without qualifying our opinion we draw attention to Note 26 (1) (c) to the financial statements. The Company has incurred a loss of Rs. 1,791,601,978 during the year (accumulated loss of Rs.15,428,596,916) resulting into erosion of its net worth, and has a net current liabilities of Rs. 6,847,992,445 as at March 31, 2012. These factors raise a doubt that the Company will not be able to continue as a going concern. The management is confident of generating cash flows from business operations through increasing subscribers' base and with the support of significant shareholders to fund its operating and capital fund requirements. Accordingly, these statements have been prepared on a going concern basis.

5. *As mentioned in Note 27 (8) (a) to the financial statements, based on Company's request Corporate Debt Restructuring ('CDR') Cell vide their letter dated August 13, 2009 ('CDR letter') has revised the terms of CDR scheme with effect from April 1, 2009. The Company has accounted for the impact of revised CDR scheme as approved by CDR Cell after complying with the most of the terms and conditions stipulated therein, however compliance of some of them is still in process. These financial statements do not include any adjustment which may arise due to inability of the management to fulfill the remaining conditions precedent.*

6. Further to our comments in the Annexure referred to above paragraph, we report that:-

   a) We have obtained all the information and explanations, which, to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards 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, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on above date from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   f) *Subject to matter stated in paragraph 5 above consequential effect whereof is not ascertainable* in our opinion and to the best of our information and according to the explanations given to us, said accounts read together with the significant accounting policies and the notes thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;

      (ii) In the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

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

For KHANDELWAL JAIN & CO.
Firm Registration No. 105049W
Chartered Accountants,

(Akash Shinghal)
Partner
Membership No. 103490

Place: Mohali
Dated: May 28, 2012

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of **QUADRANT TELEVENTURES LIMITED** on the accounts for the year ended 31st March, 2012;

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets.

(b) As per the information and explanations given to us, there is a phased programme of physical verification of fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and nature of its business.

(c) During the year, the Company has not disposed off any substantial part of the fixed assets.

(ii) (a) As per the information furnished, the Inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, having regard to the nature and location of stocks, the frequency of physical verification is reasonable.

(b) In our opinion, and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of Inventory and no material discrepancies were noticed on such physical verification.

(iii) (a) As per the information furnished, the Company has not granted any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a), (b), (c) and (d) of the Order are not applicable.

(b) As per the information furnished, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Clause 4 (iii) (e), (f) and (g) of the said Order is not applicable.

(iv) In our opinion and according to information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services.

(v) (a) Based on the audit procedure applied by us and according to the information and explanations provided by the management, during the year, there has been no contract or arrangement that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 and accordingly the clause (b) is not applicable.

(vi) The Company has not accepted any deposits from the public within the meaning of the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956.

(vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

(viii) The Central Government has prescribed maintenance of the cost records under section 209(1) (d) of the Companies Act, 1956 in respect of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.

(ix) (a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing undisputed statutory dues with the appropriate authorities in respect of provident fund, employees' state insurance, income tax deduced at source, income tax, wealth tax, excise duty, service tax and sales tax/works contract tax. According to information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March 2012 for period of more than six months from the date they become payable.

(b) According to the records of the company, the dues of Income tax, which have not been deposited on account of disputes and the forum where the disputes and the forum where the dispute is pending are as under:

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	12,678,483	2000-01	Income Tax Appellate Tribunal

(x) *The accumulated loss of the Company as at March 31, 2012, is more than fifty percent of its net worth as at that date. The Company has incurred cash loss during the period. In the immediately preceding financial year also, the company had incurred cash loss.*

(xi) Based on our audit procedures and the information and explanations given to us, the Company doesn't have any amount due to any financial institution or bank.

(xii) Based on our examination of the records and information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) As per the information and explanations given to us the provisions of any Special Statute applicable to Chit Fund do not apply to the Company. The Company is also not a nidhi / mutual benefit fund/society.

(xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, Clause 4 (xiv) of the said Order is not applicable.

(xv) Based on our examination of the records and information and explanations given to us, the Company has not given any guarantees for loans taken by others, from banks and financial institutions.

(xvi) Based on our examinations of the records and information and explanations given to us during the year no term loans have been obtained by the Company.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company as at the end of the year, funds raised on short term basis have, prima facie, not been used for long term investment.

(xviii) The Company has not made any preferential allotment of shares during the year to parties and Companies covered in the register maintained under section 301 of the Act.

(xix) The Company has not issued any debentures during the year.

(xx) The Company has not raised any money by public issue during the year ended March 31, 2012.

(xxi) To the best of our knowledge and belief and 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.

For KHANDELWAL JAIN & CO.
Firm Registration No. 105049W
Chartered Accountants,

(Akash Shinghal)
Partner
Membership No. 103490

Place: Mohali
Dated: May 28, 2012

Balance Sheet As At March 31, 2012

(Unless and otherwise stated, all amounts are in rupees)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	1	8,371,056,980	8,371,056,980
(b) Reserves and surplus	2	(15,360,030,408)	(13,568,428,430)
		(6,988,973,428)	**(5,197,371,450)**
(2) Share application money pending allotment		-	-
(3) Non-current liabilities			
(a) Long-term borrowings	3	5,872,385,029	5,872,455,816
(b) Deferred tax liabilities (Net)		-	-
(c) Other Long term liabilities	4	966,108,891	818,677,324
(d) Long-term provisions	5	32,726,183	26,372,550
		6,871,220,103	**6,717,505,690**
(4) Current liabilities			
(a) Short-term borrowings	6	170,168,040	171,630,829
(b) Trade payables	7	1,031,777,297	1,188,852,364
(c) Other current liabilities	8	6,567,932,926	5,505,583,174
(d) Short-term provisions	9	18,207,105	15,442,386
		7,788,085,368	**6,881,508,753**
TOTAL		**7,670,332,043**	**8,401,642,993**
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	4,544,841,846	4,912,663,242
(ii) Intangible assets	10	1,875,032,099	2,214,673,059
(iii) Capital work-in-progress		184,431,089	305,426,401
(b) Non-current investments	11	100,000	100,000
(c) Long-term loans and advances	12	125,834,086	85,812,715
		6,730,239,120	**7,518,675,417**
(2) Current assets			
(a) Current investments		-	-
(b) Inventories	13	18,445,811	23,088,275
(c) Trade receivables	14	537,066,892	496,182,206
(d) Cash and cash equivalents	15	115,068,653	85,842,714
(e) Short-term loans and advances	16	267,881,244	272,422,515
(f) Other current assets	17	1,630,323	5,431,866
		940,092,923	**882,967,576**
TOTAL		**7,670,332,043**	**8,401,642,993**
Contingent Liabilities	25		
See other accompanying notes to the financial statements	26-27		

The Notes referred to above and notes to Financial Statements form an integral part of the Balance Sheet.

As per our report of even date

For and on behalf of the Board of Directors of Quadrant Televentures Limited

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

Akash Shinghal
Partner
Membership No. 103490

Kapil Bhalla
Company Secretary

Sunil Jit Singh
Chief Financial Officer

Place : Mohali
Date : May 28, 2012

Statement of Profit and Loss for the year ended March 31, 2012
(Unless and otherwise stated, all amounts are in rupees)

	Particulars	Note No.	For the year ended 31.03.2012	For the year ended 31.03.2011
I.	Revenue from operations	**18**	2,813,018,834	2,360,512,178
II.	Other income	**19**	15,889,032	22,869,159
III.	**Total Revenue (I + II)**		**2,828,907,866**	**2,383,381,337**
IV.	**Expenses:**			
	Network Operation Expenditure	**20**	2,164,992,157	1,978,564,028
	Employee Benefits Expenses	**21**	446,214,888	453,784,056
	Sales & Marketing Expenditure	**22**	203,780,213	402,311,104
	Finance Cost	**23**	281,176,809	278,671,018
	Depreciation and Amortization Expenses	**10**	1,201,710,571	1,230,239,688
	Other Expenses	**24**	322,635,206	276,478,787
	Total expenses		**4,620,509,844**	**4,620,048,681**
V.	Profit before exceptional and extraordinary items and tax (III-IV)		**(1,791,601,978)**	**(2,236,667,344)**
VI.	Exceptional items		-	-
VII.	Profit before extraordinary items and tax (V - VI)		**(1,791,601,978)**	**(2,236,667,344)**
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII- VIII)		**(1,791,601,978)**	**(2,236,667,344)**
X	Tax expense:			
	(1) Current tax		-	-
	(2) Deferred tax		-	-
XI	**Profit (Loss) for the period from continuing operations (IX-X)**		**(1,791,601,978)**	**(2,236,667,344)**
	Considered for calculation of EPS			
XII	Profit/(loss) from discontinuing operations		-	-
XIII	Tax expense of discontinuing operations		-	-
XIV	**Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)**		**-**	**-**
XV	**Profit (Loss) for the period (XI + XIV)**		**(1,791,601,978)**	**(2,236,667,344)**
XVI	Earnings per equity share: (Nominal Value of Rs 10/- each) [Refer Note 27 (16)]			
	(1) Basic		(2.93)	(3.65)
	(2) Diluted		(2.93)	(3.65)
	Contingent Liabilities	**25**		
	See other accompanying notes to the financial statements	**26-27**		

The Notes referred to above and notes to Financial Statements form an integral part of the Statement of Profit and Loss.

As per our report of even date

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Akash Shinghal
Partner
Membership No. 103490

Place : Mohali
Date : May 28, 2012

For and on behalf of the Board of Directors of
Quadrant Televentures Limited

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

Kapil Bhalla
Company Secretary

Sunil Jit Singh
Chief Financial Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(Unless and otherwise stated, all amounts are in rupees)

Particulars	For the period ended March 31, 2012	For the year ended March 31, 2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) for the year before Prior Year Expenditure and Tax	(1,801,024,185)	(2,230,793,621)
Adjustments for:		
Depreciation and Amortisation	1,201,710,573	1,230,239,688
Foreign exchange Loss/ (Gain)	-	(3,942,811)
Loss/ (Gain) on Sold / Discarded Fixed Assets	8,798,624	(24,752,278)
Bad Debts Written Off	37,887,913	28,041,155
Provision for Doubtful Debts	10,489,234	4,465,954
Finance Expenses [Refer Note 3 below]	281,176,809	278,671,018
Interest Income	(3,391,103)	(3,184,519)
Operating profit before working capital changes	**(264,352,135)**	**(721,255,414)**
Adjustment for changes in working capital:		
(Increase) / Decrease in Trade Receivables	(89,261,833)	(250,529,038)
(Increase) / Decrease in Other Non Current and Current Assets	(4,497,066)	(135,394,182)
(Increase)/ Decrease in Inventory	4,642,465	976,481
Increase / (Decrease) in Non Current and Current liabilities	770,701,489	3,980,840,680
Cash generated from operations	**417,232,920**	**2,874,638,527**
Direct Taxes paid (Net)	(29,228,233)	(14,563,520)
Prior Period (Expense) / Income (Net)	9,422,206	(5,873,723)
NET CASH GENERATED FROM OPERATING ACTIVITIES (A)	**397,426,893**	**2,854,201,284**
CASH FLOW FROM INVESTING ACTIVITIES		
Adjustment for changes in:		
Purchase of fixed assets	(298,309,164)	(2,581,627,531)
Proceeds from sale of fixed assets	13,566,654	34,593,858
Purchase of Equity Share Capital of Subsidiary (Refer Note 21 (1) (a))	-	(200)
Fixed deposits	(30,477,277)	40,775,223
Interest Received	7,192,646	16,156,401
NET CASH USED IN INVESTING ACTIVITIES (B)	**(308,027,141)**	**(2,490,102,249)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of 2% Cummulative Redeemable Preferance Share	-	1,598,454,300
Repayment of Borrowings	(1,743,805)	(3,183,959,860)
Repayment of Public Deposits	(6,397)	(148,000)
Proceeds from Long Term Borrowings	-	1,502,969,057
Interest paid	(88,900,887)	(278,710,215)
NET CASH USED IN FINANCING ACTIVITIES (C)	**(90,651,089)**	**(361,394,718)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**(1,251,337)**	**2,704,317**
Cash and Cash Equivalents at the beginning of the year	**66,065,824**	**63,361,507**
Cash and Cash Equivalents at the end of the year	**64,814,487**	**66,065,824**
Cash and Bank Balances		
Cash in Hand	14,074,031	13,812,926
Cheques in Hand	7,274,114	9,209,626
Balances with Scheduled Banks		
In Current Account	42,370,333	41,866,893
In Fixed Deposit [Receipts pledged with Banks as margin money for guarantees and LCs issued Rs 50,254,166 (March 31, 2011 - Rs. 19,776,890)]	50,254,166	19,776,890
In Escrow Account	1,096,009	1,176,379
	115,068,653	**85,842,714**
Less : Margin Money pledged for Guarantees and LCs issued	50,254,166	19,776,890
Cash & Cash Equivalents	**64,814,487**	**66,065,824**

Notes:

1. The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 on Cash Flow Statement notified under Companies (Accounting Standard) Rules 2006, ('as amended')
2. Figures in brackets indicate cash outflow.
3. Finance expenses includes interest accrued but not due on secured loan as amounting to Rs 192,340,070 (March 31, 2011 - Rs 189,024,408) as per CDR Scheme.
4. Previous year figures have been regrouped and recast wherever necessary to conform to current year classification.

This is the Cash Flow referred to in our report of even date

As per our report of even date

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Akash Shinghal
Partner
Membership No. 103490

Place : Mohali
Date : May 28, 2012

For and on behalf of the Board of Directors of Quadrant Televentures Limited

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

Kapil Bhalla
Company Secretary

Sunil Jit Singh
Chief Financial Officer

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 1 - SHARE CAPITAL [Refer Note 27 (7)]	As at 31.03.2012	As at 31.03.2011
Authorised:		
1,200,000,000 (March 31, 2011 - 1,200,000,000) equity shares of Rs 10/- each.	12,000,000,000	12,000,000,000
30,000,000 (March 31, 2011 - 30,000,000) 2% preference shares of Rs 100 each.	3,000,000,000	3,000,000,000
	15,000,000,000	**15,000,000,000**
Issued, Subscribed and Paid up :		
612,260,268 (March 31, 2011 - 612,260,268) equity shares of Rs 10/- each fully paid.	6,122,602,680	6,122,602,680
6,500,000 (March 31, 2011 - 6,500,000) 2% cumulative redeemable preference shares ('CRPS') of Rs 100/- each fully paid.	650,000,000	650,000,000
15,984,543 (March 31, 2011 - 15,984,543) 2% cumulative redeemable preference shares ('CRPS') of Rs 100/- each fully paid.	1,598,454,300	1,598,454,300
	8,371,056,980	**8,371,056,980**

(a) Of the above

(i) 490,750 (March 31, 2011 - 490,750 of Rs. 10/- each) equity shares of Rs 10 each, were allotted as fully paid bonus shares in the earlier years by way of capitalisation of reserves.

(ii) 326,705,000 (March 31, 2011 - 326,705,000) equity shares are held by Quadrant Enterprises Private Limited (Holding Company).

(iii) 83,070,088 equity shares of Rs 10 each were allotted on October 16, 2004, pursuant to the Corporate Debt Restructuring ('CDR') Scheme dated March 10, 2004.[Refer Note 27 (7) (a)].

Out of these, 63,373,110 equity shares of Rs 10 each were issued by the Company to Industrial Development Bank of India ('IDBI'), at par and the balance of 12,171,778 and 7,525,200 equity shares of Rs 10 each to Oriental Bank of Commerce ('OBC') and ING Vysya Bank Limited ('ING'), respectively, at a premium of Re 0.50 per equity share as per provisions of applicable law.

(iv) 8,67,43,116 equity shares of Rs.10/- each were issued on July 08, 2009 after obtaining in principle approval from the BSE and MSE, consequent to the conversion of Optionally Fully Convertible Debentures (OFCDs) pursuant to the Corporate Debt Restructuring (CDR) Cell.

(b) As more fully discussed in Note 27 (7) (a), the Company in accordance with the scheme of amalgamation approved by the High Court of the State of Punjab and Haryana and the State of Tamil Nadu on March 6, 2003 and March 20, 2003, respectively under section 391 and 394 of the Companies Act, 1956, the erstwhile HFCL Infotel Limited (name earlier allotted to the transferor company), amalgamated with HFCL Infotel Limited now Quadrant Televentures Limited, (formerly The Investment Trust of India Limited).

Subsequent to the approved amalgamation:

(i) 432,000,250 (March 31,2011 432,000,250)equity shares of Rs 10 each issued for consideration other than cash pursuant to the amalgamation of erstwhile HFCL Infotel Limited with the Company.

(ii) 1,730,814 equity shares of Rs 10 each were allotted on October 13, 2003, on conversion of the warrants issued to the shareholders of The Investment Trust of India Limited prior to June 11, 2003.

(c) Of the above

(i) 6,500,000 (March 31, 2011 - 6,500,000) 7.5 per cent CRPS were allotted on October 16, 2004, pursuant to the CDR Scheme, where under the specified part of the amount due to CRPS Holder by the Company was converted into 7.5 per cent CRPS redeemable after the repayment of Rupee Term Loan (in Financial Year 2016-17). As per the CDR Scheme , prior approval of the lenders would be required to declare dividend on 7.5 per cent CRPS and all the voting rights attached to the CRPS to be assigned in favour of the term lenders. On June 24, 2005 as per Reworked Restructuring Scheme, the dividend percentage was reduced to 2 per cent from 7.5 per cent with effect from date of issuance of CRPS. New Restructuring Scheme dated August 13,2009 does not stipulate any reference to the aforesaid CRPS. Accordingly the CRPS shall be redeemable in the Financial Year 2016-17 With reference to Reworked Restructuring Scheme dated June 24,2005

(ii) 15,984,543 (March 31,2011-15,984,543) 2% Cumulative Redeemable Preference Shares of Rs. 100/- fully paid up, aggregating up to Rs. 1,598,454,300 were allotted on November 9, 2011 to the Banks and Financial Institution, namely, IDBI Bank Limited, Life Insurance Corporation of India, Oriental Bank of Commerce, ING Vysya Bank and State Bank

NOTES FORMING PARTS OF THE ACCOUNTS

of Patiala in terms of the New Restructuring Scheme (CDR Package) approved by the Corporate Debt Restructuring Cell (CDR Cell) vide their letter dated August 13, 2009, in conversion of 25% of their outstanding loans; the CRPSs shall be redeemed (monthly) over a period of four years commencing from April 1, 2021 at a premium of 34%.

(iii) Due to accumulated losses provision for dividend on CRPS of Rs 650,000,000 and Rs1,598,454,300 and premium on redemption of CRPS of Rs 1,598,454,300 is not required and hence not provided for in the financials.

(iv) The details of Shareholders holding more than 5 percent shares as at 31st March, 2012 are as under

Name of Share Holder	No. of Shares as at 31.03.2012	% held as at 31.03.2012	No. of Share as at 31.03.2011	% held as at 31.03.2011
Equity Shares				
Quadrant Enterprises Pvt. Ltd.	326,705,000	53.36	326,705,000	53.36
IDBI Bank Ltd.	118,271,642	19.32	118,271,642	19.32
Oriental Bank of Commerce	39,073,070	6.38	37,177,832	6.07
Preference Shares				
IDBI Bank Ltd.	10,569,187	47.01	10,569,187	47.01
Shree Dhoot Trading & Agencies Ltd.	6,500,000	28.91	6,500,000	28.91
Oriental Bank of Commerce	1,981,254	8.81	1,981,254	8.81
Life Insurance Corporation of India	1,981,165	8.81	1,981,165	8.81

(v) The reconciliation of the number of Shares outstanding as at 31st March , 2012 is set out below:

Particulars	As At 31.03.2012	As At 31.03.2011
Number of Equity shares at the beginning	612,260,268	612,260,268
Add: Shares issued during the year	-	-
Number of shares at the end	**612,260,268**	**612,260,268**
Number of Preference shares at the beginning	22,484,543	6,500,000
Add: Shares issued during the year		15,984,543
Number of shares at the end	**22,484,543**	**22,484,543**

NOTE 2 - RESERVE AND SURPLUS	As at 31.03.2012	As at 31.03.2011
Capital Reserve:		
Balance at the beginning and end of the year	34,032,776	34,032,776
Securities Premium [Refer Note (a) and (b) below]		
Balance at the beginning and end of the year	22,633,732	22,633,732
Statutory Reserve [Refer Note (c) below]		
Balance at the beginning and end of the year	11,900,000	11,900,000
Profit & Loss A/c:		
Opening Balance	(13,636,994,938)	(11,400,327,594)
Add: Transfer from Statement of Profit & Loss	(1,791,601,978)	(2,236,667,344)
Closing Balance	(15,428,596,916)	(13,636,994,938)
Total	**(15,360,030,408)**	**(13,568,428,430)**

Of the above

(a) Securities premium includes an amount of Rs 9,848,489 received on allotment of 19,696,978 equity shares of Rs 10 each on October 16, 2004 at a premium of Rs 0.50 per equity share [Refer of Note 1 (a) (iii)].

(b) During the year 2006 in accordance with the CDR Scheme [Refer Note 26 (1) (c)], the company had provided for the premium on Zero % Optionally Fully Convertible Debentures (OFCD) and had utilised the securities premium to that extent .

(c) As more fully discussed in Note 26 (1) (a), the Company (erstwhile The Investment Trust of India Limited) was a Non-Banking Financial Corporation ('NBFC') under the Certificate of Registration ('CoR') No 07.00222 dated April 18, 1998. Further, as more fully discussed in Note 27 (20), the Company had surrendered its CoR with the Reserve Bank of India ('RBI'). In 2004 As a condition for the cancellation of the CoR, the RBI had advised the Company to follow certain strictures till the balance in the escrow account is settled.

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 3 - LONG TERM BORROWING	As at 31.03.2012	As at 31.03.2011
Secured [Refer Note 27(8)]		
Term Loan Convertible Into Non-Convertible Debenture ('NCD')		
as per New Restructuring Scheme [Refer Note 27 (8) (a)]		
- From Financial Institution	396,233,192	396,233,192
- From Banks	2,800,675,852	2,800,675,852
Vehicle Loan	-	70,786
Unsecured [Refer Note 27 (9)]		
Zero per cent Non Convertible Debentures ('NCDs') (erstwhile OFCDs)	166,776,100	166,776,100
Loans from Body Corporate	2,508,699,886	2,508,699,886
Total	**5,872,385,029**	**5,872,455,816**

a. Secured Loan from Banks & Financial Institutions will be converted in to Non-Convertible Debentures of equal amount as per New Restructuring Scheme dated August 13,2009.

b. Yield of Interest and Premium on redemption of Secured Non-Convertible Debentures is 8% p.a.

c. Secured Loan Convertible into Non-Convertible Debentures as per CDR is secured by first pari passu charge on movable and immovable fixed assets and first pari passu charge on Current Assets, assignment of license / contracts and fully detailed in note 27 (8) (a).

d. Redemption Schedule of the Secured Non Convertible Debenture.

Financial Year	Amount of Non Convertible Debenture
2017	319,690,904
2018	319,690,904
2019	639,381,809
2020	639,381,809
2021	639,381,809
2022	639,381,809

e. Vehicle Loan are secured by hypothecation of respective vehicle.

f. On October 16, 2004, the Company issued 1,667,761 zero percent Non Convertible Debentures (‘NCDs’) of Rs 100 each in lieu of interest accrued on term loans from a financial institution and a bank for the period April 1, 2003 to December 31, 2003. The ‘NCD’s earlier redeemable at par on March 31, 2014, are now redeemable at par on March 31, 2016 after repayment of the term loans as per Reworked Restructuring Scheme dated June 24, 2005 effective from April 1, 2005.

NOTE 4 - OTHER LONG TERM LIABILITIES	As at 31.03.2012	As at 31.03.2011
Interest accrued but not due on borrowings	607,939,437	415,599,367
Security Deposits		
- From Subscribers	20,733,893	30,872,414
- From Others	39,057,125	38,746,354
Advance From Customers and Unaccrued Income	298,378,436	333,459,189
Total	**966,108,891**	**818,677,324**

NOTE 5 - LONG TERM PROVISIONS [Refer Note 27(22)]	As at 31.03.2012	As at 31.03.2011
Provision for employee benefits.		
Leave Encashment / Availment	19,404,602	15,643,563
Gratuity	13,321,581	10,728,987
Total	**32,726,183**	**26,372,550**

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 6 - SHORT TERM BORROWINGS	As at 31.03.2012	As at 31.03.2011
Secured		
Working Capital Loan from Scheduled Banks	170,168,040	171,630,829
Total	**170,168,040**	**171,630,829**

Working capital loan is secured by first pari passu charge on movable and immovable fixed assets and first pari passu charge on Current Assets, assignment of license / contracts and fully detailed in note 27 (8) (a).

NOTE 7 - TRADE PAYABLE	As at 31.03.2012	As at 31.03.2011
Due to Micro / Small & Medium Enterprises [Refer Note 27 (15) (a)]	94,298	103,716
For Expenses	1,031,682,999	1,188,748,648
Total	**1,031,777,297**	**1,188,852,364**

NOTE 8 - OTHER CURRENT LIABILITIES	As at 31.03.2012	As at 31.03.2011
Current Maturities of long-term debts*		
- Vehicle Loan	70,786	281,016
Advances from Customers and Unaccrued Income	190,357,924	204,682,902
Other Advances	4,003,100,000	2,967,163,035
Capital Goods Payable	2,243,757,040	2,145,138,718
Book Bank Overdraft	6,070,004	43,720,883
Investor Education and Protection Fund		
- Unclaimed Deposits from Public	10,000	16,397
- Interest accrued and due on Public Deposits	-	64,147
Other liabilities including statutory dues**	124,567,172	144,516,076
Total	**6,567,932,926**	**5,505,583,174**

* Vehicle Loan are secured by hypothecation of respective vehicle.

** Other Current liabilities include cheques outstanding beyond six months of Rs 523,618 (March 31, 2011 - 523,618) due on deposits towards repayment of public deposits under the NBFC CoR and Rs. 543,480 interest accrued & due on deposits to be transferred to investors education & protection fund. [Refer Note 27(20)].

NOTE 9 - SHORT TERM PROVISIONS [Refer Note 27(22)]	As at 31.03.2012	As at 31.03.2011
Provision for employee benefits.		
Leave Encashment / Availment	16,091,371	12,965,089
Gratuity	2,115,734	2,477,297
Total	**18,207,105**	**15,442,386**

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 10: FIXED ASSETS [Refer Note 27(10)]

TANGIBLE ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 1, 2011	Additions during the period	Sale/ Adjustment during the period	As at March 31, 2012	As at April 1, 2011	Depreciation for the period	On Sale/ Adjustment	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Land - Freehold	16,142,623	-	-	16,142,623	-	-	-	-	16,142,623	16,142,623
Land - Leasehold	8,896,419	-	-	8,896,419	1,108,989	92,160	-	1,201,149	7,695,270	7,787,430
Building	189,189,617	-	-	189,189,617	35,889,202	3,673,627	-	39,562,829	149,626,788	153,300,415
Leasehold Improvements	78,710,310	812,855	-	79,523,165	65,045,499	3,469,087	-	68,514,586	11,008,579	13,664,812
Network Equipment	5,311,776,314	386,451,238	161,600,800	5,536,626,752	2,582,403,499	432,041,125	149,476,478	2,864,968,146	2,671,658,606	2,729,372,814
Optical Fibre Cable and Copper Cable	4,507,185,172	69,479,738	446,713	4,576,218,197	2,703,085,066	336,041,516	244,191	3,038,882,391	1,537,335,807	1,804,100,106
Telephone Instruments at Customers Premises	672,849,370	49,460,467	392,937,135	329,372,702	531,742,226	61,705,315	383,270,413	210,177,128	119,195,574	141,107,144
Computers	236,873,840	1,412,318	30,134,372	208,151,786	207,047,022	12,595,306	30,121,278	189,521,050	18,630,736	29,826,818
Office Equipment	48,613,718	643,124	401,879	48,854,963	35,769,302	3,120,810	346,352	38,543,760	10,311,203	12,844,416
Furniture & Fixture	41,725,906	531,683	178,103	42,079,486	38,081,111	1,006,987	139,687	38,948,411	3,131,075	3,644,795
Vehicles	16,993,862	-	2,177,568	14,816,294	16,121,997	501,604	1,912,893	14,710,708	105,586	871,865
T O T A L	**11,128,957,151**	**508,791,423**	**587,876,570**	**11,049,872,004**	**6,216,293,913**	**854,247,537**	**565,511,292**	**6,505,030,158**	**4,544,841,849**	**4,912,663,238**
Previous Year ended Marchch 31,2011	**9,200,296,933**	**2,067,153,549**	**138,493,332**	**11,128,957,152**	**5,464,151,789**	**880,793,873**	**128,651,752**	**6,216,293,910**		

INTANGIBLE ASSETS	GROSS BLOCK				AMORTISATION				NET BLOCK	
	As at April 1, 2011	Additions during the period	Sale/ Adjustment during the period	As at March 31, 2012	As at April 1, 2011	Amortisation for the period	On Sale/ Adjustment	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Billing and Allied Software	-			-	-			-	-	-
Computer Software	189,324,929	7,822,075	-	197,147,004	173,484,044	9,111,360	-	182,595,405	14,551,599	15,840,885
Licence Entry Fees	2,352,658,603	-	-	2,352,658,603	1,467,367,334	136,055,290	-	1,603,422,624	749,235,979	885,291,269
Licence Entry Fees GSM [Refer Note 26 (1) (b)]	1,517,500,000	-	-	1,517,500,000	203,959,094	202,296,384	-	406,255,478	1,111,244,522	1,313,540,906
T O T A L	**4,059,483,532**	**7,822,075**	**-**	**4,067,305,606**	**1,844,810,473**	**347,463,034**	**-**	**2,192,273,507**	**1,875,032,099**	**2,214,673,059**
Previous Year ended Marchch 31,2011	**4,051,869,294**	**7,614,238**	**-**	**4,059,483,532**	**1,495,364,658**	**349,445,815**	**-**	**1,844,810,473**		

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 11 - NON CURRENT INVESTMENTS [Refer Note 27 (11)]	As at 31.03.2012	As at 31.03.2011
Investment in Subsidiary Company:(Unquoted)		
10,000 [March 31, 2010 - 10,000] equity shares of Rs 10 each fully paid in Infotel Tower Infrastructure Private Limited	100,000	100,000
Total	**100,000**	**100,000**

During the year ended March 31, 2009, the Company had incorporated one wholly owned Subsidiary Company, Infotel Tower Infrastructure Private Limited with an Investment of Rs 99,800. During the year ended March 31, 2011 the Company has acquired beneficial interest in the remaining 20 equity shares which were earlier held by the subscribers to the Memorandum of Association: Consequently, the company now holds 100% of the issued equity share capital in the subsidiary company.

