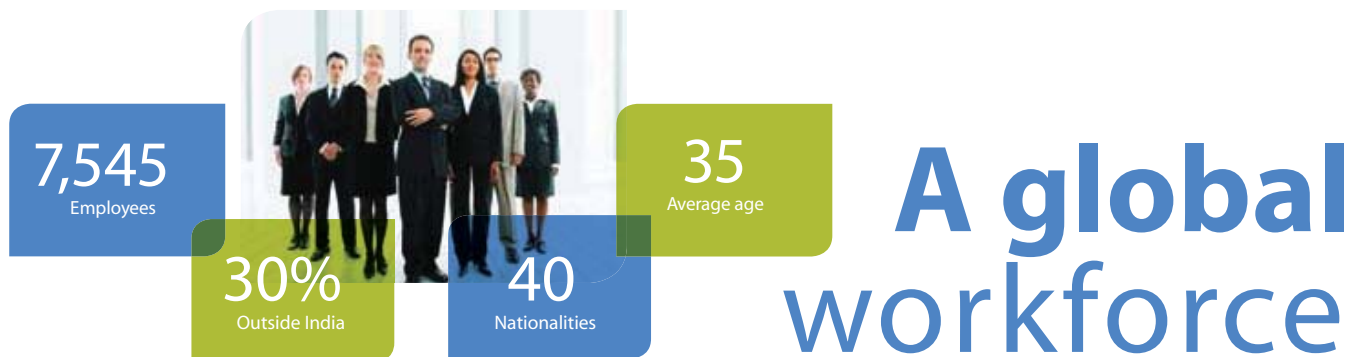


**ANNUAL REPORT 2010-2011**

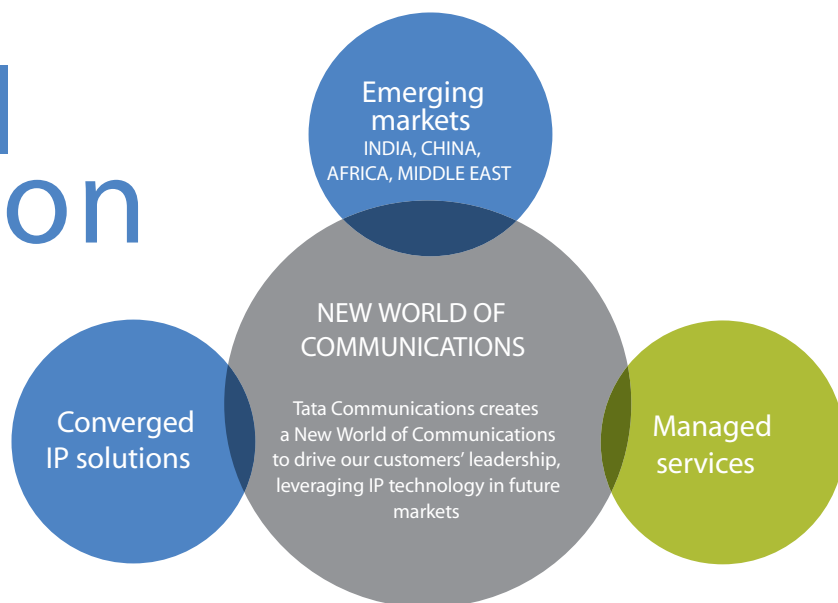


*A New World  
of Communications*

Being part of Tata Communications  
is being part of...



## A global vision



## A global position

**#1** Enterprise data in India

**#1** Wholesale LD voice in India

**#1** Wholesale international voice

**#1** Wholesale connectivity global



## Tata Communications Limited

# TWENTY FIFTH ANNUAL REPORT 2010-11

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Annual General Meeting on Tuesday, 11 October 2011, at MC Ghia Hall, Kalaghoda Mumbai at 11.00 a.m.  
As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.  
Shareholders are requested to kindly bring their copies to the meeting.

# TATA COMMUNICATIONS

Twenty Fifth Annual Report 2010-2011

Tata Communications Limited

## CORPORATE DETAILS

### BOARD OF DIRECTORS

(As on 14 September 2011)

Mr. Subodh Bhargava (Chairman) (Independent)  
Mr. Vinod Kumar (Managing Director and Group CEO)  
Mr. N. Srinath (Panatone Nominee)  
Mr. Kishor A. Chaukar (Panatone Nominee)  
Mr. Amal Ganguli (Independent)  
Mr. S. Ramadorai (Panatone Nominee)  
Mr. Arun Gandhi (Panatone Nominee)  
Dr. Ashok Jhunjhunwala (Panatone Nominee)  
Mr. Uday B. Desai (Independent)  
Mr. Ajay Kumar Mittal (Government Nominee)  
Mr. Saurabh Kumar Tiwari (Government Nominee)

Mr. Satish Ranade  
Mr. Sanjay Baweja

Company Secretary & Chief Legal Officer  
Chief Financial Officer

### REGISTERED OFFICE

VSB, Mahatma Gandhi Road, Fort,  
Mumbai – 400 001.

### CORPORATE OFFICE

C21& C36, 'G' Block, Bandra Kurla Complex,  
Mumbai – 400 098.

### BANKERS

Axis Bank Ltd  
Bank of America  
Citibank Inc.  
Deutsche Bank  
Development Bank of Singapore  
Dhanlakhmi Bank Ltd.  
HDFC Bank Ltd.  
Hongkong & Shanghai Banking Corporation  
ICICI Bank Ltd.  
Indian Overseas Bank  
Kotak Mahindra Bank Ltd.  
Royal Bank of Scotland  
State Bank of India  
Standard Chartered Bank  
Vijaya Bank  
Yes Bank Ltd

### LEGAL ADVISORS

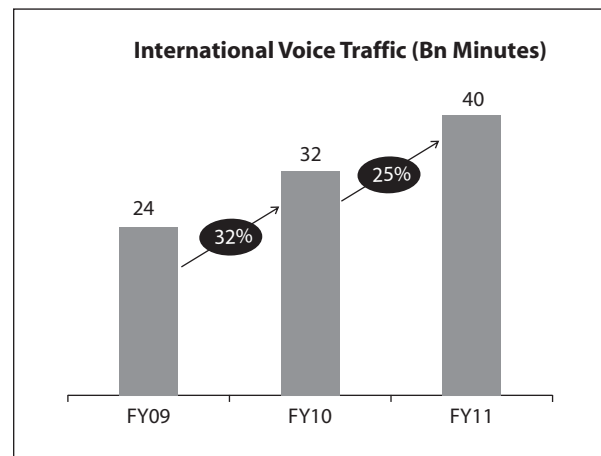
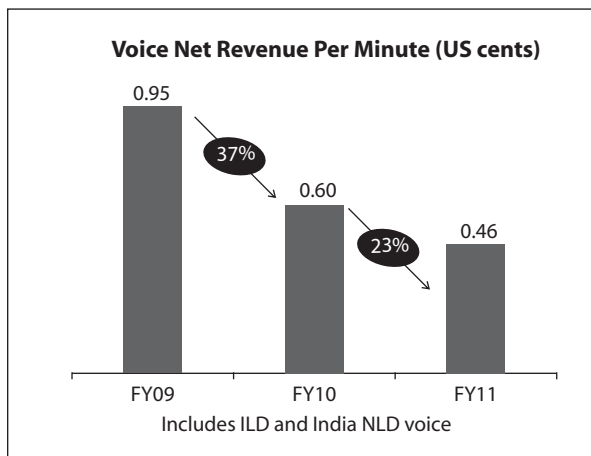
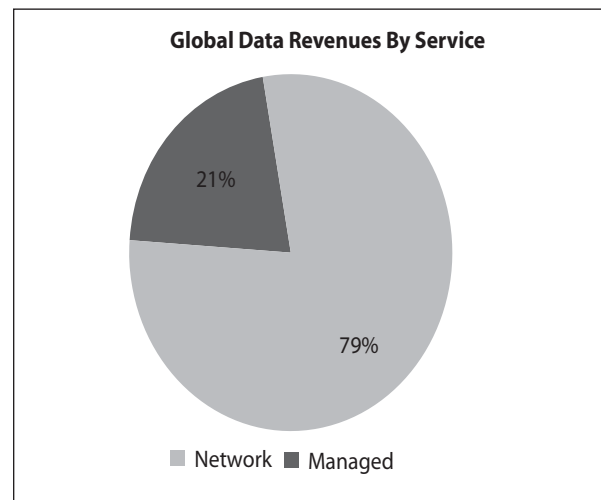
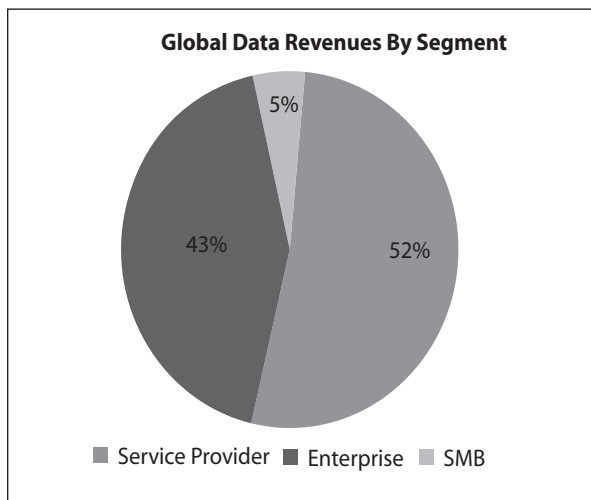
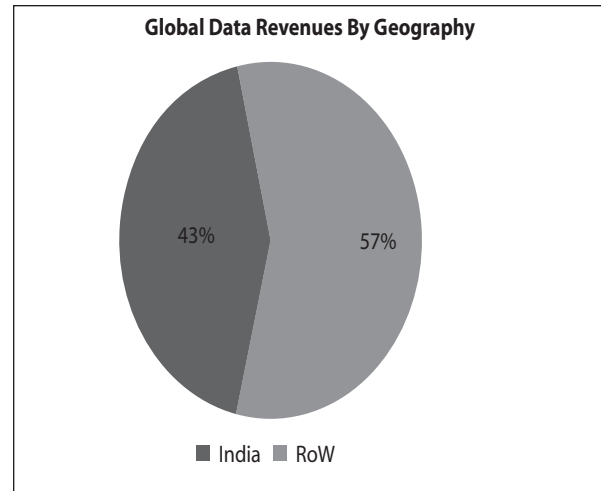
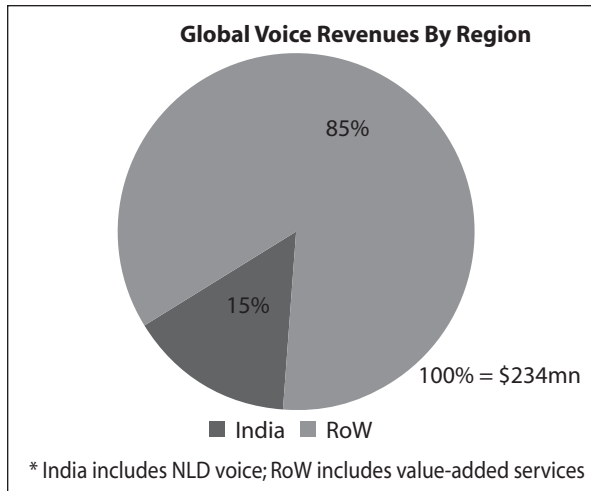
Messrs ANS Law Associates  
Messrs Mulla & Mulla and Craigie Blunt & Caroe

### STATUTORY AUDITORS

Messrs S.B. Billimoria & Co., Chartered Accountants

### REGISTRARS & TRANSFER AGENTS

Messrs Sharepro Services (India) Pvt. Ltd.  
13 AB, Samhita Warehousing Complex, 2nd Floor,  
Near Sakinaka Telephone Exchange, Andheri Kurla Road  
Andheri (East), Mumbai - 400 072.



## NOTICE

**NOTICE** is hereby given that the Twenty Fifth Annual General Meeting of Tata Communications Limited will be held at 1100 hours on Tuesday, 11 October 2011, at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Road, Kalaghoda, Mumbai – 400001 to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the Balance Sheet of the Company as on 31 March 2011, the audited Profit and Loss Account for the year ended on that date, the Auditors' Report thereon and the Report of the Board of Directors.
2. To declare dividend for the financial year 2010-11.
3. To appoint a Director in place of Mr.Arun Gandhi who retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr.Subodh Bhargava who retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr.Kishor Chaukar who retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment.

### Special Business

6. To pass the following resolution with or without modifications as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 ("Act") read with Schedule XIII thereto, subject to the provisions of the Memorandum and Articles of Association of the Company, and subject to such approvals, if any, as may be necessary, approval of the Company be and is hereby accorded to the appointment of Mr. Vinod Kumar as the Managing Director and Group CEO for a period commencing 1 February 2011 for a period of five years i.e. upto and inclusive 31 January 2016, on the terms and conditions agreed to between Mr. Vinod Kumar and the Company as set out in the explanatory statement attached to this notice, with liberty to the Board of Directors to revise the terms as to remuneration and other terms and conditions of appointment, from time to time within the limits prescribed under the provisions of Schedule XIII or any amendment thereto for the time being in force."

**"RESOLVED FURTHER THAT** where in any financial year during the tenure of Mr. Vinod Kumar as the Managing Director and Group CEO of the Company as above, the Company has no profits or the profits are inadequate, the Company shall, subject to the provisions of Sections 198, 269 and 309 of the Act, pay basic salary, perquisites and allowances as mutually agreed between the Company and Mr. Vinod Kumar and specified in the explanatory statement."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

7. To appoint a Director liable to retire by rotation in place of Mr.Uday B. Desai who holds office only up to date of the forthcoming Annual General Meeting and in respect of whom a notice under the provisions of Section 257 of the Companies Act, 1956 has been received by the Company from a member signifying his intention to propose Mr.Uday B. Desai as a candidate for the office of director.
8. To appoint a Director in place of Mr.Ajay Kumar Mittal who holds office only up to the date of the forthcoming Annual General Meeting as a non-retiring director and in respect of whom a notice under the provisions of Section 257 of the Companies Act, 1956 has been received by the Company from a member signifying his intention to propose Mr.Ajay Kumar Mittal as a candidate for the office of director.
9. To appoint a Director liable to retire by rotation in place of Mr.Saurabh Kumar Tiwari who holds office only up to the date of the forthcoming Annual General Meeting and in respect of whom a notice under the provisions of Section 257 of the Companies Act, 1956 has been received by the Company from a member signifying his intention to propose Mr.Saurabh Kumar Tiwari as a candidate for the office of director.

10. To consider and, if thought fit, to pass with or without modification the following Resolution as a **Special Resolution:**

**"RESOLVED THAT** pursuant to Section 309 and other applicable provisions, if any, of the Companies Act, 1956 ("Act") and pursuant to the provisions of Clause 49(l)(B) of the Listing Agreement, a sum not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 249 and 350 of the Act, be paid to and distributed amongst the directors of the Company or some or any of them (other than the whole-time directors) in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors or any Committee formed by the Board of Directors and entrusted with such responsibilities, and such payments shall be made in respect of the profits of the Company for each year of the period of five years commencing 1 April 2010."

11. To consider and, if thought fit, to pass with or without modification the following Resolution as a **Special Resolution:**

**"RESOLVED THAT** pursuant to Section 224 A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S.B. Billimoria & Co., Chartered Accountants be and are hereby appointed 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 and to examine and audit the accounts of the Company for the financial year 2011-12 on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors, plus reimbursement of service tax, travelling and out of pocket expenses."

**"RESOLVED FURTHER THAT** the Auditors of the Company be and are hereby authorized to carry out (either themselves or through qualified associates) the audit of the Company's accounts maintained at all its branches and establishments (whether now existing or acquired during the financial year ending 31 March 2012) wherever in India or abroad."

By Order of the Board of Directors

Satish Ranade  
Company Secretary

Dated : 14 September 2011

Registered Office :  
VSB, M.G. Road,  
Fort, Mumbai - 400 001.

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members who hold shares in dematerialized form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
3. The statement of material facts pursuant to Section 173 (2) of the Companies Act, 1956, setting out the material facts in respect of the business under Item No. 6 to 11 is annexed hereto.
4. Details regarding the persons proposed to be appointed as Directors and their brief resume have been given in the annexure attached to the Notice.
5. Registers of members and share transfer of the Company shall remain closed from 1 October 2011 to 11 October 2011 (both days inclusive).
6. The Company had applied to the Central Government for extension of time for holding of the AGM for the year 2011 beyond 30 September 2011 and the Central Government vide its communication dated 13 September 2011 has approved extension of time for holding of AGM by 15 days i.e. by 15 October 2011.
7. As part of green initiative, in 2011, the Ministry of Corporate Affairs, Government of India, vide its circulars No.17/2011 and No.18/2011 dated 21 April 2011 and 29 April 2011 respectively, has allowed companies to send

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official communication to the Shareholders electronically. Your Company supports the green initiative of the Government and propose to send notices of general meetings, Audited Annual Accounts and other Financial Statements, Directors' Report, Auditors' Report and other communication to the Shareholders through email, to the email addresses provided by you to your depositories.

