

CHAIRMAN'S STATEMENT FOR ANNUAL GENERAL MEETING 2009

Dear Shareholders,

It is my great pleasure to welcome you all to the Company's 23rd annual general meeting.

Fiscal 2008-09 witnessed an unprecedented slow down of the global economy, with most of the developed markets slipping into recession. This led to several bankruptcies, notably in the financial services and automobile sectors and job-losses worldwide. The impact on the developing markets like India and China has been less severe, but even these high-growth markets experienced slower growth rates during FY09.

The reduction in consumer confidence and business spending created a challenging environment for all businesses operating worldwide. Interestingly however, telecommunications sector has continued to grow and perform reasonably well even during these times. Increasing competition and customer pressures have impacted adversely the margin across various segments of Company's business. As businesses seek to reduce costs and become more efficient, they are increasingly turning to technology and networking. Additionally, most businesses are expanding their presence in emerging markets of Asia, Middle East and Africa to compensate for the declines in other markets. In this context, your Company has positioned itself as a partner to businesses enabling cost reduction as well as expansion into new growth markets. Tata Communications has grown in all its business segments, with strong volume growth, higher revenues and profits, while improving customer satisfaction scores, operational efficiency and reducing costs.

We are amongst the largest owners and operators of submarine cable networks globally. We continue to invest in the expansion of our submarine cable, IP/MPLS and Ethernet networks and to partner with other players to create new connectivity options to new markets.

In the wholesale voice business some of our former and potential customers in India have acquired their own ILD and NLD licenses, which reduces our

addressable market. Tariffs have also continued to fall squeezing both revenues and profitability.

Both these factors are offset only partially by volume growth. With increased mobile penetration NLD traffic within India is growing substantially. Our strategy, therefore, is to aim for volume growth, cut costs and actively accelerate moving into related value added services to protect and improve the margins.

There are several positive regulatory moves on the horizon. The Telecom Regulatory Authority of India (TRAI) has allowed telecom companies to share active infrastructure, which gives us the opportunity to offer our network infrastructure to new licensees. The TRAI has also recommended calling cards service as an alternative to the Carrier Access Code. We eagerly await implementation of the Calling Cards policy it would enable us to directly access the end-retail customers for long distance services.

In the enterprise data services segment, we are already India's number one provider and we are rapidly expanding our international presence, both in developed markets of Americas and Europe and in the emerging markets of Asia, Middle East and Africa. This segment remains a key growth area for Tata Communications. As in previous years, this segment has recorded healthy growth during the year under review.

The global economic conditions have thrown up new opportunities also. Most major carriers are looking to reduce costs through outsourcing network skills, process improvements and delivery. Our 100% subsidiary Tata Communications Transformation Services Ltd. is already taking advantage of these opportunities.

Managed services such as hosting, messaging, security and Telepresence have created a growing market among Indian companies as well as amongst global MNCs. A significant advantage for Tata Communications is our strategic alliance with the strong Indian IT industry. By partnering with the Tata group company, TCS, and other Indian software and systems integration companies, we are able to offer corporate customers an even wider range of integrated IT and telecom services.

In both the enterprise data and carrier businesses, we have been able to steadily increase the share of value-added services.

Our third business segment is 'all other services', which include various Internet and broadband services to retail customers. The growth of broadband subscribers in India is slower than expected because of last-mile connectivity issues. To counter this problem, we have expanded our consumer broadband wireless services using Wi-Max technology which now covers Bangalore, Delhi, NCR, Chandigarh and Hyderabad. However, since the spectrum remains limited, further expansion countrywide will become possible only after the Government auctions the Broadband Wireless Access spectrum.

I would like to thank the Department of Telecommunications, Government of India and the Tata Group – the two Strategic Partners for their backing and assistance to the Company. I would also thank Mr. Ratan Tata, who continues to support us with his valuable vision and strategic guidance.

Looking ahead, with the indications of global markets beginning to turn around, we expect that Tata Communications would maintain its India enterprise data market leadership and improve its global position. Data services business is expected to be one of the focus areas of investments and the major growth driver in the immediate future. On the retail side, we expect that the Government will take up and complete the spectrum allocation sooner than later.

In order to achieve its goals, the Company needs cost effective funding. Though, there is no scarcity of debt funding for the company, a highly geared capital structure increases the debt servicing costs. This obviously puts a short term pressure on the P&L, particularly because the Company has to make long term investments in the infrastructure, new service and entering new markets. There are indications that the issues related to surplus land will be resolved, paving way, sooner than later, for the Company to raise non-debt funding for its projects.

In conclusion, I would like to thank our shareholders for their support and continuing commitment. I also thank all the members of the board and other stakeholders for their valuable contributions. The year's achievement have been made possible by the hard work put in by all the employees of the Company under the dynamic and able leadership of Mr. N Srinath, MD and his team – they all deserve special mention, appreciation and thanks for their efforts and commitment.