NOTE 12 - LONG TERM LOANS AND ADVANCES	As at 31.03.2012	As at 31.03.2011
Unsecured, considered good		
Capital Advances	3,987,253	2,677,950
Security Deposits	59,838,508	25,925,483
Loans and advances to Related Parties (Infotel Tower Infrastructure Private Limited)	27,702,789	24,522,607
Advances Recoverable in cash or in kind or for value te be received	34,305,536	32,686,675
Doubtful		
Security Deposits	1,186,199	1,186,199
Advances Recoverable in cash or in kind or for value te be received	802,642	802,642
Less: Provision For Doubtful Advances	(1,988,841)	(1,988,841)
Total	**125,834,086**	**85,812,715**

NOTE 13 - INVENTORIES [Refer Note 27 (13)]	As at 31.03.2012	As at 31.03.2011
Inventory held for installation and maintenance of network	18,445,811	23,088,275
Total	**18,445,811**	**23,088,275**

NOTE 14 - TRADE RECEIVABLES	As at 31.03.2012	As at 31.03.2011
Trade Receivables Outstanding for a period exceeding six months:		
Secured, Considered Good	4,807,465	4,095,117
Unsecured, Considered Good	114,538,878	19,179,580
Doubtful	149,510,002	142,863,813
Others		
Secured, Considered Good	2,393,721	4,278,234
Unsecured, Considered Good	415,326,827	468,629,575
Doubtful	9,496,472	9,745,795
	696,073,365	**648,792,114**
Less: Provision for Doubtful Trade Receivables	(159,006,473)	(152,609,908)
Total	**537,066,892**	**496,182,206**

a) Debtors are secured to the extent of deposit received from the subscribers.

b) Includes Rs. 74,496,145 (March 31, 2011 - Rs 83,158,703) of unbilled revenues, the invoices for which have been raised subsequent to March 31, 2012 [Refer Note 26 (2.11)].

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 15 - CASH & CASH EQUIVALENTS	As at 31.03.2012	As at 31.03.2011
Balances with Scheduled Banks;		
In Current Accounts	42,370,333	41,866,893
In Escrow Accounts*	1,096,009	1,176,379
Fixed Deposit Accounts**		
Bank Deposit with more than 12 months maturity	600,000	
Other	49,654,166	19,776,890
Cheques in Hand	7,274,114	9,209,626
Cash in Hand	14,074,031	13,812,926
Total	**115,068,653**	**85,842,714**

*The balance with scheduled banks in Escrow Account is towards public deposits payable by the Company [Refer Note 27 (20)].

**Balances with banks to the extent held as margin money against BG & LC's are of Rs. 50,254,166(March 31, 2011 Rs. 19,776,890).

NOTE 16 - SHORT TERM LOANS & ADVANCES	As at 31.03.2012	As at 31.03.2011
Unsecured, considered good		
Other Loans and Advances		
TDS Recoverable	69,175,505	39,501,774
Balance with Customs, Excise and Service Tax	139,283,890	159,650,003
Advances Recoverable in cash or in kind or for value te be received	59,421,849	73,270,737
Total	**267,881,244**	**272,422,514**

NOTE 17 - OTHER CURRENT ASSETS	As at 31.03.2012	As at 31.03.2011
Interest Accrued on Fixed Deposits	1,630,323	5,431,866
Total	**1,630,323**	**5,431,866**

NOTES TO THE PROFIT AND LOSS

NOTE 18 - REVENUE FROM OPERATIONS	For the year ended 31.03.2012	For the year ended 31.03.2011
Sale of services;		
From Unified Access Services	1,704,442,056	1,474,269,161
From interconnection Usage Charges	161,277,793	107,889,428
From Infrastructure Services	48,776,164	46,031,982
From Internet Services	898,522,821	732,321,607
Total	**2,813,018,834**	**2,360,512,178**

NOTE 19 - OTHER INCOME	For the year ended 31.03.2012	For the year ended 31.03.2011
Interest Income [Tax Deduction at Source Rs. 149,549 (March 31,2011 Rs. 116,653)]	3,391,103	3,184,519
Sale of Scrap	4,607,572	8,701,120
Rental Income	7,409,540	9,156,553
Miscellaneous Income	480,817	1,826,967
Total	**15,889,032**	**22,869,159**

NOTES TO THE PROFIT AND LOSS

NOTE 20 - NETWORK OPERATION EXPENDITURE	For the year ended 31.03.2012	For the year ended 31.03.2011
Interconnect Usage Charges	718,825,556	538,484,396
Other Value Added Service charges	36,852,272	12,864,233
Port Charges	42,170,280	39,777,468
Testing and Technical Survey Expenses	380,000	578,526
Licence Fees on Revenue Share Basis	91,328,395	109,522,483
Royalty and Licence Fees to Wireless Planning Commission	23,302,114	27,494,016
Stores and Spares Consumed	61,537,609	88,281,514
Rent Node site	39,521,892	34,521,337
Infrastructure Sharing Rent	530,032,570	549,466,428
Electricity and Water -Network	332,090,211	329,288,523
Security Charges	539,359	781,695
Repair & Maintenance - Network	200,284,459	170,012,033
Bandwidth Charges	88,127,440	77,491,376
Total	**2,164,992,157**	**1,978,564,028**

NOTE 21 - EMPLOYEE BENEFIT EXPENSES	For the year ended 31.03.2012	For the year ended 31.03.2011
Salaries, Wages and Bonus	411,503,080	413,534,950
Employer's Contribution to Provident and other Funds [Refer Note 27 (22)]	13,488,202	13,978,038
Leave Encashment / Availment [Refer Note 27 (22)]	6,441,185	10,437,469
Gratuity [Refer Note 27 (22)]	4,731,031	3,165,805
Staff Welfare Expenses	8,669,190	9,546,033
Recruitment & Training Expenses	1,382,200	3,121,761
Total	**446,214,888**	**453,784,056**

NOTE 22 - SALES & MARKETING EXPENDITURE	For the year ended 31.03.2012	For the year ended 31.03.2011
Sales and Business Promotion	3,474,558	9,627,722
Advertisement Expenses	20,065,247	99,760,727
Customers Acquisition Costs	180,240,408	292,922,655
Total	**203,780,213**	**402,311,104**

NOTE 23 - FINANCE COSTS	For the year ended 31.03.2012	For the year ended 31.03.2011
Interest on Term Loans	256,453,815	257,045,637
Interest to Others	18,452,997	15,208,993
Bank Guarantee Commission	3,087,242	2,960,929
Trustees Fee	750,000	1,800,000
Monitoring Fees	1,100,000	-
Other Finance Charges	1,332,755	1,655,459
Total	**281,176,809**	**278,671,018**

NOTES TO THE PROFIT AND LOSS

NOTE 24 - OTHER EXPENSES		For the year ended 31.03.2012	For the year ended 31.03.2011
Foreign exchange fluctuation		17,755,242	(457,523)
Payments to the auditor			
Audit Fees		1,500,000	1,750,000
Tax Audit Fees		480,000	480,000
Other services		225,000	225,000
Reimbursement of expenses		104,915	177,254
Prior period Adjustments		(9,422,206)	5,873,723
Legal and Professional Expenses		16,919,772	20,225,986
Travelling and Conveyance		70,241,814	70,687,011
Communication Expenses		2,743,451	2,289,647
Rent		24,551,298	26,067,198
Security Charges		5,799,860	5,641,003
Repairs and Maintenance - Building		235,549	93,234
Repairs and Maintenance - Others		10,365,818	12,061,282
Electricity and Water		16,253,639	13,652,334
Insurance		8,583,837	6,406,238
Rates and Taxes		12,710,544	6,071,075
Freight & Cartage		5,545,840	8,534,440
Printing and Stationary		2,442,780	3,839,993
Billing and Collection Expenses		73,589,175	79,620,156
Directors' Fees		194,300	286,880
Loss/ (Gain) on sale and Discarded of Fixed Assets		8,798,624	(24,752,278)
Bad Debts Written off	41,980,582		33,925,945
Less; Provision for Doubtful Debts	(4,092,669)	37,887,913	(5,884,790)
Provision for Doubtful Debts		10,489,234	4,465,954
Miscellaneous Expenses		4,638,806	5,199,025
Total		**322,635,206**	**276,478,787**

NOTE 25 - CONTINGENT LIABILITIES	For the year ended 31.03.2012	For the year ended 31.03.2011
Estimated value of contracts remaining to be executed on capital account and not provided for net of capital advances Rs. 3,987,253 (March 31,2011 Rs 2,677,951)	64,947,346	296,671,624
Bank Guarantees given against Bid Bonds/Performance/Advance		
Financial Bank Guarantees	82,843,358	74,134,394
Performance Bank Guarantees	53,052,363	53,542,500
Open Letter of Credits (Margin Deposit Rs. 18514929 [March 31, 2011 - Rs. 14143944)]	18,514,929	14,143,944
Income tax matters under appeal [Refer Note 27 (1) (a)].	12,678,483	11,837,921
Claims against the company not acknowledged as debts	3,277,812	5,381,816
Dividend on 2% cumulative redeemable preference shares ('CRPS')	63,938,172	95,907,258
Others [Refer Note 27 (1) (b, c, d, e, f and g)].	852,854,133	852,854,133
Total	**1,152,106,596**	**1,404,473,590**

NOTES FORMING PART OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS AS AT AND FOR THE YEAR ENDED MARCH 31, 2012

[All amounts in Indian Rupees, except share data including share price, unless otherwise stated]

NOTE 26: BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES

1. **Background**

(a) Nature of business and ownership

Quadrant Televentures Limited ('the Company' or 'QTL'), Unified Access Services Licensee for Punjab Circle (including Chandigarh and Panchkula), is providing complete telecommunication services, which includes voice telephony, both wireline and fixed wireless, CDMA and GSM based mobiles, internet services, broadband data services and a wide range of value added service viz., centrex, leased lines, VPNs, voice mail, etc. The services were commercially launched in October 2000 and as on March 31, 2012, the Company has an active subscriber base of over 1,682,567.

The Company was incorporated on August 2, 1946 with the name of The Investment Trust of India Limited (ITI) which was subsequently changed to HFCL Infotel Limited on May 12, 2003. This was done pursuant to a Scheme of amalgamation (the Scheme), approved by the Hon' able High Court of the State of Punjab and Haryana and the State of Tamil Nadu on March 6, 2003 and March 20, 2003, respectively, whereby the *erstwhile* HFCL Infotel Limited (name earlier allotted to the transferor Company) ('*erstwhile* HFCL Infotel') was merged with the Company with effect from September 1, 2002. As per the Scheme envisaged, the Company's then existing business of hire purchase, leasing and securities trading was transferred by way of slump sales to its wholly owned subsidiary, Rajam Finance & Investments Company (India) Limited ('Rajam Finance') with effect from September 1, 2002. Rajam Finance was renamed as The Investment Trust of India Limited with effect from June 17, 2003 and it ceased to be the subsidiary of the Company with effect from September 30, 2003, due to allotment of fresh equity by Rajam Finance to other investors.

The Company, during the year ended March 31, 2004, surrendered its license granted by Reserve Bank of India ('RBI') to carry out NBFC business. RBI confirmed the cancellation of the NBFC license as per their letter dated May 24, 2004.

On September 24, 2010 the name of Company was changed to Quadrant Televentures Limited.

During the year ended March 31,2009, the Company had incorporated one wholly owned subsidiary Company, Infotel Tower Infrastructure Private Limited ('ITIPL') with an investment of Rs. 99,800 During the year ended March 31,2011 the Company has acquired beneficial interest in the remaining 20 equity shares which were earlier held by the subscribers to the Memorandum of Association. Declaration of beneficial Interest in the said shares has been duly filed with the Registrar of Companies. Consequently, the company now holds 100% of the issued equity share capital in the subsidiary company. The principal business of the Company is building, establishing, setting-up, accruing, developing, advising on, managing, providing, operating and/or maintaining, facilitating conduct of, fully or partially infrastructure facilities and services thereof for all kinds of value added services including Broadband Towers for telecom operations/services, payment gateway services and international gateway services.

(b) License Fees

The Company obtained licence for Basic Telephony Service for the Punjab circle (including Chandigarh and Panchkula) by way of amalgamation of the *erstwhile* HFCL Infotel with the Company. *Erstwhile* HFCL Infotel had obtained this licence under fixed license fee regime under National Telecom Policy ('NTP') 1994, valid for a period of 20 years from the effective date, and subsequently migrated from the fixed license fee regime to revenue sharing regime upon implementation of NTP 1999. Further to the Telecom Regulatory Authority of India's ('TRAI') recommendations of October 27, 2003 and the Department of Telecommunications ('DoT') guidelines on Unified Access (Basic & Cellular) Services Licence ('UASL') dated November 11, 2003, the Company migrated its licence to the UASL regime with effect from November 14, 2003. A fresh License Agreement was signed on May 31, 2004. Pursuant to this migration, the Company became additionally entitled to provide full mobility services. HFCL Infotel also entered into a Licence Agreement dated June 28, 2000, and amendments thereto, with DoT to establish maintain and operate internet service in Punjab circle (including Chandigarh and Panchkula).

Fixed license fees of Rs 1,775,852,329 paid under the old license fee regime from inception till July 31, 1999, were considered as the License Entry Fees of the Punjab circle (including Chandigarh and Panchkula) as part of the migration package to NTP 1999.

With effect from August 1, 1999, the Company is required to pay revenue share license fees as a fraction of Adjusted Gross Revenue ('AGR'), The revenue share fraction was set at 10 per cent of AGR with effect from August 1, 1999 and was reduced to 8 per cent of AGR with effect from April 1, 2004. In addition, spectrum charges calculated at 3 per cent of the AGR earned through the wireless technology is payable under the license agreement. Income from internet services is excluded from the service revenue for the purpose of the calculation of AGR as it is governed by a separate ISP licence between the Company and the Department of Telecommunications ('DoT').

During the year ended March 31, 2008, the Company has deposited the entry fee of Rs 1,517,500,000 with The Department of Telecommunication ('DOT') for the use of GSM Technology in addition to CDMA technology being used under the existing Unified Access Services Licence ('UASL') for the Punjab Service Area. The UASL has since been amended to incorporate the license for use of GSM technology on January 15, 2008 vide DOT's letter number F.No.10-15/2004/BS.II/HITL/ Punjab/17 dated January 15, 2008. The Company has launched its GSM services on March 29, 2010 in Punjab Circle.

(c) Project Financing

The Company's project was initially appraised by Industrial Development Bank of India ('IDBI') during the year ended March 31, 2000.

Pursuant to the migration to UASL regime, the consortium of lenders, led by IDBI, through the Corporate Debt Restructuring ('CDR') mechanism approved an overall restructuring of the liabilities of the Company and thereby revised the peak funding requirements.

Further, the CDR Empowered Group has approved the proposal of the Company for expansion of services, change in the scope of the project, cost of project and means of finance and restructuring of debt as per the reworked restructuring scheme dated June 24, 2005.

During the year, the Company has incurred losses of Rs 1,791,601,978 resulting into accumulated loss of Rs 15,428,596,916 as at March 31, 2012 which has completely eroded its net worth and has a net current liability of Rs 6,847,992,445 The ability of the Company to continue as a going concern is substantially dependent on its ability to successfully arrange the remaining funding and achieve financial closure to fund its operating and capital funding requirements and to substantially increase its subscriber base. The management in view of its business plans and support from significant shareholders is confident of generating cash flows to fund the operating and capital requirements of the Company. Accordingly, these statements have been prepared on a going concern basis.

2. <u>Summary of significant accounting policies</u>

2.1 Basis of preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the notified accounting standards by Companies (Accounting Standards) Rules, 2006 ('as amended'), and the relevant provisions of the Companies Act, 1956. The preparation of financial statements is in conformity with the Generally Accepted Accounting Principals. The financial statements have been prepared under the historical cost convention on an accrual basis of accounting. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The significant accounting policies are as follows:

2.2 Fixed Assets

Fixed assets are stated at cost (net of cenvat credit if availed) less impairment loss, if any, and accumulated depreciation. The Company capitalises direct costs including taxes (excluding cenvat), duty, freight and incidental expenses directly attributable to the acquisition and installation of fixed assets. Capital work-in-progress is stated at cost.

Telephone instruments having useful life lying with deactivated customers for more than 90 days since disconnection are written off.

2.3 Inventory

Inventory is valued at cost or net realisable value which ever is low. Cost for the purchase is calculated on FIFO basis

2.4 Depreciation

Depreciation is provided pro-rata to the period of use (except for Telephone Instruments, being ready for use are depreciated from the beginning of the month, following the month of purchase), on the straight line method based on the estimated useful life of the assets, as follows:

Asset	**Useful life (in years)**
Leasehold Land	Over the lease term
Buildings	Office Building 30 years Others 61 years
Leasehold Improvements	10 years or over the lease term, whichever is lower
Network Equipment (other than batteries) Batteries	9.67 years 5 years
Testing Equipments (included in Network Equipments)	5 years
Optical Fibre Cable and Copper Cable	15 years
Telephone Instruments	5 years
Computers	6.17 years
Software	5 years
Office Equipments	10 years, except in case issued to employees, where asset is depreciated in 5 years
Furniture and Fixture	10 years, except in case issued to employees, where asset is depreciated in 5 years
Vehicles	4 years
Fixed Assets costing less than Rs 5,000 (other than Telephone Instruments)	Fully depreciated when they are ready for use.

(i) Depreciation rates derived from the above are not less than the rates prescribed under Schedule XIV of the Companies Act, 1956.

(ii) During the year ended March 31, 2009 the Company has decreased the average life of Batteries considered part of Network equipments from 9.67 years to 5 years. Resultant impact is not material, hence not disclosed.

(iii) Depreciation on the amount capitalized on up-gradation of the existing assets is provided over the balance life of the original asset.

(iv) Depreciation on the amount capitalised till March 31, 2007 on account of foreign exchange fluctuations is provided over the balance life of the original asset (refer Note 2.13, below)

2.5 Borrowing Costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

2.6 Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

2.7 Intangibles

All expenditure on intangible items are expensed as incurred unless it qualifies as an intangible asset as defined in Accounting Standard 26. The carrying value of intangible assets is assessed for recoverability by reference to the estimated future discounted net cash flows that are expected to be generated by the asset. Where this assessment indicates a deficit, the assets are written down to the market value or fair value as computed above.

For accounting policy related to Licence Entry Fees, refer note 2.8(i), below.

2.8 Licence Fees

(i) Licence Entry Fee

The Licence Entry Fee [See Note 26 (1) (b)] has been recognised as an intangible asset and is amortised equally over the remainder of the licence period from the date of commencement of commercial operations [Refer Note 26 (1) (a)]. Licence entry fees includes interest on funding of licence entry fees, foreign exchange fluctuations on the loan taken upto the date of commencement of commercial operations.

The carrying value of license entry fees are assessed for recoverability by reference to the estimated future discounted net cash flows that are expected to be generated by the asset. Where this assessment indicates a deficit, the assets are written down to the market value or fair value as computed above.

(ii) Revenue Sharing Fee

Revenue Sharing Fee, currently computed at the prescribed rate of Adjusted Gross Revenue ('AGR') is expensed in the Profit and Loss Account in the year in which the related income from providing unified access services is recognised.

An additional revenue share towards spectrum charges is computed at the prescribed rate of the service revenue earned from the customers who are provided services through the CDMA and GSM technology. This is expensed in the Profit and Loss Account in the year in which the related income is recognised.

2.9 Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long term investments are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Current investments are carried at lower of cost and fair value and determined on an individual investment basis.

2.10 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2.11 Revenue Recognition

Revenue from unified access services are recognised on services rendered and is net of rebates, discounts and service tax. Unbilled revenues resulting from unified access services provided from the billing cycle date to the end of each month are estimated and recorded. Revenues from unified access services rendered through prepaid cards are recognised based on actual usage by the customers. Billings made but not expected to be collected, if any, are estimated by the management and not recognised as revenues in accordance with Accounting Standard on Revenue Recognition ('AS 9').

Revenue on account of internet services and revenue from infrastructure services are recognised as services are rendered, in accordance with the terms of the related contracts.

2.12 Interconnection Usage Revenue and Charges

The TRAI issued Interconnection Usage Charges Regulation 2003 ('IUC regime') effective May 1, 2003 and subsequently amended the same twice with effect from February 1, 2004 and February 1, 2005. Under the IUC regime, with the objective of sharing of call revenues across different operators involved in origination, transit and termination of every call, the Company pays interconnection charges (prescribed as Rs per minute of call time) for all outgoing calls originating in its network to other operators, depending on the termination point of the call i.e. mobile, fixed line, and distance i.e. local, national long distance and international long distance. The Company receives certain interconnection charges from other operators for all calls terminating in its network

Accordingly, interconnect revenue are recognised on those calls originating in another telecom operator network and terminating in the Company's network. Interconnect cost is recognised as charges incurred on termination of calls originating from the Company's network and terminating on the network of other telecom operators. The interconnect revenue and costs are recognised in the financial statement on a gross basis and included in service revenue and network operation expenditure, respectively.

2.13 Foreign Currency Transactions

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

Exchange differences arising on the settlement or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year.

2.14 Employee Benefits

Effective April 1, 2007, the Company has adopted the Revised Accounting Standard - 15 'Employee Benefits'. The relevant policies are:

Short Term Employee Benefits

Short term employee benefits are recognised in the period during which the services have been rendered.

Long Term Employee Benefits

Provident Fund and employees' state insurance schemes

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognised and administered by the Government of India.

The Company's contributions to both these schemes are expensed in the Profit and Loss Account. The Company has no further obligations under these plans beyond its monthly contributions.

Leave Encashment

The Company has provided for the liability at period end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

Gratuity

The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuation in accordance with Accounting Standard 15 (revised), "Employee Benefits " The Company makes annual contributions to the LIC for the Gratuity Plan in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation at period end using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

a) Short term compensated absences are provided for on based on estimates.

b) Actuarial gains and losses are recognised as and when incurred

2.15 Income-Tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be, that future taxable income will be available against which such deferred tax assets can be realised.

2.16 Operating Leases

Where the Company is the lessee

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

2.17 Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For calculating diluted loss per share, the number of shares comprises the weighted average shares considered for deriving basic loss per share, and also the weighted average number of shares, if any which would have been used in the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive equity shares are adjusted for the bonus shares and the sub-division of shares, if any.

2.18 Segment Reporting

Identification of segments:

The primary reporting of the Company has been performed on the basis of business segments. The analysis of geographical segments is based on the areas in which the Company's products are sold or services are rendered.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

The Corporate and other segment include general corporate income and expense items, which are not allocated to any business segment.

2.19 Cash & Cash Equivalents

Cash & cash equivalents in the Balance Sheet comprise cash in hand and at bank.

NOTES FORMING PART OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS AS AT AND FOR THE YEAR ENDED MARCH 31, 2012

[All amounts in Indian Rupees, except share data including share price, unless otherwise stated]

NOTE 27: NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(1) Commitments and contingent liabilities not provided for in respect of:

(a) The Company has certain income tax related matters pending with Income Tax Appellate Tribunal for the Assessment Year 2001-02 aggregating to Rs 12,678,483 (March 31, 2011 – Rs 11,837,921).

(b) The Wireless Finance Division of Department of Telecommunications has claimed an outstanding of Rs 29,585,211 towards the Spectrum Charges dues from year 2001 to year 2005 vide their letter 1020/48/2005-WFD dated October 7, 2005. The Company has submitted its reply to the department on October 25, 2005 confirming the total due of Rs 29,472 only and paid the said amount. The Wireless Finance Division of Department of Telecommunications has subsequently claimed Rs 39,310,176 vide letter number 1020/48/2005-WFD dated September 13, 2006 towards the Spectrum Charges dues from year 2001 to year 2006. The Company has submitted a detailed reply on October 31, 2006. During the year ended March 31, 2008, out of the above demand, the Company has deposited Rs 1,801,241 under protest towards the interest due till August 31, 2006. Wireless Finance Division of Department of Telecommunications has updated their claim to Rs 70,604,092 towards Spectrum Charges dues from January 1, 2000 to September 30, 2008 vide letter number 1020/29/WR/07-08 dated October 24, 2008. The Company has once again made a written representation vide its letter dated December 8, 2008 and August 12, 2009. Subsequently DOT has revised their demand to Rs 70,528,239 vide Letter No 1020/48/WFD/2005-06/ Dated September 6, 2010 to which the Company has made representations vide letter dated September 23, 2010, February 3, 2011 and March 17, 2011. The reply of which has not been received. Based on the legal opinion, the Company is confident that no liability would accrue regarding the same in future.

(c) During the year ended March 31, 2007, Bharat Sanchar Nigam Limited ('BSNL') has raised supplementary bill dated August 10, 2006 for Rs 167,614,241 towards Inter-connect Usage Charges ('IUC') and Access Deficit Charges ('ADC') for the period November 14, 2004 to August 31, 2005 on the Company. BSNL further raised invoices to the tune of Rs 99,346,533 on similar grounds for the period September 1, 2005 to February 28, 2006.These charges are on account of unilateral declaration of the Company's Fixed Wireless and Wire line Phone services as Limited Mobility Services by BSNL. The Company has submitted its reply to BSNL on August 23, 2006 asking for the calculation/basis for the additional amount raised towards IUC and ADC by BSNL for Rs 167,614,241. Subsequently, BSNL issued a disconnection notice on August 26, 2006 which required the payment of Rs 208,236,569 (including Rs 167,614,241). The Company has submitted details to BSNL for payments already made for Rs 40,622,328. The Company has approached Hon'ble TDSAT on the subject matter and a stay order was granted on Company's petition no 232 of 2006 against the disconnection notice on September 21, 2006. BSNL Jalandhar Office subsequently raised a supplementary bill dated March 20, 2007 for Rs 5,206,780, to which the Company has submitted its reply on March 23, 2007 intimating that the matter being sub-judice and pending decision by the Hon'ble TDSAT, no coercive action be taken against the Company. The hearing on the matter has been completed and the Hon'ble TDSAT has pronounced the judgment on May 21, 2010 in Company's favour and has directed that BSNL and the Company should exchange relevant information and reconcile the differences. In the absence of information from BSNL, the Company is not in a position to determine the liability with respect to this matter. The Company, based on expert legal opinion, believes that there would be no financial liability against such bills and accordingly, has not recorded any liability towards the IUC and ADC supplementary bills during the year ended March 31, 2012.

(d) The Company is in receipt of Show Cause Notice dated June 4, 2007 from Department of Telecommunications ('DoT') for non fulfilment of first year's roll-out obligations of Unified Access Service License ('UASL') Agreement for Punjab Service Area, where in the licensee as per the terms of the license agreement was required to ensure that at least 10% of the District Headquarter / Towns are covered in the first year of the date of migration to UASL which commences from the date of Test Certificate issued by Telecom Engineering Centre ('TEC'). As stated by DoT in the Show Cause Notice issued, the Company has violated the conditions of UASL and accordingly Liquidated Damages of Rs 70,000,000 has been imposed and DoT has also sought explanation within 21 days as to why they should not take action against the Company under the UASL Agreement to which the Company has replied on September 27, 2007 that the Company has not violated the conditions of UASL and based on expert legal advice, the Company believes that there would be no financial liability against such claims of DoT and accordingly, has not recorded any liability towards the Liquidated Damages during year ended March 31, 2012.

(e) The Company is in receipt of a demand of Rs 433,158,340 from Bharat Sanchar Nigam Limited ('BSNL') on December 20, 2008 on account of unilateral revision of access charges vide its letter dated April 28, 2001 for the period from June 2001 to May 2003, in contravention of the Interconnect Agreement and TRAI Regulations. The Company, Association of Unified Service Providers of India 'AUSPI' (erstwhile Association of Basic Telephone Operators 'ABTO') and other Basic Service Operators contested aforesaid revision in the rates of access charges before Telecom Dispute Settlement Appellate Tribunal ('TDSAT'). TDSAT vide its reasoned and detailed judgement dated April 27, 2005 allowed the refund claims and struck down the unilateral revision in the rates of access charges by BSNL and held that Telecom Regulatory Authority of India ('TRAI') is the final authority for fixing of access charges and access charges would be payable as rates prescribed by the TRAI and as per the Interconnect agreements. BSNL preferred an appeal in Hon'ble Supreme Court against the order of TDSAT and an interim stay was granted on October 19, 2006 Therefore aggrieved by such unilateral action on the part of BSNL by raising aforesaid demand and disturbing the status-quo, applications were moved by the Company, AUSPI and other Operators in the Hon'ble Supreme Court vide C.A No.5834-5836 of 2005 that was listed for hearing on February 9, 2009 and Hon'ble Supreme Court passed an order clarifying its previous order of October 19, 2006 and stayed the refunds claim against the BSNL there by upholding the TDSAT order dated April 27, 2005 whereby BSNL is refrained from raising the access charges demand. The Company based on the legal opinion believes that there would be no financial liability against this demand and has accordingly not recorded any liability towards access charges during the year ended March 31, 2012.