We request you to update your email addresses with your depositories so that you can promptly receive documents sent by the Company to you on your preferred email addresses.

We request the Shareholders who are holding shares in physical form to submit their email addresses with the R & T Agents or convert their shares into demat form and update their email addresses with the depositories so that they receive the Company's communications promptly.

8. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividends which remain unclaimed in the unpaid dividend account for a period of seven years from the date of transfer of the same, will be transferred to the Investor Education and Protection Fund established by the Central Government. The Members and Shareholders who have not encashed their dividend warrant(s) so far for the financial year ended 31 March 2004 or any subsequent financial years in which dividend was paid are requested to file their claim with the R & T Agents of the Company. According to the provisions of the Act, no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims. The summary of the unpaid dividend for the past years and the date on which the outstanding amount shall be transferred by the Company to the Investor Education and Protection Fund is given in the table below.

<b>Date of AGM</b>	<b>Balance as on 31 August 2011(₹)</b>	<b>Dividend for the year</b>	<b>Transfer to Investor Education &amp; Protection Fund</b>
<b>2 Sept 2004</b>	<b>429970.50</b>	<b>2003-04</b>	<b>2 Oct 2011</b>
<b>14 Sept 2005</b>	<b>946674.00</b>	<b>2004-05</b>	<b>14 Oct 2012</b>
<b>13 Sept 2006</b>	<b>784012.50</b>	<b>2005-06</b>	<b>13 Oct 2013</b>
<b>2 Aug 2007</b>	<b>654097.00</b>	<b>2006-07</b>	<b>2 Sept 2014</b>
<b>2 Aug 2008</b>	<b>742914.00</b>	<b>2007-08</b>	<b>2 Sept 2015</b>
<b>7 Aug 2009</b>	<b>813474.00</b>	<b>2008-09</b>	<b>7 Sept 2016</b>
<b>Total</b>	<b>4371142.00</b>		

9. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form No. 2B in duplicate (which will be made available on request) to the R & T Agents of the Company.

**Annexure to the Notice dated 14 September 2011****The Statement of Material Facts pursuant to Section 173 (2) of the Companies Act, 1956.****In respect of Item No. 6**

Under the Shareholders' Agreement of February 2002, PanatoneFinvest Limited vide their letter dated 13 January 2011 indicated that Mr. Vinod Kumar, director of the Company be appointed as the Managing Director of the Company with effect from 1 February 2011, in place of Mr. Srinath and that Mr. Srinath would continue to sit on the Board of the Company as a non-executive director not liable to retire by rotation. Accordingly, Mr. Vinod Kumar has been appointed as the Managing Director and Group & CEO by the Board of Directors of the Company at its meeting held on 13 January 2011 w.e.f. 1 February 2011 for a period of 5 years, subject to the consent of the members and shareholders of the Company and subject to the applicable regulatory approvals from the Central Government and all other applicable authorities. At the time of appointment of Mr. Vinod Kumar was an Indian citizen but was not resident in India. In May 2011, Mr. Vinod Kumar was granted citizenship of the Republic of Singapore requiring him to surrender his Indian citizenship. The remuneration drawn by Mr. Vinod Kumar as Managing Director of Tata Communications Limited is within the limits prescribed by Schedule XIII and the provisions of Companies Act 1956 and does not require Central Government approval. However, approval of Central Government was required since Mr. Vinod Kumar did not meet the condition (e) of Part I of Schedule XIII regarding the person being a resident in India. Accordingly due application was made with the Central Government for Mr. Vinod Kumar's appointment.

The Central Government vide their letter dated 28 June 2011 approved the appointment of Mr. Vinod Kumar with effect from 01 February 2011 till ensuing General Meeting of the Company and the proposal for the remaining period shall be considered by the Central Government after receipt of the Members resolution of the Company.

The main terms and conditions of the Agreement dated 19 April 2011 with Mr. Vinod Kumar together with the memorandum of concern or interest were duly sent to the Shareholders on 25 April 2011 and are given below:

1. Appointment as MD & Group CEO :
  - a) This Appointment is effective from 01 February 2011, and the period of this appointment will be for a period of five years, till 31 January 2016, unless otherwise decided by the Board of Directors.
  - b) This Appointment may be terminated by either party giving to the other party six months' notice or the Company paying six months' basic salary in lieu thereof.
  - c) This Appointment shall also be subject to all such approvals as may be required including that of the members of the Company in a General Meeting as also the Central Government pursuant to section 316 read with sections 198, 269, 309, 310 and Schedule XIII and all other applicable provisions of the Companies Act, 1956 and pursuant to the provisions of the Memorandum of Association and pursuant to the provisions of Article 66G of the Articles of Association.
2. Remuneration
  - a) The MD & Group CEO shall be governed by such terms and conditions applicable to the Tata Group managing directors.
  - b) Subject to the sectoral percentage limits as laid down in sub-section (3) of Section 309 of the Companies Act 1956 and the overall limit as laid down in sub-section (1) of Section 198 of the Companies Act 1956, and further subject to the approvals as may be necessary in terms of Sections 198, 269, 309, 310 and 311 of the Companies Act 1956 and also subject to the approval of the members in a General Meeting, the Company shall, in consideration of his services to the Company, pay to the MD & Group CEO during the continuance of this agreement the following remuneration:

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- i) As on 1 February 2011 the remuneration package to be as given in the table below:

Salary Components	In ₹ Lakhs per Year #
Basic in the scale of Rs.0.40 Crore – Rs.1.00 Crore per annum *	49 *
Allowances *	80 *
PF (Employer) @ 12% of Basic (as applicable on date)	6 *
<b>Total Pay</b>	<b>135</b>
Variable Pay (Performance Linked, upto 100% of Basic + Allowances + PF (employer) contribution) **	135 **
<b>Total (Basic + Allowance + PF (employer) contribution) + Variable Pay) – not exceeding</b>	<b>270</b>
<b>Deductions</b>	
Employee's PF contribution(as applicable)	6
TDS (as applicable)	

\* Payable monthly.

\*\* Payable annually after due assessment.

# Amounts may be revised by the Board every year in consonance with annual variation in the Basic salary in the given scale.

- ii) Term: Five years commencing from 1 February 2011 with first year's remuneration fixed as per the table above, payable from 1 February 2011 to 31 January 2012. The remuneration to be reviewed and refixed thereafter on each anniversary of the appointment duly evaluated / recommended by the Remuneration Committee and approved by the Board.
- iii) The Total Pay (Basic plus allowances plus PF Company Contribution plus Variable) would be subject to the overall ceilings stipulated in Sections 198, 309 and other applicable provisions of the Companies Act, 1956.
- iv) The remuneration will be subject to deduction on account of employee's contribution to PF, tax, and any other statutory deductions that may apply from time to time.
- c) Perquisites and Allowances:
- i) Residential accommodation: The Company shall provide suitable accommodation to Mr. Vinod Kumar as required. The perquisite value of the accommodation if provided by the Company will be calculated as per the Income Tax Rules.
- ii) The Allowance component will include the following: furnishing; leave travel concession for self, wife and dependent children; normal medical reimbursement for self, wife and dependent children.
- iii) The Company will pay fees of a maximum of two clubs. This will not include life membership fees.
- iv) Payment of premium for appropriate medical insurance for hospitalization for self, wife and dependent children, provision of a Company car for official duties and provision of telephone at residence and cell phone (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the ceiling mentioned in para 2(b)(i) above.
- v) The Company's contribution to gratuity payable as per the rules of the Company and encashment of due and un-availed leave at the end of the tenure accumulated as per the Company's Rules shall not be included in the Computation of the limit referred to in table above.
- vi) Minimum Remuneration - Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of his tenure, the Company has no profits or the profits are inadequate, the Company shall (subject to approval of the Central Government as required) pay Basic Salary and Other Allowances as specified above and Variable Pay as may be decided by the Company within the limit prescribed in the Table above.

vii) Other Terms and Conditions

- i) The terms and conditions of the appointment may be varied / enhanced from time to time by the Board of Directors as it may in its discretion deem fit within the maximum amounts payable to the MD & Group CEO as per Schedule XIII to the Companies Act, 1956.
- ii) The MD & Group CEO shall, subject to the supervision and control of the Board of Directors, be entrusted with such powers and perform such duties as may, from time to time, be delegated/entrusted to him.
- iii) The MD & Group CEO is appointed by virtue of his employment in the Company and the same is subject to the provisions of Section 283(1)(l) of the Act. If, at any time, he ceases to be a Director of the Company for any reason whatsoever, his appointment as MD & Group CEO shall stand terminated forthwith. Further, if his appointment as the MD & Group CEO ceases for any reason whatsoever, his appointment as a Director of the Company shall also stand terminated forthwith.
- iv) The MD & Group CEO shall undertake that he shall adhere to the Tata Code of Conduct, a copy of which is delivered to and perused by the MD & Group CEO, to its letter and spirit which he declares having read and understood by him.

3. Sitting Fees

The MD & Group CEO shall not be entitled to receive any sitting fees for attending the meeting/s of the Board of Directors of the Company or any of its subsidiaries or any committee/s thereof from the date of his Appointment.

None of the Directors other than Mr. Vinod Kumar is concerned or interested in the above Resolution.

**In respect of Item No. 7**

On the advice of the Government of India suggesting appointment of Mr. Uday B Desai as non-executive, independent director, the Board appointed Mr. Uday B Desai as an Additional Director on the Board with effect from 6 June 2011 pursuant to the provisions of section 260 of the Companies Act, 1956 and in accordance with the provisions of Article 66B of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956 and under the said Article, Mr. Uday B Desai holds office upto the date of the forthcoming Annual General Meeting. Mr. Uday B Desai is eligible for appointment as a director of the Company and the Company has, pursuant to Section 257 of the Companies Act, 1956 received a notice in writing proposing his candidature for appointment. If appointed, Mr. Uday B Desai will act as a non-executive, independent director, liable to retire by rotation.

Keeping in view the experience and expertise, his appointment as Director of the Company is recommended.

None of the directors other than Mr. Uday B Desai is concerned or interested in the above Resolution.

**In respect of Item No. 8**

Under the Shareholders Agreement of February 2002, Government of India vide their letter dated 1 August 2011 indicated appointment of Mr. Ajay Kumar Mittal, Deputy Director General (AS), Department of Telecommunications, as permanent (non-retiring) Government Director. Accordingly, Mr. Ajay Kumar Mittal was appointed as an Additional Director on the Board with effect from 9 August 2011 pursuant to the provisions of section 260 of the Companies Act, 1956 and in accordance with the provisions of Article 66B of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956 and under the said Article, Mr. Ajay Kumar Mittal holds office upto the date of the forthcoming Annual General Meeting. Mr. Ajay Kumar Mittal is eligible for appointment as a director of the Company and the Company has, pursuant to Section 257 of the Companies Act, 1956 received a notice in writing proposing his candidature for appointment. If appointed, Mr. Ajay Kumar Mittal will act as a non-executive, non-retiring, government nominee director.

Keeping in view the experience and expertise, his appointment as Director of the Company is recommended.

None of the directors other than Mr. Ajay Kumar Mittal is concerned or interested in the above Resolution.

**In respect of Item No. 9**

Under the Shareholders Agreement of February 2002, Government of India vide their letter dated 1 August 2011 indicated appointment of Mr.Saurabh Tiwari, Deputy Director General (LF II), Department of Telecommunications, as permanent (non-retiring) Government Director, Mr.Saurabh Kumar Tiwari was appointed as an Additional Director on the Board with effect from 9 August 2011 pursuant to the provisions of section 260 of the Companies Act, 1956 and in accordance with the provisions Article 66B of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956 and under the said Article, Mr.Saurabh Kumar Tiwari holds office upto the date of the forthcoming Annual General Meeting. Mr.Saurabh Kumar Tiwari is eligible for appointment as a director of the Company and the Company has, pursuant to Section 257 of the Companies Act, 1956 received a notice in writing proposing his candidature for appointment. If appointed, Mr.Saurabh Kumar Tiwari will act as a non-executive, government nominee director, liable to retire by rotation, in view of the fact that as on date there is one vacancy yet to be filled in as per the provisions of the Shareholders Agreement of February 2002.

Keeping in view the experience and expertise, his appointment as Director of the Company is recommended.

None of the directors other than Mr.Saurabh Kumar Tiwari is concerned or interested in the above Resolution.

**In respect of Item No 10**

Taking into account the responsibilities of the directors, it is proposed that in terms of Section 309(4) of the Companies Act, 1956 the directors (apart from the whole-time directors) be paid, for each of the financial year of the Company commencing from 1 April 2010, remuneration not exceeding one percent per annum of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956. Such remuneration can be paid by way of commission with the prior approval of the Shareholders whereas the same would require prior approval of the government if it is paid by way of monthly or periodical payments. The remuneration will be distributed amongst all or some of the directors in accordance with the directions given by the Board or any sub-committee of the Board formed for the purpose. It may be noted that the Government nominee directors do not accept either sitting fees or commission while they serve as directors on the Board.

Under the provisions of Clause 49 (I) (B) of the Listing Agreement, all fees/compensation (except sitting fees), if any, paid to the non-executive directors including independent directors shall be fixed by the Board of Directors and shall require previous approval of the Shareholders in general meeting. The consent of the Members and Shareholders of the Company is therefore being sought pursuant to the said provisions of the Listing Agreement and the Companies Act, 1956.

All the directors of the Company, except the whole-time directors, are concerned or interested to the extent of the remuneration that may be received by them.

**In respect of Item No. 11**

M/s. S B Billimoria & Co., Chartered Accountants were appointed as the statutory auditors of the Company at the Twenty Fourth Annual General Meeting of the Company held on 6 August 2010 and hold office till the conclusion of the Twenty Fifth Annual General Meeting. Since the Government of India continues to hold not less than 25% of the subscribed share capital of the Company, the appointment of the auditors of the Company is required to be approved by a Special Resolution pursuant to Section 224A of the Companies Act, 1956.

The Directors recommend the resolutions.

None of the Directors are interested in the resolutions.

By Order of the Board of Directors

Satish Ranade  
Company Secretary

Dated : 14 September 2011  
Registered Office:  
VSB, M.G. Road,  
Fort, Mumbai - 400 001.

### Details of Directors Seeking Appointment / Re-Appointment at the 25<sup>th</sup> Annual General Meeting

Particulars	Mr. Arun Gandhi	Mr. Subodh Bhargava	Mr. Kishor Chaukar	Mr. Vinod Kumar	Mr. Uday B. Desai	Mr. AK Mittal	Mr. Saurabh Tiwari
Date of Birth	15 March 1943	30 March 1942	1 August 1947	14 December 1965	14 February 1951	30 November 1955	30 September 1967
Date of Appointment	10 September 2007	15 May 2002	1 July 2002	2 February 2007	6 June 2011	9 August 2011	9 August 2011
Qualifications	Fellow member of the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of India. He is an associate member of the Chartered Institute of Taxation, London.	B.E. (Mech)	BA (Eco) – Karnataka University, PGDBA (Indian Institute of Management, Ahmedabad), DEA – Rural Economics – University of Dijon, France.	BE (Hons)	B.Tech (Electrical), IIT, Kanpur M.S. (Electrical) State University of New York, Ph.D. from The Johns Hopkins University, Baltimore, U.S.A	BE (Electronics & Communications) from University of Roorkee	M.A. (Political Science), from Allahabad, MBA (Finance) from National Institute of Financial Management, Ministry of Finance, Government of India and LLB from Delhi University
Expertise in Specific Functional Area	Accounting and Audit	General Management	General Management	General Management	General Management	General Management	Financial Management
Directorships held in Public Companies (excluding foreign and private companies)	10	10	11	1	2	1	1
Memberships/Chairmanships of Committees in Public Companies	9	7	4	NIL	2	1	1
Shareholding In TCL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

**DIRECTORS' REPORT**

Dear Shareholders,

The directors are pleased to present the 25<sup>th</sup> annual report and audited accounts of Tata Communications Limited (TCL) for the financial year ended 31 March 2011.

**PERFORMANCE**

The key financial parameters of your Company during the year under review are given in table below:

	2010-11 (₹ in Crores)	2010-11 (USD in Million)*	2009-10 (₹ in Crores)	2009-10 (USD in Million)*
Consolidated income	12185.21	2735.79	11194.22	2513.30
Consolidated EBIDTA	1225.27	275.09	1012.36	227.29
Consolidated profit/(loss) after exceptional items and before tax	(706.70)	(158.67)	(681.19)	(152.94)
Consolidated Profit/(loss) after tax	(776.90)	(174.43)	(597.74)	(134.20)
Standalone total income	3802.48	853.72	3383.46	759.65
Standalone Profit before tax	154.04	34.58	309.33	69.45
Standalone Profit after tax	162.56	36.50	483.18	108.48

\* All conversion from Indian rupees to US Dollars in the above table as also elsewhere in this report are based on the noon buying rate in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York for custom purposes which was ₹44.54 per USD 1.00 on March 31, 2011.

The consolidated net loss includes ₹ 551.02 Crores (USD 123.71 million) from the Company's holding in Neotel, South Africa, which is still in its gestation phase, requiring investments to establish the required capabilities. Neotel will continue to need support for some more time before it turns profitable. The consolidated net loss also includes increases in other non-cash costs viz. depreciation on account of significant capitalisation done over the past two years. We remain confident that the Company's strategy is sound and that the direction that the Company is taking will be beneficial to the Company and its stakeholders as we move forward.

**Dividend**

The directors are pleased to recommend a dividend of ₹2 (USD 0.04) per share (Nil dividend previous year) for the financial year ended 31 March 2011. The amount available for appropriation is ₹2050.44 crores (USD 460.36 million), out of which the Company has

proposed a dividend of ₹57 crores (USD 12.80 million), (excluding dividend tax of ₹9.25 crores (USD 2.08 million)), and also proposes to transfer ₹12.19 crores (USD 2.74 million) to general reserves and further ₹560.77 crores (USD 125.90 million) to the debenture redemption reserve, leaving ₹1411.24 crores (USD 316.85 million) to be carried forward.

**Macro Economic Situation**

During the year under review, the global economy recovered slightly from the crisis of the previous year. However, the weaknesses in developed markets continued to impact business spending and expansion plans. Sectors like banking, financial services and manufacturing have been the hardest hit, and have consequently shown only marginal growth in demand.

Businesses across the world are still battling to reduce costs, while looking to create new markets in the emerging economies / new geographies. The biggest

impact of this on your Company's business is in the form of severe price pressures and delayed commencement of new projects from some customers. However, your Company was able to grow its revenues due to its capabilities in India and other emerging markets, as well as a focus on value-added managed services.

### **Segmentation**

Being largely a B2B (business-to-business) player, your Company serves two segments of customers: service providers and enterprise customers.

In the service provider segment, your Company provides an integrated set of services including wholesale voice, domestic and international data connectivity, Internet backbone connectivity (also known as IP transit), value-added roaming services for mobile operators and carrier-specific business process outsourcing services.

In the enterprise segment, your Company principally offers a comprehensive suite of connectivity, IT infrastructure and managed solutions for businesses seeking voice, data and video connectivity between their distributed offices, within India or globally. These services are aimed at improving the operational efficiencies of customers ranging from smaller enterprises to large global multinational corporations. Your Company is also building specialization in some industry verticals by offering customized solutions relevant to that industry. For example, we offer managed ATM solutions for banks and digital workflow management solutions for media companies.

## **INDUSTRY SITUATION AND DEVELOPMENTS**

### **Global Telecom Market**

The landscape of the global telecom industry continues to be shaped by the following major trends:

- Continued growth of mobile penetration, especially in developing countries;
- Surge in mobile data traffic, enabled by adoption of 3G technology and increased penetration of smarter end-user devices like smart phones, tablets etc.;
- Video becoming a growing part of both consumer and business traffic;

- Businesses looking for managed services and turn-key solutions that help improve their operational efficiency; and

- Growth in traffic, within and to emerging markets / new geographies.

The Wholesale Voice market continues to be a business of scale, with constant pressure on prices and margins. The share of mobile communications continues to grow in relation to fixed voice, and there is an increasing use of Voice over Internet Protocol (VoIP). Alternate services such as portal-based offerings on the Web are growing in popularity and usage. The current market dynamics provide both challenges and opportunities for your Company. The shift from traditional to pure VoIP players creates margin pressure. However, this margin pressure is driving operators to look for turn-key and outsourced solutions, where your Company is well positioned due to the scale of its business, advanced operations practices and global market leadership.

The Wholesale Data market is also undergoing rapid changes. The growth of the Internet on the back of growing global broadband usage, increasing demand for multimedia services, the success of new collaboration and communications applications and the continued increase in the use of the web by both individuals and corporations, is driving the demand for IP bandwidth. With the growing need for bandwidth around the world, the demand for submarine cable capacity and IP Transit services continues to grow. New cable projects have been announced, or are being constructed, principally connecting the emerging new markets in Asia, Africa and the Middle East. These cables are largely being constructed to meet traffic growth rates of 30-40% per annum and the need for diversity. The associated challenge with new cable systems being built, is the price pressure it creates on wholesale data services.

The Mobile Value Added Services market has been aided by the resilience that the mobile industry has shown to the economic downturn. There is some concern about revenue growth from mobile voice traffic, especially in the established markets of Europe and North America. However, with the increasing penetration of smart devices and the rolling out of broadband HSPA/3G+ networks, mobile data is rapidly

increasing its share of overall customer usage and revenue. As operators expand their broadband networks and subsequently their requirements for core Internet connectivity, it creates new opportunities for your Company's wholesale IP transit and data services. Simultaneously, as mobile operators focus on cost reduction, there are resulting opportunities for Value Added Services such as 'steering of roaming' and 'roaming hubbing'.

**Indian Telecom Market**

Over the last decade the Indian telecom industry has changed significantly, with all major segments being opened to competition. There are several new entrants in areas that the Company operates in, resulting in increasing competition from both domestic operators and large international companies with a direct presence in the country. The number of active players in our key service areas is shown below:

ILD (voice)	08
NLD (voice)	16
Domestic Data	12
International Data	13
Data Centre	09

The Indian telecom market grew to ₹177719 crore (USD 40 billion) in 2011, with the addressable market for Tata Communications being ₹ 52939 crores (USD 11.90 billion). The major factors driving growth in the Indian market are increased penetration of mobile services, growth in consumer broadband services and increased adoption of network services by Indian businesses.

**REGULATORY DEVELOPMENTS**

The past year witnessed significant regulatory developments in India, such as the introduction of Mobile Number Portability (MNP) and license amendments requiring the government's prior approval for telecom equipment purchases by licensees.

Through a license amendment dated 3 December 2009, the Department of Telecommunications (DoT) had made it mandatory for all telecom service providers to obtain security clearances before placing

purchase orders for procuring telecom equipment/software from manufacturers who are not Indian owned/controlled. The associated time-consuming procedures caused the Company to face significant delays in fulfilling customer orders and in expanding its network infrastructure in India, which adversely impacted the Company's revenues. On 31 May 2011, the DoT issued an amendment to the licensing conditions, doing away with the requirement of obtaining security clearance before placing purchase orders for telecom equipment. Network security has now been made the responsibility of the service providers, for which the DoT has prescribed the requisite measures; the Company is taking all the steps outlined.

The regulatory scenario in other geographies across the world, where your Company operates through its subsidiaries, did not see any major policy changes impacting the Company's business.

**COMPANY STRATEGY AND DIRECTION****Strategy Overview**

Your Company continues to develop and execute its strategy to be a global provider of communication solutions, predominantly targeting business customers. Your Company's strategy continues to be focused on creating a portfolio of communication and IT infrastructure services to leverage the trends shaping our chosen business segments. The key trends that we aim to address are:

- The growth of emerging new market economies, with an emphasis on India, Asia, the Middle East and Africa;
- The growth of IP and cloud-based communication and IT solutions; and
- The shift towards managed services, which allows our client businesses to focus on their core competencies.

Your Company has been investing in the underlying infrastructure to support the growing role of the Internet in the lives of consumers and businesses, the increased penetration of more powerful end-user devices such as smart-phones, tablets etc., and a more globally connected and collaborative business environment. This infrastructure includes long

distance networks, metro networks, international submarine cables, data centres and virtual private network nodes.

## **REVIEW OF OPERATIONS**

### **Geographical presence**

Your Company continues to grow its business in both India and globally. The revenue distribution between India and the rest of the world was 26% and 74% respectively in 2010-2011.

### **Segment and Product Distribution**

Your Company maintains a healthy blend of revenues across its various products and segments. Some of the key facts in 2010-2011, reflecting the resilience in the revenue portfolio are:

- Mix (for data services) - Service Providers 52%, Enterprises 48%
- Overall revenues: Voice 55%, Data 40%, Neotel 5%

### **Highlights of Segment Operations**

#### **Global Voice**

- During the year, Tata Communications' international long distance voice traffic grew 25%, from ~3200 crore minutes in 2009-10 to ~4000 crore minutes in 2010-11. National long distance voice traffic in India grew marginally to ~1000 crore minutes in 2010-11. However, gross margins from voice declined 23% to US Cents 0.46 per minute, from US Cents 0.60 per minute a year earlier.

#### **Global Data**

- Tata Communications' data portfolio continued to expand during 2010-11, and the launch of cloud computing solutions in India and Asia marked an entry into a fast-growing market segment. Revenues from this business segment were well-balanced between India (43%) and the rest of the world (57%); and between service providers (52%) and enterprises (48%). The Company's strategy of expanding into managed services is beginning to show results, with managed services contributing 21% to the global data services segment.

### **Customer Satisfaction**

- In the highly competitive Indian and global telecom markets, one of the biggest sources of sustainable advantage is superior customer experience. Tata Communications has made steady progress in this area, with the Company's customer satisfaction ratings in 2010-11 standing at the 87<sup>th</sup> percentile of the global peer set. The Company is making ongoing investments in improving systems and processes as well as in strengthening people training and a customer-centric culture.

### **HUMAN RESOURCES**

The different corporate entities that are part of Tata Communications together employed 7510 people as on 31 March 2011 (6457 on 31 March 2010). Of these, 2260 (1182 in the previous year) were located outside India. With people of about 40 nationalities on the rolls, the workforce profile is diverse and multicultural.

The Company seeks to hire, train and retain the best talent available globally to enable efficient and effective performance in a competitive marketplace. At Tata Communications, employees are encouraged to live the vision and values adopted by the Company.

Your Company has recognised the need to become more flexible in the management of its human capital, so as to be able to draw heavily on the skills of its global workforce. The compensation and employee benefit practices of Tata Communications are designed to be competitive in the respective geographies where we operate. Employee relations continued to be harmonious at all our locations, through continuous dialogue and openness.

### **AWARDS AND RECOGNITION**

The Company's transformational initiatives are being recognised in India and abroad. During the year, the Company earned several prestigious recognitions, including:

- 'Top international long distance operator' award from Voice & Data magazine in India, consecutively for the 9<sup>th</sup> successive year since 2001 (India);
- 'Best global wholesale offering' award from Capacity magazine, a global publication for

telecommunications carriers and service providers;

- 'Telepresence managed service provider of the year' at the European CEO 2010 Awards;
- 'Service provider of the year' in enterprise data services and hosted contact centre services at the Frost & Sullivan 2011 India IT & Telecom Excellence Awards;
- 'Best service provider of the year, APAC'; and 'best ethernet wholesale service, APAC' at the 2010 MEF Awards;
- 'APAC service provider of the year 2011 (ethernet and telepresence)' at the Cisco Partner Summit 2011; and
- 'Best long distance operator (India)' at the Tele.net Telecom Operator Awards 2011.

## CONTINUOUS IMPROVEMENT

In order to be able to respond quickly to customers, your Company continues with various initiatives to compete effectively, and to improve organisational flexibility and efficiency.

### Business Excellence

Your Company has developed and deployed a Continuous Improvement methodology (QUICK), designed in partnership with Tata Quality Management Services, to serve as a model for continuous improvement.

Your Company continues to transform itself in tandem with market and regulatory changes, using the framework of the Tata Business Excellence Model (TBEM), which covers areas like leadership, strategy, customer and market focus, knowledge management, human resources, process management, customer service and social responsibility.

Your Company has received TL 9000 certification for three years, commencing 31 March 2010, for the India region. Nine out of thirteen key office premises across India have received ISO 14001 certification for environment management and we are pursuing certification for the remaining four office premises. Our Global Managed Services Operations Centre (MSOC) at Chennai, all eleven data centres in India

and six data centres at international locations have received ISO 20000 and ISO 27001 certifications.

## Compliance with SOX

Pursuant to its listing on the New York Stock Exchange, Tata Communications has been complying with section 404 of the Sarbanes Oxley Act, 2002 (SOX). SOX sets forth requirements for internal control over financial reporting and its documentation. For the current fiscal year, in addition to the management's own assessment of the effectiveness of such internal control, the Company's external auditors are also required to issue an opinion on whether effective internal control over financial reporting was maintained in respect of all material aspects by the management.

## Enterprise Risk Management

Your Company has established an enterprise-wide risk management (ERM) framework to optimise the identification and management of risks globally, as well as to comply with clause 49 of the listing agreement with Indian stock exchanges. In line with your Company's commitment to delivering sustainable value, this framework aims to provide an integrated and organised approach for evaluating and managing risks.

## Risk-based Internal Audit

The risk assessments performed under the ERM exercise are a key input for the annual internal audit programme, which covers the Company's various businesses and functions. This approach provides adequate assurance to the management that the right areas are covered under the audit plan.

## PENDING MATTERS OF SIGNIFICANCE

### Premature Termination of Monopoly and Compensation

As reported earlier, the Government of India (GoI) had allowed other players into the international long distance (ILD) business from 1 April 2002, terminating the Company's exclusivity two years ahead of schedule. The GoI gave the Company a compensation package vide communication dated 7 September 2000; wherein, the GoI also gave an assurance that it would consider additional compensation, if found necessary, on a detailed review when undertaken. However, vide its letter dated 18 January, 2002, issued

just before the disinvestment of the Company, the Gol issued a further dispensation and unilaterally declared that the conditions stated in its said letter of 18 January, 2002 were to be treated as full and final settlement of every sort of claim against the premature ILD de-monopolisation. The Company filed a claim in the Bombay High Court in 2005. The Bombay High Court, on 7 July 2010, ruled that it did not have the jurisdiction to entertain this suit, in view of the provisions of the Telecom Regulatory Authority of India Act, 1997. Since the Company holds a different opinion, it has preferred an appeal before a division bench of the Bombay High Court on various grounds including:

- That the monopoly granted to the plaintiff was distinct from the license, and that the award of compensation was in the nature of a breach of promise from the Government, acting as a policy maker and not as a licensor under the Indian Telegraph Act.
- That the dispute did not relate to the provision of telecommunication services as envisioned under the TRAI Act.
- That the plaintiff's suit was not under, pursuant to and consequent upon the license granted to the plaintiff in 1999.

The appeal has been admitted by the Bombay High Court.

### **Surplus Land**

Under the terms of the share purchase and shareholders' agreements (SHA) signed between the Gol and the strategic partner (the parties) at the time of disinvestment, it was agreed that certain identified lands would be demerged into a separate company. It was further provided that if, for any reason, the Company cannot hive off or demerge the land into a separate entity, alternative courses that were also stipulated in the SHA would be explored. A draft scheme of demerger was presented to the board in April 2005, which was forwarded to the Gol with the Board's observations. The parties are examining the legality and feasibility of implementing the scheme. The land identified for demerger at different locations measured 773.13 acres, and carried a book value of ₹0.164 crores (USD 0.04 million). As reported earlier,

the VSNL Employees Cooperative Housing Society, Chennai (society) had moved the Hon'ble Delhi High Court in respect of their long pending issue of the transfer of 32.5 acres of land situated at Padianallur, Chennai, which was part of the identified surplus land. According to the order of the Hon'ble High Court and as per the advice of the Gol, the process of transferring the said land to the Society was completed in July 2009. The strategic partner has written to the Gol to exclude the 32.5 acres of land so transferred to the society, from the 773.13 acres mentioned in the SHA as the land identified to be demerged. The current balance of surplus land is 740.63 acres having a book value of ₹0.163 crores (USD 0.04 million).

## **STATUTORY INFORMATION AND DISCLOSURES**

### **Fixed Deposits**

The Company has not accepted nor does it hold any public deposits.

### **Non-convertible Debentures (NCDs)**

The Company has ₹1950 crores (USD 437.81 million) of outstanding NCDs. The trust deeds for the debentures issued by the Company will be available for the inspection by the members at the Company's registered office during normal working hours, 21 days before the date of the 25<sup>th</sup> Annual General Meeting.

During the year, the Company borrowed for its short term requirements. The Company issued short term unsecured debentures amounting to ₹811 crores (USD 182.08 million) in 2010-11. These unsecured debentures were redeemed during 2010-11. All debentures issued by the Company were rated 'P1+'.

### **Particulars of Employees**

The provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, require the Company to provide certain details about the employees who were in receipt of remuneration of not less than ₹0.60 crores (USD 0.13 million) during the year ended 31 March 2011 or not less than ₹0.05 crores (USD 0.01 million) per month, during any part of the said year. The Company had 38 such employees employed

during the year ended 31 March 2011. According to the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report being sent to the shareholders does not include this annexure. The Annexure regarding the Particulars of Employees under section 217(2A) of the Companies Act, 1956 will be available for inspection by any member at the registered office of the Company during working hours, for 21 days before the date of the AGM.