(f) The Company is in receipt of demand of Rs. 7,000,000 from Department of Telecommunications ('DoT'), Licensing Group (Access Services) vide their letter dated October 21, 2009 for issuance of SIM cards on fake ID in Punjab Service Area, where in the Licensee was required to ensure adequate verification of each and every customer before enrolling him as a subscriber. The Company has replied to DoT vide letter dated November 14, 2009 that the levy of penalty imposed by DoT was based on verification done by an agency other than the DOT – TERM Cells and the exercise was carried out suo moto and in complete disregard of the established procedures and guidelines laid by DoT. Accordingly the Company has requested DoT to have this validation done by the DOT – TERM Cell. The Company believes that there would be no financial liability against this demand and has accordingly not recorded any liability towards penalty during the year ended March 31, 2012.

(g) The Company is in receipt of a demand of Rs 4,157,718 from Bharat Sanchar Nigam Limited ('BSNL') on February 2, 2009 on account of port charges for the year 2008-09, passive link charges, duct cost for passive link and active link charges. Out the above Rs 430,131 pertaining to port charges for the year 2008-09 and active link charges was paid by the Company vide receipt number 189 dated February 18, 2009. The amount of Rs 3,727,587 towards the duct cost for passive link and passive link charges was not acceptable by the Company as the demand raised by BSNL was unilateral and unjust. The Company filed a petition vide petition number 41(C) of 2009 with Telecom Dispute Settlement and Appellate Tribunal ('TDSAT') to which the Company was granted a stay order dated March 25, 2009 restraining BSNL from recovering the dues from the Company. The hearing on the matter has been completed on February 11, 2010 and the judgement from Hon'ble TDSAT was delivered December 22, 2010 in favour of BSNL where in the Company was required to make payment amounting to Rs. 5,191,862 to BSNL. The said payment has been made in compliance with the order.

(2) **Expenditure in foreign currency** (on accrual basis)

	For the year ended March 31, 2012	**For the year ended March 31, 2011**
Interest Charges	1,329,236	2,015,715
Travel Expenses	81,460	962,879
Others	1,894,144	4,131,406
Total	**3,304,840**	**7,110,000**

(3) **Managerial remuneration**

Remuneration paid to Manager is as under:

	For the year ended March 31, 2012	**For the year ended March 31, 2011**
Salary	540,000	416,847
Employer's contribution to provident fund	64,800	50,022
Perquisites/ Allowances	615,815	524,643
Ex-gratia/ Performance linked incentive		256,170
Total	**1,220,615**	**1,247,682**

The above managerial remuneration does not include provision of gratuity of Rs 98,408 (March 31, 2011– Rs 56,688) and leave encashment of Rs 187,457 (March 31, 2011– Rs129,613), as these provisions are computed on the basis of an actuarial valuation done for the Company and are provided in the financials (Refer Note 5 and note 9).

Value of perquisites and other allowances has been determined in accordance with the provision of the Income-tax Act, 1961.

(4) **Payments to auditors (excluding service tax)**

	For the year ended March 31, 2012	For the year ended March 31, 2011
As Auditor:		
Audit fees	1,500,000	1,750,000
Tax audit fee	480,000	480,000
Out-of-pocket expenses	104,915	177,254
In other manner:		
AGR Fees	225,000	225,000
Total	**2,309,915**	**2,632,254**

(5) **CIF value of imports**

	For the year ended March 31, 2012	For the year ended March 31, 2011
Import of capital equipment (other than telephone instruments)	39,972,579	1,039,157,191
Import of telephone instruments	11,592,718	21,590,048
Components and Spares	2,729,005	6,631,032
Total	**54,294,303**	**1,067,378,271**

(6) **Consumption of Stores & Spares**

	For the year ended March 31, 2012		For the year ended March 31, 2011	
	Value	%	Value	%
Indigenous	58,244,280	94.65	81,650,482	92.49
Imported	3,293,329	5.35	6,631,032	7.51
Total	**61,537,609**	**100.00**	**88,281,514**	**100.00**

(7) **Share Capital**

Equity shares

(a) As of date, the entire paid up Equity Share Capital of the company comprising of 612,260,268 equity shares of Rs 10 each, stands listed on the Bombay Stock Exchange (BSE) Consequent upon the issuance of 8,67,43,116 equity shares allotted pursuant to the conversion of 75,51,178 OFCDs along with interest accrued thereon to the Financial Institution /Banks on July 8, 2009, the non-promoter shareholding in the Company increased from 38.02% to 46.80%, and the Promoters' Shareholding decreased from 61.97% to 53.19%, whereupon the Company requested BSE to grant listing of unlisted shares without insisting upon the stipulation of the condition for 'Offer for Sale. BSE, vide its letter DCS / AMAL / RCG/ GEN / 1108 / 2008-09 dated February 13, 2009, inter-alia, agreed to exempt the condition imposed on the Company to comply with requirement of making an offer for sale in the domestic market, subject to compliance of certain procedural requirements including 'three years lock-in' period of 25% of equity shares that had been issued pursuant to the merger on June 17, 2003 i.e. 25% of 432,000,250 shares (108,000,063 equity shares). The Company had - in compliance with the conditions stipulated by BSE - placed under lock-in 108,000,063 equity shares on May 14, 2009 for a period of 3 years ending May 15, 2012. The Company has also complied with all other necessary requirements pursuant to the letter from BSE dated February 13, 2009 related to 83,070,088 equity shares issued pursuant to corporate debt restructuring scheme. BSE had also agreed to grant in-principle approval for allotment of 86,743,116 equity shares to be issued to Banks and financial institutions on conversion upon filing of necessary listing application, which the Company has filed, vide its letter no. HITL/S&L/S-01/09/472 and 473 dated March 07, 2009. Consequently, vide their notice 20090514-12 dated May 14, 2009 hosted on it's website BSE had granted Listing and Trading permission in respect of the 432,000,250 equity shares issued pursuant to scheme of amalgamation. BSE had also granted Listing approval in respect of the 83,070,088 equity shares allotted as aforesaid vide their letter number DCS/PREF/DMN/ FIP/239/09-10 dated May 25, 2009 and the shares were Listed by BSE vide its notice number 20090605-20 dated June 5, 2009.

(b) Out of the total paid up equity share capital comprising of 612,260,268 equity shares of Rs 10 each, 8,67,43,116 equity shares of Rs.10/- each (allotted on July 08, 2009, after obtaining in principle approval from the BSE and MSE. upon the conversion of Optionally Fully Convertible Debentures (OFCDs) allotted pursuant to the Corporate Debt Restructuring (CDR Cell) Consequently, the Listing approval in respect of these shares was granted by Bombay Stock Exchange (BSE) vide its letter number 20090813-08 dated August 13, 2009 w.e.f. August 14, 2009 and by the Madras Stock Exchange Limited vide its letter no.MSE/LD/PSK/738/215/09 dated September 01, 2009 w.e.f September 01, 2009.

Out of the total paid up equity share capital comprising of 612,260,268 equity shares of Rs 10 each, 326,705,000 equity shares of Rs.10/- each representing 53.3605% of the total Paid up share capital of the Company – which were earlier held by Himachal Futuristic Communications Limited – the erstwhile promoter or Holding Company), were acquired by M/s Quadrant Enterprises Private Limited on 03rd April, 2010 in compliance with the SEBI Exemption Order in pursuance of the proposal for settlement / change of management of the Company approved under the New Restructuring Scheme as approved by the Corporate Debt Restructuring Cell (CDR Cell) on August 13, 2009.

(c) On March 31, 2004, the Company obtained the approval from the shareholders for de-listing the shares listed in the Calcutta Stock Exchange Association Limited ('CSE') and complied with all the necessary requirements for delisting and submitted its application in CSE. Despite repeated reminders, the Company has not yet received CSE's approval in this regard.

(d) Pursuant to the Company's application in this regard, for Voluntary Delisting pursuant to the provisions of regulation 6(a) and 7(1) of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulation, 2009, the Madras Stock Exchange (MSE), MSE has vide its letter dated March 15, 2011, accepted and accorded its consent to the Voluntary Delisting of the company's shares vide its letter No. MSE/LD/PSK/731/109/11 dated 15th March, 2011 accepting the Voluntary delisting of the company's equity shares from the MSE.

(8) **Secured Loans**

(a) As per the CDR Scheme approved on March 10, 2004 and subsequently approved on June 4, 2005, the Lenders have signed Master Restructuring Agreement ('MRA') for restructuring of their Debts and Security Trusteeship Agreement, whereby the Lenders have entered into an agreement and appointed IDBI Trusteeship Services Limited (herein after referred as "ITSL") as their custodian of security. On November 11, 2005, the charges were registered in favour of the ITSL for Rupee Term Loans, for providing Specific Credit Facility, for Working Capital Assistance and Zero percent Secured OFCDs. The same are secured by first pari passu charge on immovable properties of the Company situated at Kandivali (East), Mumbai and properties situated at Mohali & Jalandhar under equitable mortgage, first pari passu charge of hypothecation of movable properties of the Company including movable plant & machinery, machinery spares, tools & accessories and other movables including book debts by way of hypothecation, both present and future. Further, the same are also secured by assignment of all rights, title, benefits, claims and interest in, under the project documents, insurance policies, all statutory, government and regulatory approvals, permissions, exemptions and waivers on pari passu basis. Subsequently, pursuant to the reworked restructuring scheme approved under CDR mechanism on June 24, 2005, the Company has entered into amendatory Master Restructuring Agreement and amendatory Security Trusteeship Agreement ('STA') on March 9, 2006, whereby Centurion Bank of Punjab has also joined as one of the lenders and has agreed to appoint ITSL as their custodian for security and signed the STA in line with other lenders in consortium.

On the request of the Company, Corporate Debt Restructuring Cell ('CDR') vide their letter no CDR (JCP) No 138 / 2009-10 ('CDR Letter') dated May 20, 2009 has approved the interim revised restructuring package. The revised restructuring package inter alia includes funding of interest from July 1, 2008 to October 31, 2009 on simple interest basis. Funded Interest on Term Loan ('FITL') would not carry any interest and the FITL shall be repaid in 16 equal monthly installments commencing from December 1, 2009, and has rescheduled the principle installments from August 1, 2008 to November 1, 2009 so as to be repayable from December 1, 2009 to March 1, 2011. Corporate Debt Restructuring ('CDR') cell vide their letter no CDR (JCP) No 563 / 2009-10 dated August 13, 2009 has approved a new restructuring scheme, which includes the induction of strategic investor / change of management and settlement proposal for Term Lenders. All the term lenders have given their acceptance to the new restructuring scheme. The new restructuring scheme has been made effective from April 1, 2009 and accordingly an amount of Rs 373,097,077 towards FITL from July 1, 2008 to March 31, 2009 has been considered as term loan.

In pursuant to the new restructuring scheme vide letter no. CDR (JCP) No 563 / 2009-10 dated August 13, 2009, The Company had allotted 15,984,543, 2 % Cumulative Redeemable Preference Shares of Rs.100 each aggregating to Rs.1,598,454,300 on November 9, 2010, to Financial Institution / Banks in conversion of 25% of their outstanding loans as on April 01, 2009.

In compliance with the aforesaid new restructuring scheme dated August 13,2009 the Company had repaid on July 06, 2010 and July 07, 2010 an amount of Rs 1,598,454,522 being 25% of their outstanding loans as on April 01, 2009

The Company is required to allot secured Non Convertible Debenture ('NCD') of an amount aggregating to Rs 3,196,909,043 equivalent to 50 % of their outstanding loans as on April 01, 2009, which shall be issued on the terms of the aforesaid new restructuring scheme and shall be implemented on the completion of such approvals and conditions precedent.

(b) The above mentioned security has been further extended to the amount of secured loans and working capital assistance, together with the interest, compound interest, additional interest, default interest, costs, charges, expenses and any other monies payable by the Company in relation thereto and in terms with MRA and STA entered into between the lenders and ITSL.

(c) Vehicle Loans of Rs 70,786 (March 31, 2011 – Rs 351,802) are secured by way of exclusive hypothecation charge in favour of bank on the specific vehicle acquired out of the loan proceeds of the Company. These loans are repayable in monthly instalments and shall be repaid by 2012-13. Vehicle loans repayable within one-year amounts to Rs 70,786. Interest rates on vehicle loans is 10.71 per cent per annum. The average tenure of loan is 36 months.

(9) **Unsecured Loans**

(a) On October 16, 2004, the Company issued 1,667,761 zero percent Non Convertible Debentures ('NCDs') of Rs 100 each in lieu of interest accrued on term loans from a financial institution and a bank for the period April 1, 2003 to December 31, 2003. The NCDs earlier redeemable at par on March 31, 2014, are now redeemable at par on March 31, 2016 after repayment of the term loans as per reworked restructuring scheme effective from April 1, 2005.

(b) The Company under the terms of the agreement dated May 1, 2007 had taken convertible loan to facilitate expansion and development of businesses amounting to Rs 499,499,886 from Infotel Digicomm Private Limited. The convertible loan was repayable on demand with an option to convert the Loan into Equity Shares, subject to getting necessary approvals and subject to applicable pricing guidelines as per SEBI and other laws and regulations. On September 16, 2009 Infotel Digicomm Private Limited ('IDPL') had entered into an assignment agreement with Domebell Electronics India Private Limited ('DEIPL'), wherein IDPL had assigned the above convertible loan of Rs 499,499,886 to DEIPL. All the terms and conditions relating to the convertible loan remained the same. The interest accrues at the end of each quarter. During the year ended March 31, 2010 the Company has provided for interest amounting to Rs 14,984,997 @ 12% to IDIPL for the three months ended June 30, 2009. DEIPL on the basis of the assignment agreement dated September 16, 2009 has a right on the interest accruing from July 1, 2009 onwards. DEIPL have agreed to waive off the interest from July 1, 2009 till March 31, 2012, therefore no provision for such interest has been made by the Company. Consequent to the addendum to the assignment agreement, the convertible loan from DEIPL is now repayable after 7 years from the date of assignment agreement dated September 16, 2009.

(c) The Company under the terms of the agreement dated May 1, 2007 had taken buyer's credit facility to facilitate funding of the telecom project amounting to Rs 410,740,832 from Infotel Business Solutions Limited. The loan carries 12% interest and was repayable on demand. Infotel Business Solutions Limited had the option to convert the loan including interest accrued into equity shares, subject to applicable pricing guidelines as per SEBI and other laws and regulations. On September 16, 2009 Infotel Business Solutions Limited ('IBSL') has entered into an assignment agreement with Domebell Electronics India Private Limited ('DEIPL'), wherein IBSL has assigned the above buyer's credit facility of Rs 410,700,000 to DEIPL. All the terms and conditions relating to the buyer's credit facility remained the same. The interest accrues at the end of each quarter. During the year ended March 31, 2010 the Company has provided for interest amounting to Rs 12,322,225 @ 12% to IBSL for the three months ended June 30, 2009. and accordingly DEIPL on the basis of the assignment agreement dated September 16, 2009 has a right on the interest accruing from July 1, 2009 onwards DEIPL has agreed to waive off the interest from July 1, 2009 till March 31, 2012, therefore no provision for such interest has been made by the Company. Consequent to the addendum to the assignment agreement, the convertible loan from DEIPL is now repayable after 7 years from the date of assignment agreement dated September 16, 2009.

(d) The Company had taken an unsecured loan on July 06, 2010 of Rs.1,598,500,000 @ 8% per annum, the interest accrues at the end of each quarter. The lender has agreed to waive off the interest from July 06, 2010 to March 31, 2012, therefore no provision for said interest has been made by the Company. The aforesaid unsecured loan is repayable after 7 years from the commencement of the unsecured loan.

(10) **Fixed Assets and Capital work-in-progress**

(a) Capital Work in Progress includes Goods in Transit of Rs Nil (March 31, 2011 – Rs 2,299,900).

(b) As on March 31, 2012, telephone instruments aggregating to a net book value of Rs 85,390,844(March 31, 2011 – Rs 121,711,778) and other assets aggregating to net book value of Rs 1,031,023,331(March 31, 2011 – Rs 1,105736,867) are located at customer premises, other parties and at other operator's sites, respectively.

(11) **Investments**

During the year ended March 31, 2009 the Company has incorporated a Subsidiary Company Infotel Tower Infrastructure Private Limited with an Investment of Rs 99,800. The principal business of the Company is building, establishing, setting-up, accruing, developing, advising on, managing, providing, operating and/or maintaining, facilitating conduct of, fully or partially infrastructure facilities and services thereof for all kinds of value added services including broadband towers for telecom operations/services, payment gateway services and international gateway services. During the year ended March 31, 2011 the Company has acquired beneficial interest in the remaining 20 equity shares which were earlier held by the subscribers to the Memorandum of Association. Consequently, the company now holds 100% of the issued equity share capital in the subsidiary company.

(12) **License Entry Fees**

During the year ended March 31, 2008, the Company has deposited the entry fee of Rs 1,517,500,000 with The Department of Telecommunication ('DOT') for the use of GSM Technology in addition to CDMA technology being used under the existing Unified Access Services Licence ('UASL') for the Punjab Service Area. The UASL has since been amended to incorporate the license for use of GSM technology on January 15, 2008 vide DOT's letter number F.No.10-15/2004/BS.II/HITL/ Punjab/17 dated January 15, 2008. The Company has launched its GSM services on March 29, 2010 in Punjab Circle.

(13) **Inventory for Network Maintenance**

The Company holds inventory of network maintenance consumables and RUIM cards amounting to Rs 18,445,811 (March 31, 2011 – Rs 23,088,275). The quantity and valuation of inventory is taken as verified, valued and certified by the management.

(14) **Deferred Taxes**

During the year, the Company has incurred losses of Rs 1,791,601,978 (accumulated losses of Rs 15,428,596,916) resulting into a tax loss carry forward situation. The Company is eligible for a tax holiday under section 80IA of the Income-tax Act, 1961. Though the management is confident of generating profits in the future, there is currently no convincing evidence of virtual certainty that the Company would reverse the tax loss carry forwards beyond the tax holiday period. Accordingly, the Company has not recognized any deferred tax assets resulting from the carry forward tax losses. Further, no deferred tax liabilities on account of temporary timing differences have been recognized since they are expected to reverse in the tax holiday period.

(15) **Current Liabilities and Provisions**

a) Sundry Creditors include amount payable to Micro and Small Enterprises as at March 31, 2012 of Rs 94,298 (March 31, 2011 – Rs 103,716). The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information and records available with the Company.

Information for the supplier covered under the Micro, Small and Medium Enterprise Development Act, 2006, as at March 31, 2012 is as under –

Particulars	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**
Principal amount	94,298	103,716
Interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	-	-
The amount of interest paid by the buyer in terms of Section 16 of Micro, Small and Medium Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each account year.	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small & Medium Enterprise Development Act, 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of accounting year.	-	-

b) The Company had obtained advance of Rs 3,827,500,000 (March 31, 2011 Rs. 1,517,500,000) to fund the entry fee for using GSM Technology under the existing Unified Access Services License (UASL) and business operations for Punjab Service Area. The amount of aforesaid advance is adjustable or refundable on such terms and conditions as may be mutually agreed. No interest is payable on the said advance.

(16) **Earning per share**

The calculation of earning per share is based on the loss for the year and number of shares is shown below.

Particulars	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**
Loss for the year (in Rs)	1,791,601,978	2,236,667,344
Weighted average number of equity shares	612,260,268	612,260,268
Nominal value per equity share (in Rs)	10	10
Earning per share – basic and diluted (in Rs)	(2.93)	(3.65)

(17) **Operating leases**

A. Company as a Lessee

The Company has entered into various cancelable lease agreements for leased premises. Gross rental expenses for the year ended March 31, 2012 is Rs 64,073,190 (March 31, 2011 – Rs 60,588,535).

The Company has entered into site sharing agreements with other operators for sharing of their infrastructure sites. During the year, the Company has incurred Rs 530,032,570 (March 31, 2011 – Rs 549,466,428) towards infrastructure sharing expenses.

Further lease payments under non-cancellable operating leases are as follows:-

Particulars	As at March 31, 2012	As at March 31, 2011
Payable not later than one year	465,246,235	466,350,888
Payable later than one year and not later than five years	1,404,241,701	1,562,634,242
Payable more than five years	245,992,464	859,438,541
Total	**2,115,480,400**	**2,888,423,671**

The escalation clause includes escalation at various periodic levels ranging from 0 to 50%, includes option of renewal from 1 to 99 years and there are no restrictions imposed on lease arrangements.

B. Company as a Lessor

The Company has entered into cancellable site sharing agreements with other operators for sharing of its infrastructure sites. During the year, the Company has accrued Rs 7,608,860 (March 31, 2011– Rs 4,557,384) towards site sharing revenue.

The Company has entered into a non-cancellable lease arrangement to provide approximately 7,994.42 Fibre pair kilometres of dark fibre on indefeasible right of use (IRU) basis for a period of 15 years. The gross block, accumulated depreciation and depreciation expense of the assets given on IRU basis is not readily determinable and hence not disclosed.In respect of such leases, rental income of Rs 36,775,779(March 31, 2011– Rs 35,810,133) has been recognised in the profit and loss account for the year ended March 31, 2012.

Further lease receipts (under non-cancellable operating leases) will be recognised in the profit and loss account of subsequent years as follows:-

Particulars	As at March 31, 2012	As at March 31, 2011
Receivable not later than one year	36,775,779	35,810,133
Receivable later than one year and not later than five years	147,103,116	143,240,533
Receivable later than five years	147,906,965	178,667,090
Total	**331,785,859**	**357,717,756**

(18) **Segmental Reporting**

The primary reporting of the Company has been performed on the basis of business segments. The Company has only one business segment, which is provision of unified telephony services. Accordingly, the amounts appearing in these financial statements relate to this primary business segment. Further, the Company provides services only in the State of Punjab (including Chandigarh and Panchkula) and, accordingly, no disclosures are required under secondary segment reporting.

(19) Related Party Transactions for the Period Apr'11-Mar'12

Relationship	Holding Company		Wholly owned Subsidiaries		Companies Under Key Management Personnel		Key Management Personnel		Total	
Nature of transaction	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**
Assets									–	–
Purchase of Equity Shares	–	–	–	–	–	–			–	–
Advance against equity	–	–	–	–	–	–			–	–
Purchase of Capital Goods	–	–	–	2,948,803	–	–			–	2,948,803
Purchase of Capital Services	–	–	–	–	–	–			–	–
Payment against Capital Purchases / Services	–	–	–	–	–	440,000			–	440,000
Liabilities									–	–
Amount received by Company	–	–	–	–	–	–			–	–
Loan Received By Company	–	–	–	–	–	–			–	–
Balance – Payable	–	–	–	–					–	–
Balance – Receivable		–	27,702,789	24,522,607	–	24,400,762	–	–	27,702,789	48,923,369

Relationship	Holding Company		Wholly owned Subsidiaries		Companies Under Key Management Personnel		Key Management Personnel		Total	
Nature of transaction	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**
Income /Receipt										
Services Provided	–	–	–	–	–	–			–	–
Sale of Material/Assets	–	–	390,779	9,055		–			390,779	9,055
Debit Notes raised by us	–	–	48,894	225,644		–			48,894	225,644
Expenses/Payments										
Interest expense on ICD received	–	–	–	–		–			–	–
Bank Guarantee Commission	–	–	–	–		–			–	–
Debit Notes raised on us	–	–	16,564	49,760		–			16,564	49,760
Purchase of Consumables Goods/ Repair & Maintenances	–	–	31,650	–					31,650	–
Purchase of Services (Expenditure Nature)	–	–	85,585,270	85,084,015		–	1,220,615	4,080,770	86,805,885	89,164,785
Payment received by us	–	–	–	–		–			–	–
Assignment of Loan	–	–				–			–	–
Payments made by the Company	–	–	88,373,992	80,018,034	–	–	1,220,615	4,080,770	89,594,607	84,098,804
Advances Written Off	–	–	–	–	–	–			–	–

<u>List of related parties</u>

- Holding Company: Himachal Futuristic Communications Limited from April 1, 2010 to April 3, 2010, Quadrant Enterprises Pvt. Ltd from April 4,2010 to Till Date.
- 100 % Wholly owned Subsidiary: Infotel Tower Infrastructure Private Ltd., India
- Company under Key Managerial Personnel: Infotel Business Solutions Limited, Infotel Digicomm Pvt. Ltd. from April 1, 2010 to April 9,2010.
- KeyManagerial Personnel: Mr. Surendra Lunia (CEO) from April 1, 2010 to April 9, 2010, Mr.Kapil Bhalla (Manager under Companies Act 1956) from April 10, 2010 to Till Date.
- Manager Interest Free Housing loan Rs Nil, Other advances Rs Nil (from April 10, 2010 to March 31, 2011 Nil)

<u>Details of payment with related parties</u> :

<u>Company Under Key Managerial Personnel :</u>

- Payment against Capital Purchases / Services to Infotel Business Solutions Limited Rs Nil (March 31, 2011 Rs.440,000) and Balance receivable from Infotel Business Solutions Limited Rs Nil (March 31, 2011 Rs.24,400,762)

<u>Key Managerial Personnel :</u>

- Purchase of Services (Expenditure Nature) of Mr. Surendra Lunia (CEO) Rs Nil (March 31, 2011 Rs 2,861,150) and, Mr.Kapil Bhalla Rs 1,220,615 (March 31, 2011Rs. 1,219620)
- Payment made by the company to Mr. Surendra Lunia (CEO) Rs Nil (March 31, 2011 Rs 2,861,150) and, Mr.Kapil Bhalla Rs 1,220,615 (March 31, 2011Rs. 1,219620)

(20) **Unclaimed deposits from public**

During the year ended March 31, 2004, the Company surrendered its licence granted by Reserve Bank of India ('RBI') to carry out NBFC business. Accordingly, the Company foreclosed all the unpaid / unclaimed deposits as on September 15, 2003 and the interest accruing thereon as on that date, and the same have been transferred to the Escrow Account in February 2004. On May 24, 2004, the RBI approved the cancellation of the Company's certificate of NBFC registration and provided certain directives to the Company to be complied with, pending completion of which, the Company would continue to be governed by the relevant provisions of the Reserve Bank of India Act, 1934 and various directions/instructions issued by RBI from time to time. [Refer Note 8 & 15]. On August 10, 2004, the Company has obtained the approval of the shareholders for the removal of NBFC related objects from the Memorandum of Association. Further, the Company submitted a letter dated July 7, 2004 for compliance and RBI vide its letter dated July 30, 2004 gave some concessions from compliance and has advised the Company to follow certain instructions till the balance in the escrow account is settled. The Registrar of Companies, Jalandhar, is yet to register the resolution of the shareholders due to delay in filing of the documents, for which the Company has moved an application to Central Government for condonation of delay. Ministry of Company Affairs vide letter no 17/23/2005-CL.V dated 07th July, 2005 has granted a condonation for filing of form 23, which was submitted to Registrar of Companies, Jalandhar vide letter No. HITL/C&L/S-31/05/347 dated July 13, 2005 and the registration certificate is yet to be obtained.

The accompanying financial statements include the following account balances relating to the NBFC business whose licence granted by RBI was surrendered during the year ended March 31, 2004:

• Unclaimed Deposits From Public	: Rs 10,000
• Interest accrued and due on public deposits upto September 15, 2003	: Rs --
• Interest accrued and due on deposits to be transferred to Investor Education and Protection Fund	: Rs 543,480
• Cheques outstanding beyond 6 months	: Rs 523,618
• Others (Under reconciliation)	: Rs 18,961
	Rs 1,096,009
Balances with Scheduled banks in Escrow account	: Rs 1,096,009

(21) **Debenture redemption reserve**

Pursuant to the CDR scheme on October 16, 2004, the Company had issued unsecured Zero% Non Convertible Debenture ('NCD') (Erstwhile OFCDs) aggregating to Rs 166,776,100 repayable as on March 31, 2016. Pursuant to the new restructuring scheme dated August 13,2009 the Company has to allot secured Non Convertible Debenture ('NCD') for Rs 3,196,909,043 to Financial institution and Banks equivalent to 50% of their outstanding loans as on April 01,2009 which shall be issued on completion of such approvals and conditions precedent. As per section 117C (1) of the Companies Act, 1956, a debenture redemption reserve ('DRR') is to be created to which adequate amounts are to be credited out of the profits of each year until such debentures are redeemed.

During the year, the Company has incurred loss of Rs 1,791,601,978. Hence, in accordance with the clarification received from the Department of Company Affairs vide circular No 6/3/2001-CL.V dated April 18, 2002, the Company has not created Debenture redemption reserve.

(22) **Employee Benefits**

(a) During the year, the Company has recognized the following amounts in the Profit and Loss Account

Defined Contribution Plans

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Employer's Contribution to Provident Fund *	13,005,066	13,370,880
Employer's Contribution to ESI *	483,136	607,158

* Included in Employer's Contribution to Provident and Other Funds, Refer Note 21

Defined Benefit Plans

The employee's gratuity fund scheme managed by Life Insurance Corporation of India and ICICI Lombard General Insurance Company Limited is a defined benefit plan and the same is 100% funded. The present value of obligation is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity.

Experience adjustments are Nil and have not been disclosed as required under para 120 of Accounting Standard 15 relating to Employee benefits.