#### **R & D, Technology Absorption and Foreign Exchange Earnings**

The Company has invested in developing new products and services adopting latest technologies such as content delivery network (CDN), cloud computing, telepresence and Wimax.

There are no particulars to be disclosed pertaining to the year under review, in respect of expenditure on Research & Development (R&D) and technology absorption as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988. For the purpose of Form 'C' under the said rules, foreign exchange earnings were equivalent to ₹885.26 crores (USD 198.76 million) and foreign exchange outgo was equivalent to ₹483.38 crores (USD 108.53 million).

#### **Auditors' Report**

There are no qualifications in the report of the statutory auditors for the year 2010-11.

#### **Subsidiaries**

The statement pursuant to section 212 of the Companies Act, 1956 containing details of the Company's subsidiaries, is attached. The consolidated financial statements of the Company and its subsidiaries, prepared in accordance with accounting standard 21 (AS 21) prescribed by the Institute of Chartered Accountants of India, form part of the annual report and accounts.

The accounts statements of the subsidiaries will be provided on request to any shareholder wishing to have a copy, on receipt of such request by the deputy company secretary at the Company's registered office. These documents will also be available for inspection by any shareholder at the Company's registered office and will be available on the Company's website.

#### **The Board of Directors**

The board of directors of the Company at present consists of 11 directors. Mr. Vinod Kumar, who was a non-executive director on the Board was appointed as the Managing Director and Group CEO w.e.f. 1 February 2011 subject to approval of shareholders and the Central Government as may be necessary. He replaced Mr. N. Srinath and Mr. Srinath continues to be a Director on the Board of Tata Communications Ltd and some of its subsidiary/associate companies. Mr. H.P. Mishra, who was nominated by the Government of India as a permanent (non-retiring) director, has ceased to be a director on the board of Tata Communications Limited with effect from w.e.f. 1 April 2010. Mr. Manish Sinha, Dy. Director General (LF), Department of Telecommunications, was appointed in place of Mr. H.P. Mishra on the board of the Company. Mr. Manish Sinha ceased to be a director on the board of Tata Communications Limited w.e.f. from 15 September 2010; effective the same date, Mr. Shabaz Ali, Dy. Director General (TRF & Accounts), Department of Telecommunications, was appointed as government nominee director on the board of the Company.

Mr. PV Kalyanasundaram and Dr. V.R.S Sampath independent directors ceased to be a director w.e.f. 20 May 2011 and 2 June 2011 respectively. Mr. AK Srivastava, then Deputy Director General (AS) and Mr. Shabaz Ali, Deputy Director General (TPF & Accounts) ceased to be directors w.e.f. 9 August 2011. On the recommendation of the government, the board has appointed Mr. Uday B. Desai as an additional director (independent) w.e.f. 6 June 2011. W.e.f. 9 August 2011, Mr. AK Mittal, Senior Deputy Director General (AS), DoT and Mr. Saurabh Tiwari, Deputy Director General (LF.II), DoT nominated by the Government of India were appointed as additional directors. Mr. Uday B. Desai, Mr. AK Mittal and Mr. Saurabh Tiwari hold office till the ensuing annual general meeting.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Arun Gandhi, Mr. Subodh Bhargava and Mr. Kishor Chaukar retire by rotation at the ensuing annual general meeting and being eligible, offer themselves for reappointment.

None of the Company's directors is disqualified from being appointed as a director as specified in Section 274 of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000. For details about the directors, please refer to point 2 of the Report on Corporate Governance.

### **Corporate Governance**

Pursuant to Clause 49 of the listing agreement with the stock exchanges, the Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance with conditions of corporate governance form part of the directors' report.

### **Looking Ahead**

In the coming years, your Company will continue to focus on its strategy of providing communication solutions and IT infrastructure services to service providers and enterprise customers, in India and globally, with a focus on developing differentiated capabilities in emerging new markets. It is expected that the demand for the Company's services will remain strong, but we will continue to face increased competition and pressure on pricing and margins.

Your Company will have to manage a two-pronged strategy of driving revenue growth from new markets and services, while continuing to improve the cost structure of its operations. It is expected that your Company will show improving financial performance,

based on the strength of demand for communication services in our globally connected world and based on the ability to leverage the sound investments made over the past several years.

### **ACKNOWLEDGMENTS**

The directors would like to express their thanks to all our valued customers, vendors and other business associates around the world for their support and confidence in the Company and its services. The directors also recognise, commend and thank all the employees globally for their dedication and commitment. The directors appreciate the support of various ministries and departments of the Government of India, including the Department of Telecommunications and the Information & Broadcasting Ministry as well as the governments and regulators of the various countries in which Tata Communications operates. The directors are also grateful to the Company's other stakeholders and partners including its shareholders, promoters (strategic partner and Gol), bankers and solicitors for their continued support.

On behalf of the Board of Directors

Subodh Bhargava  
Chairman

Dated: 30 August, 2011

Registered Office:  
VSB, MG Road, Fort,  
Mumbai – 400001.

**ANNEXURE 1: MANAGEMENT DISCUSSION AND ANALYSIS****INDUSTRY ANALYSIS****OPERATIONAL REVIEW**

Your Company operates under three main business segments globally – Global Voice Solutions, Global Data & Managed Services and Other Services.

**Global Voice Solutions**

International Long Distance (ILD)

Tata Communications remains the leading provider of international wholesale voice communication services globally. Your Company has over 1600 direct and bilateral relationships with leading international voice telecommunication providers.

During 2010-11, Tata Communications handled 4000 crore minutes of international voice traffic globally, a growth of 25% over the previous year. Traffic to and from India has grown from about 960 crore minutes in 2009-10 to about 1300 crore minutes in the year under review. Your Company believes that its scale, reach, innovative solutions, expertise and strong business relationships give it the required edge to compete in this space.

During the year under review, there were further reductions in tariff and interconnect rates globally, increasing the downward pressure on revenues. This pressure was only partially compensated by the growth in volumes. Your Company continues to grow its international voice business while focusing on margins and cash flows.

The Company is also capitalising on the growing trend of outsourcing by telecom operators to manage their international voice services. The Company offers innovative and flexible solutions like infrastructure sharing, customised distribution models, traffic management, destination management and traffic aggregation to answer various challenges faced by telecom operators. The Company hopes to see a significant growth in this space in coming years.

National Long Distance (NLD)

Increased mobile penetration has resulted in significant growth in the NLD traffic within India. However, the increased competition through the issue of new NLD licenses, along with other regulatory

initiatives, has reduced the gap between NLD and local tariffs. The Company's NLD traffic has slightly increased from 950 crore minutes in 2009-10 to 1040 crore minutes in 2010-11.

Your Company has a strong network infrastructure, and interconnect agreements with all basic and cellular mobile service operators in India to carry NLD traffic to and from their networks. However, the Company is dependent on these access providers to hand over traffic to it; many of these providers have acquired their own NLD licenses and started their own operations.

**Global Data and Managed Services**

Carrier Data

Tata Communications is one of the world's leading wholesale providers of data, IP and mobile signalling services. Your Company leverages its global submarine cable network and global points of presence (POPs) to provide high-speed bandwidth connectivity to other telecom carriers and Internet Service Providers (ISPs) worldwide. During the past year, the growing demand for bandwidth has resulted in substantial capacity upgrades and new builds on the Company's global submarine cable system, the Tata Global Network (TGN). The Company has commenced services to key markets in East Africa on the capacity that it has procured on the Seacom cable system. In May 2010, Tata Communications partnered with Infinity Africa, a licensed data services provider in Tanzania, expanding the reach of Tata Communications' IP network further into East Africa and thus reinforcing its commitment to emerging markets. Tata Communications is one of the world's leading carriers of Internet traffic and is a global Tier 1 IP provider with over 2 Tbps meshed network built on 10G backbones. The Company also offers other value-added services like content delivery networks, leveraging its existing position of strength in the ISP market segment.

Tata Communications is also a leading provider of mobile signalling services to mobile operators worldwide. Its offerings include signalling conversion and managed roaming services. In addition, the Company is introducing new, innovative services such

as hubbing for prepaid services and is working with its partners to develop offerings in the emerging mobile-commerce market.

#### Enterprise Data

Tata Communications offers a full range of customised managed and connectivity solutions tailored to the needs of our enterprise customers. In addition to international and national private leased circuits (IPLCs and NPLCs), your Company offers Virtual Private Networks and associated managed services, ethernet services, Internet access, managed hosting, cloud-based services, Internet telephony, etc. The Company also provides other value-added offerings such as collaboration and conferencing services, managed security services, and other professional services.

The Company continues to expand the reach of its services by directly entering select new markets, as well as through partnerships with regional / local operators. Your Company also markets its services through indirect channels catering to the small and medium enterprise market in India and some select international markets.

Tata Communications is one of the largest players in the data centre business in India, with facilities in many of the major commercial centres. In September 2010, it announced the opening of its state-of-the-art Tata Communications Exchange (TCX) data centre in Singapore, built to meet the growing IT outsourcing needs of enterprises in Asia Pacific. In October 2010, Tata Communications announced the launch of InstaCompute and InstaOffice in India to further its promise of bringing productivity-enhancing services to its enterprise customers. The launch marks the company's expansion in the cloud space to deliver self-service, pay-as-you-use IT application and data centre infrastructure services, accessed through the Internet. InstaCompute was launched in Singapore, covering neighbouring countries: Malaysia, Hong Kong, Thailand, Indonesia, Vietnam and the Philippines.

Your Company is a leading provider of collaboration services like managed telepresence for large and medium sized businesses. This service provides "virtual meetings" using simple and life-like telepresence endpoints, which provide enhanced collaboration across global companies and markets,

reducing travel and raising productivity. In order to encourage greater usage of the service, Tata Communications had launched public, pay-per-use telepresence rooms. Tata Communications currently manages 33 telepresence public rooms around the world, up from 13 last year. The Company also provides a standalone global Telepresence Exchange Service that enables telepresence rooms to be interconnected regardless of the network or service provider they belong to.

Your Company has launched the world's leading dedicated global video network called Video Connect, which is designed to help broadcasters, studios and production houses deliver video content flexibly and cost-effectively to media hotspots worldwide. By leveraging Tata Communications' global network infrastructure, Video Connect also enables permanent availability of bandwidth and seamless transmission of video at constant bit rates. In February 2011, Tata Communications completed the acquisition of BitGravity, an award winning content delivery network (CDN). The acquisition complements Tata Communications' global media and enterprise strategy. It will add enhanced CDN and streaming capabilities to the Company's growing line-up of value-added hosting, storage, and security services, all of which leverage Tata Communications' global IP network.

#### Other Services

In the retail and small business space in India, Tata Communications has historically been a premier Internet Service Provider, offering connectivity, messaging, Internet telephony and a wide variety of content services. Growth in this business was linked to the Company's wholly owned subsidiary, Tata Communications Internet Services Limited (TCISL) being able to successfully acquire broadband wireless access spectrum in the 2010 spectrum auctions in India. Unfortunately, TCISL was not able to acquire spectrum in any of the circles.

Therefore, it was decided to step up the focus on the market, led by a portfolio of business applications, which can best be done consolidating the business of TCISL in TCL. Accordingly, TCISL filed a petition for its merger with Tata Communications and the honourable Bombay High Court approved the merger

of TCISL into your Company effective April 1, 2010. Your Company has developed a wide portfolio of services for the small business segment, with cloud computing expected to become the major growth driver. In the absence of nation-wide access and voice services that constitute a major part of small business telecom spend, Tata Communications would need to create appropriate partnerships for sales, marketing and bundling of services.

### **New Growth Opportunities**

Tata Communications Banking InfraSolutions Limited

In order to capture emerging opportunities in banking and financial services, your Company had formed Tata Communications Banking InfraSolutions Ltd.(TCBIL) (earlier known as Banking ATM InfraSolutions Limited) in February 2008, as its 100% owned subsidiary. TCBIL provides integrated, managed services for payments and transactions of banks across multiple channels. Its portfolio includes services relating to establishing and operating Automated Teller Machines (ATM), electronic transaction processing solutions, hosted core banking solutions, etc. With a highly experienced team of professionals from the banking and financial services industry, TCBIL commenced its commercial operations in April 2009. TCBIL manages over 5000 ATMs and 7600 point of sales terminals for many of the large Indian public and private sector banks.

### **Joint Ventures & Associates**

Neotel (Proprietary) Ltd.

Neotel was set up as South Africa's (SA) Second National Operator (SNO) in 2005. Your Company was selected by the SA Government as a strategic partner to hold an effective 26% stake in the structure, consisting of a holding company and the operating company (Neotel) as its subsidiary. Over the last three years, your Company has increased its effective stake in Neotel to 61.5% by acquiring shares from other partners in the joint venture.

Neotel today employs almost 1000 people and offers telecommunication services to the wholesale, enterprise and consumer segments. Neotel runs South Africa's first next generation network and the country's first CDMA network. Neotel has been awarded the Level 3 certification (highest amongst

telecom service providers in SA) for the second year in a row, with regard to the broad-based black economic empowerment initiatives of the SA government.

## **ORGANISATIONAL RESTRUCTURING**

### **Consolidating Subsidiaries**

Your Company had seven direct and 39 indirect subsidiaries as on 31 March 2011. As reported earlier, a process had been initiated to reduce this number as is feasible, through appropriate restructuring. The aim is to have no more than one operating entity in each country to the extent possible and necessary.

Neotel has now become a subsidiary of Tata Communications Ltd. with effect from 11 April 2011.

### **Global Structure**

Tata Communications has structured itself into global business units and global shared service functions, to best enable it to operate in its different customer segments and markets spread across the geographies. Several initiatives are being implemented within the framework of this structure to improve customer experience, define and create a common company culture, tighten corporate identity and branding and implement the next generation network architecture for converged services, among others.

### **Corporate Sustainability Initiatives**

Tata Communications believes in the need to enhance the quality of life of people and to serve the communities where it operates. As a member of the Tata Council for Community Initiatives, the Company has been constantly learning from group initiatives and improving its processes and policies to serve society better. The Company's principles of corporate sustainability are based on the premises of creating sustainable value for enhancing, human, social, natural and economic capital. It lays great importance on being accountable to all its stakeholders.

As part of the affirmative action initiatives aimed at providing support to the marginalized sections of the community, Tata Communications implemented several programmes addressing three major drivers of social equilibrium: education, employability and entrepreneurship development. The Entrepreneurship Development Programme (EDP) being run in

partnership with the Entrepreneurship Development Institute (EDI), Ahmedabad has been a great success.

During the year 2010-11, three EDPs were conducted at Nasik, Surat and Lonavla. Around 80 socially and economically under-privileged candidates have successfully completed the training in these EDPs. Of these, 47 candidates have already started their own micro-enterprises. Similarly, the Company has provided vocational training in IT-related skills to 330 socio-economically disadvantaged youth, making them employable. During the year, the Company supported socio-economically disadvantaged students doing engineering courses, through sustenance scholarships and remedial coaching. The Company encourages a culture of volunteerism to contribute to socio-economic development. During the year 2009-10, approximately 800 volunteers devoted more than 6600 hours of their personal time to collectively make a difference to the lives of many marginalized and affected segments of society. During the year, the Company and its employees also contributed towards the relief measures for the flood victims of AP and Karnataka.

During the year, the Company continued its partnership with Dr Reddy's Foundation (DRF) in the activities of the Telecom Training Academy that has been set up to provide internship opportunities in different vocational skills to students from the economically weaker sections from rural and smaller towns to make them acquire the right type of skills required for the telecom industry. As on 31 March 2011, there are about 80 interns in the Company at various stages of the internship programme. Many interns from the previous batches have already successfully completed their internship and have been absorbed in the industry.

Towards enabling visually challenged students, the Company partnered with Victoria Memorial School for the Blind and supported it in establishing a recording studio for converting books and other reading materials to digital format in CDs, for use by the visually challenged.

The Company is sensitive towards environmental and ecological concerns arising out of its operations. Carbon footprint mapping and reduction are an important agenda for the Company. The Company

believes in Green IT infrastructures and is constantly improving its data centres and operations to become more and more energy efficient. The Company has an ISO 14001 certified Environmental Management System and a well enunciated Environment Policy in place to guide its activities.

Tata Communications was recently awarded a Certificate of Appreciation under Exemplary Innovations in the CSR category of the Business World- FICCI-SEDF CSR Award 2009-10. This certificate recognizes the Company's commitment and contributions to the cause of socioeconomic development of communities by way of innovations in employee volunteering, entrepreneurship development and employability enhancement (DRF Initiative).