Particulars	2011-12		2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Current service cost	3,540,952	4,674,267	3,415,336	4,014,079
Interest cost	1,299,191	1,500,195	1,176,444	1,069,818
Expected Return on plan assets	(179,343)	-	(99,830)	-
Actuarial (gain) / loss	70,231	(2,270,136)	(1,326,145)	890,481
Past service cost	-	-	-	-
Curtailment and Settlement cost / (credit)	-	-	-	-
Net cost	**4,731,031**	**3,904,326**	**3,165,805**	**5,974,378**

The Company expects to contribute Rs. 4,582,491 towards employers' contribution for funded defined benefit plans in 2012-13.

(b) The assumptions used to determine the benefit obligations are as follows:

Particulars	2011-12		2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Discount Rate	8.50%	8.50%	8.00%	8.00%
Expected Rate of increase in Compensation levels	6.00%	6.00%	5.00%	5.00%
Expected Rate of Return on Plan Assets	8.00%	8.00%	8.00%	8.00%
Expected Average remaining working lives of employees (years)	7.95Years	7.95Years	22 years	22 years

(c) Reconciliation of opening and closing balances of benefit obligations and plan assets

Particulars	2011-12		2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Change in Projected Benefit Obligation (PBO)				
Projected benefit obligation at beginning of year	15,056,490	16,967,651	15,557,280	10,993,273
Current service cost	3,540,952	4,674,267	3,415,336	4,014,079
Interest cost	1,299,191	1,500,195	1,176,444	1,069,818
Benefits paid	(2,066,080)	–	(3,755,897)	–
Past service cost	–	–	–	–
Actuarial (gain) / loss	73,519	(2,270,136)	(1,336,673)	890,481
Projected benefit obligation at year end	**17,904,072**	**20,871,977**	**15,056,490**	**16,967,651**
Change in plan assets :				
Fair value of plan assets at beginning of year	1,850,206	–	716,801	–
Expected return on plan assets	179,343	–	99,830	–
Actuarial gain / (loss)	3,288	–	(10,528)	–
Employer contribution	–	–	–	–
Contribution by plan participants	2,500,000	–	4,800,000	–
Settlement cost	–	–	–	–
Benefits paid	(2,066,080)	–	(3,755,897)	–
Fair value of plan assets at year end	**2,466,757**	**–**	**1,850,206**	**–**
Net funded status of the plan	**(15,437,315)**	**(20,871,977)**	**(13,206,284)**	**(16,967,651)**
Net amount recognized	**(15,437,315)**	**(20,871,977)**	**(13,206,284)**	**(16,967,651)**

Particulars	2011-12		2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Fair value of plan assets :				
Fair value of plan assets at beginning of year	1,850,206	–	716,801	–
Actual return on plan assets	182,631	–	89,302	–
Employer contribution	–	–	–	–
Contribution by plan participants	2,500,000	–	4,800,000	–
Settlement cost	–	–	–	–
Benefits paid	(2,066,080)	–	(3,755,897)	–
Fair value of plan assets at year end	**2,466,757**	**–**	**1,850,206**	**–**

d) The expected rate of return on plan assets was based on the average long-term rate of return expected to prevail over the next 15 to 20 years on the investments made by the LIC. This was based on the historical returns suitably adjusted for movements in long-term government bond interest rates. The discount rate is based on the average yield on government bonds of 20 years.

e) The Company made annual contributions to the LIC of an amount advised by the LIC. The Company was not informed by LIC of the investments made by the LIC or the break-down of plan assets by investment type.

f) The estimates of rate of escalation in salary considered in actuarial valuation , taken into account inflation, seniority, promotion and other relevant factors including demand and supply in the employment market. The above information is certified by the actuary.

g) The disclosure requirement as per para 120 (n) of Accounting Standard – 15 `Employee Benefits' as below:

Particulars	Gratuity			Leave Encashment		
	2011-12	2010-11	2009-10	2011-12	2010-11	2009-10
Defined benefit obligation	17,904,072	15,056,490	15,557,280	21,019,028	16,967,651	10,993,273
Plan assets	2,466,757	1,850,206	716,801	–	–	–
Surplus / (deficit)	(15,437,315)	(13,206,284)	(14,840,479)	(21,019,028)	(16,967,651)	(10,993,273)
Experience adjustments on plan liabilities	–	–	–	–	–	–
Experience adjustments on plan assets	–	–	–	–	–	–

(23) The Company is primarily engaged in the business of providing telecommunication services. The production and sale of such services is not capable of being expressed in any generic unit.

(24) **Changeover of Management.**

a) Securities Exchange Board of India ('SEBI') has, vide its Order No. WTM/KMA/CFD/233/03/2010 dated March 3, 2010, granted an exemption to M/s Quadrant Enterprises Private Limited, - ('QEPL'), from the applicability of Regulation 10 & 12 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, for acquiring 32,67,05,000 (Thirty Two Crores Sixty Seven Lac and Five Thousand only) equity shares of the Company ('Shares') amounting to 53.3605% (approximately fifty three percent) of the issued, subscribed and paid up share capital of the Company, from the Company Himachal Futuristic Communications Limited ('HFCL'). The Order has been passed pursuant to the proposal for change of management sanctioned by the Corporate Debt Restructuring Cell in terms of its letter No. CDJ (JCP) No. 563/2009-10 dated August 13, 2009. The aforesaid shares have been acquired on April 3, 2010.

b) In line with the stipulations of the new restructuring scheme as approved by the CDR Cell vide its Letter no. BY. CDR(JCP) No. 563/2009-10 dated August 13, 2009 stipulating a change in the management of the Company, the existing Directors except the nominees of Financial Institutions had resigned from the Board and therefore to complete the process of change in the management of the Company, as per the stipulations of the new restructuring scheme, the senior management team comprising of Mr. Surendra Lunia, Chief Executive Officer, Mr. G.D. Singh, Chief Operating Officer, and Mr. Vikash Agarwal, Vice President (Corporate Finance) and Chief Financial Officer have resigned from the Company on April 09, 2010.

(25) Previous year figures have been regrouped where necessary to conform to this year classification.

The Notes to Financial Statement form an integral part of the Balance Sheet and Statement of Profit & Loss.

As per our report of even date

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Akash Shinghal
Partner
Membership No. 103490

Place : Mohali
Date : May 28, 2012

For and on behalf of the Board of Directors of
Quadrant Televentures Limited

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

Kapil Bhalla
Company Secretary

Sunil Jit Singh
Chief Financial Officer

AUDITORS' REPORT

To

THE BOARD OF DIRECTORS OF

QUADRANT TELEVENTURES LIMITED

1. We have audited the attached Consolidated Balance Sheet of **QUADRANT TELEVENTURES LIMITED (QTL)** ('the Company') and its subsidiary Infotel Tower Infrastructure Private Limited ('ITIPL') (together referred as 'the Group') as described in Note 26 (1) (a) to the financial statements as at 31st March, 2012, and also the consolidated Statement of Profit & Loss and consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Consolidated Financial Statements (CFS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In the case of holding company QTL, without qualifying our opinion we draw attention to Note 27 (1) (c) to the financial statements. The Company has incurred a loss of Rs. 1,791,601,978 during the year (accumulated loss of Rs.15,428,596,916) resulting into erosion of its net worth, and has a net current liabilities of Rs. 6,847,992,445 as at March 31, 2012. These factors raise a doubt that the Company will not be able to continue as a going concern. The management is confident of generating cash flows from business operations through increasing subscribers' base and with the support of significant shareholders to fund its operating and capital fund requirements. Accordingly, these statements have been prepared on a going concern basis.

4. In the case of subsidiary ITIPL, without qualifying our opinion we draw attention to note 27 (1) (c) to the financial statements. The subsidiary has incurred a loss of Rs. 3,942,038 during the year (accumulated loss of Rs.14,976,145) resulting into erosion of its net worth as at March 31, 2012. This factor raises a doubt that the subsidiary will not be able to continue as a going concern. The management is confident of generating cash flows and meeting its capital fund requirement. Accordingly, these statements have been prepared on a going concern basis.

5. We report that the CFS have been prepared by the Group in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and AS 23, Accounting for Investments in Associates, as notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended) and on the basis of separate financial statements of ITIPL included in the CFS.

6. *In the case of holding company QTL, attention in invite to Note 28(4)(a) to the financial statements, based on Company's request Corporate Debt Restructuring ('CDR') Cell vide their letter dated August 13, 2009 ('CDR letter') has revised the terms of CDR scheme with effect from April 1, 2009. The Company has accounted for the impact of revised CDR scheme as approved by CDR Cell after complying with the most of the terms and conditions stipulated therein, however compliance of some of them is still in process. These financial statements do not include any adjustment which may arise due to inability of the management to fulfill the remaining conditions precedent.*

7. *Subject to matter stated in paragraph 6 above consequential effect whereof is not ascertainable* in our opinion and to the best of our information and according to the explanations given to us, said CFS read together with the significant accounting policies and the notes thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) In the case of the Balance Sheet, of the state of affairs of the Group as at 31st March, 2012;

   (ii) In the case of the Statement of Profit and Loss Account, of the loss for the year ended on that date; and

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

For KHANDELWAL JAIN & CO.
Firm Registration No. 105049W
Chartered Accountants,

(Akash Shinghal)
Partner
Membership No. 103490

Place: Mohali
Dated: May 28, 2012

Consolidated Balance Sheet As At March, 31, 2012

(Unless and otherwise stated, all amounts are in rupees)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	1	8,371,056,980	8,371,056,980
(b) Reserves and surplus	2	(15,375,006,555)	(13,579,462,538)
		(7,003,949,575)	**(5,208,405,558)**
(2) Share application money pending allotment		-	-
(3) Non-current liabilities			
(a) Long-term borrowings	3	5,872,385,030	5,872,455,816
(b) Deferred tax liabilities (Net)		-	-
(c) Other Long term liabilities	4	966,108,891	818,677,324
(d) Long-term provisions	5	34,356,045	27,873,451
		6,872,849,966	**6,719,006,591**
(4) Current liabilities			
(a) Short-term borrowings	6	170,168,040	171,630,829
(b) Trade payables	7	1,036,911,578	1,197,325,770
(c) Other current liabilities	8	6,569,128,407	5,506,747,012
(d) Short-term provisions	9	18,784,193	15,986,209
		7,794,992,218	**6,891,689,820**
TOTAL		**7,663,892,609**	**8,402,290,853**
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	4,545,082,480	4,912,942,284
(ii) Intangible assets	10	1,887,566,648	2,233,410,803
(iii) Capital work-in-progress		184,564,928	305,560,240
(b) Deferred tax Assets		857,948	263,715
(c) Long-term loans and advances	11	98,353,297	61,362,267
		6,716,425,301	**7,513,539,309**
(2) Current assets			
(a) Current investments		-	-
(b) Inventories	12	19,112,355	25,001,439
(c) Trade receivables	13	539,572,852	496,182,205
(d) Cash and cash equivalents	14	116,411,388	86,321,247
(e) Short-term loans and advances	15	270,692,912	275,784,413
(f) Other current assets	16	1,677,801	5,462,240
		947,467,308	**888,751,544**
TOTAL		**7,663,892,609**	**8,402,290,853**
Contingent Liabilities	26		
See other accompanying notes to the financial statements	27-28		

The Notes referred to above and notes to Financial Statements form an integral part of the Balance Sheet

As per our report of even date

For and on behalf of the Board of Directors of Quadrant Televentures Limited

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

Akash Shinghal
Partner
Membership No. 103490

Kapil Bhalla
Company Secretary

Sunil Jit Singh
Chief Financial Officer

Place : Mohali
Date : May 28, 2012

Consolidated Statement of Profit and Loss for the year ended 31st March 2012

(Unless and otherwise stated, all amounts are in rupees)

	Particulars	Note No.	For the year ended 31.03.2012	For the year ended 31.03.2011
I.	Revenue from operations	**17**	2,815,701,201	2,361,151,352
II.	Other income	**18**	15,633,473	22,943,344
III.	**Total Revenue (I + II)**		**2,831,334,674**	**2,384,094,696**
IV.	**Expenses:**			
	Purchase of Stock-in – trade	**19**	1,258,480	–
	Changes in inventories of Finished Goods, Work in Progress and Stock in Trade	**20**	1,246,620	4,466,750
	Network Operation Expenditure	**21**	2,164,962,157	1,978,564,028
	Employee Benefits Expenses	**22**	443,558,910	449,406,222
	Sales & Marketing Expenditure	**23**	203,780,213	402,311,104
	Finance Cost	**24**	281,193,936	278,678,271
	Depreciation and Amortization Expenses	**10**	1,208,006,176	1,233,731,139
	Other Expenses	**25**	323,466,432	277,507,456
	Total expenses		**4,627,472,924**	**4,624,664,970**
V.	Profit before exceptional and extraordinary items and tax (III-IV)		**(1,796,138,250)**	**(2,240,570,274)**
VI.	Exceptional items		–	–
VII.	Profit before extraordinary items and tax (V – VI)		**(1,796,138,250)**	**(2,240,570,274)**
VIII.	Extraordinary Items		–	–
IX.	Profit before tax (VII – VIII)		**(1,796,138,250)**	**(2,240,570,274)**
X	Tax expense:			
	(1) Current tax		–	–
	(2) Deferred tax		594,233	(712,267)
XI	**Profit (Loss) for the period from continuing operations (IX-X)**		**(1,795,544,017)**	**(2,241,282,541)**
	Considered for calculation of EPS			
XII	Profit/(loss) from discontinuing operations		–	–
XIII	Tax expense of discontinuing operations		–	–
XIV	**Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)**		–	–
XV	**Profit (Loss) for the period (XI + XIV)**		**(1,795,544,017)**	**(2,241,282,541)**
XVI	Earnings per equity share: (Nominal Value of Rs 10/ – each) [Refer Note 28 (13)]			
	(1) Basic		(2.93)	(3.66)
	(2) Diluted		(2.93)	(3.66)
	Contingent Liabilities	**26**		
	See other accompanying notes to the financial statements	**27-28**		

The Notes referred to above and notes to Financial Statements form an integral part of the Statement of Profit and Loss.

As per our report of even date

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Akash Shinghal
Partner
Membership No. 103490

Place : Mohali
Date : May 28, 2012

For and on behalf of the Board of Directors of Quadrant Televentures Limited

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

Kapil Bhalla
Company Secretary

Sunil Jit Singh
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(Unless and otherwise stated, all amounts are in rupees)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) for the year before Prior Year Expenditure and Tax	(1,805,560,457)	(2,234,696,552)
Adjustments for:		
Depreciation and Amortisation	1,208,006,176	1,233,731,148
Foreign exchange Loss/ (Gain)	–	(3,942,811)
Loss/ (Gain) on Sold / Discarded Fixed Assets	8,883,788	(24,752,278)
Bad Debts Written Off	37,887,913	28,041,155
Provision for Doubtful Advances	–	–
Provision for Doubtful Debts	10,489,234	4,507,778
Finance Expenses [Refer Note 3 below]	281,193,936	278,678,270
Interest Income	(3,410,108)	(3,258,704)
Operating profit before working capital changes	**(262,509,518)**	**(721,691,994)**
Adjustment for changes in working capital:		
(Increase) / Decrease in debtors	(91,767,792)	(250,529,038)
(Increase) / Decrease in Loans and advances	3,990,818	(142,895,548)
(Increase)/ Decrease in Inventory	5,889,085	5,443,230
Increase / (Decrease) in Current liabilities and provisions	957,909,029	3,977,512,153
Cash generated from operations	**613,511,622**	**2,867,838,803**
Direct Taxes paid (Net)	(28,705,180)	(15,709,683)
Prior Period (Expense) / Income (Net)	9,422,206	(5,873,723)
NET CASH GENERATED FROM OPERATING ACTIVITIES (A)	**594,228,648**	**2,846,255,397**
CASH FLOW FROM INVESTING ACTIVITIES		
Adjustment for changes in:		
Purchase of fixed assets	(301,812,819)	(2,578,975,351)
Proceeds from sale of fixed assets	13,488,053	34,594,699
Fixed deposits	(30,477,277)	40,775,223
Interest Received	7,194,546	16,214,694
NET CASH USED IN INVESTING ACTIVITIES (B)	**(311,607,497)**	**(2,487,390,735)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of 2% Cummulative Redeemable Preferance Share	–	1,598,454,300
Repayment of Secured Loan	(1,743,805)	(3,183,959,860)
Repayment of Public Deposits	(6,397)	(148,000)
Repayment to Unsecured Loan	–	1,502,969,057
Interest paid	(281,258,083)	(278,717,467)
Dividend paid	–	–
NET CASH USED IN FINANCING ACTIVITIES (C)	**(283,008,285)**	**(361,401,970)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**(387,134)**	**(2,537,308)**
Cash and Cash Equivalents at the beginning of the year	66,344,357	68,881,665
Cash and Cash Equivalents at the end of the year	**65,957,223**	**66,344,357**
Cash and Bank Balances		
Cash in Hand	14,075,383	13,814,278
Cheques in Hand	7,274,114	9,209,626
Balances with Scheduled Banks		
In Current Account	43,511,717	42,144,074
In Fixed Deposit [Receipts pledged with Banks as margin money for guarantees and LCs issued Rs 50,454,166 (March 31, 2011 – Rs. 19,976,890)]	50,454,166	19,976,889
In Escrow Account	1,096,009	1,176,379
	116,411,389	**86,321,246**
Less : Margin Money pledged for Guarantees and LCs issued	50,454,166	19,976,889
Cash & Cash Equivalents	**65,957,223**	**66,344,357**

Notes:

1. The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 on Cash Flow Statement notified under Companies (Accounting Standard) Rules 2006, ('as amended')
2. Figures in brackets indicate cash outflow.
3. Finance expenses includes interest accrued but not due on secured loan as amounting to Rs 192,340,070 (March 31, 2011 – Rs 189,024,408) as per CDR Scheme.
4. Previous year figures have been regrouped and recast wherever necessary to conform to current year classification.

This is the cash flow referred to in our report of even date.

As per our report of even date

For and on behalf of the Board of Directors of Quadrant Televentures Limited

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

Akash Shinghal
Partner
Membership No. 103490

Kapil Bhalla
Company Secretary

Sunil Jit Singh
Chief Financial Officer

Place : Mohali
Date : May 28, 2012

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 1 – SHARE CAPITAL [Refer Note 28 (3)]	As at 31.03.2012	As at 31.03.2011
Authorised:		
1,200,000,000 (March 31, 2011 – 1,200,000,000) equity shares of Rs 10/ – each.	12,000,000,000	12,000,000,000
30,000,000 (March 31, 2011 – 30,000,000) 2% preference shares of Rs 100 each.	3,000,000,000	3,000,000,000
	15,000,000,000	**15,000,000,000**
Issued, Subscribed and Paid up :		
612,260,268 (March 31, 2011 – 612,260,268) equity shares of Rs 10/ – each fully paid.	6,122,602,680	6,122,602,680
6,500,000 (March 31, 2011 – 6,500,000) 2% cumulative redeemable preference shares ('CRPS') of Rs 100/ – each fully paid.	650,000,000	650,000,000
15,984,543 (March 31, 2011 – 15,984,543) 2% cumulative redeemable preference shares ('CRPS') of Rs 100/ – each fully paid.	1,598,454,300	1,598,454,300
	8,371,056,980	**8,371,056,980**

(a) Of the above

(i) 490,750 (March 31, 2011 – 490,750 of Rs. 10/ – each) equity shares of Rs 10 each, were allotted as fully paid bonus shares in the earlier years by way of capitalisation of reserves.

(ii) 326,705,000 (March 31, 2011 326,705,000) equity shares are held by Quadrant Enterprises Private Limited (Holding Company).

(iii) 83,070,088 equity shares of Rs 10 each were allotted on October 16, 2004, pursuant to the Corporate Debt Restructuring ('CDR') Scheme.[Refer Note 28 (3) (c)]

Out of these, 63,373,110 equity shares of Rs 10 each were issued by the Company to Industrial Development Bank of India ('IDBI'), at par and the balance of 12,171,778 and 7,525,200 equity shares of Rs 10 each to Oriental Bank of Commerce ('OBC') and ING Vysya Bank Limited ('ING'), respectively, at a premium of Re 0.50 per equity share as per provisions of applicable law.

(iv) 8,67,43,116 equity shares of Rs.10/ – each were issued on July 08, 2009 after obtaining in principle approval from the BSE and MSE, consequent to the conversion of Optionally Fully Convertible Debentures (OFCDs) pursuant to the Corporate Debt Restructuring (CDR) Cell.

(b) As more fully discussed in Note 28 (3) (a), the Company in accordance with the scheme of amalgamation approved by the High Court of the State of Punjab and Haryana and the State of Tamil Nadu on March 6, 2003 and March 20, 2003, respectively under section 391 and 394 of the Companies Act, 1956, the erstwhile HFCL Infotel Limited (name earlier allotted to the transferor company), amalgamated with HFCL Infotel Limited now Quadrant Televentures Limited, (formerly The Investment Trust of India Limited).

Subsequent to the approved amalgamation:

(i) 432,000,250 (March 31,2011 432,000,250)equity shares of Rs 10 each issued for consideration other than cash pursuant to the amalgamation of erestwhile HFCL Infotel Limited with the Company.

(ii) 1,730,814 equity shares of Rs 10 each were allotted on October 13, 2003, on conversion of the warrants issued to the shareholders of The Investment Trust of India Limited prior to June 11, 2003.

(c) Of the above

(i) 6,500,000 (March 31, 2011 – 6,500,000) 7.5 per cent CRPS were allotted on October 16, 2004, pursuant to the CDR Scheme, where under the specified part of the amount due to CRPS Holder by the Company was converted into 7.5 per cent CRPS redeemable after the repayment of Rupee Term Loan (in Financial Year 2016-17). As per the CDR Scheme , prior approval of the lenders would be required to declare dividend on 7.5 per cent CRPS and all the voting rights attached to the CRPS to be assigned in favour of the term lenders. On June 24, 2005 as per revised CDR Scheme, the dividend percentage was reduced to 2 per cent from 7.5 per cent with effect from date of issuance of CRPS. The CDR dated August 13,2009 does not stipulate any reference to the aforesaid CRPS. Accordingly the CRPS shall be redeemable in the Financial Year 2016-17. (With reference to CDR dated June 24,2005)

(ii) 15,984,543 (March 31,2011-15,984,543) 2% Cumulative Redeemable Preference Shares of Rs. 100/ – fully paid up, aggregating up to Rs. 1,598,454,300 were allotted on November 9, 2011 to the Banks and Financial Institution, namely, IDBI Bank Limited, Life Insurance Corporation of India, Oriental Bank of Commerce, ING Vysya Bank and State Bank of Patiala in terms of the Corporate Debt Restructuring Package (CDR Package) approved by the Corporate Debt Restructuring Cell (CDR Cell) vide their letter dated August 13, 2009, in conversion of 25% of their outstanding loans; the CRPSs shall be redeemed (monthly) over a period of four years commencing from April 1, 2021 at a premium of 34%.

(iii) Due to accumulated losses provision for dividend on CRPS of Rs 650,000,000 and Rs1,598,454,300 and premium on redemption of CRPS of Rs 1,598,454,300 is not required and hence not provided for in the financials.

NOTES FORMING PARTS OF THE ACCOUNTS

iv) The details of Shareholders holding more than 5 percent shares as at 31st March, 2012 are as under

Name of Share Holder	No. of Share as at 31.03.2012	% held as at 31.03.2012	No. of Share as at 31.03.2011	% held as at 31.03.2011
Equity Share				
Quadrant Enterprises Ltd.	326,705,000	53.36	326,705,000	53.36
IDBI Bank Ltd.	118,271,642	19.32	118,271,642	19.32
Oriental Bank of Commerce	39,073,070	6.38	37,177,832	6.07
Preference Share				
IDBI Bank Ltd.	10,569,187	47.01	10,569,187	47.01
Shree Dhoot Trading & Agencies Ltd.	6,500,000	28.91	6,500,000	28.91
Oriental Bank of Commerce	1,981,254	8.81	1,981,254	8.81
Life Insurance Corporation of India	1,981,165	8.81	1,981,165	8.81

v) The reconcilation of the number of Equity Shares outstanding as at 31st March , 2012 is set out below:

Particulars	As At 31.03.2012	As At 31.03.2011
Number of Equity shares at the beginning	612,260,268	612,260,268
Add: Shares issued during the year	–	–
Number of shares at the end	612,260,268	612,260,268
Number of Preference shares at the beginning	22,484,543	6,500,000
Add: Shares issued during the year	-	15,984,543
Number of shares at the end	22,484,543	22,484,543

NOTE 2 – RESERVE AND SURPLUS	As at 31.03.2012	As at 31.03.2011
Capital Reserve:		
Balance at the beginning and end of the year	34,032,776	34,032,776
Securities Premium [Refer Note (a) and (b) below]		
Balance at the beginning and end of the year	22,633,732	22,633,732
Statutory Reserve [Refer Note (c) below]		
Balance at the beginning and end of the year	11,900,000	11,900,000
Profit & Loss A/c:		
Opening Balance	(13,648,029,046)	(11,406,746,504)
Add: Transfer from Statement of Profit & Loss	(1,795,544,017)	(2,241,282,542)
Closing Balance	(15,443,573,063)	(13,648,029,046)
Total	**(15,375,006,555)**	**(13,579,462,538)**

Of the above

(a) Securities premium includes an amount of Rs 9,848,489 received on allotment of 19,696,978 equity shares of Rs 10 each on October 16, 2004 at a premium of Rs 0.50 per equity share [Refer of Note 1 (a) (iii)].

(b) During the year 2006 in accordance with the CDR Scheme [Refer Note 27 (1) (c)], the company had provided for the premium on Zero % Optionally Fully Convertible Debentures (OFCD) and had utilised the securities premium to that extent .

(c) As more fully discussed in Note 27 (1) (a), the Company (erstwhile The Investment Trust of India Limited) was a Non-

Banking Financial Corporation ('NBFC') under the Certificate of Registration ('CoR') No 07.00222 dated April 18, 1998. Further, as more fully discussed in Note 28 (17), the Company had surrendered its CoR with the Reserve Bank of India ('RBI'). In 2004 as a condition for the cancellation of the CoR, the RBI had advised the Company to follow certain strictures till the balance in the escrow account is settled.

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 3 – LONG TERM BORROWING	As at 31.03.2012	As at 31.03.2011
Secured [Refer Note 28(4)]		
Loan Convertible Into Non-convertible Debenture as per CDR [Refer Note 28 (4) (a)]		
From Financial Institution	396,233,192	396,233,192
From Bank	2,800,675,852	2,800,675,852
Vehicle Loan	–	70,786
Unsecured [Refer Note 28 (5)]		
Zero per cent Non Convertible Debentures ('NCDs') (erstwhile OFCDs) (others)	166,776,100	166,776,100
Other Loans	2,508,699,886	2,508,699,886
Total	**5,872,385,030**	**5,872,455,816**

a. Secured Loan from Banks & Financial Institutions will be converted in to Non-Convertible Debentures of equal amount as per CDR package dated August 13,2009.

b. Yield of Interest and Premium on redemption of Secured Non-Convertible Debentures is 8% p.a.

c. Secured Loan Convertible into Non-Convertible Debentures as per CDR is secured by first pari passu charge on movable and immovable fixed assets and first pari passu charge on Current Assets, assignment of license / contracts and fully detailed in note 27 (8) (a).

d. Redemption Schedule of the Secured Non Convertible Debenture.

Financial Year	Amount of Non Convertible Debenture
2017	319,690,904
2018	319,690,904
2019	639,381,809
2020	639,381,809
2021	639,381,809
2022	639,381,809

e. Vehicle Loan are secured by hypothecation of respective vehicle.

f. On October 16, 2004, the Company issued 1,667,761 zero percent Non Convertible Debentures ('NCDs') of Rs 100 each in lieu of interest accrued on term loans from a financial institution and a bank for the period April 1, 2003 to December 31, 2003.

The 'NCD's earlier redeemable at par on March 31, 2014, are now redeemable at par on March 31, 2016 after repayment of the term loans as per revised CDR Scheme effective from April 1, 2005.

NOTE 4 – OTHER LONG TERM LIABILITIES	As at 31.03.2012	As at 31.03.2011
Interest accrued but not due on borrowings	607,939,437	415,599,367
Security Deposits		
– From Subscribers	20,733,893	30,872,414
– From Others	39,057,125	38,746,354
Advance From Customers and Unaccrued Income	298,378,436	333,459,189
Total	**966,108,891**	**818,677,324**

NOTE 5 – LONG TERM PROVISIONS [Refer Note 28(19)]	As at 31.03.2012	As at 31.03.2011
Provision for employee benefits.		
Leave Encashment / Availment	20,278,734	16,491,296
Gratuity	14,077,311	11,382,155
Total	**34,356,045**	**27,873,451**

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 6 – SHORT TERM BORROWINGS	As at 31.03.2012	As at 31.03.2011
Secured		
Working Capital from Scheduled Banks	170,168,040	171,630,829
Total	**170,168,040**	**171,630,829**

Working capital loan is secured by first pari passu charge on movable and immovable fixed assets and first pari passu charge on Current Assets, assignment of license / contracts and fully detailed in note 28 (4) (a).

NOTE 7 – TRADE PAYABLE	As at 31.03.2012	As at 31.03.2011
Due to Micro / Small & Medium Enterprises [Refer Note 28 (12) (a)]	94,298	103,716
For Expenses	1,036,817,280	1,197,222,055
Total	**1,036,911,578**	**1,197,325,770**

NOTE 8 – OTHER CURRENT LIABILITIES	As at 31.03.2012	As at 31.03.2011
Current maturities of long-term debts*		
Vechile Loan	70,786	281,016
Advances from customers and unaccrued income	190,357,924	204,682,902
Other Adavnces	4,003,100,000	2,967,163,035
For Capital Goods	2,243,757,040	2,145,138,718
Book Bank Overdraft	6,070,004	43,720,883
Investor Education and Protection Fund		
Unclaimed Deposits from Public	10,000	16,397
Interest accrued and due on Public Deposits	–	64,147
Other liabilities including statutory dues**	125,762,653	145,679,914
Total	**6,569,128,407**	**5,506,747,012**

* Vehicle Loan are secured by hypothecation of respective vehicle.

** Other Current liabilities include cheques outstanding beyond six months of Rs 523,618 (March 31, 2011 – 523,618) due on deposits towards repayment of public deposits under the NBFC CoR and Rs. 543,480 interest accrued & due on deposits to be transferred to investors education & protection fund. [Refer Note 28(17)].

NOTE 9 – SHORT TERM PROVISIONS [Refer Note 28(19)]	As at 31.03.2012	As at 31.03.2011
Provision for employee benefits.		
Leave Encashment / Availment	16,667,279	13,507,876
Gratuity	2,116,914	2,478,333
Total	**18,784,193**	**15,986,209**

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 10: FIXED ASSETS [Refer Note 28(6)]

TANGIBLE ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 1, 2011	Additions during the period	Sale/ Adjustment during the period	As at March 31, 2012	As at April 1, 2011	Depreciation for the period	On Sale/ Adjustment	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Land – Freehold	16,142,623	–	–	16,142,623	–	–	–	–	16,142,623	16,142,623
Land – Leasehold	8,896,419	–	–	8,896,419	1,108,989	92,160	–	1,201,149	7,695,270	7,787,430
Building	189,189,617	–	–	189,189,617	35,889,202	3,673,627	–	39,562,828	149,626,789	153,300,415
Leasehold Improvements	78,710,310	812,855	–	79,523,165	65,045,499	3,469,087	–	68,514,586	11,008,579	13,664,812
Network Equipment	5,311,776,314	386,451,238	161,600,800	5,536,626,752	2,582,403,499	432,041,125	149,476,478	2,864,968,146	2,671,658,606	2,729,372,814
Optical Fibre Cable and Copper Cable	4,507,185,172	69,479,738	446,713	4,576,218,197	2,703,085,066	336,041,516	244,191	3,038,882,391	1,537,335,807	1,804,100,106
Telephone Instruments at Customers Premises	672,849,370	49,460,467	392,937,135	329,372,702	531,742,226	61,705,315	383,270,413	210,177,129	119,195,574	141,107,144
Computers	236,941,401	1,412,318	30,134,372	208,219,347	207,068,925	12,606,258	30,121,278	189,553,905	18,665,442	29,872,476
Office Equipment	48,613,718	643,124	401,879	48,854,963	35,769,302	3,120,810	346,352	38,543,761	10,311,203	12,844,416
Furniture & Fixture	42,009,054	531,683	178,103	42,362,634	38,137,740	1,035,302	139,687	39,033,356	3,329,279	3,871,314
Vehicles	17,002,072	8,062	2,185,778	14,824,356	16,123,341	502,246	1,914,541	14,711,045	113,311	878,731
T O T A L	**11,129,316,070**	**508,799,484**	**587,884,780**	**11,050,230,777**	**6,216,373,788**	**854,287,447**	**565,512,939**	**6,505,148,296**	**4,545,082,481**	**4,912,942,284**
Previous Year ended March 31,2011	**9,200,647,642**	**2,064,367,530**	**138,494,175**	**11,126,520,997**	**5,464,191,056**	**878,039,410**	**128,651,753**	**6,213,578,713**		

INTANGIBLE ASSETS	GROSS BLOCK				AMORTISATION				NET BLOCK	
	As at April 1, 2011	Additions during the period	Sale/ Adjustment during the period	As at Mar 31, 2012	As at April 1, 2011	Depreciation for the period	On Sale/ Adjustment	As at Mar 31, 2012	As at Mar 31, 2012	As at March 31, 2011
Computer Software	189,324,929	7,874,575	–	197,199,504	173,484,044	9,121,141	–	182,605,186	14,594,318	15,840,885
Licence Entry Fees	2,352,658,603	–	–	2,352,658,603	1,467,367,334	136,055,290	–	1,603,422,624	749,235,979	885,291,269
Licence Entry Fees GSM [Refer Note 27 (1) (b)]	1,517,500,000	–	–	1,517,500,000	203,959,094	202,296,384	–	406,255,478	1,111,244,522	1,313,540,906
Goodwill [Refer Note 28(10)]	31,229,573	–	–	31,229,573	12,491,829	6,245,915	–	18,737,744	12,491,829	18,737,744
T O T A L	**4,090,713,105**	**7,874,575**	**–**	**4,098,587,680**	**1,857,302,302**	**353,718,730**	**–**	**2,211,021,032**	**1,887,566,648**	**2,233,410,803**
Previous Year ended March 31,2011	**4,083,098,867**	**7,614,238**	**–**	**4,090,713,105**	**1,501,610,573**	**355,691,370**	**–**	**1,857,302,302**		

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 11 – LONG TERM LOANS AND ADVANCES	As at 31.03.2012	As at 31.03.2011
Unsecured, considered good		
Capital Advances	3,987,253	2,677,950
Security Deposits	60,060,508	25,997,483
Advances Recoverable in cash or in kind or for value te be received	34,305,536	32,686,834
Doubtful		
Security Deposits	1,186,199	1,186,199
Advances Recoverable in cash or in kind or for value te be received	802,642	802,642
Less: Provision For Doubtful Advances	(1,988,841)	(1,988,841)
Total	**98,353,297**	**61,362,267**

NOTE 12 – INVENTORIES [Refer Note 28 (9)]	As at 31.03.2012	As at 31.03.2011
Inventory Held for installation and maintenance of network	19,112,355	25,001,439
Total	**19,112,355**	**25,001,439**

NOTE 13 – TRADE RECEIVABLES	As at 31.03.2012	As at 31.03.2011
Trade Receivables Outstanding for a period exceeding six months:		
Secured, Considered Good	4,807,465	4,095,117
Unsecured, Considered Good	114,998,844	19,179,580
Doubtful	149,551,825	142,905,637
Others		
Secured, Considered Good	2,393,721	4,278,234
Unsecured, Considered Good	417,372,822	468,629,575
Doubtful	9,496,472	9,745,795
	698,621,149	**648,833,938**
Less: Provision for Doubtful Trade Receivables	(159,048,297)	(152,651,732)
Total	**539,572,852**	**496,182,206**

a) Debtors are secured to the extent of deposit received from the subscribers.

b) Includes Rs 74,496,145 (March 31, 2011 – Rs 83,158,703) of unbilled revenues, the invoices for which have been raised subsequent to March 31, 2012 [Refer Note 27 (2.12)]

NOTE 14 – CASH & CASH EQUIVALENTS	As at 31.03.2012	As at 31.03.2011
Balances with Scheduled Banks;		
In Current Accounts	43,511,717	42,144,074
In Escrow Accounts*	1,096,009	1,176,379
Fixed Deposit Accounts**		
Bank Deposit with more than 12 months maturity	600,000	200,000
Other	49,854,166	19,776,890
Cheques in Hand	7,274,114	9,209,626
Cash in Hand	14,075,383	13,814,278
Total	**116,411,389**	**86,321,247**

*The balance with scheduled banks in Escrow account is towards public deposits payable by the Company [Refer Note 28 (17)]

**Balances with banks to the extent held as margin money against BG & LC's are of Rs. 50,254,166/-(March 31, 2011 Rs. 19,776,890/-)

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 15 – SHORT TERM LOANS & ADVANCES	As at 31.03.2012	As at 31.03.2011
Unsecured, considered good		
Other Loans and Advances		
TDS Recoverable	71,908,893	42,758,215
Balance with Customs, Excise and Service Tax	139,351,211	159,699,935
Advances Recoverable in cash or in kind or for value te be received	59,432,808	73,326,263
Total	**270,692,912**	**275,784,413**

NOTE 16 – OTHER CURRENT ASSETS	As at 31.03.2012	As at 31.03.2011
Interest Accrued on FDR	1,677,801	5,462,240
Total	**1,677,801**	**5,462,240**

NOTES TO THE PROFIT AND LOSS

NOTE 17 – REVENUE FROM OPERATIONS	For the year ended 31.03.2012	For the year ended 31.03.2011
Sale		
sale of products;	2,682,367	639,174
Sale of services;		
From Unified Access Services	1,704,442,056	1,474,269,161
From interconnection Usage Charges	161,277,793	107,889,428
From Infrastructure Services	48,776,164	46,031,982
From Internet Services	898,522,821	732,321,607
Total	**2,815,701,201**	**2,361,151,352**

NOTE 18 – OTHER INCOME	For the year ended 31.03.2012	For the year ended 31.03.2011
Interest Income	3,410,108	3,258,704
Sale of Scrap	4,333,008	8,701,120
Rental Income	7,409,540	9,156,553
Miscellaneous Income	480,817	1,826,967
Total	**15,633,473**	**22,943,344**

NOTE 19 – PURCHASE OF STOCK IN TRADE	For the year ended 31.03.2012	For the year ended 31.03.2011
Purchases during the year	1,258,480	–
Total	**1,258,480**	**–**

NOTE 20 – CHANGE IN INVENTORY OF STOCK IN TRADE	For the year ended 31.03.2012	For the year ended 31.03.2011
Opening Stock in trade	1,913,164	6,379,914
Closing Stock in trade	666,544	1,913,164
(Increase)/Decrease in Inventory (a-b)	**1,246,620**	**4,466,750**

NOTES TO THE PROFIT AND LOSS

NOTE 21 – NETWORK OPERATION EXPENDITURE	For the year ended 31.03.2012	For the year ended 31.03.2011
Interconnect Usage Charges	718,825,556	538,484,396
Other Value Added Service charges	36,852,272	12,864,233
Port Charges	42,170,280	39,777,468
Testing and Technical Survey Expenses	380,000	578,526
Licence Fees on Revenue Share Basis	91,328,395	109,522,483
Royalty and licence fees to Wireless Planning Commission	23,302,114	27,494,016
Stores and Spares Consumed	61,507,609	88,281,514
Rent Node site	39,521,892	34,521,337
Infrastructure Sharing Rent	530,032,570	549,466,428
Electricity and Water – Network	332,090,211	329,288,523
Security Charges	539,359	781,695
Repair & Maintenance – Network	200,284,459	170,012,033
Bandwidth Charges	88,127,440	77,491,376
Total	**2,164,962,157**	**1,978,564,028**

NOTE 22 – EMPLOYEE BENEFIT EXPENSES	For the year ended 31.03.2012	For the year ended 31.03.2011
Salaries, Wages and Bonus	400,396,179	401,093,035
Employer's Contribution to Provident and other Funds [Refer Note 28 (19)]	21,349,183	21,249,585
Leave Encashment / Availment [Refer Note 28 (19)]	6,780,605	11,003,226
Gratuity [Refer Note 28 (19)]	4,833,737	3,310,297
Staff Welfare Expenses	8,694,006	9,594,318
Recruitment & Training Expenses	1,505,200	3,155,761
Total	**443,558,910**	**449,406,222**

NOTE 23 – SALES & MARKETING EXPENDITURE	For the year ended 31.03.2012	For the year ended 31.03.2011
Sales and Business Promotion	3,474,558	9,627,722
Advertisement Expenses	20,065,247	99,760,727
Customers Acquisition Costs	180,240,408	292,922,655
Total	**203,780,213**	**402,311,104**

NOTE 24 – FINANCE COSTS	For the year ended 31.03.2012	For the year ended 31.03.2011
Interest on Term Loans	256,453,815	257,045,637
Interest to Others	18,452,997	15,208,993
Bank Guarantee Commission	3,090,839	2,964,526
Trustees Fee	750,000	1,800,000
Monitoring Fees	1,100,000	–
Other Finance Charges	1,346,285	1,659,115
Total	**281,193,936**	**278,678,271**

NOTES TO THE PROFIT AND LOSS

NOTE 25 – OTHER EXPENSES		For the year ended 31.03.2012	For the year ended 31.03.2011
Foreign exchange fluctuation		17,755,242	(457,523)
Payments to the auditor			
Audit Fees		1,600,000	1,850,000
Tax Audit Fees		505,000	505,000
Other services		225,000	275,000
Reimbursement of expenses		104,915	177,254
Prior period Adjustments		(9,422,206)	5,873,723
Techincal Expenses		411,495	–
Legal and Professional Expenses		17,034,172	20,911,266
Travelling and Conveyance		70,253,814	70,701,787
Communication Expenses		2,743,451	2,289,647
Rent		24,551,298	26,067,198
Security Charges		5,799,860	5,641,003
Repairs and Maintenance – Building		235,549	93,234
Repairs and Maintenance – Others		10,365,818	12,061,282
Electricity and Water		16,253,639	13,652,334
Insurance		8,642,573	6,503,101
Rates and Taxes		12,710,944	6,071,890
Freight & Cartage		5,545,840	8,534,440
Printing and Stationary		2,442,780	3,839,993
Billing and Collection Expenses		73,589,175	79,620,156
Directors' Fees		194,300	286,880
Loss/ (Gain) on sale and Discarded of Fixed Assets		8,883,788	(24,752,278)
Bad Debts Written off	41,980,582		33,925,945
Less; Provision for Doubtful Debts	(4,092,669)	37,887,913	(5,884,790)
Provision for Doubtful Debts		10,489,234	4,507,778
Miscellaneous Expenses		4,662,838	5,213,136
Total		**323,466,432**	**277,507,456**

NOTE 26 – CONTINGENT LIABILITIES	For the year ended 31.03.2012	For the year ended 31.03.2011
Estimated value of contracts remaining to be executed on capital account and not provided for net of capital advances Rs. 3,987,253 (March 31,2011 Rs 2,677,951)	64,947,346	296,671,624
Bank Guarantees given against Bid Bonds/Performance/Advance		
Financial Bank Guarantees	83,043,358	74,334,394
Performance Bank Guarantees	53,052,363	53,542,500
Open Letter of Credits (Margin Deposit Rs. 18514929 [March 31, 2011 – Rs. 14143944)]	18,514,929	14,143,944
Income tax matters under appeal [Refer Note 28 (1) (a)].	12,678,483	11,837,921
Claims against the company not acknowledged as debts	3,277,812	5,381,816
Dividend on 2% Cumulative redeemable preference shares ('CRPS')	63,938,172	95,907,258
Others [Refer Note 28 (1) (b, c, d, e, f and g)].	852,854,133	852,854,133
Total	**1,152,306,596**	**1,404,673,590**

NOTES FORMING PART OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS AS AT AND FOR THE YEAR ENDED MARCH 31, 2012

[All amounts in Indian Rupees, except share data including share price, unless otherwise stated]

NOTE 27: BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES

1. **Background**

(a) Nature of business and ownership

Quadrant Televentures Limited (Formerly known as HFCL Infotel Limited) ('the Company' or 'QTL'), Unified Access Services Licensee for Punjab Circle (including Chandigarh and Panchkula), is providing complete telecommunication services, which includes voice telephony, both wireline and fixed wireless, CDMA and GSM based mobiles, internet services, broadband data services and a wide range of value added service viz., centrex, leased lines, VPNs, voice mail, video conferencing etc. The services were commercially launched in October 2000 and as on March 31, 2012, the Company has an active subscriber base of over 1,682,567.

The Company was incorporated on August 2, 1946 with the name of The Investment Trust of India Limited (ITI) which was subsequently changed to HFCL Infotel Limited on May 12, 2003. This was done pursuant to a Scheme of amalgamation (the Scheme), approved by the Hon' able High Court of the State of Punjab and Haryana and the State of Tamil Nadu on March 6, 2003 and March 20, 2003, respectively, whereby the *erstwhile* HFCL Infotel Limited (name earlier allotted to the transferor Company) ('*erstwhile* HFCL Infotel') was merged with the Company with effect from September 1, 2002. As per the Scheme envisaged, the Company's then existing business of hire purchase, leasing and securities trading was transferred by way of slump sales to its wholly owned subsidiary, Rajam Finance & Investments Company (India) Limited ('Rajam Finance') with effect from September 1, 2002. Rajam Finance was renamed as The Investment Trust of India Limited with effect from June 17, 2003 and it ceased to be the subsidiary of the Company with effect from September 30, 2003, due to allotment of fresh equity by Rajam Finance to other investors.

The Company, during the year ended March 31, 2004, surrendered its license granted by Reserve Bank of India ('RBI') to carry out NBFC business. RBI confirmed the cancellation of the NBFC license as per their letter dated May 24, 2004.

On September 24, 2010 the name of Company was changed to Quadrant Televentures Limited.

Infotel Tower Infrastructure Private Limited ('ITIPL') is a Subsidiary Company. During the year the Company has acquired beneficial interest in the remaining 20 equity shares which were earlier held by the subscribers to the Memorandum of Association; declaration of beneficial Interest in the said shares has been duly filed with the Registrar of Companies. Consequently, the company now holds 100% of the issued equity share capital in the subsidiary company. The principal business of the Company is building, establishing, setting-up, accruing, developing, advising on, managing, providing, operating and/or maintaining, facilitating conduct of, fully or partially infrastructure facilities and services thereof for all kinds of value added services including Broadband Towers for telecom operations/services, payment gateway services and international gateway services.

QTL, together with its subsidiaries ITIPL is hereinafter collectively referred to as 'the Group'.

(b) License Fees

The Company obtained licence for Basic Telephony Service for the Punjab circle (including Chandigarh and Panchkula) by way of amalgamation of the *erstwhile* HFCL Infotel with the Company. *Erstwhile* HFCL Infotel had obtained this licence under fixed license fee regime under National Telecom Policy ('NTP') 1994, valid for a period of 20 years from the effective date, and subsequently migrated from the fixed license fee regime to revenue sharing regime upon implementation of NTP 1999. Further to the Telecom Regulatory Authority of India's ('TRAI') recommendations of October 27, 2003 and the Department of Telecommunications ('DoT') guidelines on Unified Access (Basic & Cellular) Services Licence ('UASL') dated November 11, 2003, the Company migrated its licence to the UASL regime with effect from November 14, 2003. A fresh License Agreement was signed on May 31, 2004. Pursuant to this migration, the Company became additionally entitled to provide full mobility services. HFCL Infotel also entered into a Licence Agreement dated June 28, 2000, and amendments thereto, with DoT to establish maintain and operate internet service in Punjab circle (including Chandigarh and Panchkula).

Fixed license fees of Rs 1,775,852,329 paid under the old license fee regime from inception till July 31, 1999, were considered as the License Entry Fees of the Punjab circle (including Chandigarh and Panchkula) as part of the migration package to NTP 1999.

With effect from August 1, 1999, the Company is required to pay revenue share license fees as a fraction of Adjusted Gross Revenue ('AGR'), The revenue share fraction was set at 10 per cent of AGR with effect from August 1, 1999 and was reduced to 8 per cent of AGR with effect from April 1, 2004. In addition, spectrum charges calculated at 3 per cent of the AGR earned through the wireless technology is payable under the license agreement. Income from internet services is excluded from the service revenue for the purpose of the calculation of AGR.

During the year ended March 31, 2008, the Company has deposited the entry fee of Rs 1,517,500,000 with The Department of Telecommunication ('DOT') for the use of GSM Technology in addition to CDMA technology being used under the existing Unified Access Services Licence ('UASL') for the Punjab Service Area. The UASL has since been amended to incorporate the license for use of GSM technology on January 15, 2008 vide DOT's letter number F.No.10-15/2004/BS.II/HITL/ Punjab/17 dated January 15, 2008. The Company has launched its GSM services on March 29, 2010 in Punjab Circle.

(c) Project Financing

The Company's project was initially appraised by Industrial Development Bank of India ('IDBI') during the year ended March 31, 2000.

Pursuant to the migration to UASL regime, the consortium of lenders, led by IDBI, through the Corporate Debt Restructuring ('CDR') mechanism approved an overall restructuring of the liabilities of the Company and thereby revised the peak funding requirements.

Further, the CDR Empowered Group has approved the proposal of the Company for expansion of services, change in the scope of the project, cost of project and means of finance and restructuring of debt as per the reworked restructuring scheme dated June 24, 2005.

During the year, the Company has incurred losses of Rs 1,791,601,978 resulting into accumulated loss of Rs 15,428,596,916 as at March 31, 2012 which has completely eroded its net worth and has a net current liability of Rs 6,847,992,445. The ability of the Group to continue as a going concern is substantially dependent on its ability to successfully arrange the remaining funding and achieve financial closure to fund its operating and capital funding requirements and to substantially increase its subscriber base. The management in view of its business plans and support from significant shareholders is confident of generating cash flows to fund the operating and capital requirements of the Company. Accordingly, these statements have been prepared on a going concern basis.

During the year, ITIPL has incurred losses of Rs 3,942,038 resulting into accumulated loss of Rs 14,976,145 as at March 31, 2012 which has completely eroded its net worth. The ability of the Company to continue as a going concern is dependent on the success of its operations and ability to arrange funds for its operations. The management is confident of meeting of its funds requirements in the future and generating cash flow. Accordingly, these statements have been prepared on a going concern basis.

2. Summary of significant accounting policies

2.1 Basis of preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the notified accounting standards by Companies (Accounting Standards) Rules, 2006 ('as amended'), and the relevant provisions of the Companies Act, 1956. The preparation of financial statements is in conformity with the Generally Accepted Accounting Principals. The financial statements have been prepared under the historical cost convention on an accrual basis of accounting. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The significant accounting policies are as follows:

2.2 Principles of Consolidation

These consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, statement of profit and loss and cash flows of QTL and ITIPL as at March 31, 2012. All material inter-Company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

Minority interest represents that part of the net assets of a subsidiary attributable to interests, which are not owned directly or indirectly through subsidiary, by QTL.

The significant accounting policies adopted by the Group in respect of the consolidated financial statements are detailed as follows:

2.3 Fixed Assets

Fixed assets are stated at cost (net of cenvat credit and VAT if availed) less impairment loss, if any, and accumulated depreciation. The Company capitalises direct costs including taxes (excluding cenvat), duty, freight and incidental expenses directly attributable to the acquisition and installation of fixed assets. Capital work-in-progress is stated at cost.

Telephone instruments having useful life lying with deactivated customers for more than 90 days since disconnection are written off.

2.4 Inventory

Inventory is valued at cost or net realisable value which ever is low. Cost for the purchase is calculated on FIFO basis.

2.5 Depreciation

Depreciation is provided pro-rata to the period of use (except for Telephone Instruments, being ready for use are depreciated from the beginning of the month, following the month of purchase), on the straight line method based on the estimated useful life of the assets, as follows:

Asset	Useful life (in years)
Leasehold Land	Over the lease term
Buildings	Office Building 30 years Others 61 years
Leasehold Improvements	10 years or over the lease term, whichever is lower
Network Equipment (other than batteries) Batteries	9.67 years 5 years
Testing Equipments (included in Network Equipments)	5 years
Optical Fibre Cable and Copper Cable	15 years
Telephone Instruments	5 years
Computers	6.17 years
Software	5 years
Office Equipments	10 years, except in case issued to employees, where asset is depreciated in 5 years
Furniture and Fixture	10 years, except in case issued to employees, where asset is depreciated in 5 years
Vehicles	4 years
Fixed Assets costing less than Rs 5,000 (other than Telephone Instruments)	Fully depreciated when they are ready for use.
Goodwill	5 years

(i) Depreciation rates derived from the above are not less than the rates prescribed under Schedule XIV of the Companies Act, 1956.

(ii) During the year ended March 31, 2009 the Company has decreased the average life of Batteries considered part of Network equipments from 9.67 years to 5 years. Resultant impact is not material, hence not disclosed.

(iii) Depreciation on the amount capitalized on up-gradation of the existing assets is provided over the balance life of the original asset.

(iv) Depreciation on the amount capitalised till March 31, 2007 on account of foreign exchange fluctuations is provided over the balance life of the original asset (refer Note 2.14, below)

2.6 Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

2.7 Intangibles

All expenditure on intangible items are expensed as incurred unless it qualifies as an intangible asset as defined in Accounting Standard 26. The carrying value of intangible assets is assessed for recoverability by reference to the estimated future discounted net cash flows that are expected to be generated by the asset. Where this assessment indicates a deficit, the assets are written down to the market value or fair value as computed above.

For accounting policy related to Licence Entry Fees, refer note 2.8(i), below.

2.8 Licence Fees

(i) *Licence Entry Fee*

The Licence Entry Fee [See Note 1 (b)] has been recognised as an intangible asset and is amortised equally over the remainder of the licence period from the date of commencement of commercial operations [Refer Note 1 (a)]. Licence entry fees includes interest on funding of licence entry fees, foreign exchange fluctuations on the loan taken upto the date of commencement of commercial operations.

The carrying value of license entry fees are assessed for recoverability by reference to the estimated future discounted net cash flows that are expected to be generated by the asset. Where this assessment indicates a deficit, the assets are written down to the market value or fair value as computed above.

(ii) *Revenue Sharing Fee*

Revenue Sharing Fee, currently computed at the prescribed rate of Adjusted Gross Revenue ('AGR') is expensed in the Profit and Loss Account in the year in which the related income from providing unified access services is recognised.

An additional revenue share towards spectrum charges is computed at the prescribed rate of the service revenue earned from the customers who are provided services through the CDMA, GSM and technology. This is expensed in the Profit and Loss Account in the year in which the related income is recognised.

2.9 Goodwill

The excess of cost incurred for acquisition of "Handset Business" over net value of Asset and Liabilities has been treated as Goodwill

2.10 Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long term investments are stated at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Current investments are carried at lower of cost and fair value and determined on an individual investment basis.

2.11 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2.12 Revenue Recognition

(i) Revenue from unified access services are recognised on services rendered and is net of rebates, discounts and service tax. Unbilled revenues resulting from unified access services provided from the billing cycle date to the end of each month are estimated and recorded. Revenues from unified access services rendered through prepaid cards are recognised based on actual usage by the customers. Billings made but not expected to be collected, if any, are estimated by the management and not recognised as revenues in accordance with Accounting Standard on Revenue Recognition ('AS 9').

(ii) Revenue on account of internet services and revenue from infrastructure services are recognised as services are rendered, in accordance with the terms of the related contracts.

(iii) Revenue on account of Sale of Handsets is recognised on transfer of significant risk and rewards in respect of ownership

2.13 Interconnection Usage Revenue and Charges

The TRAI issued Interconnection Usage Charges Regulation 2003 ('IUC regime') effective May 1, 2003 and subsequently amended the same twice with effect from February 1, 2004 and February 1, 2005. Under the IUC regime, with the objective of sharing of call revenues across different operators involved in origination, transit and termination of every call, the Company pays interconnection charges (prescribed as Rs per minute of call time) for all outgoing calls originating in its network to other operators, depending on the termination point of the call i.e. mobile, fixed line, and distance i.e. local, national long distance and international long distance. The Company receives certain interconnection charges from other operators for all calls terminating in its network

Accordingly, interconnect revenue are recognised on those calls originating in another telecom operator network and terminating in the Company's network. Interconnect cost is recognised as charges incurred on termination of calls originating from the Company's network and terminating on the network of other telecom operators. The interconnect revenue and costs are recognised in the financial statement on a gross basis and included in service revenue and network operation expenditure, respectively.

2.14 Foreign Currency Transactions

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

Exchange differences arising on the settlement or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year.

2.15 Borrowing Costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as a part of the cost of the asset. Other borrowing costs are recognised as an expense in the year in which they are incurred

2.16 Employee Benefits

Effective April 1, 2007, the Company has adopted the Revised Accounting Standard – 15 'Employee Benefits'. The relevant policies are:

Short Term Employee Benefits

Short term employee benefits are recognised in the period during which the services have been rendered.

Long Term Employee Benefits

Provident Fund and employees' state insurance schemes

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognised and administered by the Government of India.

The Company's contributions to both these schemes are expensed in the Profit and Loss Account. The Company has no further obligations under these plans beyond its monthly contributions.

Leave Encashment

The Company has provided for the liability at period end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

Gratuity

The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuation in accordance with Accounting Standard 15 (revised), "Employee Benefits " The Company makes annual contributions to the LIC for the Gratuity Plan in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation at period end using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

a) Short term compensated absences are provided for on based on estimates.

b) Actuarial gains and losses are recognised as and when incurred

2.17 Income-Tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be, that future taxable income will be available against which such deferred tax assets can be realised.

2.18 Operating Leases

Where the Company is the lessee

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

2.19 Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For calculating diluted loss per share, the number of shares comprises the weighted average shares considered for deriving basic loss per share, and also the weighted average number of shares, if any which would have been used in the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive equity shares are adjusted for the bonus shares and the sub-division of shares, if any.

2.20 Segment Reporting

Identification of segments:

The primary reporting of the Company has been performed on the basis of business segments. The analysis of geographical segments is based on the areas in which the Company's products are sold or services are rendered.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

The Corporate and other segment include general corporate income and expense items, which are not allocated to any business segment.

2.21 Pre-Operative Expenditure

Expenditure incurred before the commencement of commercial operation are considered as pre-operative expenditure and are charged to profit and loss account.

2.22 Cash & Cash Equivalents

Cash & cash equivalents in the Balance Sheet comprise cash in hand and at bank.

NOTE 28: NOTES FORMING PART OF THE FINANCIAL STATEMENTS

[All amounts in Indian Rupees, except share data including share price, unless otherwise stated]

1. Commitments and contingent liabilities not provided for in respect of:

(a) The Company has certain income tax related matters pending with Income Tax Appellate Tribunal for the Assessment Year 2001-02 aggregating to Rs 12,678,483 (March 31, 2011 – Rs 11,837,921).