#### **Management of Business Ethics (MBE)**

The Company aims to be recognized in a sustained manner for being ethical and value-driven in all its endeavours. It actively promotes the demonstration of this behaviour by its employees and other stakeholders through a series of activities and processes within the framework of the Tata Code of Conduct. The Company has put in place the necessary structures and processes, to implement and improve ethical standards and practices in the organization. All new recruits are provided an overview of the Tata Code of Conduct and the Company's Whistleblower Policy as part of their induction process. To internalize the code of conduct and sustain the momentum, the Company conducts employee seminars, compliance training and ethics awareness workshops at frequent intervals. Relevant personnel are also provided training on compliance with the Foreign Corrupt Practices Act (FCPA) of the US, with which the Company must comply by virtue of its US listing. The Company understands that a strong commitment to ethics is critical to the long-term success of business and believes that any success not achieved ethically is no success at all. In order to inculcate the ethical value system deep into the minds of the employees, the Company has launched a web-based training module on the Tata Code of Conduct available to all its employees globally. It has helped to create a better understanding and awareness about our value system among our global workforce.

## RISKS AND CONCERNS

Like all businesses, Tata Communications is exposed to certain risks and concerns in the course of its business:

### Price Reductions

Reductions in prices for communications services, both voice and data, in India and worldwide, have had and are expected to continue to have an adverse effect on our operations. We expect that the prices for our communications services will generally continue to decrease as overall competitive activity increases and as we and our competitors increase capacity on existing and new networks or as a result of technological advances. The recent economic downturn globally has led to a slowdown in customer uptake and put increasing downward pressure on prices as customers seek to reduce costs.

### Key Customers – Service Providers

Business with other carriers and service providers represents a large proportion of our total business. Several carriers that we do business with, have in the recent past suffered from reduced profit margins and other significant financial pressures. Market restructuring through acquisitions and mergers or through carriers exiting the international wholesale business continues. This could lead to realignment among the various players in the industry. Some of these changes could negatively impact our business. Further, if any of the major carriers that we do business with encounter sudden financial difficulties or file for bankruptcy, we may be unable to recover amounts owed to us.

### Technology Risk

Technology is continuously changing in the telecommunications industry, and service providers need to ensure that they are constantly bringing new services and technologies to market in order to be able to compete effectively. We continuously develop, test and introduce new communications services so that we can compete for new customers and in new segments of the communications business. Sometimes, the introduction of new services requires the successful upgrade or development of new technology, which may be dependent on external vendors. If we are not able to successfully complete

the development and introduction of new services, including new managed services, in a timely manner, our business could be adversely affected. Intellectual property management and protection is becoming increasingly important in global businesses. It is important that we are able to source, either through our own development, or through acquisition or licensing, the necessary intellectual property rights on a cost-effective basis to be able to continue doing business or to introduce new services. In addition, the Company must be vigilant in protecting its own intellectual property rights through patent, copyright, trademark and trade secret laws in various jurisdictions worldwide. Any impediment in this process could harm our business.

### Operating Risks

We must continue to increase the volume of voice, Internet, data, and video transmissions on our global network in order to realize the anticipated cash flow, operating efficiencies and cost benefits of our network, particularly since certain of our costs (such as repair and maintenance costs) are fixed. Any one of several factors could adversely impact our on-going operations, including:

- Our technical infrastructure is vulnerable to damage, interruptions or failures which may result in reduced traffic, reduced revenues and harm to our reputation by virtue of our being unable to fulfil our commitments under significant contracts.
- We may be unable to hire and retain sufficient qualified personnel or to source the right equipment and technology.
- Acquisitions have been key to our growth and successful integration of acquired businesses is important for us to realize the full value of our investments.
- Our operations are global and any terrorist activities and any other acts of violence or war involving India, the United States and other countries that impact our business continuity, could adversely affect our results.

### Lack of End-Customer Ownership

In the long distance voice business in India, Tata Communications is a wholesale operator and does

not have an access license. The Company is dependent on access providers to route national long distance and international long distance calls of their customers through the Company's networks. This inherent nature of the business poses some risk.

Several of these access operators in India have taken NLD and ILD licenses and started operations as our competitors in the long distance and other markets, thereby shrinking the Company's addressable market.

The Tata group company, Tata Teleservices Ltd. (in which your company has an equity stake) and its subsidiary Tata Teleservices (Maharashtra) Ltd. (together called TTL) hold access licenses in almost all the telecom circles in India. Your Company and TTL have been working together to leverage each other's strengths. However, these talks may not provide the desired results.

#### **Regulatory Environment**

We have interests in a large number of geographic areas throughout the world and must comply with an extensive range of requirements that are meant to regulate and supervise the licensing, construction and operation of telecommunications networks and services. These requirements are likely to increase with our overseas expansion. In particular, there are agencies which regulate and supervise the allocation of frequency spectrum and which monitor and enforce regulation and competition laws that apply to the telecommunications industry. Legal and regulatory decisions and changes in the regulatory environment in the jurisdictions in which we do business could adversely affect us.

The tariffs charged by telecommunication service providers in India are subject to TRAI regulations. The Company periodically renegotiates interconnect agreements with various domestic mobile service operators and basic telecom service providers and settlement rates with international carriers, resulting in the revision of rates from time to time depending on market conditions. Such revisions could be adverse and could have a material effect on Tata Communications' operations and financial condition. In December 2009, the DoT notified an amendment to the license condition making it mandatory to seek security clearance before placing purchase orders for telecom equipments/software to be used in providing

telecom services. This amendment and subsequent notifications insisting that the licensees provide certain undertakings/certifications may result in delays in creating capacity in our networks and in providing services to customers, which may adversely affect the revenues and profitability of the Company.

#### **The Grey Market and the IUC Regime**

Effective 1 October 2008, the TRAI discontinued the access deficit charge (ADC), built into the interconnection usage charge (IUC) regime governing inter-operator settlements for voice calls passing through different networks. However, effective 1 April 2009, the IUC regulations provide for a higher termination charge of '0.40 per minute for incoming international long distance calls as against '0.20 per minute for terminating domestic long distance calls. This difference creates an arbitrage opportunity, which may make the total elimination of the grey market difficult.

#### **Increasing Competition in India**

The de-regulation of the Indian telecom market exposes the Company to increased competition in all its key segments:

- The Internet Service Provider (ISP) business is intensely competitive and has a large number of players. ISPs are allowed to provide Internet telephony calls overseas. Though the quality of such service may not be comparable to traditional international long distance (ILD) calls, it may impact Tata Communications' ILD business, as also the Company's own Internet telephony services.
- Tata Communications operates in the markets for international long distance, national long distance and broadband services, where there are several potential and existing competitors. Relaxation of licensing conditions and granting of new licenses for national long distance (NLD) and ILD services, including to several international operators, by the DOT, has intensified competition in these sectors. New ILD licensees have established direct connectivity with foreign carriers, and increased competition is likely to impact the Company's business adversely. The DoT has permitted the resale of international private leased circuit services, which will further intensify the competition.

## Funding

Your Company has made, and in the future would need to make, capital investments in new telecommunications projects, which may expose us to liquidity and execution risks. Our operations and profitability may be adversely affected if the funding required for the plans is relatively more expensive or delayed.

As of 31 March 2011, the outstanding principal amount of our debt was approximately ₹2214.98 crores (USD 497.30 million) for the Company on a standalone basis and ₹6891.83 crores (USD 1547.33 million) (excluding Neotel) on a consolidated basis. The Company may need to resort to additional long-term debt and working capital lines of credit to meet future financing needs, with the possibility of raising non-debt funding being limited at this juncture. This would increase the debt servicing obligations of the Company. Unless the Company is able to explore non-debt funding avenues in the near future including raising of funds from the shareholders, its ability to raise additional debt funding may remain subject to certain restrictions. This, in turn, could adversely affect our capital expenditure programme. The weakening of the rupee against the dollar or other major foreign currencies may have an adverse effect on our cost of foreign currency borrowings and consequently may increase our financing costs.

## Changing Economic Conditions

Downturns in the Indian, regional and global economies could have a material adverse effect on the Company's business prospects. Tata Communications' operations and investments as well as rights to undersea cable capacity extending to other countries, exposes the Company to risks inherent in international operations. These include:

- General economic, social and political conditions;
- The difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- Foreign currency exchange rates fluctuations, which could adversely affect the results of our operations and the value of our international assets and investments, although the Company partially hedges its foreign exchange risk;

- Foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- Difficulties in obtaining licenses or interconnection arrangements on acceptable terms.

## Key Disputes and Litigation

Over the past fiscal years, the Company has made certain tax holiday and expense claims based on our understanding of the tax laws, as reinforced by legal precedent and legal advice received from external tax counsel. In some cases, the Indian Tax Authority has not accepted our claims and in a few instances has levied penalties against the Company. We have challenged the positions taken by the Indian Tax Authority, which are at various stages of adjudication. If all of these disputes are decided against us, it could have an adverse financial implication.

The Government of India (GOI) had allowed other players into the international long distance (ILD) business from 1 April 2002, terminating the Company's exclusivity two years ahead of schedule. The GoI gave a compensation package and had given an assurance prior to disinvestment of 2002 that it would consider additional compensation, if found necessary on a detailed review when undertaken. However, in February 2002, just before the disinvestment of the Company, the GoI unilaterally granted a further dispensation as full and final settlement of every sort of claim against the premature ILD demonopolisation. The Company filed a claim in the Bombay High Court in 2005. The petition was dismissed by the Hon'ble High Court on the grounds that the jurisdiction for such disputes between licensee and licensor lies with TDSAT. The Company has appealed to the division bench against the order. The appeal has been admitted.

## TDSAT

As reported earlier, in the year 2005, the Company along with several other service providers had challenged before the Hon'ble Telecom Disputes Settlement And Appellate Tribunal (TDSAT), the definition of "gross revenue" and "adjusted gross revenue" (AGR) as applied by the DoT for levying license fees, as being unfair and beyond the scope and powers of the DoT.

The final verdict was rendered by the TDSAT on 30 August 2007, broadly in line with several of the contentions of the Company. However the industry and your Company are not satisfied on two issues, viz. (i) the date of applicability of the TDSAT verdict, which according to the Company should be the date from which the license fee based on revenue sharing regime came into effect, and not from the date of filing the petition in TDSAT (May, 2005 in the case of the Company) as ordered by the TDSAT and (ii) deductibility of charges passed on to other service providers for leasing bandwidth, port charges, etc., which was disallowed by TDSAT. The Company and also several other telecom operators have challenged TDSAT's order of 30 August 2007 on the above two issues in the Hon'ble Supreme Court of India. As reported earlier, the DoT has also filed an appeal in the apex court against the judgement of the TDSAT. Both the appeals are pending and this matter is subjudice.

The Company had also separately filed a petition in the TDSAT on the matter of applicability of penal provisions under the international and national long distance license agreements towards charging of penalty and interest on penalty. The TDSAT, by its judgment of 11 February 2010, has allowed the petitions filed by the Company, striking down the clause imposing penalty. As a consequence, the Company is entitled to a refund of ₹115.73 crores (USD 25.98 million) realised by the DoT in January 2008 and interest thereon. A claim of ₹160.00 crores (USD 35.92 million) was raised upon the DoT on 10 March 2010, which DoT has refused. The Company filed an appeal in TDSAT in January 2011 which had been allowed in favour of the company by TDSAT in July 2011.

### **International Operations**

A large part of the Company's consolidated revenues are generated through its operations in international markets. Integrating acquisitions and managing operations in diverse international locations is very critical to the success of Tata Communications' business plans.

A list of additional "risk factors" which could impact the business of the Company's profitability are more fully set forth in the Company's Form 20-F, which is filed annually with the U.S. Securities and Exchange Commission and can be found at the following weblink: <<http://secfilings.nyse.com/files.php?symbol= TCL>>.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Tata Communications has a well-developed internal control system and has also implemented the SAP system for Enterprise Resource Planning. Internal control systems including those for the newly-acquired businesses are continuously reviewed and improved. The financial authority at various management levels is clearly defined in the delegation of powers. Technical and financial operations are controlled by state-of-the-art technology and systems. The accounts of the Company are subjected to internal and statutory audit.

### **CAUTIONARY STATEMENT**

Statements in the directors' report and management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ substantially or materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in government regulations, policies, tax laws and other incidental factors. Further, the Company retains the flexibility to respond to fast-changing market conditions and business imperatives. Therefore, the Company may need to change any of the plans and projections that may have been outlined in this report, depending on market conditions.

**REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2010-11**  
**(In accordance with clause 49 of the listing agreement with Indian stock exchanges)**

Corporate governance is about promoting corporate fairness, transparency and accountability. The corporate governance structure specifies the distribution of rights and responsibilities of the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.

**1. CORPORATE GOVERNANCE PHILOSOPHY AND PRACTICE**

The Company being a Tata Company, follows fair, transparent and ethical governance practices. The Company has adopted a Code of Conduct based on the Tata Code of Conduct for its employees including the Managing Director, as also a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's website.

The Company believes that, though total business risk elimination is not possible, it can be minimized by consistently developing and following the best practices of Corporate Governance. To this end, the Company focuses on developing and implementing higher standards of accountability to enable optimum returns to all stakeholders. The Company is installing new state-of-the-art systems including integrated financial accounting and budgeting systems and a systematic process of training and development which enhances the quality of its personnel.

The Company's operations and accounts are audited at three levels: an internal audit; a statutory audit by an Indian accounting firm under Indian accounting requirements and their restatement as per the US GAAP by an internationally recognized accounting firm. The Company is in compliance with the requirements of the revised guidelines on corporate governance stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges in India. Besides, the Company, being listed on the New York Stock Exchange, has an obligation to comply with the stringent rules and regulations of the Sarbanes-Oxley Act, 2002 (SOX). The Company believes that achieving SOX compliance will, inter-alia, further enhance its financial reporting structure.

The Company communicates regularly with its shareholders through bulletins, presentations and meetings with analysts and investors.

**2. BOARD OF DIRECTORS**

The Company is managed exclusively by and under the directions of the Board. The composition of the Board is governed by the applicable laws and regulations and the Articles of Association of the Company. The powers

delegated by the Board to the Managing Director and by the Managing Director to the subordinate officers are documented in the Delegation of Powers (DoP). The DoP is reviewed periodically.

Ten out of eleven directors are non-executive directors, forming more than half of the total number of directors.

The Company has three independent directors and one executive director.

None of the directors hold directorships in more than the permissible number of companies under the applicable provisions. Similarly, none of the directors on the board's sub-committees hold membership of more than ten committees of boards, nor is any director a chairman of more than five committees of boards.

Mr. Vinod Kumar, who was a non-executive director on the Board was appointed as the Managing Director and Group CEO w.e.f. 1 February 2011 subject to approval of shareholders and the Central Government as may be necessary. He replaced Mr. N. Srinath and Mr. Srinath continues to be a Director on the Board of Tata Communications Ltd and some of its subsidiary/associate companies.

Mr. H.P. Mishra, who was nominated by the Government of India as a permanent (non-retiring) director, has ceased to be a director on the board of Tata Communications Limited w.e.f. 1 April 2010. Mr. Manish Sinha, Dy. Director General (LF), Department of Telecommunications, was appointed in place of Mr. H.P. Mishra on the board as a permanent (non-retiring) director and ceased to be a director on the board of Tata Communications Limited w.e.f. from 15 September 2010 when effective the same date Mr. Shahbaz Ali, Dy. Director General (TRF & Accounts), Department of Telecommunications, was appointed in his stead on the board as permanent (Non-retiring) director.

Mr. PV Kalyanasundaram and Dr. V.R.S Sampath independent directors ceased to be a director w.e.f. 20 May 2011 and 2 June 2011 respectively. Mr. AK Srivastava, then Deputy Director General (AS) and Mr. Shahbaz Ali, Deputy Director General (TPF & Accounts) ceased to be directors w.e.f. 9 August 2011. On the recommendation of the government, the board has appointed Mr. Uday B. Desai as an additional director (independent) w.e.f. 6 June 2011. W.e.f. 9 August 2011, Mr. AK Mittal, Senior Deputy Director General (AS), DoT and Mr. Saurabh Tiwari, Deputy Director General (LF.II), DoT nominated by the Government of India were appointed as additional directors. Mr. Uday B. Desai, Mr. AK Mittal and Mr. Saurabh Tiwari hold office till the ensuing annual general meeting.