(b) The Wireless Finance Division of Department of Telecommunications has claimed an outstanding of Rs 29,585,211 towards the Spectrum Charges dues from year 2001 to year 2005 vide their letter 1020/48/2005-WFD dated October 7, 2005. The Company has submitted its reply to the department on October 25, 2005 confirming the total due of Rs 29,472 only and paid the said amount. The Wireless Finance Division of Department of Telecommunications has subsequently claimed Rs 39,310,176 vide letter number 1020/48/2005-WFD dated September 13, 2006 towards the Spectrum Charges dues from year 2001 to year 2006. The Company has submitted a detailed reply on October 31, 2006. During the year ended March 31, 2008, out of the above demand, the Company has deposited Rs 1,801,241 under protest towards the interest due till August 31, 2006. Wireless Finance Division of Department of Telecommunications has updated their claim to Rs 70,604,092 towards Spectrum Charges dues from January 1, 2000 to September 30, 2008 vide letter number 1020/29/WR/07-08 dated October 24, 2008. The Company has once again made a written representation vide its letter dated December 8, 2008 and August 12, 2009. Subsequently DOT has revised their demand to Rs 70,528,239 vide Letter No 1020/48/WFD/2005-06/ Dated September 6, 2010 to which the Company has made representations vide letter dated September 23, 2010, February 3, 2011 and March 17, 2011. The reply of which has not been received. Based on the legal opinion, the Company is confident that no liability would accrue regarding the same in future.

(c) During the year ended March 31, 2007, Bharat Sanchar Nigam Limited ('BSNL') has raised supplementary bill dated August 10, 2006 for Rs 167,614,241 towards Inter-connect Usage Charges ('IUC') and Access Deficit Charges ('ADC') for the period November 14, 2004 to August 31, 2005 on the Company. BSNL further raised invoices to the tune of Rs 99,346,533 on similar grounds for the period September 1, 2005 to February 28, 2006.These charges are on account of unilateral declaration of the Company's Fixed Wireless and Wire line Phone services as Limited Mobility Services by BSNL. The Company has submitted its reply to BSNL on August 23, 2006 asking for the calculation/basis for the additional amount raised towards IUC and ADC by BSNL for Rs 167,614,241. Subsequently, BSNL issued a disconnection notice on August 26, 2006 which required the payment of Rs 208,236,569 (including Rs 167,614,241). The Company has submitted details to BSNL for payments already made for Rs 40,622,328. The Company has approached Hon'ble TDSAT on the subject matter and a stay order was granted on Company's petition no 232 of 2006 against the disconnection notice on September 21, 2006. BSNL Jalandhar Office subsequently raised a supplementary bill dated March 20, 2007 for Rs 5,206,780, to which the Company has submitted its reply on March 23, 2007 intimating that the matter being sub-judice and pending decision by the Hon'ble TDSAT, no coercive action be taken against the Company. The hearing on the matter has been completed and the Hon'ble TDSAT has pronounced the judgment on May 21, 2010 in Company's favour and has directed that BSNL and the Company should exchange relevant information and reconcile the differences. In the absence of information from BSNL, the Company is not in a position to determine the liability with respect to this matter. The Company, based on expert legal opinion, believes that there would be no financial liability against such bills and accordingly, has not recorded any liability towards the IUC and ADC supplementary bills during the year ended March 31, 2012.

(d) The Company is in receipt of Show Cause Notice dated June 4, 2007 from Department of Telecommunications ('DoT') for non fulfilment of first year's roll-out obligations of Unified Access Service License ('UASL') Agreement for Punjab Service Area, where in the licensee as per the terms of the license agreement was required to ensure that at least 10% of the District Headquarter / Towns are covered in the first year of the date of migration to UASL which commences from the date of Test Certificate issued by Telecom Engineering Centre ('TEC'). As stated by DoT in the Show Cause Notice issued, the Company has violated the conditions of UASL and accordingly Liquidated Damages of Rs 70,000,000 has been imposed and DoT has also sought explanation within 21 days as to why they should not take action against the Company under the UASL Agreement to which the Company has replied on September 27, 2007 that the Company has not violated the conditions of UASL and based on expert legal advice, the Company believes that there would be no financial liability against such claims of DoT and accordingly, has not recorded any liability towards the Liquidated Damages during year ended March 31, 2012.

(e) The Company is in receipt of a demand of Rs 433,158,340 from Bharat Sanchar Nigam Limited ('BSNL') on December 20, 2008 on account of unilateral revision of access charges vide its letter dated April 28, 2001 for the period from June 2001 to May 2003, in contravention of the Interconnect Agreement and TRAI Regulations. The Company, Association of Unified Service Providers of India 'AUSPI' (erstwhile Association of Basic Telephone Operators 'ABTO') and other Basic Service Operators contested aforesaid revision in the rates of access charges before Telecom Dispute Settlement Appellate Tribunal ('TDSAT'). TDSAT vide its reasoned and detailed judgement dated April 27, 2005 allowed the refund claims and struck down the unilateral revision in the rates of access charges by BSNL and held that Telecom Regulatory Authority of India ('TRAI') is the final authority for fixing of access charges and access charges would be payable as rates prescribed by the TRAI and as per the Interconnect agreements. BSNL preferred an appeal in Hon'ble Supreme Court against the order of TDSAT and an interim stay was granted on October 19, 2006 Therefore aggrieved by such unilateral action on the part of BSNL by raising aforesaid demand and disturbing the status-quo, applications were moved by the Company, AUSPI and other Operators in the Hon'ble Supreme Court vide C.A No.5834-5836 of 2005 that was listed for hearing on February 9, 2009 and Hon'ble Supreme Court passed an order clarifying its previous order of October 19, 2006 and stayed the refunds claim against the BSNL there by upholding the TDSAT order dated April 27, 2005 whereby BSNL is refrained from raising the access charges demand. The Company based on the legal opinion believes that there would be no financial liability against this demand and has accordingly not recorded any liability towards access charges during the year ended March 31, 2012.

(f) The Company is in receipt of demand of Rs. 7,000,000 from Department of Telecommunications ('DoT'), Licensing Group (Access Services) vide their letter dated October 21, 2009 for issuance of SIM cards on fake ID in Punjab Service Area, where in the Licensee was required to ensure adequate verification of each and every customer before enrolling him as a subscriber. The Company has replied to DoT vide letter dated November 14, 2009 that the levy of penalty imposed by DoT was based on verification done by an agency other than the DOT – TERM Cells and the exercise was carried out suo moto and in complete disregard of the established procedures and guidelines laid by DoT. Accordingly the Company has requested DoT to have this validation done by the DOT – TERM Cell. The Company believes that there would be no financial liability against this demand and has accordingly not recorded any liability towards penalty during the year ended March 31, 2012.

(g) The Company is in receipt of a demand of Rs 4,157,718 from Bharat Sanchar Nigam Limited ('BSNL') on February 2, 2009 on account of port charges for the year 2008-09, passive link charges, duct cost for passive link and active link charges. Out the above Rs 430,131 pertaining to port charges for the year 2008-09 and active link charges was paid by the Company vide receipt number 189 dated February 18, 2009. The amount of Rs 3,727,587 towards the duct cost for passive link and passive link charges was not acceptable by the Company as the demand raised by BSNL was unilateral and unjust. The Company filed a petition vide petition number 41(C) of 2009 with Telecom Dispute Settlement and Appellate Tribunal ('TDSAT') to which the Company was granted a stay order dated March 25, 2009 restraining BSNL from recovering the dues from the Company. The hearing on the matter has been completed on February 11, 2010 and the judgement from Hon'ble TDSAT was delivered December 22, 2010 in favour of BSNL where in the Company was required to make payment amounting to Rs. 5,191,862 to BSNL. The said payment has been made in compliance with the order.

2. **Managerial remuneration**

Remuneration paid to Manager is as under:

	For the year ended March 31, 2012	For the year ended March 31, 2011
Salary	540,000	416,847
Employer's contribution to provident fund	64,800	50,022
Perquisites/ Allowances	615,815	524,643
Ex-gratia/ Performance linked incentive	-	256,170
Total	**1,220,615**	**1,247,682**

The above managerial remuneration does not include provision of gratuity of Rs 98,408 (March 31, 2011– Rs 56,688) and leave encashment of Rs 187,457 (March 31, 2011– Rs129,613), as these provisions are computed on the basis of an actuarial valuation done for the Company and are provided in the financials (Refer Note 5 & 9).

Value of perquisites and other allowances has been determined in accordance with the provision of the Income-tax Act, 1961.

3. **Share Capital**

Equity shares

(a) As of date, the entire paid up Equity Share Capital of the company comprising of 612,260,268 equity shares of Rs 10 each, stands listed on the Bombay Stock Exchange (BSE) Consequent upon the issuance of 8,67,43,116 equity shares allotted pursuant to the conversion of 75,51,178 OFCDs along with interest accrued thereon to the Financial Institution /Banks on July 8, 2009, the non-promoter shareholding in the Company increased from 38.02% to 46.80%, and the Promoters' Shareholding decreased from 61.97% to 53.19%, whereupon the Company requested BSE to grant listing of unlisted shares without insisting upon the stipulation of the condition for 'Offer for Sale. BSE, vide its letter DCS / AMAL / RCG/ GEN / 1108 / 2008-09 dated February 13, 2009, inter-alia, agreed to exempt the condition imposed on the Company to comply with requirement of making an offer for sale in the domestic market, subject to compliance of certain procedural requirements including 'three years lock-in' period of 25% of equity shares that had been issued pursuant to the merger on June 17, 2003 i.e. 25% of 432,000,250 shares (108,000,063 equity shares). The Company had – in compliance with the conditions stipulated by BSE – placed under lock-in 108,000,063 equity shares on May 14, 2009 for a period of 3 years ending May 15, 2012. The Company has also complied with all other necessary requirements pursuant to the letter from BSE dated February 13, 2009 related to 83,070,088 equity shares issued pursuant to corporate debt restructuring scheme. BSE had also agreed to grant in-principle approval for allotment of 86,743,116 equity shares to be issued to Banks and financial institutions on conversion upon filing of necessary listing application, which the Company has filed, vide its letter no. HITL/S&L/S-01/09/472 and 473 dated March 07, 2009. Consequently, vide their notice 20090514-12 dated May 14, 2009 hosted on it's website BSE had granted Listing and Trading permission in respect of the 432,000,250 equity shares issued pursuant to scheme of amalgamation. BSE had also granted Listing approval in respect of the 83,070,088 equity shares allotted as aforesaid vide their letter number DCS/PREF/DMN/FIP/239/09-10 dated May 25, 2009 and the shares were Listed by BSE vide its notice number 20090605-20 dated June 5, 2009.

(b) Out of the total paid up equity share capital comprising of 612,260,268 equity shares of Rs 10 each, 8,67,43,116 equity shares of Rs.10/ – each (allotted on July 08, 2009, after obtaining in principle approval from the BSE and MSE. upon the conversion of Optionally Fully Convertible Debentures (OFCDs) allotted pursuant to the Corporate Debt Restructuring (CDR) Cell) Consequently, the Listing approval in respect of these shares was granted by Bombay Stock Exchange (BSE) vide its letter number 20090813-08 dated August 13, 2009 w.e.f. August 14, 2009 and by the Madras Stock Exchange Limited vide its letter no.MSE/LD/PSK/738/215/09 dated September 01, 2009 w.e.f September 01, 2009.

Out of the total paid up equity share capital comprising of 612,260,268 equity shares of Rs 10 each, 326,705,000 equity shares of Rs.10/ – each representing 53.3605% of the total Paid up share capital of the Company – which were earlier held by Himachal Futuristic Communications Limited – the erstwhile promoter or Holding Company), were acquired by M/s Quadrant Enterprises Private Limited on 03rd April, 2010 in compliance with the SEBI Exemption Order in pursuance of the proposal for settlement / change of management of the Company approved under the New Restructuring Scheme as approved by the Corporate Debt Restructuring Cell (CDR Cell) on August 13, 2009.

(c) On March 31, 2004, the Company obtained the approval from the shareholders for de-listing the shares listed in the Calcutta Stock Exchange Association Limited ('CSE') and complied with all the necessary requirements for delisting and submitted its application in CSE. Despite repeated reminders, the Company has not yet received CSE's approval in this regard.

(d) Pursuant to the Company's application in this regard, for Voluntary Delisting pursuant to the provisions of regulation 6(a) and 7(1) of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulation, 2009, the Madras Stock Exchange (MSE), MSE has vide its letter dated March 15, 2011, accepted and accorded its consent to the Voluntary Delisting of the company's shares vide its letter No. MSE/LD/PSK/731/109/11 dated 15th March, 2011 accepting the Voluntary delisting of the company's equity shares from the MSE.

4. **Secured Loans**

(a) As per the CDR Scheme approved on March 10, 2004 and subsequently approved on June 4, 2005, the Lenders have signed Master Restructuring Agreement ('MRA') for restructuring of their Debts and Security Trusteeship Agreement, whereby the Lenders have entered into an agreement and appointed IDBI Trusteeship Services Limited (herein after referred as "ITSL") as their custodian of security. On November 11, 2005, the charges were registered in favour of the ITSL for Rupee Term Loans, for providing Specific Credit Facility, for Working Capital Assistance and Zero percent Secured OFCDs. The same are secured by first pari passu charge on immovable properties of the Company situated at Kandivali (East), Mumbai and properties situated at Mohali & Jalandhar under equitable mortgage, first pari passu charge of hypothecation of movable properties of the Company including movable plant & machinery, machinery spares, tools & accessories and other movables including book debts by way of hypothecation, both present and future. Further, the same are also secured by assignment of all rights, title, benefits, claims and interest in, under the project documents, insurance policies, all statutory, government and regulatory approvals, permissions, exemptions and waivers on pari passu basis. Subsequently, pursuant to the reworked restructuring scheme approved under CDR mechanism on June 24, 2005, the Company has entered into amendatory Master Restructuring Agreement and amendatory Security Trusteeship Agreement ('STA') on March 9, 2006, whereby Centurion Bank of Punjab has also joined as one of the lenders and has agreed to appoint ITSL as their custodian for security and signed the STA in line with other lenders in consortium.

On the request of the Company, Corporate Debt Restructuring Cell ('CDR') vide their letter no CDR (JCP) No 138 / 2009-10 ('CDR Letter') dated May 20, 2009 has approved the interim revised restructuring package. The revised restructuring package inter alia includes funding of interest from July 1, 2008 to October 31, 2009 on simple interest basis. Funded Interest on Term Loan ('FITL') would not carry any interest and the FITL shall be repaid in 16 equal monthly installments commencing from December 1, 2009, and has rescheduled the principle installments from August 1, 2008 to November 1, 2009 so as to be repayable from December 1, 2009 to March 1, 2011. Corporate Debt Restructuring ('CDR') cell vide their letter no CDR (JCP) No 563 / 2009-10 dated August 13, 2009 has approved a new restructuring scheme, which includes the induction of strategic investor / change of management and settlement proposal for Term Lenders. All the term lenders have given their acceptance to the new restructuring scheme. The new restructuring scheme has been made effective from April 1, 2009 and accordingly an amount of Rs 373,097,077 towards FITL from July 1, 2008 to March 31, 2009 has been considered as term loan.

In pursuant to the new restructuring scheme vide letter no. CDR (JCP) No 563 / 2009-10 dated August 13, 2009, The Company had allotted 15,984,543, 2 % Cumulative Redeemable Preference Shares of Rs.100 each aggregating to Rs.1,598,454,300 on November 9, 2010, to Financial Institution / Banks in conversion of 25% of their outstanding loans as on April 01, 2009.

In compliance with the aforesaid new restructuring scheme dated August 13,2009 the Company had repaid on July 06, 2010 and July 07, 2010 an amount of Rs 1,598,454,522 being 25% of their outstanding loans as on April 01, 2009

The Company is required to allot secured Non Convertible Debenture ('NCD') of an amount aggregating to Rs 3,196,909,043 equivalent to 50 % of their outstanding loans as on April 01, 2009, which shall be issued on the terms of the aforesaid new restructuring scheme and shall be implemented on the completion of such approvals and conditions precedent.

(b) The above mentioned security has been further extended to the amount of loans, working capital assistance, specific facility and OFCDs together with the interest, compound interest, additional interest, default interest, costs, charges, expenses and any other monies payable by the Company in relation thereto and in terms with MRA and STA entered into between the lenders and ITSL.

(c) Vehicle Loans of Rs 70,786 (March 31, 2011 – Rs 351,802) are secured by way of exclusive hypothecation charge in favour of bank on the specific assets acquired out of the loan proceeds of the Company. These loans are repayable in monthly instalments and shall be repaid by 2012. Vehicle loans repayable within one-year amounts to Rs 70,786. Interest rates on vehicle loans is 10.71 per cent per annum. The average tenure of loan is 36 months.

5. **Unsecured Loans**

(a) On October 16, 2004, the Company issued 1,667,761 zero percent Non Convertible Debentures ('NCDs') of Rs 100 each in lieu of interest accrued on term loans from a financial institution and a bank for the period April 1, 2003 to December 31, 2003. The NCDs earlier redeemable at par on March 31, 2014, are now redeemable at par on March 31, 2016 after repayment of the term loans as per reworked restructuring scheme effective from April 1, 2005.

(b) The Company under the terms of the agreement dated May 1, 2007 had taken convertible loan to facilitate expansion and development of businesses amounting to Rs 499,499,886 from Infotel Digicomm Private Limited. The convertible loan was repayable on demand with an option to convert the Loan into Equity Shares, subject to getting necessary approvals and subject to applicable pricing guidelines as per SEBI and other laws and regulations. On

September 16, 2009 Infotel Digicomm Private Limited ('IDPL') had entered into an assignment agreement with Domebell Electronics India Private Limited ('DEIPL'), wherein IDPL had assigned the above convertible loan of Rs 499,499,886 to DEIPL. All the terms and conditions relating to the convertible loan remained the same. The interest accrues at the end of each quarter. During the year ended March 31, 2010 the Company has provided for interest amounting to Rs 14,984,997 @ 12% to IDIPL for the three months ended June 30, 2009. DEIPL on the basis of the assignment agreement dated September 16, 2009 has a right on the interest accruing from July 1, 2009 onwards. DEIPL have agreed to waive off the interest from July 1, 2009 till March 31, 2012, therefore no provision for such interest has been made by the Company. Consequent to the addendum to the assignment agreement, the convertible loan from DEIPL is now repayable after 7 years from the date of assignment agreement dated September 16, 2009.

(c) The Company under the terms of the agreement dated May 1, 2007 had taken buyer's credit facility to facilitate funding of the telecom project amounting to Rs 410,740,832 from Infotel Business Solutions Limited. The loan carries 12% interest and was repayable on demand. Infotel Business Solutions Limited had the option to convert the loan including interest accrued into equity shares, subject to applicable pricing guidelines as per SEBI and other laws and regulations. On September 16, 2009 Infotel Business Solutions Limited ('IBSL') has entered into an assignment agreement with Domebell Electronics India Private Limited ('DEIPL'), wherein IBSL has assigned the above buyer's credit facility of Rs 410,700,000 to DEIPL. All the terms and conditions relating to the buyer's credit facility remained the same. The interest accrues at the end of each quarter. During the year ended March 31, 2010 the Company has provided for interest amounting to Rs 12,322,225 @ 12% to IBSL for the three months ended June 30, 2009. and accordingly DEIPL on the basis of the assignment agreement dated September 16, 2009 has a right on the interest accruing from July 1, 2009 onwards DEIPL has agreed to waive off the interest from July 1, 2009 till March 31, 2012, therefore no provision for such interest has been made by the Company. Consequent to the addendum to the assignment agreement, the convertible loan from DEIPL is now repayable after 7 years from the date of assignment agreement dated September 16, 2009.

(d) The Company had taken an unsecured loan on July 06, 2010 of Rs.1,598,500,000 @ 8% per annum, the interest accrues at the end of each quarter. The lender has agreed to waive off the interest from July 06, 2010 to March 31, 2012, therefore no provision for said interest has been made by the Company. The aforesaid unsecured loan is repayable after 7 years from the commencement of the unsecured loan.

6. **Fixed Assets and Capital work-in-progress**

(a) Capital Work in Progress includes Goods in Transit of Rs Nil (March 31,2011-Rs 2,299,900).

(b) As on March 31, 2011, telephone instruments aggregating to a net book value of Rs 85,390,844 (March 31, 2011 – Rs 121,711,778) and other assets aggregating to net book value of Rs 1,031,023,331 (March 31, 2011 – Rs 1,105736,867) are located at customer premises, other parties and at other operator's sites, respectively.

7. **Investments**

During the year ended March 31, 2009 the Company has incorporated a Subsidiary Company Infotel Tower Infrastructure Private Limited with an Investment of Rs 99,800. The principal business of the Company is building, establishing, setting-up, accruing, developing, advising on, managing, providing, operating and/or maintaining, facilitating conduct of, fully or partially infrastructure facilities and services thereof for all kinds of value added services including broadband towers for telecom operations/services, payment gateway services and international gateway services. During the year ended March 31, 2011 the Company has acquired beneficial interest in the remaining 20 equity shares which were earlier held by the subscribers to the Memorandum of Association. Consequently, the company now holds 100% of the issued equity share capital in the subsidiary company

8. **License Entry Fees**

During the year ended March 31, 2008, the Company has deposited the entry fee of Rs 1,517,500,000 with The Department of Telecommunication ('DOT') for the use of GSM Technology in addition to CDMA technology being used under the existing Unified Access Services Licence ('UASL') for the Punjab Service Area. The UASL has since been amended to incorporate the license for use of GSM technology on January 15, 2008 vide DOT's letter number F.No.10-15/2004/BS.II/HITL/ Punjab/17 dated January 15, 2008. The Company has launched its GSM services on March 29, 2010 in Punjab Circle.

9. **Inventory**

The Group holds inventory of network maintenance consumables, RUIM cards and mobile handsets amounting to Rs 19,112,355 (March 31, 2011 – Rs 25,001,439). The quantity and valuation of inventory is taken as verified, valued and certified by the management.

10. **Goodwill**

Infotel Tower Infrastructure Private Limited has entered into agreement dated March 31, 2009 for acquiring "the Handset Business" from M/s Infotel Business Solutions Limited for consideration amounting to Rs. 40,836,098. The value of acquired inventory of handsets is Rs 9,732,480 and fixed assets is Rs 350,709 and taken over net current liabilities amounting to Rs. 476,663. The excess of consideration over net value of Assets and Liabilities amounting to Rs. 31,229,573 has been recognized as Goodwill and disclosed as intangible assets in the Balance Sheet. Goodwill would be amortized over the period of 5 years on straight-line method starting from April 1, 2009.

11. **Deferred Taxes**

During the year, the Group has incurred losses of Rs 1,795,544,017 (accumulated losses of Rs 15,443,573,063) resulting into a tax loss carry forward situation.

The Company is eligible for a tax holiday under section 80IA of the Income-tax Act, 1961. Though the management is confident of generating profits in the future, there is currently no convincing evidence of virtual certainty that the Company would reverse the tax loss carry forwards beyond the tax holiday period. Accordingly, the Company has not recognized any deferred tax assets resulting from the carry forward tax losses. Further, no deferred tax liabilities on account of temporary timing differences have been recognized since they are expected to reverse in the tax holiday period.

Deferred Tax in the ITIPL Tax has been provided for in accordance with the Accounting Standard 22 – Accounting for taxes on Income issued by the Institute of Chartered Accountants of India. Net deferred tax assets amounting to Rs. 857,948/ – as on 31st March, 2012 comprises of the followings:-

Particulars	**As at March 31, 2012**	**Charge/ (Credit) during the year**	**As at March 31, 2011**
Deferred Tax Assets/ (Liability)			
Provision for Gratuity	227,073	30,812	196,261
Provision for Leave encashment	435,012	17,855	417,157
Depreciation/ Amortization	197,210	558,114	(360,904)
Provision for Doubtful Debts		(12,548)	12,548
Preliminary Expenses	(1347)	(-)	(1,347)
Net Deferred Tax (Liability)/Asset	**857,948**	**594,233**	**263,715**

12. **Current Liabilities and Provisions**

a) Sundry Creditors include amount payable to Micro and Small Enterprises as at March 31, 2012 of Rs 94,298 (March 31, 2011 – Rs 103,716). The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information and records available with the Company.

Information for the supplier covered under the Micro, Small and Medium Enterprise Development Act, 2006, as at March 31, 2012 is as under –

Particulars	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**
Principal amount	94,298	103,716
Interest due thereon remaining unpaid to any supplier as at the end of each accounting year	-	-
The amount of interest paid by the buyer in terms of Section 16 of Micro, Small and Medium Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each account year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small & Medium Enterprise Development Act, 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of accounting year.	-	-

b) The Company had obtained advance of Rs 3,827,500,000 (March 31, 2011 Rs. 1,517,500,000) to fund the entry fee for using GSM Technology under the existing Unified Access Services License (UASL) and business operations for Punjab Service Area. The amount of aforesaid advance is adjustable or refundable on such terms and conditions as may be mutually agreed. No interest is payable on the said advance.

13. **Earning per share**

The calculation of earning per share is based on the loss for the year and number of shares is shown below.

	For the year ended March 31, 2012	For the year ended March 31, 2011
Loss for the year (in Rs)	1,795,544,017	2,241,282,542
Weighted average number of equity shares	612,260,268	612,260,268
Nominal value per equity share (in Rs)	10	10
Earning per share – basic and diluted (in Rs)	(2.93)	(3.66)

14. **Operating leases**

A. Company as a Lessee

The Company has entered into various cancelable lease agreements for leased premises. Gross rental expenses for the year ended March 31, 2012 is Rs 64,073,190 (March 31, 2011 – Rs 60,588,535).

The Company has entered into site sharing agreements with other operators for sharing of their infrastructure sites. During the year, the Company has incurred Rs 530,032,570 (March 31, 2011 – Rs 549,466,428) towards infrastructure sharing expenses.

Further lease payments under non-cancellable operating leases are as follows:-

Particulars	As at March 31, 2012	As at March 31, 2011
Payable not later than one year	465,246,235	466,350,888
Payable later than one year and not later than five years	1,404,241,701	1,562,634,242
Payable more than five years	245,992,464	859,438,541
Total	**2,115,480,400**	**2,888,423,671**

The escalation clause includes escalation at various periodic levels ranging from 0 to 50%, includes option of renewal from 1 to 99 years and there are no restrictions imposed on lease arrangements.

B. Company as a Lessor

The Company has entered into cancellable site sharing agreements with other operators for sharing of its infrastructure sites. During the year, the Company has accrued Rs 7,608,860 (March 31, 2011– Rs 4,557,384) towards site sharing revenue.

The Company has entered into a non-cancellable lease arrangement to provide approximately 7,994.42 Fibre pair kilometres of dark fibre on indefeasible right of use (IRU) basis for a period of 15 years. The gross block, accumulated depreciation and depreciation expense of the assets given on IRU basis is not readily determinable and hence not disclosed.

In respect of such leases, rental income of Rs 36,775,779(March 31, 2011– Rs 35,810,133) has been recognised in the profit and loss account for the year ended March 31, 2012.

Further lease receipts (under non-cancellable operating leases) will be recognised in the profit and loss account of subsequent years as follows:-

Particulars	As at March 31, 2012	As at March 31, 2011
Receivable not later than one year	36,775,779	35,810,133
Receivable later than one year and not later than five years	147,103,116	143,240,533
Receivable later than five years	147,906,965	178,667,090
Total	**331,785,859**	**357,717,756**

15. **Segmental Reporting**

A. Primary Segment Information

The reportable segments for the year ended March 31, 2012 has been identified in line with Accounting Standard – 17 `Segment Reporting'.

The primary business segments are Telecommunication services (Unified access services, Infrastructure services, Internet services and Interconnection usage charges), Manpower services and Trading of mobile handsets.

Details of business segments are as follows:

Year ended March 31, 2012

Particulars	Telecommunication Services	Manpower Services	Trading of Mobile Handsets	Unallocable	Elimination	Total
Segment Revenue						
Total Revenue	2,828,907,866		2,682,367	19,005	(274,564)	2,831,334,674
Less: Inter Segment Revenue		77,391,009	30,000		(77,421,009)	-
Net Revenue	**2,828,907,866**	**77,391,009**	**2,712,367**	**19,005**	**(77,695,573)**	2,831,334,674
Particulars	**Telecommunication Services**	**Manpower Services**	**Trading of Mobile Handsets**	**Unallocable**	**Elimination**	**Total**
Segmental Results before Finance expenses & Taxes	**(1,510,425,169)**	**1,936,769**	**(6,425,229)**	**(30,684)**		**(1,514,944,313)**
Less: Finance Expenses	**281,176,809**			17,127		**281,193,936**
Segment Results before taxes	**(1,791,601,978)**	**1,936,769**	**(6,425,229)**	**(47,811)**	**-**	**(1,796,138,249)**
Provision for Taxation						
Deferred Tax (Liability) / Assets				594,233		**594,233**
Segment Results after taxes	**(1,791,601,978)**	**1,936,769**	**(6,425,229)**	**546,422**	**-**	**(1,795,544,016)**

Year ended March 31, 2011

Particulars	Telecommunication Services	Manpower Services	Trading of Mobile Handsets	Unallocable	Elimination	Total
Segment Revenue						
Total Revenue	2,383,381,337		639,174	74,185		2,384,094,696
Less: Inter Segment Revenue		76,775,978	2,795,074		(79,571,052)	-
Net Revenue	**2,383,381,337**	**76,775,978**	**3,434,248**	**74,185**	**(79,571,052)**	2,384,094,696
Particulars	**Telecommunication Services**	**Manpower Services**	**Trading of Mobile Handsets**	**Unallocable**	**Elimination**	**Total**
Segmental Results before Finance expenses & Taxes	**(1,957,996,326)**	**3,393,208**	**(7,322,460)**	**33,574**		**(1,961,892,004)**
Less: Finance Expenses	**278,671,018**			7,253		**278,678,271**
Segment Results before taxes	**(2,236,667,344)**	**3,393,208**	**(7,322,460)**	**26,321**		**(2,240,570,275)**
Provision for Taxation						
Deferred Tax (Liability) / Assets				(712,267)		**(712,267)**
Segment Results after taxes	**(2,236,667,344)**	**3,393,208**	**(7,322,460)**	**(685,946)**		**(2,241,282,542)**

(i) Revenues and expenses, which are directly identifiable to segments, are attributed to the relevant segment. The segment result is the segment revenues less the segment expenses. Certain costs, including depreciation and Finance expenses which are not allocable to segments have been classified as "Unallocable".