The names and categories of the directors on the board, their attendance at board meetings during the year and at the last annual general meeting, and the number of directorships and committee memberships held by them in other companies as of 31 March 2011 (with Directorships updated as of 14 September 2011) are given below:

Name	Category	Board Meetings during the tenure 1 April 2010 till 31 March 2011		Attendance at the last AGM (06.08.2010)	No. of Directorships in Indian Public Companies Including Tata Communications Ltd.		No. of Committee Positions held in Public Companies including Tata Communications Ltd.		No. of Shares held as on 31 March 2011
		Held	Attended		Chairman	Member	Chairman	Member	
<b>Directors in Office (as on 14 September 2011)</b>									
Mr. Subodh Bhargava [Chairman]	Independent Non Executive	10	10	Yes	2	8	2	5	NIL
Mr. Vinod Kumar [appointed as MD & Group CEO w.e.f. 1 February 2011]	Not Independent Executive	10	9	Yes	Nil	1	NIL	NIL	NIL
Mr. N. Srinath [MD & CEO till 1 February 2011]	Not Independent Non Executive	10	10	Yes	NIL	6	Nil	2	NIL
Mr. Kishor A. Chaukar	Not Independent Non Executive	10	9	Yes	4	11	2	4	NIL
Mr. Amal Ganguli	Independent Non Executive	10	8	Yes	Nil	11	5	6	NIL
Mr. S. Ramadorai	Not Independent Non Executive	10	6	Yes	NIL	13	4	5	NIL
Mr. Arun Gandhi	Not Independent Non Executive	10	4	Yes	Nil	10	2	4	NIL
Dr. Ashok Jhunjhunwala	Not Independent Non Executive	10	8	Yes	Nil	7	1	5	NIL
Dr. Uday B Desai [w.e.f. 6 June 2011]	Independent Non Executive	NA	NA	NA	NIL	2	NIL	2	NIL
Mr. AK Mittal <sup>1</sup> [w.e.f. 9 August 2011]	Not Independent Non Executive	NA	NA	NA	NIL	1	NIL	1	NIL
Mr. Saurabh Tiwari <sup>1</sup> [w.e.f. 9 August 2011]	Not Independent Non Executive	NA	NA	NA	NIL	1	NIL	1	NIL
<b>Directors who resigned after 31 March 2010</b>									
Mr. H. P. Mishra <sup>1</sup> [till 1 April 2010]	Not Independent Non Executive	NA	NA	NA	NA	NA	NA	NA	NIL
Mr. Manish Sinha <sup>1</sup> [w.e.f. 1 April 2010 till 15 September 2010]	Not Independent Non Executive	5	2	NA	NA	NA	NA	NA	NIL
Mr. Shahbaz Ali <sup>1</sup> [w.e.f. 15 September 2010 till 9 August 2011]	Not Independent Non Executive	5	4	NA	NA	NA	NA	NA	NIL
Mr. A.K. Srivastava <sup>1</sup> [till 9 August 2011]	Not Independent Non Executive	10	3	Yes	NA	NA	NA	NA	NIL
Mr. P.V. Kalyanasundaram [till 21 May 2011]	Independent Non Executive	10	9	Yes	NA	NA	NA	NA	NIL
Dr. V.R.S. Sampath [till 2 June 2011]	Independent Non Executive	10	9	Yes	NA	NA	NA	NA	NIL

<sup>1</sup> Nominee director of the Government of India.

**Notes :**

- None of the directors is related to any other director.
- None of the directors has any business relationship with the Company.
- None of the directors received any loans and advances from the Company during the year.
- The information as required under Annexure IA to Clause 49 is being made available to the board.
- Apart from Directors' Remuneration, the Company did not have any pecuniary relationship or transactions with non-executive directors during 2010-11.

(f) The detailed resume of each director and the details of the directors proposed to be appointed / reappointed at the 25<sup>th</sup> Annual General Meeting are published elsewhere in the annual report.

(g) The gap between two board meetings did not exceed four months. The dates on which the 10 board meetings were held are as follows:

1&2 April 2010	31 May 2010	28 July 2010	6 August 2010
13 August 2010	28 October 2010	14 November 2010	2/3 December 2010
13 January 2011	31 January 2011		

**3. AUDIT COMMITTEE**

The audit committee consists of four members. The Chairman of the committee is Mr. Amal Ganguli, an independent director, who is Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of Institute of Chartered Accountants of India, Member of New Delhi Chapter of Institute of Internal Auditors, Florida, USA. Mr. Amal Ganguli became the Chairman of the Audit Committee w.e.f. 19 October 2006.

The other members of the committee are Mr. Subodh Bhargava, Independent Director, Mr. Uday B Desai, Independent Director and Mr. Saurabh Tiwari, Government Nominee Director. Mr. Satish Ranade, Company Secretary and Chief Legal Officer is the audit committee's Secretary. Mr. H.P. Mishra, ceased to be a Director on the Board of Tata Communications Limited with effect from 1 April 2010 and consequently ceased to be a member of the Audit Committee from that date. Mr. Manish Sinha, Dy. Director General (LF), Department of Telecommunications, who was appointed on 1 April 2010 on the Board was also appointed as a member of the Audit Committee. Mr. Manish Sinha ceased to be a director on the board of Tata Communications Limited w.e.f from 15 September 2010 and consequently ceased to be a member of the Audit Committee and effective the same date Mr. Shabaz Ali, Dy. Director General (TRF & Accounts), Department of Telecommunications, was appointed in his stead on the board and was also appointed as a Member of the Audit Committee. Mr. PV Kalyanasundaram ceased to be a director w.e.f 20 May 2011 and consequently ceased to be a member of the Audit Committee. Mr. Uday B. Desai was appointed as a director w.e.f. 6 June 2011 and was also appointed as a member of the Audit Committee. Mr. Shahbaz Ali ceased to be a member of the Audit Committee w.e.f. 9 August 2011 and Mr. Saurabh Tiwari was appointed as a member of the Audit Committee w.e.f. that date.

The audit committee has adequate powers and detailed terms of reference to play an effective role as required under the provisions of the Companies Act, 1956 and clause 49 of Company's listing agreement with the stock exchanges.

**Attendance at the Audit Committee Meetings**

Name	No. of Audit Committee Meetings during 2010-11	
	Held during Tenure	Attended
Mr. Amal Ganguli [Chairman]	8	8
Mr. Subodh Bhargava	8	8
Mr. Uday B. Desai [w.e.f. 6 June 2011]	NA	NA
Mr. Saurabh Tiwari [w.e.f. 9 August 2011]	NA	NA
<b>Directors who resigned after 31 March 2010</b>		
Mr. Shahbaz Ali [w.e.f. 15 September 2010 till 9 August 2011]	5	3
Mr. P.V. Kalyanasundaram [till 20 May 2011]	8	5
Mr. Manish Sinha [w.e.f. 1 April 2010 till 15 September 2010]	3	2
Mr. H.P. Mishra [till 1 April 2010]	NIL	NIL

At the Annual General Meeting held on 6 August 2010, the Chairman of the Audit Committee, Mr. Amal Ganguli was present. During the last financial year, the Audit Committee held eight meetings and not more than four months had elapsed between any two meetings. The dates of meetings of the Audit Committee are as follows:

5 May 2010	30 May 2010	28 July 2010
15 September 2010		

28 October 2010      13 January 2011  
31 January 2011      15 March 2011

#### 4. REMUNERATION COMMITTEE

##### a) Constitution and Terms of Reference

The Remuneration Committee consists of three members. On 9 August 2011, the Board reconstituted the Remuneration Committee with Mr. Kishor Chaukar, Mr. Subodh Bhargava and Mr. AK Mittal as the members on the Committee. Mr. Satish Ranade, Company Secretary and Chief Legal Officer is the Remuneration Committee's Convener. Five meetings of the Remuneration Committee were held on 31 May 2010, 13 January 2011, 31 January 2011, 14 February 2011 and 3 March 2011 during the financial year 2010-11.

The broad terms of reference of the Remuneration Committee are to review the performance of the Whole-time Directors, after considering the Company's performance and recommend to the Board remuneration including salary, perquisites and commission to be paid to the Company's Whole-time Directors within the overall ceilings approved by the shareholders.

##### b) Remuneration Policy

The distribution of commission amongst the non-executive directors (NEDs) is placed before the Board. The commission to NEDs is proposed to be distributed broadly on the basis of their attendance and contribution at the Board and Committee meetings as well as the time spent on operational matters other than at the meetings.

The Company paid sitting fees of ₹20000/- per meeting to the non-executive directors for attending the meetings of the Board and Audit Committee. The Company paid sitting fees of ₹10000/- per meeting to the non-executive directors for attending the meetings of the Committees of the Board other than the Audit Committee.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to the whole time director. Salary is paid within the range approved by the shareholders. Annual increments, recommended by the Remuneration Committee are approved by the Board. Within

the prescribed ceiling, the perquisites package is approved by the remuneration committee.

Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the remuneration committee, subject to overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. Specific amount payable to the whole-time director is based on the performance criteria laid down by the Board which broadly takes in to account the profits earned by the Company for that year.

##### c) Table of commission and sitting fees to the non-executive directors for the year 2010-11 are as follows:

(Amount in ₹'000)

Name of the Director	Commission	Sitting Fees
Mr. Subodh Bhargava [Chairman]	643.10	410.00
Mr. Vinod Kumar [ Non-executive Director till 31 January 2011. Appointed as MD & Group CEO wef 1 February 2011]	NIL	NIL
Mr. N Srinath [MD & CEO till 31 January 2011 and Non-executive Director wef 1 February 2011]	NIL	NIL
Mr. Kishor A. Chaukar	280.80	310.00
Mr. P.V. Kalyanasundaram	253.60	280.00
Dr. V.R.S. Sampath	244.60	270.00
Mr. Amal Ganguli	443.80	330.00
Mr. S. Ramadorai	90.60	120.00
Mr. A.K. Sivastava**	54.30	NIL
Mr. Arun Gandhi	90.60	80.00
Dr. Ashok Jhunjhunwala	144.90	160.00
Mr. Manish Sinha ** [w.e.f. 1 April 2010]	81.50	Nil
Mr. Shahbaz Ali	172.10	Nil

\* Mr. Vinod Kumar being the managing director and employee of an International subsidiary of the Company till 1 February 2011, no sitting fees/commission is deemed payable to him for that period.

\*\* The Government Directors have informed the Company that they shall not accept any Sitting Fees and commission as their Directorships are considered to be part of their official duty.

**d) The details of remuneration to the whole-time director during the year 2010-11 are as follows:**

(Amount in ₹)

Name	Salary	Perquisites & Allowances	Commission*
Mr. N. Srinath [MD & CEO till 31 January 2011]	8370915	1218738	8500000
Mr. Vinod Kumar [MD & Group CEO w.e.f. 1 February 2011]	4929005	120359	1500000
<b>Total</b>	<b>13299920</b>	<b>1339097</b>	<b>10000000</b>

\* Commission payable will be paid only after the date of the Annual General Meeting.

**5. INVESTOR GRIEVANCE COMMITTEE**

The committee consists of three members. On 9 August 2011, the Board reconstituted the Investor Grievance Committee with Mr. Kishor Chaukar as its Chairman and Mr. UB Desai and Mr. AK Mittal as the members. During the financial year 2010-11, the Committee held four meetings on 31 May 2010, 28 July 2010, 28 October 2010 and 31 January 2011. Mr. Satish Ranade, Company Secretary and Chief Legal Officer is the convener of the Investor Grievance Committee.

The details of grievances received from the shareholders during the year and their status on 31 March 2011 is given below:

Sr. No.	Nature of Complaints	No. of Complaints	
		Received	Pending
1.	SEBI/Stock Exchange Complaint	0	NIL
2.	Direct/Miscellaneous/ Other Complaint	1	NIL
	<b>TOTAL</b>	<b>1</b>	<b>NIL</b>

This committee has been delegated the powers to approve the issue of Duplicate Share Certificates and approve transfer/transmission of shares not exceeding 500 shares per folio. The Registrar and Transfer Agents have been authorised to issue Duplicate Share Certificates and approve transfer/transmission up to a maximum of 500 shares per folio, limited only to routine day-to-day work.

As the shares of the Company are under compulsory dematerialized trading for all investors, this delegation is considered adequate. All the shares received for transfer till 31 March 2011 has been duly processed.

**6. ETHICS AND COMPLIANCE COMMITTEE**

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended, the Board of Directors of the Company adopted the "Tata Communications Code Of Conduct For Prevention of Insider Trading and Code of Corporate Disclosure Practices" to be followed by "Directors", "Designated Employees", "Designated Persons" and "Insiders". The code is based on the principle that Directors, Designated Employees, Designated Persons and Insiders should not have undue advantage over other shareholders, in their personal security transactions, due to their possible advance knowledge of Price Sensitive Information. The code, therefore, seeks to ensure timely and adequate disclosure of Price Sensitive Information to the investor community by the Company to enable them to take informed investment decisions with regard to the Company's securities.

In terms of the said code, an Ethics and Compliance Committee was constituted in 2003. On 9 August 2011, the Board reconstituted the Ethics and Compliance Committee with Mr. Kishor Chaukar as its Chairman and Mr. UB Desai and Mr. Saurabh Tiwari as its members. Mr. Satish Ranade, Company Secretary and Chief Legal Officer is the convener of the Committee. Four meetings of the committee were held during the year 2010-11 on 31 May 2010, 28 July 2010, 28 October 2010 and 31 January 2011.

## 7. GENERAL BODY MEETINGS

The location and time of the last three general body meetings are as follows:

Meeting Date	Location, Description and Type of Resolutions	Voting
27 April 2011	An Extraordinary General Meeting was held at 1000 hours on Wednesday, at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Marg, Kalaghoda, Mumbai – 400001 to seek consent of Shareholders to the Scheme of Amalgamation (Scheme) of Tata Communications Internet Services Limited (TCISL) the wholly owned subsidiary of Tata Communications Limited (TCL) with its parent, TCL. There was one resolution. (1 Special Resolution)	Polling was conducted by the Chairman. 99.9999% of the shareholders present voted in favour and 0.0001% voted against the resolution. Resolution passed by majority.
6 August 2010	The 24 <sup>th</sup> Annual General Meeting was held at 1100 hours at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Marg, Kalaghoda, Mumbai 400001. There were Five resolutions (1 special and 4 ordinary).	All the resolutions were put to vote by show of hands and were carried unanimously.
7 August 2009	The 23 <sup>rd</sup> Annual General Meeting was held at 1100 hours at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Marg, Kalaghoda, Mumbai 400001. There were Seven resolutions (1 special and 6 ordinary).	All the resolutions were put to vote by show of hands and were carried unanimously.
2 August 2008	The 22 <sup>nd</sup> Annual General Meeting was held at 1100 hours at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Marg, Kalaghoda, Mumbai 400001. There were Seven resolutions (2 special and 5 ordinary).	All the resolutions were put to vote by show of hands and were carried unanimously.

## 8. DISCLOSURES

- i) There were no significant related-party transactions of the Company with its promoters, directors or management, their subsidiaries or relatives that may have potential conflict with the interest of the Company at large. Note number B.20 of the Notes on Accounts may also be referred to in this respect. No non-compliance notice has been issued and no penalties or strictures have been imposed on the Company by SEBI, any stock exchange or any statutory authority on any matter related to capital markets during the last three years.

- ii) The Company has adopted a Whistle Blower Policy and has established necessary mechanisms for employees to report concerns about unethical behaviour. No person has been denied access to the Audit Committee.

iii) **SECRETARIAL AUDIT**

A qualified practicing Company Secretary carried out quarterly secretarial audit 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 audits confirm that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

- iv) The Company fulfilled the following non-mandatory requirements:
- The Company has setup a Remuneration Committee. Please see the paragraph on Remuneration Committee.
  - The Auditor's Report on the financial statements of the Company is unqualified.

#### 9. MEANS OF COMMUNICATION

Company's quarterly results are ordinarily published in the Free Press Journal and Navshakti among others, and are also hosted on Company's website: www.tatacommunications.com. The Company's press releases, details of significant developments and investor updates are also made available on the website.

The Company generally holds a press conference/investors' meet after the half-yearly results are taken on record by the board relating to the period ending 30 September and 31 March every year.

The management discussion and analysis forms part of the directors' report and is included in the annual report for the year 2010-11. Segmental information may be referred to in Note number B.19 of the Notes on Accounts.

#### 10. SHAREHOLDER INFORMATION

##### DATE AND VENUE OF THE AGM

The twenty fifth annual general meeting of the Company will be held at 1100 hours on Tuesday, 11 October 2011, at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Road Marg, Kalaghoda, Mumbai - 400023.

##### FINANCIAL CALENDAR

Fiscal year ended : 31 March 2011  
Annual General Meeting : 11 October 2011

##### KEY FINANCIAL REPORTING DATES FOR THE FINANCIAL YEAR 2010-11

First quarter ending  
30 June 2011 : On 9 August 2011  
Second quarter ending  
30 September 2011 : On or before 14 November 2011

Third quarter ending  
31 December 2011 : On or before 14 February 2012  
Fourth quarter ending  
31 March 2012 : On or before 14 May, 2012 or if audited, on or before 29 May 2012.

##### BOOK CLOSURE DATES FOR THE PURPOSE OF DIVIDEND

The Company's register of members and share transfer books will remain closed from 1 October 2011 to 31 October 2011 (both days inclusive).

##### DIVIDEND POLICY

Company believes in enhancing shareholders returns every year and in line with this company has constantly endeavored to maintain the Dividend Payout Ratio at broadly same levels every year. However, there are various constraints that may impact on a firm's decision to pay out earnings in the form of dividends.