(ii) The Group is utilizing the assets which do not generally make a distinction between the business segments. As a result, fixed assets are used interchangeably between segments. In the absence of a meaningful basis to allocate assets and liabilities between segments, no allocation has been made.

B. Secondary Segment Information

The Group provides services only in the State of Punjab (including Chandigarh and Panchkula) and, accordingly, no disclosures are required under geographical segments reporting.

16. Related Party Transactions for the Period Apr'11-Mar'12

Relationship	Holding Company		Companies Under Key Management Personnel		Key Management Personnel		Total	
Nature of transaction	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**
Assets	-						–	–
Purchase of Equity Shares	–	–	–	–			–	–
Advance against equity	–	–	–	–			–	–
Purchase of Capital Goods	–	–	–	–			–	–
Purchase of Capital Services	–	–	–	–			–	–
Payment against Capital Purchases / Services	–	–	–	440,000			–	440,000
Liabilities	-						–	–
Amount received by Company	–	–	–	–			–	–
Loan Received By Company	–	–	–	–			–	–
Balance – Payable	–	–					–	–
Balance – Receivable		–	–	24,400,762	–	–	–	24,400,762
Relationship	**Holding Company**		**Companies Under Key Management Personnel**		**Key Management Personnel**		**Total**	
Nature of transaction	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**	**For the year ended March 31, 2012**	**For the year ended March 31, 2011**
Income /Receipt	-							
Services Provided	–	–	–	–			–	–
Sale of Material/Assets	–	–		–			–	–
Debit Notes raised by us	–	–		–			–	–
Expenses/Payments	-							
Interest expense on ICD received	–	–		–			–	–
Bank Guarantee Commission	–	–		–			–	–
Debit Notes raised on us	–	–		–			–	–
Purchase of Consumables Goods/ Repair & Maintenances	–	–					–	–
Purchase of Services (Expenditure Nature)	–	–		–	1,220,615	4,080,770	1,220,615	4,080,770
Payment received by us	–	–		–			–	–
Assignment of Loan	–	–		–			–	–
Payments made by the Company	–	–	–	–	1,220,615	4,080,770	1,220,615	4,080,770
Advances Written Off	–	–	–	–			–	–

List of related parties

- Holding Company : Himachal Futuristic Communications Limited from April 1, 2010 to April 3, 2010, Quadrant Enterprises Pvt. Ltd from April 4, 2010 to Till Date.
- 100 % Wholly owned : Infotel Tower Infrastructure Private Ltd., India
- Company under Key Managerial Personnel : Infotel Business Solutions Limited, Infotel Digicomm Pvt. Ltd. from April 1, 2010 to April 9,2010.
- Key Managerial Personnel : Mr. Surendra Lunia (CEO) from April 1, 2010 to April 9, 2010, Mr.Kapil Bhalla (Manager under Companies Act 1956) from April 10, 2010 to Till Date.
- Manager Interest Free Housing loan Rs Nil, Other advances Rs Nil (from April 10, 2010 to March 31, 2011 Nil)

Details of payment with related parties :

Company Under Key Managerial Personnel :

- Payment against Capital Purchases / Services to Infotel Business Solutions Limited Rs Nil (March 31, 2011 Rs.440,000) and Balance receivable from Infotel Business Solutions Limited Rs Nil (March 31, 2011 Rs.24,400,762)

Key Managerial Personnel :

- Purchase of Services (Expenditure Nature) of Mr. Surendra Lunia (CEO) Rs Nil (March 31, 2011 Rs 2,861,150) and, Mr.Kapil Bhalla Rs 1,220,615 (March 31, 2011Rs. 1,219620)
- Payment made by the company to Mr. Surendra Lunia (CEO) Rs Nil (March 31, 2011 Rs 2,861,150) and, Mr.Kapil Bhalla Rs 1,220,615 (March 31, 2011Rs. 1,219620)

17. **Unclaimed deposits from public**

During the year ended March 31, 2004, the Company surrendered its licence granted by Reserve Bank of India ('RBI') to carry out NBFC business. Accordingly, the Company foreclosed all the unpaid / unclaimed deposits as on September 15, 2003 and the interest accruing thereon as on that date, and the same have been transferred to the Escrow Account in February 2004. On May 24, 2004, the RBI approved the cancellation of the Company's certificate of NBFC registration and provided certain directives to the Company to be complied with, pending completion of which, the Company would continue to be governed by the relevant provisions of the Reserve Bank of India Act, 1934 and various directions/instructions issued by RBI from time to time. [Refer Note 8 & 14]. On August 10, 2004, the Company has obtained the approval of the shareholders for the removal of NBFC related objects from the Memorandum of Association. Further, the Company submitted a letter dated July 7, 2004 for compliance and RBI vide its letter dated July 30, 2004 gave some concessions from compliance and has advised the Company to follow certain instructions till the balance in the escrow account is settled. The Registrar of Companies, Jalandhar, is yet to register the resolution of the shareholders due to delay in filing of the documents, for which the Company has moved an application to Central Government for condo nation of delay. Ministry of Company Affairs vide letter no 17/23/2005-CL.V dated 07th July, 2005 has granted a condonation for filing of form 23, which was submitted to Registrar of Companies, Jalandhar vide letter No. HITL/C&L/S-31/05/347 dated July 13, 2005 and the registration certificate is yet to be obtained.

The accompanying financial statements include the following account balances relating to the NBFC business whose licence granted by RBI was surrendered during the year ended March 31, 2004:

• Unclaimed Deposits From Public	: Rs 10,000
• Interest accrued and due on public deposits upto September 15, 2003	: Rs –
• Interest accrued and due on deposits to be transferred to Investor Education and Protection Fund	: Rs 543,480
• Cheques outstanding beyond 6 months	: Rs 523,618
• Others (Under reconciliation)	: Rs 18,961
	Rs 1,096,009
Balances with Scheduled banks in Escrow account	Rs 1,096,009

18. **Debenture redemption reserve**

Pursuant to the CDR scheme on October 16, 2004, the Company had issued unsecured Zero% Non Convertible Debenture ('NCD') (Erstwhile OFCDs) aggregating to Rs 166,776,100 repayable as on March 31, 2016. Pursuant to the new restructuring scheme dated August 13,2009 the Company has to allot secured Non Convertible Debenture ('NCD') for Rs 3,196,909,043 to Financial institution and Banks equivalent to 50% of their outstanding loans as on April 01,2009 which shall be issued on completion of such approvals and conditions precedent. As per section 117C (1) of the Companies Act, 1956, a debenture redemption reserve ('DRR') is to be created to which adequate amounts are to be credited out of the profits of each year until such debentures are redeemed.

During the year, the Company has incurred loss of Rs 1,791,601,978. Hence, in accordance with the clarification received from the Department of Company Affairs vide circular No 6/3/2001-CL.V dated April 18, 2002, the Company has not created Debenture redemption reserve.

19. **Employee Benefits**

(a) During the year, the Group has recognized the following amounts in the Profit and Loss Account

Defined Contribution Plans

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Employer's Contribution to Provident Fund *	17,847,253	17,970,391
Employer's Contribution to ESI *	3,501,930	3,279,194

* Included in Employer's Contribution to Provident and Other Funds, Refer Note 22

Defined Benefit Plans

The Group's employee's gratuity fund scheme managed by Life Insurance Corporation of India and ICICI Lombard General Insurance Company Limited is a defined benefit plan and its subsidiary's employee's gratuity fund is non-funded. The present value of obligation is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity

Experience adjustments are Nil and have not been disclosed as required under para 120 of Accounting Standard 15 relating to Employee benefits.

Particulars	2011-12		2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Current service cost	3,906,481	7,592,883	3,784,909	8,808,428
Interest cost	1,354,798	1,580,079	1,220,747	1,134,181
Expected Return on plan assets	(179,343)	-	(99,830)	-
Actuarial (gain) / loss	(248,199)	(2,392,357)	(1,595,529)	1,060,617
Past service cost	-	-	-	-
Curtailment and Settlement cost / (credit)	-	-	-	-
Net cost	**4,833,737**	**6,780,605**	**3,310,297**	**11,003,226**

The Company expects to contribute Rs. 4,582,491 towards employers' contribution for funded defined benefit plans in 2012-13.

(b) The assumptions used to determine the benefit obligations are as follows:

Particulars	2011-12 Gratuity	Leave Encashment	2010-11 Gratuity	Leave Encashment
Change in Projected Benefit Obligation (PBO)				
Projected benefit obligation at beginning of year	15,710,694	17,907,466	16,066,992	11,745,460
Current service cost	3,906,481	5,056,024	3,784,909	4,345,337
Interest cost	1,354,798	1,580,079	1,220,747	1,134,181
Benefits paid	(2,066,080)	(316,627)	(3,755,897)	(378,129)
Past service cost	–	–	–	–
Actuarial (gain) / loss	(244,911)	(2,392,357)	(1,606,057)	1,060,617
Projected benefit obligation at year end	**18,660,982**	**21,834,585**	**15,710,694**	**17,907,466**
Change in plan assets :				
Fair value of plan assets at beginning of year	1,850,206	–	716,801	–
Expected return on plan assets	179,343	–	99,830	–
Actuarial gain / (loss)	3,288	–	(10,528)	–
Employer contribution	–	–	–	–
Contribution by plan participants	2,500,000	–	4,800,000	–
Settlement cost	–	–	–	–
Benefits paid	(2,066,080)	–	(3,755,897)	–
Fair value of plan assets at year end	**2,466,757**	**–**	**1,850,206**	**–**
Net funded status of the plan	**(16,194,225)**	**(21,834,585)**	**(13,860,488)**	**(17,907,466)**
Net amount recognized	**(16,194,225)**	**(21,834,585)**	**(13,860,488)**	**(17,907,466)**

(c) Reconciliation of opening and closing balances of benefit obligations and plan assets

Particulars	**2011-12**		**2010-11**	
	Gratuity	**Leave Encashment**	**Gratuity**	**Leave Encashment**
Fair value of plan assets :				
Fair value of plan assets at beginning of year	1,850,206	–	716,801	–
Actual return on plan assets	182,631	–	89,302	–
Employer contribution	–	–	–	–
Contribution by plan participants	2,500,000	–	4,800,000	–
Settlement cost	–	–	–	–
Benefits paid	(2,066,080)	–	(3,755,897)	–
Fair value of plan assets at year end	**2,466,757**	**–**	**1,850,206**	**–**

d) The expected rate of return on plan assets was based on the average long-term rate of return expected to prevail over the next 15 to 20 years on the investments made by the LIC. This was based on the historical returns suitably adjusted for movements in long-term government bond interest rates. The discount rate is based on the average yield on government bonds of 20 years.

e) The Company made annual contributions to the LIC of an amount advised by the LIC. The Company was not informed by LIC of the investments made by the LIC or the break-down of plan assets by investment type.

f) The estimates of rate of escalation in salary considered in actuarial valuation , taken into account inflation, seniority, promotion and other relevant factors including demand and supply in the employment market. The above information is certified by the actuary.

g) The disclosure requirement as per para 120 (n) of Accounting Standard – 15 `Employee Benefits' as below:

Particulars	**Gratuity**			**Leave Encashment**		
	2011-12	**2010-11**	**2009-10**	**2011-12**	**2010-11**	**2009-10**
Defined benefit obligation	18,660,982	15,710,694	14,189,819	21,834,585	17,907,466	11,414,910
Plan assets	2,466,757	1,850,206	1,416,216	–	–	–
Surplus / (deficit)	(16,194,225)	(13,860,488)	(12,773,603)	(21,834,585)	(17,907,466)	(11,414,910)
Experience adjustments on plan liabilities	–	–	–	–	–	–
Experience adjustments on plan assets	–	–	–	–	–	–

20. The Company is primarily engaged in the business of providing telecommunication services. The production and sale of such services is not capable of being expressed in any generic unit.

21. **Changeover of Management.**

a) Securities Exchange Board of India ('SEBI') has, vide its Order No. WTM/KMA/CFD/233/03/2010 dated March 3, 2010, granted an exemption to M/s Quadrant Enterprises Private Limited, – ('QEPL'), from the applicability of Regulation 10 & 12 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, for acquiring 32,67,05,000 (Thirty Two Crores Sixty Seven Lac and Five Thousand only) equity shares of the Company ('Shares') amounting to 53.3605% (approximately fifty three percent) of the issued, subscribed and paid up share capital of the Company, from the Company Himachal Futuristic Communications Limited ('HFCL'). The Order has been passed pursuant to the proposal for change of management sanctioned by the Corporate Debt Restructuring Cell in terms of its letter No. CDR (JCP) No. 563/2009-10 dated August 13, 2009. The aforesaid shares have been acquired on April 3, 2010.

b) In line with the stipulations of the new restructuring scheme as approved by the CDR Cell vide its Letter no. BY. CDR(JCP) No. 563/2009-10 dated August 13, 2009 stipulating a change in the management of the Company, the existing Directors except the nominees of Financial Institutions had resigned from the Board and therefore to complete the process of change in the management of the Company, as per the stipulations of the new restructuring scheme, the senior management team comprising of Mr. Surendra Lunia, Chief Executive Officer, Mr. G.D. Singh, Chief Operating Officer, and Mr. Vikash Agarwal, Vice President (Corporate Finance) and Chief Financial Officer have resigned from the Company on April 09, 2010.

22. Previous year figures have been regrouped where necessary to conform to this year classification.

The Notes to Financial Statement form an integral part of the Balance Sheet and Statement of Profit & Loss.

As per our report of even date

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Akash Shinghal
Partner
Membership No. 103490

Place : Mohali
Date : May 28, 2012

For and on behalf of the Board of Directors of
Quadrant Televentures Limited

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

Kapil Bhalla
Company Secretary

Sunil Jit Singh
Chief Financial Officer

DIRECTORS REPORT

To the Members of

INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED

Your Directors take pleasure in presenting the Fourth Annual Report of the business and operations together with the Audited Accounts of your Company for the year ended 31st March, 2012.

Summary of Financial Results

The Summarized Financial Results for the year ended 31st March, 2012 are as under:

(Rs.)

Particulars		For the year ended March 31, 2012	For the year ended March 31, 2011
I.	Revenue from operations	80,103,376	80,210,226
II.	Other Income	19,005	74,185
III.	Total Revenue(I+II)	**80,122,381**	**80,284,411**
IV.	Expenses Purchase of Stock-in-trade	1,619,855	-
	Change in inventories of Finished Goods, Work in Progress and stock in trade	1,246,620	4,466,750
	Employee Benefits Expenses	74,735,031	72,398,144
	Finance Cost	17,127	7,253
	Depreciation and Amortisation ExpenseS	6,295,604	6,286,525
	Other Expenses	744,415	1,028,669
	Total Expenses	**84,658,652**	**84,187,341**
V.	Profit before exceptional and extraordinary items and tax (III-IV)	(4,536,271)	(3,902,930)
VI.	Exceptional Item	-	-
VII.	Profit before extraordinary items and tax (V-VI)	(4,536,271)	(3,902,930
VIII.	Extraordinary items	-	-
IX.	Profit before tax (VII-VIII)	(4,536,271	(3,902,930)
X.	Tax expenses		
(1)	Current Tax	-	(712,267)
(2)	Deferred Tax	594,233	
XI.	Profit (Loss) for the period from continuing operations (IX-X)	(3,942,038)	(4,615,197)
XII.	Profit/(Loss) from discontinuing operations	-	-
XIII.	Tax expenses of discontinuing operations	-	-
XIV.	Profit/(Loss) from Discontinuing operations (after tax)(XII-XIII)	-	-
XV.	Profit /(Loss) for the period(XI+XIV)	(3,942,038)	(4,615,197)

OPERATIONS AND PERFORMANCE

During the year under review your Company has earned revenue of Rs.80,122,381/ – by providing manpower services and trading / distribution of mobile handsets. Your Company's endeavor is to expand its operations geographically by providing bouquet of services to various Companies.

DIVIDEND

Your Directors do not recommend any dividend for the financial year ended 2011-12

TRANSFER TO RESERVES

During the year under review no amount has been transferred to reserves.

MATERIAL CHANGES AND COMMITMENTS OCCURRED BETWEEN THE END OF FINANCIAL YEAR AND DATE OF REPORT

During the period under review the holding company Quadrant Televentures Limited has acquired 100% equity stake in the Company by acquiring beneficial interest in the 20 equity shares held by the original subscribers.

Hence the Company is the wholly owned subsidiary of Quadrant Televentures Limited (Formerly known as HFCL Infotel Limited).

CONSERVATION OF ENERGY, TECHNOLOGY ABSORBTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company does not carry on any manufacturing activity accordingly; the provision to furnish information as per Section 217(1) (e) of the Companies Act, 1956 relating to Conservation of Energy is not applicable.

During the year under report, Company has not spent any amount on Research and Development and Technology Absorption.

During the year, there were no foreign exchange earnings or any foreign exchange outgo.

SHARE CAPITAL

The issued, subscribed and paid up equity share capital of the Company is Rs.1,00,000/ – (rupees One Lac only) divided into 10,000 (Ten Thousand) equity shares of Rs 10/ – each. The Company has not issued any equity shares during the year.

DIRECTORS

In accordance with the Articles of Association of the Company and the provisions of the Companies Act, 1956, Mr.Babu Mohanlal Panchal retires by rotation in the ensuing AGM and being eligible offer himself for reappointment to the office of Director on the Board of your Company.

PARTICULARS OF EMPLOYEES

There was no employee drawing salary in excess of the limits stipulated under the amended section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules,1975 and amendments made there under.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) that in the preparation of the annual accounts for the financial year ended March 31, 2012, the applicable accounting standards have been followed along with proper explanations relating to material departures;

(ii) that the Directors have selected appropriate accounting policies and applied them consistently, made changes wherever required, disclosed the same in the financial statements wherever applicable and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the loss of the Company for the said period;

(iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and

(iv) that the Directors have prepared the accounts for the financial year ended 31st March, 2012 on a going concern basis.

SUBSIDIARY

The Company does not have any subsidiary.

HOLDING COMPANY

Your Company was incorporated as a subsidiary of Quadrant Televentures Limited for the purpose of creating infrastructure for telecom operations, manpower Outsourcing and trading activities related to telecommunication operations. Quadrant Televentures Limited earlier held 9980 equity shares in the Company.

On April 09th, 2010, the holding Company acquired 100% equity stake in the Company by acquiring beneficial interest in the 20 equity shares which were earlier held by the original subscribers to the Memorandum.

Hence the Company has become the wholly owned subsidiary of Quadrant Televentures Limited.

FIXED DEPOSITS

The Company has not accepted / renewed any deposits under the provisions of section 58 A of the Companies Act, 1956 and rules made there under.

AUDITORS

M/s Khandelwal Jain & Co., Chartered Accountants, New Delhi, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible , offer themselves for reappointment.

AUDITORS' REPORT

The Statutory Auditors of the Company have submitted Auditors' Report on the accounts of the Company for the accounting period ended 31st March, 2012, which is self explanatory.

HUMAN RESOURCE (HR) DEVELOPMENT

The Company's HR policies and processes are continuously aimed at intellectual growth and orientation in order to effectively motivate the employees at all levels in the drive for growth of the Company's business. The Company encourages its employees to strengthen their entrepreneurial skills in order to enhance the Organization's productivity and creativity.

ACKNOWLEDGEMENTS

Your Directors wish to express their gratitude for the wholehearted support received throughout the year from the Employees, State Government Departments, Business Associates Shareholders and Subscribers.

Your Directors take this opportunity to put on record their sincere appreciation for the contribution made by the employees at all levels.

For and on behalf of the Board

Babu Mohanlal Panchal
Director

Yatinder Vir Singh
Director

Place: Mohali
Date : May 26, 2012

AUDITORS' REPORT

To

THE MEMBERS OF

INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED

1. We have audited the attached Balance Sheet of **INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED** ('the Company') as at 31st March, 2012, the Statement of Profit & Loss also the Cash Flow Statement 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.

2. We have 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.

4. Without qualifying our opinion we draw attention to Note 24(13) to the financial statements. The Company has incurred a loss of Rs. 3,942,038 during the year (accumulated loss of Rs.14,976,145) resulting into erosion of its net worth as at March 31, 2012. This factor raises a doubt that the Company will not be able to continue as a going concern. The management is confident of generating cash flows and meeting its capital fund requirement. Accordingly, these statements have been prepared on a going concern basis.

5. Further to our comments in the Annexure referred to above paragraph, we report that:-

   a) We have obtained all the information and explanations, which, to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards 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, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on above date from being appointed as a Director in terms of clause (g) of sub-section (1) 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, said accounts read together with the significant accounting policies and the notes thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;

      (ii) In the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

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

For KHANDELWAL JAIN & CO.
Firm Registration No. 105049W
Chartered Accountants,

(Akash Shinghal)
Partner
Membership No. 103490

Place: Mohali
Dated: May 26, 2012

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of **INFOTEL TOWER INFRASTRUCTURE PRIVATE LIMITED** on the accounts for the year ended 31st March, 2012;

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets.

(b) As per the information and explanations given to us, there is a phased programme of physical verification of fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and nature of its business.

(c) During the year, the Company has not disposed off any substantial part of the fixed assets, which affects the going concern status of the company.

(ii) (a) As per the information furnished, the Inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, having regard to the nature and location of stocks, the frequency of physical verification is reasonable.

(b) In our opinion, and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of Inventory. In our opinion, the discrepancies noticed on physical verification of stocks were not material in relation to the operation of the Company, and the same have been properly dealt with in the books of account.

(iii) (a) As per the information furnished, the Company has not granted any loans, secured or unsecured to companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Clause 3 (b), (c), & (d) of the Order are not applicable.

(b) As per the information furnished, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Clause 3 (f) and (g) of the said Order is not applicable.

(iv) In our opinion and according to information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.

(v) (a) Based on the audit procedure applied by us and according to the information and explanations given to us, no transaction have taken place during the year, in respect of contracts or arrangements with the parties referred to in section 301 of the Companies Act, 1956. Accordingly the Clause 4 (v) (a) & (b) are not applicable.

(vi) The Company has not accepted any deposits during the year from the public within the meaning of the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956.

(vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

(viii) As informed to us, the Central Government has not prescribed maintenance of the cost records under section 209(1) (d) of the Companies Act, 1956 in respect of the Company's product.

(ix) (a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing, with the appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax deduced at source, income tax, wealth tax, excise duty, service tax and other statutory dues wherever applicable. According to information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March 2012 for year or more than six months from the date they become payable.

(b) According to the information and explanation given to us and records examined by us, there are no dues of Sales tax, income tax, service tax, excise duty, custom duty & cess or any other statutory dues which have not been deposited on account of any dispute.

(x) The Company was incorporated on 5th August 2008, since the Company is in existence for less than five years, we are of the opinion that no comment is required under clause (x) of Para 4 of the Order regarding the erosion of 50% or more of net worth and cash loss in the current and immediately preceding financial year.

(xi) Based on our audit procedures and the information and explanations given to us, the Company doesn't have any amount due to any financial institution or bank and it has not issued any debentures.

(xii) Based on our examination of the records and information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) As per the information and explanations given to us the provisions of any Special Statute applicable to Chit Fund do not apply to the Company. The Company is also not a nidhi/ mutual benefit fund/society.

(xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, Clause 4 (xiv) of the said Order is not applicable.

(xv) Based on our examination of the records and information and explanations given to us, the Company has not given any guarantees for loans taken by others, from banks and financial institutions.

(xvi) Based on our examinations of the records and information and explanations given to us during the year no term loans have been obtained by the Company.

(xvii) According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment.

(xviii) The Company has not made any preferential allotment of shares during the year to parties and Companies covered in the register maintained under section 301 of the Act.

(xix) The Company has not issued any debentures during the year.

(xx) The Company has not raised any money by public issue during the year ended March 31, 2012.

(xxi) To the best of our knowledge and belief and 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.

For KHANDELWAL JAIN & CO.
Firm Registration No. 105049W
Chartered Accountants,

(Akash Shinghal)
Partner
Membership No. 103490

Place: Mohali
Dated: May 26, 2012

BALANCE SHEET AS AT MARCH 31, 2012

(Unless and otherwise stated, all amounts are in rupees)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	1	100,000	100,000
(b) Reserves and surplus	2	(14,976,145)	(11,034,107)
		(14,876,145)	**(10,934,107)**
(2) Share application money pending allotment		–	–
(3) Non-current liabilities			
(a) Long-term borrowings		–	–
(b) Deferred tax liabilities (Net)		–	–
(c) Other Long term liabilities	3	27,702,789	24,522,607
(d) Long-term provisions	4	1,629,862	1,500,901
		29,332,651	**26,023,508**
(4) Current liabilities			
(a) Short-term borrowings			
(b) Trade payables	5	5,134,280	8,473,407
(c) Other current liabilities	6	1,195,481	1,163,838
(d) Short-term provisions	7	577,088	543,823
		6,906,849	**10,181,068**
TOTAL		**21,363,355**	**25,270,469**
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	8	240,633	279,042
(ii) Intangible assets	8	12,534,549	18,737,744
(iii) Capital work-in-progress		133,839	133,839
(b) Deferred tax Assets		857,948	263,715
(c) Long-term loans and advances	9	222,000	72,159
		13,988,969	**19,486,499**
(2) Current assets			
(a) Current investments			
(b) Inventories	10	666,544	1,913,164
(c) Trade receivables	11	2,505,960	–
(d) Cash and cash equivalents	12	1,342,736	478,533
(e) Short-term loans and advances	13	2,811,668	3,361,899
(f) Other current assets	14	47,478	30,374
		7,374,386	**5,783,970**
TOTAL		**21,363,355**	**25,270,469**
Contingent Liabilities	22		
See other accompanying notes to the financial statements	23-24		

The Notes referred to above and notes to Financial Statements form an integral part of the Balance Sheet

As per our report of even date

For and on behalf of the Board of Directors.

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

Akash Shinghal
Partner
Membership No. 103490

Place : Mohali
Date : May 26, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

(Unless and otherwise stated, all amounts are in rupees)

	Particulars	Note No.	For the year ended 31.03.2012	For the year ended 31.03.2011
I.	Revenue from operations	**15**	80,103,376	80,210,226
II.	Other income	**16**	19,005	74,185
III.	**Total Revenue (I + II)**		**80,122,381**	**80,284,411**
IV.	**Expenses:**			
	Purchase of Stock-in – trade	**17**	1,619,855	–
	Changes in inventories of Finished Goods, Work in Progress and Stock in Trade	**18**	1,246,620	4,466,750
	Employee Benefits Expenses	**19**	74,735,031	72,398,144
	Finance Cost	**20**	17,127	7,253
	Depreciation and Amortization Expenses	**8**	6,295,604	6,286,525
	Other Expenses	**21**	744,415	1,028,669
	Total expenses		**84,658,652**	**84,187,341**
V.	Profit before exceptional and extraordinary items and tax (III-IV)		**(4,536,271)**	**(3,902,930)**
VI.	Exceptional items		–	–
VII.	Profit before extraordinary items and tax (V – VI)		**(4,536,271)**	**(3,902,930)**
VIII.	Extraordinary Items		–	–
IX.	Profit before tax (VII – VIII)		**(4,536,271)**	**(3,902,930)**
X	Tax expense:			
	(1) Current tax		–	–
	(2) Deferred tax		594,233	(712,267)
XI	**Profit (Loss) for the period from continuing operations (IX-X)**		**(3,942,038)**	**(4,615,197)**
	Considered for calculation of EPS			
XII	Profit/(loss) from discontinuing operations		–	–
XIII	Tax expense of discontinuing operations		–	–
XIV	**Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)**		**–**	**–**
XV	**Profit (Loss) for the period (XI + XIV)**		**(3,942,038)**	**(4,615,197)**
XVI	Earnings per equity share: (Nominal Value of Rs 10/ – each)			
	(1) Basic		(394.20)	(461.52)
	(2) Diluted		(394.20)	(461.52)
	Contingent Liabilities	**22**		
	See other accompanying notes to the financial statements	**23-24**		

The Notes referred to above and notes to Financial Statements form an integral part of the Statement of Profit and Loss.

As per our report of even date

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Akash Shinghal
Partner
Membership No. 103490

Place : Mohali
Date : May 26, 2012

For and on behalf of the Board of Directors.

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

CASH FLOW STATEMENT FOR THE YEAR ENDING MARCH 31ST, 2012

		March 31, 2012 Rs.	March 31, 2011 Rs.
Cash Flow from Operating Activities			
Profit/(Loss) for the year before Taxation, and Extraordinary items		**(4,536,271)**	**(3,902,930)**
Adjustments for:			
Depreciation and Amortisation		6,295,604	6,286,525
Loss / (Gain) on sale and Discarded of Fixed Assets		(1,648)	–
Provision for Doubtful Debts		–	41,824
Finance Expenses		17,127	7,253
Interest Income		(19,005)	(74,185)
Operating profit before working capital changes		**1,755,807**	**2,358,487**
Movement in Working Capital :			
(Increase)/Decrease in Sundry Debtors		(2,505,960)	–
(Increase)/Decrease in Loans and Advances		(122,665)	328,480
(Increase)/Decrease in Inventory		1,246,620	4,466,750
Increase/(Decrease) in Current Liabilities & Provisions		34,925	(11,155,245)
		(1,347,080)	**(6,360,015)**
Cash generated from operating activities		**408,727**	**(4,001,528)**
Direct Taxes paid (Net)		(523,054)	1,149,090
Net cash generated from operating activities	**A**	**931,781**	**(5,150,618)**
Cash Flows from Investing Activities			
Purchase of Fixed Assets		(60,562)	(142,894)
Sale of Fixed Assets		8,210	845
Fixed Deposits		–	–
Interest Received		1,901	58,294
Net Cash used in Investing Activities	**B**	**(50,451)**	**(83,755)**
Cash Flows from Financing Activities			
Proceeds from Equity Share Capital		–	–
Finance Charges paid		(17,127)	(7,253)
Net Cash (used in) generated from Financing Activities	**C**	**(17,127)**	**(7,253)**
Net increase/(decrease) in Cash and Cash Equivalents	**(A + B + C)**	**864,203**	**(5,241,626)**
Notes to the Cash Flow Statements		**March 31, 2012 Rs.**	**March 31, 2011 Rs.**
Cash and cash equivalents at the beginning of the year		278,533	5,520,159
Cash and cash equivalents at the end of the year		1,142,736	278,533
Cash & Cash Equivalents			
Cash in Hand		1,352	1,352
Balances with Scheduled Banks			
– In Current Accounts		1,141,384	277,181
– In Fixed Deposit		200,000	200,000
		1,342,736	**478,533**
Less : Margin Money pledged for Guarantees and LCs issued [Receipts pledged with Banks as margin money for guarantees Rs 200,000]		200,000	200,000
		1,142,736	**278,533**

This is the Cash Flow referred to in our report of even date

As per our report of even date

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Akash Shinghal
Partner
Membership No. 103490

Place : Mohali
Date : May 26, 2012

For and on behalf of the Board of Directors.

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 1 – SHARE CAPITAL	As at 31.03.2012	As at 31.03.2011
Authorised:		
10,000 (March 31, 2011 – 10,000) equity shares of Rs 10/ – each.	100,000	100,000
	100,000	**100,000**
Issued, Subscribed and Paid up :		
10,000 (March 31, 2011 – 10,000) equity shares of Rs 10/ – each fully paid.	100,000	100,000
	100,000	**100,000**

Out of above 10,000 (100%) Equity shares are held by Holding Company Quadrant Televentures Limited earlier years by way of capitalisation of reserves.

i) The details of Shareholders holding more than 5 percent shares as at 31st March, 2012 are as under

Name of Share Holder	No. of Share as at 31st March, 2012	% held as at 31st March, 2012	No. of Share as at 31st March, 2011	% held as at 31st March, 2011
Equity Share				
Quadrant Televentures Ltd.	10,000	100.00	10,000	100.00

ii) The reconciliation of the number of Equity Shares outstanding as at 31st March , 2012 is set out below:

Particulars	Figures As At 31st March, 2012	Figures As At 31st March, 2011
Number of shares at the beginning	10,000	10,000
Add: Shares issued during the year	–	–
Number of shares at the end	**10,000**	**10,000**

NOTE 2 – RESERVE AND SURPLUS	As at 31.03.2012	As at 31.03.2011
Profit & Loss A/c:		
Opening Balance	(11,034,107)	(6,418,910)
Add: Transfer from Statement of Profit & Loss	(3,942,038)	(4,615,197)
Closing Balance	(14,976,145)	(11,034,107)
Total	**(14,976,145)**	**(11,034,107)**

NOTE 3 – OTHER LONG TERM LIABILITIES		
Loans and advances from Related Party (Quadrant Televentures Ltd.)	27,702,789	24,522,607
Total	**27,702,789**	**24,522,607**

NOTE 4 – LONG TERM PROVISIONS		
Provision for employee benefits.		
Leave Encashment / Availment	874,132	847,733
Gratuity	755,730	653,168
Total	**1,629,862**	**1,500,901**

NOTE 5 – TRADE PAYABLE		
For Expenses	5,134,280	8,473,407
Total	**5,134,280**	**8,473,407**

NOTE 6 – OTHER CURRENT LIABILITIES		
Statutry Dues Payable	1,195,481	1,163,838
Total	**1,195,481**	**1,163,838**

NOTE 7 – SHORT TERM PROVISIONS [Refer Note 24(8)]		
Provision for employee benefits.		
Leave Encashment / Availment	575,908	542,787
Gratuity	1,180	1,036
Total	**577,088**	**543,823**

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 8: FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Tangible Assets	**As at April 1, 2011**	**Additions during the period**	**Sale/ Adjustment during the period**	**As at March 31, 2012**	**As at April 1, 2011**	**Depreciation for the period**	**On Sale/ Adjustment**	**As at March 31, 2012**	**As at March 31, 2012**	**As at March 31, 2011**
Computers	67,561	–	–	67,561	21,903	10,952	–	32,855	34,706	45,658
Furniture & Fixture	283,148	–	–	283,148	56,630	28,315	–	84,945	198,203	226,518
Vehicles	8,210	8,062	8,210	8,062	1,344	642	1,648	338	7,724	6,866
T O T A L	**358,919**	**8,062**	**8,210**	**358,771**	**79,877**	**39,909**	**1,648**	**118,138**	**240,633**	**279,042**
Previous Year ended March 31,2011	350,709	9,055	845	358,919	39,267	40,610	–	79,877		

	GROSS BLOCK				AMORTISATION				NET BLOCK	
Intangible Assets	**As at April 1, 2011**	**Additions during the period**	**Sale/ Adjustment during the period**	**As at March 31, 2012**	**As at April 1, 2011**	**Amortisation for the period**	**On Sale/ Adjustment**	**As at March 31, 2012**	**As at March 31, 2012**	**As at March 31, 2011**
Goodwill [See Note 24(5)]	31,229,573	–	–	31,229,573	12,491,829	6,245,915	–	18,737,744	12,491,829	18,737,744
Computer Software	–	52,500	–	52,500	–	9,780	–	9,780	42,720	-
T O T A L	**31,229,573**	**52,500**	**–**	**31,282,073**	**12,491,829**	**6,255,695**	**–**	**18,747,524**	**12,534,549**	**18,737,744**
Previous Year ended March 31,2011	**31,229,573**	**–**	**–**	**31,229,573**	**6,245,915**	**6,245,915**	**–**	**12,491,829**		

NOTE 9 – LONG TERM LOANS AND ADVANCES	**As at 31.03.2012**	**As at 31.03.2011**
Unsecured, considered good		
Security Deposits	222,000	72,000
Advances Recoverable in cash or in kind or for value te be received	–	159
Total	**222,000**	**72,159**

NOTE 10 – INVENTORIES [Refer Note 24 (12)]		
Inventory Held for installation and maintenance of network	666,544	1,913,164
Total	**666,544**	**1,913,164**

NOTES FORMING PARTS OF THE ACCOUNTS

NOTE 11 – TRADE RECEIVABLES		
Trade Receivables Outstanding for a period exceeding six months:		
Unsecured, Considered Good	459,966	–
Doubtful	41,824	41,824
Others		
Unsecured, Considered Good	2,045,994	
	2,547,784	**41,824**
Less: Provision for Doubtful Trade Receivables	(41,824)	(41,824)
Total	**2,505,960**	**–**

NOTE 12 – CASH & CASH EQUIVALENTS		
Balances with Scheduled Banks;		
In Current Accounts	1,141,384	277,181
Fixed Deposit Accounts*		
Bank Deposit with more than 12 months maturity		200,000
Other	200,000	
Cash in Hand	1,352	1,352
Total	**1,342,736**	**478,533**

*Balances with banks to the extent held as margin money against BG & LC's are of Rs. 200,000/-(March 31, 2011 Rs. 200,000/-)

NOTE 13 – SHORT TERM LOANS & ADVANCES		
Unsecured, considered good		
TDS Recoverable	2,733,388	3,256,441
Balance with Customs, Excise and Service Tax	67,321	49,932
Advances Recoverable in cash or in kind or for value te be received	10,959	55,526
Total	**2,811,668**	**3,361,899**

NOTE 14 – OTHER CURRENT ASSETS		
Interest Accrued on FDR	47,478	30,374
Total	**47,478**	**30,374**

NOTES TO THE PROFIT AND LOSS

NOTE 15 – REVENUE FROM OPERATIONS	For the year ended 31.03.2012	For the year ended 31.03.2011
Sale		
sale of products;	2,712,367	3,434,248
sale of services		
From Providing Manpower Services	77,391,009	76,775,978
Total	**80,103,376**	**80,210,226**

NOTE 16 – OTHER INCOME		
Interest Income	19,005	74,185
Total	**19,005**	**74,185**

NOTE 17 – PURCHASE OF STOCK IN TRADE		
Purchases during the year	1,619,855	–
Total	**1,619,855**	**–**

NOTE 18 – CHANGE IN INVENTORY OF STOCK IN TRADE		
Opening Stock in trade	1,913,164	6,379,914
Closing Stock in trade	666,544	1,913,164
(Increase)/Decrease in Inventory (a-b)	**1,246,620**	**4,466,750**

NOTE 19 – EMPLOYEE BENEFIT EXPENSES		
Salaries, Wages and Bonus	66,284,108	64,334,063
Employer's Contribution to Provident and other Funds	7,860,981	7,271,547
Leave Encashment / Availment [Refer Note 24 (8)]	339,420	565,757
Gratuity [Refer Note 24 (8)]	102,706	144,492
Staff Welfare Expenses	24,816	48,285
Recruitment & Training Expenses	123,000	34,000
Total	**74,735,031**	**72,398,144**

NOTE 20 – FINANCE COSTS		
Bank Guarantee Commission	3,597	3,597
Other Finance Charges	13,530	3,656
Total	**17,127**	**7,253**

NOTE 21 – OTHER EXPENSES		
Payments to the auditor		
Audit Fees	100,000	100,000
Tax Audit Fees	25,000	25,000
Other services	–	50,000
Reimbursement of expenses	–	
Techincal Expenses	411,495	–
Legal and Professional Expenses	114,400	685,280
Travelling and Conveyance	12,000	14,776
Insurance	58,736	96,863
Rates and Taxes	400	815
Provision for Doubtful Debts	–	41,824
Loss /(Gain) on sale and discarded of Fixed Assets	(1,648)	–
Miscellaneous Expenses	24,032	14,111
Total	**744,415**	**1,028,669**

NOTE 22 – CONTINGENT LIABILITIES		
Bank Guarantees given against Bid Bonds/Performance/Advance		
Financial Bank Guarantees	200,000	200,000
Total	**200,000**	**200,000**

NOTES FORMING PART OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS AS AT AND FOR THE YEAR ENDED MARCH 31, 2012

[All amounts in Indian Rupees, unless and otherwise stated]

NOTE 23: SIGNIFICANT ACCOUNTING POLICIES

1. **Nature of Operations**

   i) The Company is engaged in the business of establishing, acquiring, providing Infrastructure facilities and all kinds of value added services for Telecom operations / services, maintenance and asset management of telecommunication towers, IT services, Business Process Outsourcing services, Staffing services that include Telemarketing, Tele-sales and all other call center services.

   ii) The service spectrum will also include hiring/ leasing, licensing and / or sharing of infrastructure (including communication sites, wireless and broadcast towers, Telecom & Enterprise Networks and communication equipments of similar nature etc.)

   iii) To carry on the business of establishing, acquiring, managing, providing infrastructure facilities, including trading of mobile handsets, to provide and to operate fixed line, Cellular, Wireless Mobility, Internet services and other Telecommunication services etc.

2. **Basis of Accounting**

   i) The Financial Statements are prepared under the historical cost convention using accrual system of accounting in accordance with the generally accepted accounting principles generally accepted in India (Indian GAAP) and the requirements of the Companies Act, 1956, including the mandatory Accounting Standards as prescribed by the Companies (Accounting Standard) Rules 2006.

   ii) Use of Estimates

   The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Examples of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income tax, accounting for contract costs expected to be incurred to complete software development and the useful lives of fixed assets.

3. **Revenue Recognition**

   i) Revenue is recognized on transfer of significant risk and rewards in respect of ownership.

   ii) Revenue from services is recognized on completed service contract method.

4. **Fixed Assets**

   i) Fixed Assets are stated at actual cost less accumulated depreciation/ amortization and impairment loss, if any. The actual cost is inclusive of freight, installation cost, duties, taxes, financing cost and other incidental expenses but net of VAT whenever input credit is available.

   ii) Capital Work in Progress is carried at cost, comprising of direct cost, attributable interest and related incidental expenditure. The advances given for acquiring fixed assets are shown under Capital Work in Progress.

   iii) Intangible Assets

   The excess of cost incurred for acquisition of "Handset Business" over net value of Assets and Liabilities has been treated as Goodwill.

5. **Depreciation & Impairment**

   i) Depreciation is provided pro-rata to the period of use, on straight-line method based on the estimated useful life of the assets.

Assets	Useful life(in years)
Computers	6.17
Furniture & Fixtures	10
Goodwill	5
Software	5

   ii) Depreciation rates derived from the above are not less than the rates prescribed under Schedule XIV of the Companies Act, 1956.

   iii) At the Balance sheet date, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount

6. **Inventories**

   Inventories of Stock in trade are valued at lower of cost or net realizable value. Cost of inventories comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. Cost for the purchase is worked out on FIFO basis.

7. **Provisions, Contingent Liabilities and Contingent Assets**

   A provision is recognized when an enterprise has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

   Contingent liabilities, if any, are disclosed by way of notes to accounts

Contingent assets are not recognized in the financial statements.

8. **Retirement Benefit**

Short Term Employee Benefits

Short term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account of year in which the services are rendered.

Long Term Employee Benefits

a) Defined Contribution plan

(i) Provident Fund and employees' state insurance schemes

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Company's contributions to both these schemes are expensed in the Profit and Loss Account. The Company has no further obligations under these plans beyond its monthly contributions.

(ii) Gratuity

The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. Vesting occurs on completion of three years of service. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with Accounting Standard 15 (revised), "Employee Benefits". The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

b) Other long term benefit

Leave Encashment

The Company provides for the liability as on the balance sheet date on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method and gains/losses are recognized immediately in the profit and loss account.

c) Actuarial gains and losses are recognized as and when incurred.

9. **Income Tax**

i) Income tax comprises of current tax, fringe benefit tax and deferred tax.

ii) Current tax is provided for on the taxable profits of the year at applicable tax rates. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

iii) Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

10. **Earning Per Share**

Basic earning per share is calculated by dividing the net profits/(losses) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For calculating diluted earning per share, the number of shares comprise the weighted average shares considered for deriving basic earning per share, and also the weighted average number of shares, if any which would have been used in the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive equity shares are adjusted for the bonus shares and the sub-division of shares, if any.

11. **Business Segment**

Identification of segments:

The primary reporting of the Company has been performed on the basis of business segments. The analysis of geographical segments is based on the areas in which the Company's products are sold or services are rendered.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

The Corporate and other segment include general corporate income and expense items, which are not allocated to any business segment.

12. **Cash & Cash Equivalents**

Cash & cash equivalents in the Balance Sheet comprise cash in hand and at bank.

13. **Preliminary Expenses**

Expenditures incurred for the incorporation of company are considered as Preliminary expenses and are charged to profit and loss account.

NOTE 24: NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in Indian Rupees unless an otherwise stated)

1. The company was incorporated on August 5, 2008 with the main object to carry on the business of Trading of Mobile Handsets and providing Infrastructure & Manpower services

2. On the basis of information to the extent available with company, there is no liability towards amount and interest payable to Micro, Small and Medium enterprises as at March 31, 2012. Hence, other disclosures pursuant to the provisions of Micro, Small and Medium Enterprises Development Act 2006 are not applicable to the Company. Above information has been relied upon by the auditors.

3. **Payment to Auditors (excluding Service Tax):**

Particulars	For the year ended March 31, 2012	For the Period ended March 31, 2011
Audit Fees	100,000	100,000
Tax Audit Fees	25,000	25,000
In Other Manner	-	50000
Total	**125,000**	**175,000**

Payment to Auditors is included in the Legal and Professional expenses

4. During the year company have not incurred any expense on account of Managerial Remuneration.

5. **Business acquisition**

The Company has entered into agreement dated March 31, 2009 for acquiring "the Handset Business" from M/s Infotel Business Solutions Limited for consideration amounting to Rs. 40,836,098. The value of acquired inventory of handsets is Rs 9,732,480 and fixed assets is Rs 350,709 and taken over net current liabilities amounting to Rs. 476,663. The excess of consideration over net value of Assets and Liabilities amounting to Rs. 31,229,573 has been recognized as Goodwill and disclosed under intangible assets in the Balance Sheet. Goodwill is amortized over the period of 5 years on straight-line method starting from April 1, 2009.

6. **Fixed Assets:**

Vehicles Amounting to Rs. 8062 have been put to use. Vehicles amounting to Rs 8210 was sold for Rs. 8210 resulting to gain on sale of fixed assets amounting to Rs 1,648 during the year ended March 31, 2012. Rollout (Backhaul) amounting to Rs.133,839 is not yet put to use and disclosed under capital work in progress.

7. **Basic / Diluted Earning (Loss) Per Share:**

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Profit/(Loss) attributable to Equity shareholders	(3,942,038)	(4,615,197)
Weighted Average no. of ordinary Shares	10,000	10,000
Nominal Value of Share	10	10
Basic and Diluted Earning (Loss) Per Share	(394.20)	(461.52)

8. **Employees Benefits**

The Company, during the year, has adopted Accounting Standard 15 (Revised) "Employees Benefits" issued by the ICAI.

During the year, Company has recognized the following amounts in the financial statements:

Defined Contribution Plan

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Employer's Contribution to Provident Fund *	4,842,187	4,599,511
Employer's Contribution to ESI *	3,018,794	2,672,036

* Included in Employer's Contribution to Provident and Other Funds

Defined Benefit Plans

The employee's gratuity fund is non-funded The present value of obligation is determined based on actuarial valuation using `Project Unit Credit Method', which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity

Actuarial assumptions	2011-12		2010-11	
Particular	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Discount Rate (Per Annum)	8.50%	8.50%	8.00%	8.00%
Rate of increase in Compensation levels	6.00%	6.00%	5.00%	5.00%
Rate of Return on plan assets	7.50%	7.50%	7.50%	7.50%
Average remaining working lives of employees (Years)	8.40 Years	8.40 Years	8.89 Years	8.89 Years

Table showing changes in present value of obligations:	2011-12		2010-11	
Particular	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Present value of the obligation as at the beginning of the year	654,204	939,815	509,712	752,187
Interest Cost	55,607	79,884	44,303	64,363
Current Service Cost	365,529	381,757	369,573	331,258
Benefits paid	–	(316,627)	–	(378,129)
Actuarial (gain)/ loss on obligations	(318,430)	(122,221)	(269,384)	170,136
Present value of obligation as at the end of the period	756,910	962,608	654,204	939,815

Table showing changes in the fair value of plan assets:	2011-12		2010-11	
Particular	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Fair value of plan assets at beginning of the year	Nil	Nil	Nil	Nil
Acquisition adjustments	Nil	Nil	Nil	Nil
Expected return of plan assets	Nil	Nil	Nil	Nil
Employer contribution	Nil	Nil	Nil	Nil
Benefits paid	Nil	Nil	Nil	Nil
Actuarial gain/ (loss) on obligations	Nil	Nil	Nil	Nil
Fair value of plan assets at year end	Nil	Nil	Nil	Nil

Actuarial Gain / loss recognized	2011-12		2010-11	
Particular	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Actuarial gain/(loss) for the year – obligations	318,430	(122,221)	269,384	(170136)
Actuarial gains/(loss) for the year – Plan Assets	Nil	Nil	Nil	Nil
Total gain/(loss) for the year	318,430	(122,221)	269,384	(170136)
Actuarial gain/(loss) recognized in the year	318,430	(122,221)	269,384	(170136)

Amounts to be recognized in Balance Sheet:	2011-12		2010-11	
Particular	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Present value of obligation as at end of the year	756,910	962,608	654,204	939,815
Fair value of plan assets as at end of the year	Nil	Nil	Nil	Nil
Funded Status – Surplus / (deficit)	(756,910)	(962,608)	(654,204)	(939,815)
Unrecognized actuarial (gains) / losses	Nil	Nil	Nil	Nil
Net asset / (liability) recognised in Balance Sheet	(756,910)	(962,608)	(654,204)	(939,815)

Expenses recognized in statement of Profit and Loss:	2011-12		2010-11	
Particular	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Current service cost	365,529	381,757	369,573	331,258
Past service cost	Nil	Nil	Nil	Nil
Interest Cost	55,607	79,884	44,303	64,363
Expected return on plan assets	Nil	Nil	Nil	Nil
Curtailment and settlement cost /(credit)	Nil	Nil	Nil	Nil
Net Actuarial (gain)/ loss recognized in the period	(318,430)	(122,221)	(269384)	170136
Expenses recognized in the statement of Profit and Loss	102,706	339,420	144,492	565,757

9. **Related Party Disclosures**

List of Related parties:

Name of Company	Relation with Company
Quadrant Televentures Ltd.	Holding Company

Note: Related party relationship is as identified by the Company and relied upon by the auditors.

Following are the transactions with the related parties:

PARTICULARS	Quadrant Televentures Ltd *(formerly HFCL Infotel Ltd)*	
Nature of Transaction	**For the Period ended March 31, 2012**	**For the Period ended March 31, 2011**
Assets		
Purchase of Inventory, Fixed Assets, Goodwill and Distributors Balances	8,062	9,055
Balance – Receivable		
Debit Notes raised on us		
Liabilities		
Issue of Equity Shares	-	-
Balance-Payable	27,702,789	24,522,607
Income /Receipt		
Services Provided	85,585,270	76,775,978
Handset/ Adopator Sale	31,650	2,795,074
Payment received by us	88,373,992	80,018,034
Expenses/Payments		
Purchase of Material,Services/ Expenses	382,717	-
Credit Notes raised	48,894	225,644

10. **Deferred Tax Assets**

Deferred Tax has been provided for in accordance with the Accounting Standard 22 – Accounting for taxes on Income issued by the Institute of Chartered Accountants of India. Net deferred tax assets amounting to Rs. 857,948/ – as on 31st March, 2012 comprises of the followings:-

Particulars	As at March 31, 2012	Charge/ (Credit) during the year	As at March 31, 2011
Deferred Tax Assets/ (Liability)			
Provision for Gratuity	227,073	30,812	196,261
Provision for Leave encashment	435,012	17,855	417,157
Depreciation/ Amortization	197,210	558,114	(360,904)
Provision for Doubtful Debts		(12,548)	12,548
Preliminary Expenses	(1347)		(1,347)
Net Deferred Tax (Liability)/Asset	**857,948**	**594,233**	**263,715**

11. **Segmental Reporting**

a) **Primary Segment Information**

The Company's operations primarily relates to providing Manpower Services for Telecom operations to its group company Quadrant Televentures Limited (formerly HFCL Infotel Limited) and Trading of Mobile Handsets. Accordingly segments have been identified in line with Accounting Standard on Segment Reporting 'AS-17'. Manpower Services and Hand Set Sale are the primary business segments. Details of business segments are as follows:

Year ended March 31, 2012

Particulars	Manpower Services	Hand Set Trading	Unallocable	Total
Segment Revenue				
Total Revenue	77,391,,009	2,712,367	19,005	80,122,381
Less: Inter Segment Revenue	-	-		-
Net Revenue	**77,391,,009**	**2,712,367**	**19,005**	**80,122,381**

Particulars	Manpower Services	Hand Set Trading	Unallocable	Total
Segmental Results before Interest & Taxes	**1,936,769**	**(6,425,229)**	**(30,684)**	**(4,519,144)**
Less: Finance Expenses	-	-	17,127	17,127
Segment Results before taxes	**1,936,769**	**(6,425,229)**	**(47,811)**	**(4,536,271)**
Provision for Taxation	-	-	-	-
Deferred Tax (Liability) / Assets	-	-	594,233	594,233
Segment Results after taxes	**1,936,769**	**(6,425,229)**	**546,422**	**(3,942,038)**

Year ended March 31, 2011

Particulars	Manpower Services	Hand Set Trading	Unallocable	Total
Segment Revenue				
Total Revenue	76,775,978	3,434,248	74,185	80,284,411
Less: Inter Segment Revenue	-	-	-	-
Net Revenue	**76,775,978**	**3,434,248**	**74,185**	**80,284,411**

Particulars	Manpower Services	Hand Set Trading	Unallocable	Total
Segmental Results before Interest & Taxes	**3,393,208**	**(7,322,460)**	**33,575**	**(3,895,677)**
Less: Finance Expenses	-	-	7,253	7,253
Segment Results before taxes	**3,393,208**	**(7,322,460)**	**26,322**	**(3,902,930)**
Provision for Taxation	-	-	-	-
Deferred Tax (Liability) / Assets	-	-	(712,267)	(712,267)
Segment Results after taxes	**3,393,208**	**(7,322,460)**	**(685,945)**	**(4,615,197)**

(i) Revenues and expenses, which are directly identifiable to segments, are attributed to the relevant segment. Administrative & other expenses are allocated on the basis of revenue. The segment result is the segment revenues less the segment expenses. Certain costs, including depreciation and Finance expenses which are not allocable to segments have been classified as "Unallocable".

(ii) The Company is utilizing the assets which do not generally make a distinction between the business segments. As a result, fixed assets are used interchangeably between segments. In the absence of a meaningful basis to allocate assets and liabilities between segments, no allocation has been made.

b) **Secondary Segment Information**

The Company caters mainly to the needs of Indian market and the export turnover being Nil, there are no reportable geographical segments.

12. **Inventory:**

Quantitative Information

Particulars in respect of Purchases, Sales and Stocks of Finished goods purchased for resale.

Financial year ended 2011-12

Class of Goods	Unit	Opening Stock		Purchases (Net of Returns)		Sales (Net of Returns)		Closing stock	
		Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)
CDMA Mobile Handsets (Ping)	Nos.	1,360	1,135,183	-	-			1,360	454,077
Handset Accessories	Nos.	6,005	777,981	-	-	2,000	30,000	4,005	212,467
Total		**7,365**	**1,913,164**	**-**	**-**	**2,000**	**30,000**	**5,365**	**666,544**

Financial year ended 2010-11

Class of Goods	Unit	Opening Stock		Purchases (Net of Returns)		Sales (Net of Returns)		Closing stock	
		Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)
CDMA Mobile Handsets (Ping)	Nos.	3,946	5,601,933	-	-	2,586	3,434,248	1,360	1,135,183
Handset Accessories	Nos.	6,005	777,981	-	-	-	-	6,005	777,981
Total		**9,951**	**6,379,914**	**-**	**-**	**2,586**	**3,434,248**	**7,365**	**1,913,164**

13. During the year, Company has incurred losses of Rs. 3,942,038 resulting into accumulated loss of Rs. 14,976,145 as at March 31, 2012 which has completely eroded its net worth. The ability of the Company to continue as a going concern is dependent on the success of the operations and ability to arrange funds for its operations. The management is confident of meeting of its funds requirements in the future and generating cash flow. Accordingly, these statements have been prepared on a going concern basis.

14. The Company has adopted Accounting Standard 28, Impairment of Assets ('AS 28'), which has not given rise to any impairment loss to be recognized in the financial Statements for the year ended March 31, 2012.

15. Figures of previous year have been regrouped and recasted wherever necessary to make them comparable with those of current year.

As per our report of even date

For Khandelwal Jain & Co.
Firm registration number: 105049W
Chartered Accountants

Akash Shinghal
Partner
Membership No. 103490

Place : Mohali
Date : May 26, 2012

For and on behalf of the Board of Directors.

Yatinder Vir Singh
Director

Babu Mohanlal Panchal
Director

ATTENDANCE SLIP

QUADRANT TELEVENTURES LIMITED

Registered Office : Autocars Compound, Adalat Road, Aurangabad – 431 005, Maharashtra

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint Shareholders may obtain additional slip on request.

DP Id*		Registered Folio No.	
Client Id*			

NAME AND ADDRESS OF SHAREHOLDER ____

____

No. of Share(s) Held: ______________________

I hereby record my presence at the **65th Annual General Meeting** of the Company held on **Friday, September 28, 2012** at 12.00 noon at the Registered Offce of the Company at Autocars Compound, Adalat Road, Aurangabad – 431005 Maharashtra.

Signature of the Shareholder or Proxy ....

*Applicable for investors holding shares in electronic form

PROXY FORM

QUADRANT TELEVENTURES LIMITED

Registered Office : Autocars Compound, Adalat Road, Aurangabad – 431 005, Maharashtra

DP Id*		Registered Folio No.	
Client Id*			

I/we ....of .... being a member / members of Quadrant Televentures Limited hereby appoint .... of .... or failing him .... of .... as my / our proxy to vote for me / us and on my / our behalf at the **65th Annual General Meeting** of the Company to be held on **Friday, September 28, 2012** at 12.00 noon at the Registered Office of the Company at Autocars Compound, Adalat Road, Aurangabad – 431 005 Maharashtra, at any adjournments thereof.

Signed on this .... day of 2012

Signature ....

No. of Shares held ....

Affix Revenue Stamp of ₹ 1/-

*Applicable for investors holding shares in electronic form

Note:- The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Offce of the Company not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.

BOOK POST

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If undelivered, please return to:-

Quadrant Televentures Limited
Regd. Office : Autocars Compound, Adalat Road, Aurangabad - 431005, Maharashtra