- Cash flow constraints
- Contractual constraints
- Legal constraints
- Tax considerations
- Return considerations

The board recommends dividends at its discretion. The factors that may be considered by the Board before making any recommendations for the dividend include, but are not limited to, future expansion plans and capital requirements, profits earned during the financial year, overall financial conditions, cost of raising funds from alternate sources, liquidity and cash flow position and applicable taxes including tax on dividend as well as exemptions under tax laws available to various categories of investors from time to time, and money market conditions.

##### DIVIDEND PAYMENT

The Board has recommended payment of 20% dividend i.e. ₹2 per share for the Financial Year 2010-11.

##### LISTING ON STOCK EXCHANGES IN INDIA AND LISTING FEES

The Company's shares are listed on the stock exchanges at Mumbai (BSE) and National Stock Exchange (NSE) in India. Annual listing fees as due to each of the above stock exchanges for 2010-11 have been paid.

#### LISTING ON STOCK EXCHANGE OUTSIDE INDIA

The Company's ADRs are listed on the New York Stock Exchange (NYSE) and have been traded on the NYSE since 15 August 2000. The annual listing fee payable to the NYSE is being paid regularly.

#### DEPOSITORY BANK FOR ADR HOLDERS

The Bank of New York Mellon, 101, Barclays Street, 22<sup>nd</sup> Floor West, New York, NY 10286, Telephone: +1 (212) 815 8365, Facsimile: +1 (212) 571 3050.

**Local Address** : The Bank of New York Mellon, 3, North Avenue, Maker Maxcity, Premises No.35 & 36, 3<sup>rd</sup> Floor, Bandra Kurla Complex, Bandra (East), Mumbai – 400051. Telephone: (022) 30282301, Facsimile: (022) 67703917.

#### CUSTODIAN FOR THE DEPOSITORY IN INDIA

ICICI Bank Limited, Securities Markets Services, 1st Floor, Empire Complex, 414 Senapati Bapat Marg, Lower Parel, Mumbai – 400013. Telephone: 91-22-6667 2026, 6667 2030. Facsimile: 91-22-6667 2779/2740.

#### STOCK CODE

Bombay Stock Exchange : 500483  
National Stock Exchange : TATACOMM  
New York Stock Exchange : TCL  
ISIN No. for equity shares : INE151A01013  
ISIN No. for ADRs : US8765641050  
CUSIP No. for ADRs : 876564105

#### STOCK MARKET DATA RELATING TO SHARES LISTED IN INDIA

Monthly high and low quotations and volume of shares traded at BSE, NSE and NYSE for 2010-11 are:

Month	BSE Share Price (In ₹)			NSE Share Price (In ₹)			NYSE ADR Price (in USD)		
	High	Low	Average Volume	High	Low	Average Volume	High	Low	Average Volume
Apr-10	293.90	268.40	636591	293.50	268.10	2709964	13.81	12.00	66300
May-10	274.80	233.55	648889	274.90	231.10	3973849	12.29	9.02	103400
Jun-10	265.05	230.25	1526029	265.75	225.00	5613754	11.32	9.76	75400
Jul-10	294.80	256.00	1801099	294.30	248.65	6890481	12.46	10.93	49800
Aug-10	347.60	271.00	3664649	348.00	271.55	12631480	14.77	11.64	64300
Sep-10	354.30	303.30	712589	354.40	304.25	3684994	15.15	13.62	54500
Oct-10	342.25	304.25	1004570	342.50	304.10	5343586	15.39	13.73	44200
Nov-10	323.40	251.00	586664	323.80	251.00	3652035	14.58	11.25	51900
Dec-10	278.45	235.00	451221	280.65	236.00	2386445	12.25	10.73	43600
Jan-11	270.00	227.00	440766	268.65	225.50	2262116	11.98	10.05	92500
Feb-11	239.85	192.65	828202	240.85	191.65	4573884	10.34	8.78	97000
Mar-11	254.00	204.75	3102590	253.95	170.10	12434250	11.00	9.06	68000

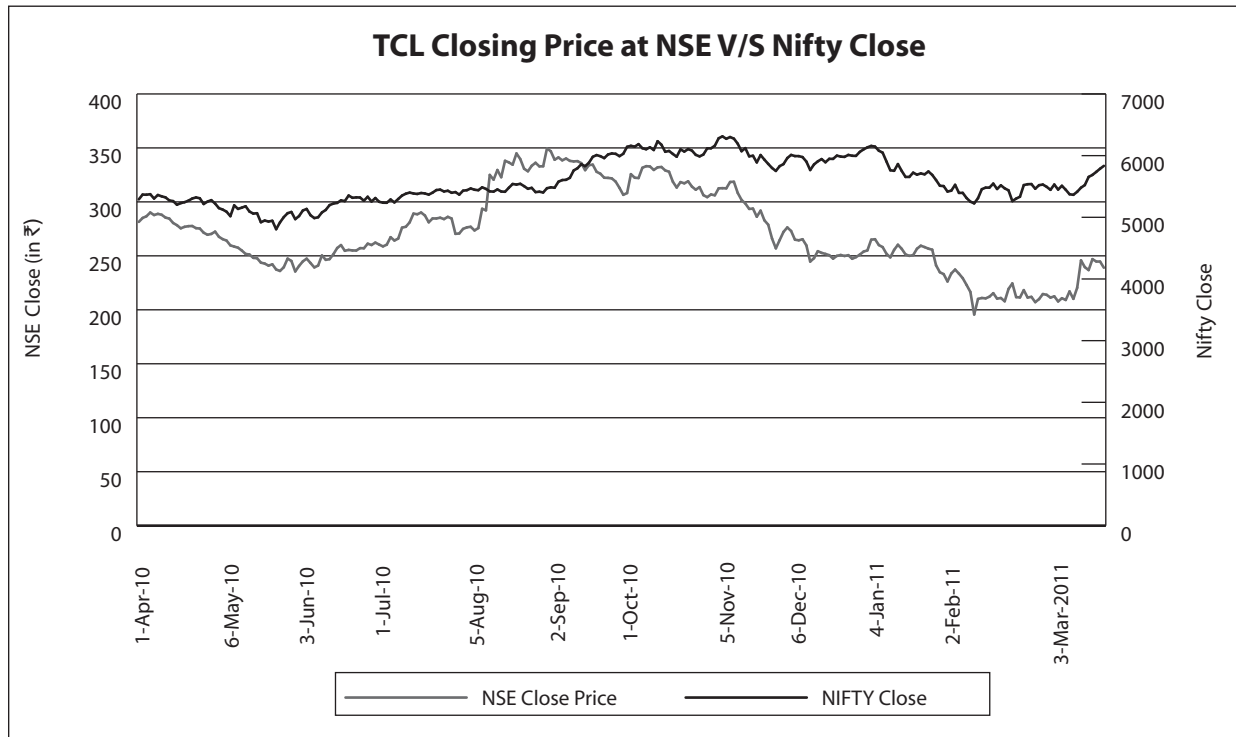
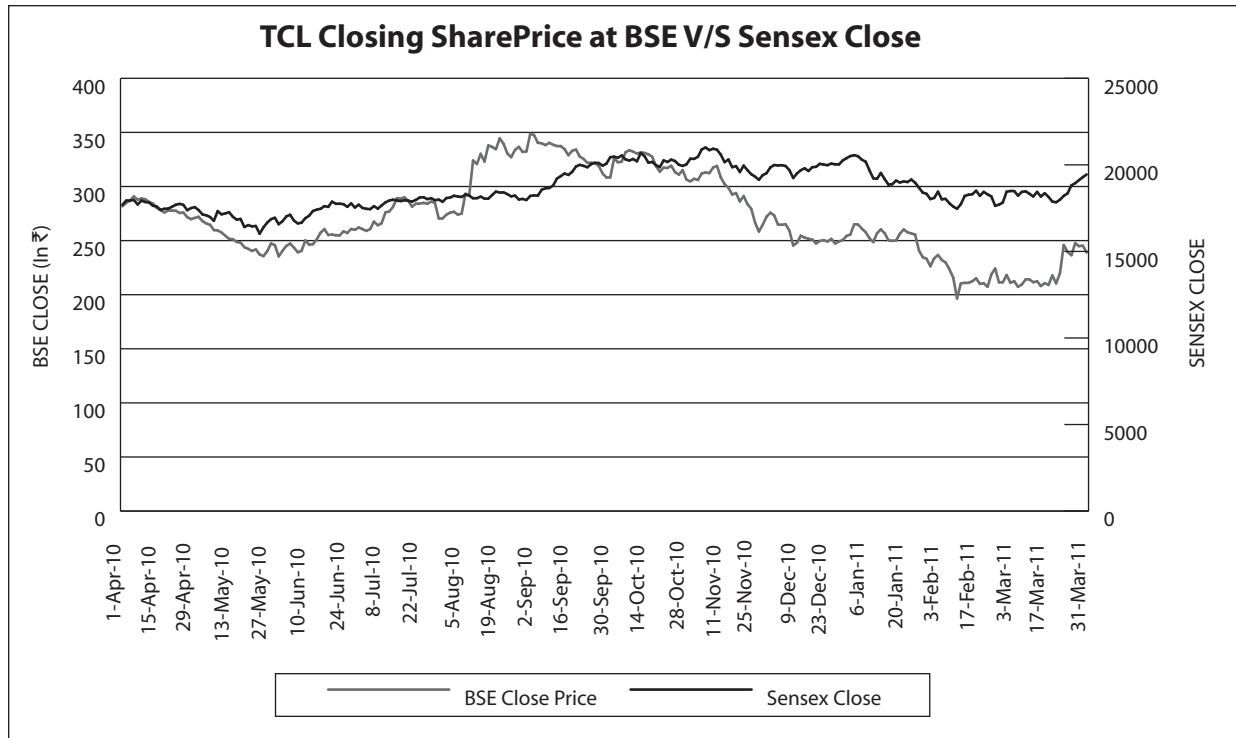
#### SHARE TRANSFER SYSTEM

Share transfers in physical form can be lodged with the R&T agents of the Company. The transfers are normally processed within 15 days from the date of receipt if the documents are complete in all respects. The Investor Grievances Committee is empowered to approve the share transfers. However, in the interests of shareholder friendliness, the R&T Agents have been empowered to approve the share transfers up to 500 shares per folio per transfer.

# TATA COMMUNICATIONS

Twenty Fifth Annual Report 2010-2011

Tata Communications Limited



#### DISTRIBUTION OF SHAREHOLDING

	Number of Shareholders	
	31.03.2011	31.03.2010
Number of ordinary shares held		
1 to 500	<b>67010</b>	69078
501 to 1000	<b>1413</b>	1393
1001 to 10000	<b>1383</b>	1387
Over 10000	<b>122</b>	118
Total	<b>69928</b>	71976

#### CATEGORIES OF SHAREHOLDERS AS OF 31 MARCH

Category	Number of Shareholders		Voting Strength (Percentage)		Number of Shares Held	
	2011	2010	2011	2010	2011	2010
<b>PROMOTERS</b>						
Tata Group						
Panatone Finvest Limited	<b>2</b>	2	<b>31.10</b>	33.24	<b>88626654</b>	94729654
Tata Sons Limited	<b>5</b>	4	<b>14.22</b>	12.94	<b>40533297</b>	36871497
The Tata Power Company Limited	<b>1</b>	1	<b>4.71</b>	3.85	<b>13422037</b>	10980837
Tata Steel Limited	<b>0</b>	0	<b>0.00</b>	0	<b>0</b>	0
Tata Industries Limited	<b>0</b>	0	<b>0.00</b>	0	<b>0</b>	0
Central Government	<b>1</b>	1	<b>26.12</b>	26.12	<b>74446885</b>	74446885
<b>NON-PROMOTERS</b>						
Indian Public Financial Institutions	<b>35</b>	37	<b>12.06</b>	11.89	<b>34383699</b>	33875430
Indian Nationalised Banks	<b>7</b>	8	<b>0.10</b>	0.07	<b>274936</b>	188438
Foreign Financial Institutions	<b>56</b>	50	<b>1.32</b>	0.91	<b>3769654</b>	2602296
Foreign companies (shares held by The Bank of New York as depository for ADRs)	<b>2</b>	2	<b>7.00</b>	7.48	<b>19940924</b>	21317826
Non-resident individuals / Overseas						
Corporate Bodies	<b>1036</b>	1057	<b>0.09</b>	0.09	<b>270172</b>	255548
Other Indian Bodies Corporate	<b>1212</b>	1346	<b>0.50</b>	0.71	<b>1432931</b>	2037223
Public	<b>67571</b>	69468	<b>2.77</b>	2.70	<b>7898811</b>	7694366
<b>Total</b>	<b>69928</b>	71976	<b>100</b>	100	<b>285000000</b>	285000000

#### Dematerialisation of Shares and Liquidity

Approx 99.93% of the Company's share capital available in the market is dematerialised as on 31 March 2011. The Company's shares are regularly traded on the Stock Exchange Mumbai and the National Stock Exchange, as is evident from the table containing stock market data.

# TATA COMMUNICATIONS

Twenty Fifth Annual Report 2010-2011

Tata Communications Limited

## Outstanding ADRs

9970462 ADRs (each representing two ordinary share of the Company) are outstanding as of 31 March 2011. In respect of these ADRs, the option to convert into shares is alive.

## SHARE CAPITAL HISTORY

Details of share capital history since incorporation is as follows:

Dates	Particulars of Issue	Number of Shares	Total Number of Shares	Nominal Value of Shares (₹)
19.03.1986	Allotted as Purchase consideration for assets & liabilities of OCS	126	126	126,000
01.04.1986	Allotted as Purchase consideration for assets & liabilities of OCS	+599,874	600,000	600,000,000
March 1991	Shares of ₹1000/- each subdivided into shares of ₹10/- each	NIL	60,000,000	600,000,000
06.02.1992	Bonus of 1:3 issued to Government of India.	+20,000,000	80,000,000	800,000,000
Jan-Feb 1992	12 million shares divested in favour of Indian Financial Institutions by GOI @ ₹123/- per share	NIL	80,000,000	800,000,000
1994-1995	2,382,529 Shares transferred to divested parties as bonus shares	NIL	80,000,000	800,000,000
27.03.1997	Raised its share capital by way of GDR Issue, and also GOI Divested 39 lakh shares in GDR markets @ US\$13.93 per GDR equivalent to ₹1000 per share.	+12,165,000	92,165,000	921,650,000
04.04.1997	Raised its capital by way of GDR Issue Green Shoe option @ US\$13.93 per GDR equivalent ₹1000 per share.	+2,835,000	95,000,000	950,000,000
Feb. 1999	10million shares divested by GOI in GDR markets @ US\$9.25 per GDR equivalent to ₹786.25 per share.	NIL	95,000,000	950,000,000
May 1999	396,991 shares Divested by GOI by way of offer of shares to employees @ ₹294 per share locked in for a period of 3 years.	NIL	95,000,000	950,000,000
Sept 1999	10,lakh shares Divested by GOI in domestic markets @ ₹750 per share.	NIL	95,000,000	950,000,000
15.08.2000	Listing of ADRs on New York Stock Exchange	NIL	95,000,000	950,000,000
24.11.2000	Bonus shares in the ratio of 2:1.	+190,000,000	285,000,000	2,850,000,000
27.09.2001	Declared dividend @ 500% i.e. ₹50/- per share at 15 AGM.	NIL	285,000,000	2,850,000,000
January 2002	Paid special interim Dividend of 750% i.e. ₹75/- per share	NIL	285,000,000	2,850,000,000
13.02.2002	25% Stake transferred to Tata Group's investment vehicle Panatone Finvest Ltd. Govt holdings reduced to 27.97% from 52.97%. Ceases to be a Government of India Enterprise	NIL	285,000,000	2,850,000,000
21.02.2002	5264555 shares Divested by GOI by way of offer of shares to employees @ ₹47.85 per share locked in for a period of 1 year.	NIL	285,000,000	2,850,000,000
10.04.02	Open Offer by Panatone Finvest Limited in accordance with SEBI guidelines to acquire upto 57 million shares @ ₹202/- per share	NIL	285,000,000	2,850,000,000
08.06.02	Open offer complete with Panatone holding total of 128249910 shares including 57 million shares as above.	NIL	285,000,000	2,850,000,000

**Locations of Other Offices**

Regional Offices: Mumbai, Chennai, Kolkata and New Delhi.

Branches: Ambattur, Arvi, Bangalore, Bhubaneswar, Chandigarh, Coimbatore, Dehradun, Ernakulam, Gandhinagar, Goa, Guwahati, Hyderabad, Indore, Jaipur, Jalandhar, Kanpur, Patna, Pondicherry, Pune, Thiruvananthapuram.

**Address for Correspondence****Registered Office**

VSB, Mahatma Gandhi Road,  
Fort, Mumbai - 400 001.  
Tel : +91 22 6657 8765  
Fax : +9122 6639 5162  
Email : [help@vsnl.com](mailto:help@vsnl.com)  
Website : [www.tatacommunications.com](http://www.tatacommunications.com)

**Corporate Office**

C-21 and C-36, G Block,  
Bandra Kurla Complex,  
Mumbai – 400 098.  
Tel : +91 22 6657 8765  
Fax : +9122 6639 5162  
Email : [help@vsnl.com](mailto:help@vsnl.com)  
Website : [www.tatacommunications.com](http://www.tatacommunications.com)

Compliance Officer  
Mr. Satish Ranade  
Company Secretary & Chief Legal Officer  
C-21 and C-36, G Block,  
Bandra Kurla Complex,  
Mumbai – 400 098.  
Tel : +91 22 6657 8765  
Fax : +91 22 6725 1962  
Email : [satish.ranade@tatacommunications.com](mailto:satish.ranade@tatacommunications.com)

**Any shareholder complaints/queries may be addressed to:****Registrar and Transfer Agents**

M/s. Sharepro Services (India) Pvt. Ltd.  
(Unit: Tata Communications Limited)  
13 AB, Samhita Warehousing Complex,  
2nd Floor, Near Sakinaka Telephone Exchange,  
Andheri Kurla Road, Andheri (East),  
Mumbai – 400072.  
Tel : (022) 2851 1872, 67720300/400.  
Fax : (022) 26591586, 28508927.  
E-mail : [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com)

**Any queries relating to financial statements of the Company may be addressed to:**

Investor Relations Cell  
Tata Communications Limited  
VSB, MG Road,  
Fort, Mumbai - 400 001.  
Tel : +91 (22) 66578765  
Fax: +91 (22) 66395162  
Email: [investor.relations@tatacommunications.com](mailto:investor.relations@tatacommunications.com)

**DIRECTORS' RESPONSIBILITY STATEMENT FOR THE YEAR 2010-11**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the directors, based on the representations received from the operating management, confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- They have consulted the Statutory Auditors in the selection of the accounting policies and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- They have taken proper and sufficient care, to the best of their knowledge and ability, 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;
- They have prepared the annual accounts on a going concern basis.
- All Board members and senior management personnel have affirmed compliance with the stipulated code of conduct.

On behalf of the Board of Directors

Subodh Bhargava  
Chairman

Dated: 30 August 2011

**SECRETARY RESPONSIBILITY STATEMENT**

The Company Secretary & Chief Legal Officer confirms that the company has:

- (i) maintained all the books of account and statutory registers required under the Companies Act, 1956 ("the Act") and the rules made thereunder;
- (ii) filed all the forms and returns and furnished all the necessary particulars to the Registrar of Companies and/or authorities as required by the Act;
- (iii) issued all notices required to be given for convening of board meetings and the general meeting, within the time limit, if any, prescribed by law;
- (iv) conducted the board meetings and annual general meeting as per the Act;
- (v) complied with all the requirements relating to the minutes of the proceedings of the meetings of the directors and the shareholders;
- (vi) made due disclosures required under the Act including those required in pursuance of the disclosures made by the directors;
- (vii) obtained all the necessary approvals of directors, shareholders, the central government and other authorities as per the requirements;
- (viii) effected share transfers and dispatched the certificates within the statutory time limit;
- (ix) paid dividend amounts to the shareholders and transferred unpaid dividend amounts, if applicable, to the general revenue account of the central government or the investor education and protection fund within the time limit prescribed;
- (x) complied with the applicable requirements of the listing agreement entered into with the stock exchanges in India and the applicable requirements of the New York Stock Exchange.

The Company has also complied with other statutory requirements under the Companies Act, 1956 and other related statutes in force.

Satish Ranade  
Company Secretary  
& Chief Legal Officer

Dated : 30 August 2011

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that the Company has adopted a Code of Conduct for its Board Members and senior management of the Company.

I confirm that the Company has in respect of the financial year ended 31 March, 2011, received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

Place: Mumbai	Satish Ranade	Vinod Kumar
Date: 30 August 2011	Company Secretary & Chief Legal Officer	Managing Director & Group CEO

**CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION FOR THE YEAR 2010-11**

As required under Clause 49(V) of the Listing Agreement with Indian Stock Exchanges, the undersigned hereby confirm the following:

- a) We have reviewed financial statements and the cash flow statement for the year 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 existing accounting standards, applicable laws and regulations.
- b) There are, to the 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 for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such 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 the following:
  - i) significant changes in internal control over financial reporting during the year, if any;
  - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, if any; and
  - iii) There have been no instances of fraud of which we have become aware.

Place: Mumbai	Sanjay Baweja	Vinod Kumar
Date: 30 August 2011	Chief Financial Officer	Managing Director & Group CEO



## **AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS**

**To the Members of**

**TATA COMMUNICATIONS LIMITED**

We have examined the compliance with the conditions of corporate governance by **TATA COMMUNICATIONS LIMITED** ('the Company') for the year ended on 31 March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination has been limited to a review of the procedures and the implementation thereof, adopted by the Company for ensuring compliance with the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

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

For **S. B. BILLIMORIA & CO.**  
Chartered Accountants  
(Registration No. 101496W)

**Saira Nainar**  
Partner  
Membership No: 040081

Mumbai, 14 September, 2011

**AUDITORS' REPORT  
TO THE MEMBERS OF TATA COMMUNICATIONS LIMITED**

1. We have audited the attached Balance Sheet of **TATA COMMUNICATIONS LIMITED** ("the Company") as at 31 March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements for the year ended 31 March, 2011 were audited by us and our report dated 29 May, 2011 expressed an unqualified opinion on those financial statements. Consequent to order dated 20 August, 2011 of the Honourable High Court of Bombay sanctioning the merger of Tata Communications Internet Services Limited with the Company, the audited financial statements for year ended 31 March, 2011 were revised by the Company to give effect to the said merger, effective from 01 April, 2010. We have accordingly carried out audit procedures and amended the date of our audit report in respect of this subsequent event. (Refer Note B 9 of Schedule 19 to the financial statements.)
4. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in paragraph 3 and in the Annexure referred to in paragraph 4 above, we report that:
  - (i) 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;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2011;
    - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
    - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the Directors as on 31 March, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **S. B. BILLIMORIA & CO.**  
Chartered Accountants  
(Registration No. 101496W)

**Saira Nainar**  
Partner  
(Membership No. 040081)

**MUMBAI**, 29 May, 2011 (30 August, 2011 as to effect the amendment discussed in paragraph 3 above)

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 4 of our report of even date)

- (i) Having regard to the nature of the Company's business/ activities/ result for the year, clauses (x), (xiii), (xiv) and (xviii) of CARO are not applicable to the Company.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) According to the information and explanations given to us, the fixed assets were physically verified by the management in accordance with the programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The differences identified pursuant to the physical verification have been duly adjusted in the books of account. Having regard to the size of the Company and on the basis of the explanations received, in our opinion, the net unadjusted differences were not significant.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
  - (a) As explained to us, the stocks of stores and spares have been verified by the Management in accordance with the programme of verification. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material having regard to the size of the operations of the Company.
- (iv) In respect of unsecured loans granted by the Company to companies covered in the Register maintained under Section 301 of the Companies Act, 1956 and according to the information and explanations given to us:
  - (a) During the year, the Company has granted unsecured interest-bearing loans aggregating ₹ 577.17 crores to four wholly owned subsidiaries listed in the register maintained under Section 301 of the Companies Act, 1956. At the year end, the loans granted to the four subsidiaries aggregate ₹ 840.63 crores. The maximum balance outstanding during the year was ₹ 1,666.75 crores.
  - (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
  - (c) The receipts of principal amounts and interest have been as per stipulations.
  - (d) There are no overdue amounts and hence the provisions of sub-clause (d) of clause 4(iii) of CARO are not applicable to the Company.
  - (e) During the year the Company has taken an interest-bearing loan aggregating ₹ 20 crores from a wholly owned subsidiary listed in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount of loan outstanding during the year was ₹ 20 crores.
  - (f) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the company.
  - (g) In the case of loans taken from companies parties listed in the register maintained under section 301, the company has been regular in repaying the principal amounts as stipulated and in the payment of interest.
  - (v) In our opinion and according to the 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 for the purchase of inventory and fixed assets and the sale of goods and services. We have not observed any continuing major weakness in the internal control systems.
  - (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
    - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

# TATA COMMUNICATIONS

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## Tata Communications Limited

- (b) Where each of such transaction is in excess of ₹ 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.
- (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A & 58AA or any other relevant provisions of the Companies Act, 1956.
- (viii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (ix) We have broadly reviewed the books of account and records maintained by the Company relating to telecommunication activities pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (x) (a) According to the information and explanations given to us in respect of statutory dues, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Wealth tax, Sales tax, Customs duty, Excise Duty, Service tax, Cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Investor Education and Protection Fund, Employees' state insurance, Income tax, Sales tax, Customs duty, Excise duty and cess were in arrears, as at 31 March, 2011 for a period of more than six months from the date they became payable.
- (c) As at 31 March, 2011, the Company has an arrears for provident fund dues of ₹ 1.19 lakhs outstanding for a period of more than six months from the date they became payable.
- (d) According to the information and explanations given to us, details of dues of Sales tax, Service tax, Cess and Income tax which have not been deposited as on 31 March, 2011 on account of any dispute are given below:

Particulars	Nature of Dues	Period to which the amount relates	Forum where the dispute is pending	Amount (₹ in crores)
Sales Tax	Levy of sales tax on telecommunications service	2005-06, 2006-07, 2007-08	Joint Commissioner of Commercial Taxes	119.43
Central Sales Tax	Levy of CST on interstate purchase	2005-06, 2006-07, 2007-08	Joint Commissioner of Commercial Taxes	2.87
Sales Tax	Levy due to movement of material without road permit(UP)	2005-06	Deputy commissioner of Commercial tax	0.01
Cess	Cess	2005-06 to 2008-09	Navi Mumbai Municipal Corporation	1.00
Income Tax Act	Penalty on Disallowance on Depreciation of Iridium assets and House property	2004-05	Income Tax Appellate Tribunal	1.37
Income Tax Act	Tax deducted at Source-Penalty Kolkata	2004-05	Income Tax Appellate Tribunal	1.37
Income Tax Act	Tax deducted at Source-Penalty Kolkata	2004-05	Income Tax Appellate Tribunal	0.10
Income Tax Act	Tax deducted at Source	2008-09, AY 2009-10	Commissioner of Income-tax (Appeals)	24.85
Income Tax Act	Section 80IA Deduction	2005-06 and 2006-07	Commissioner of Income Tax (Appeals)	4.08
Income Tax Act	Tax Deducted at Source	2008-09	Commissioner of Income Tax (Appeals)	1.79
Income Tax Act	Tax Deducted at Source	2009-10	Income Tax Officer	0.76

- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not *prima facie* prejudicial to the interest of the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xv) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have *prima facie* not been used during the year for long term investment.
- (xvi) According to the information and explanations given to us and the records examined by us, security/charges have been created in respect of secured debentures issued.
- (xvii) During the year covered by our report, the Company has not raised any money by way of public issues.
- (xviii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company was noticed or reported during the year.

For **S. B. BILLIMORIA & CO.**  
Chartered Accountants  
(Registration No. 101496W)

**Saira Nainar**  
Partner  
(Membership No. 040081)

**MUMBAI**, 29 May, 2011 (30 August, 2011 as to effect the amendment discussed in paragraph 3 of Auditors' Report)

**BALANCE SHEET AS AT 31 MARCH, 2011**

	Schedule	As at 31 March, 2011 ₹ in crores	As at 31 March, 2010 ₹ in crores
<b>SOURCES OF FUNDS:</b>			
SHARE CAPITAL	1	285.00	285.00
RESERVES AND SURPLUS	2	6,722.48	6,995.78
TOTAL SHAREHOLDERS' FUNDS		<b>7,007.48</b>	<b>7,280.78</b>
SECURED LOANS	3	1,250.00	1,281.76
UNSECURED LOANS	4	964.98	1,357.15
DEFERRED TAX LIABILITY (NET) (Refer note B15, Schedule 19)		125.93	175.11
TOTAL FUNDS EMPLOYED		<b>9,348.39</b>	<b>10,094.80</b>
<b>APPLICATION OF FUNDS:</b>			
FIXED ASSETS:	5		
(a) Gross Block		8,190.01	6,820.94
(b) Less: Accumulated Depreciation/Amortisation		3,384.82	2,316.14
(c) Net Block		4,805.19	4,504.80
(d) Capital work-in-progress		220.78	386.15
		<b>5,025.97</b>	<b>4,890.95</b>
INVESTMENTS	6	1,832.82	2,501.30
CURRENT ASSETS, LOANS AND ADVANCES			
A. CURRENT ASSETS			
(a) Inventories - Stores and Spares		5.34	1.25
(b) Sundry Debtors	7	768.31	632.29
(c) Cash and Bank Balances	8	430.78	110.86
(d) Other Current Assets	9	182.74	196.61
		1,387.17	941.01
B. LOANS AND ADVANCES	10	3,055.84	3,750.37
		<b>4,443.01</b>	<b>4,691.38</b>
Less: CURRENT LIABILITIES AND PROVISIONS			
(A) CURRENT LIABILITIES	11	1,704.86	1,814.16
(B) PROVISIONS	12	248.55	174.67
		<b>1,953.41</b>	<b>1,988.83</b>
NET CURRENT ASSETS		<b>2,489.60</b>	<b>2,702.55</b>
TOTAL APPLICATION OF FUNDS		<b>9,348.39</b>	<b>10,094.80</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>	19		

In terms of our report attached  
**For S. B. BILLIMORIA & CO.**  
Chartered Accountants

**SAIRA NAINAR**  
Partner

MUMBAI  
DATED: 30 August, 2011

For and on behalf of the Board

**SUBODH BHARGAVA**  
Chairman

**SANJAY BAWEJA**  
Chief Financial Officer

MUMBAI  
DATED: 30 August, 2011

**VINOD KUMAR**  
Managing Director &  
Group CEO

**SATISH RANADE**  
Company Secretary & Chief Legal Officer

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011

	Schedule	Year ended 31 March, 2011 ₹ in crores	Year ended 31 March, 2010 ₹ in crores
<b>INCOME:</b>			
REVENUES FROM TELECOMMUNICATION SERVICES (Refer note B8 and B11, Schedule 19)		3,611.77	3,218.04
OTHER INCOME	13	162.17	125.75
INTEREST INCOME	14	28.54	39.67
<b>TOTAL INCOME</b>		<b>3,802.48</b>	<b>3,383.46</b>
<b>EXPENDITURE:</b>			
SALARIES AND RELATED COSTS	15	520.46	418.44
NETWORK COSTS	16	1,548.36	1,415.04
OPERATING AND OTHER EXPENSES	17	686.93	638.12
DEPRECIATION AND AMORTISATION (Net of transfer from Capital Reserve)	5	659.65	574.73
INTEREST EXPENSE	18	211.93	246.08
<b>TOTAL EXPENDITURE</b>		<b>3,627.33</b>	<b>3,292.41</b>
<b>PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS</b>		<b>175.15</b>	<b>91.05</b>
<b>EXCEPTIONAL ITEMS:</b>			
(a) INTEREST ON INCOME TAX REFUND (Refer note B7, Schedule 19)		(4.04)	(218.28)
(b) FIXED ASSETS WRITTEN-OFF		25.15	-
<b>PROFIT BEFORE TAXES</b>		<b>154.04</b>	<b>309.33</b>
<b>PROVISION FOR TAX</b>			
(a) CURRENT TAX		68.08	64.30
(b) DEFERRED TAX		(76.60)	41.86
(c) EXCESS PROVISION FOR TAX WRITTEN BACK (Refer note B7, Schedule 19)		-	(280.01)
<b>PROFIT AFTER TAXES</b>		<b>162.56</b>	<b>483.18</b>
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR		2,179.40	2,099.38
(LESS): CARRIED FORWARD LOSSES ON ACCOUNT OF MERGER (Refer note B9, Schedule 19)		(291.51)	-
		<b>2,050.45</b>	<b>2,582.56</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>			
<b>APPROPRIATIONS :</b>			
(a) PROPOSED DIVIDEND (Refer note B3, Schedule 19)		57.00	-
(b) TAX ON DIVIDEND		9.25	-
(c) GENERAL RESERVE		12.19	48.32
(d) DEBENTURE REDEMPTION RESERVE (Refer note B12, Schedule 19)		560.77	354.84
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>1,411.24</b>	<b>2,179.40</b>
<b>EARNINGS PER SHARE</b>			
Basic/Diluted earnings per share (₹) (Refer note B18, Schedule 19)		<b>5.70</b>	<b>16.95</b>

In terms of our report attached

**For S. B. BILLIMORIA & CO.**

Chartered Accountants

**SAIRA NAINAR**

Partner

MUMBAI

DATED: 30 August, 2011

For and on behalf of the Board

**SUBODH BHARGAVA**

Chairman

**SANJAY BAWEJA**

Chief Financial Officer

MUMBAI

DATED: 30 August, 2011

**VINOD KUMAR**

Managing Director &  
Group CEO

**SATISH RANADE**

Company Secretary & Chief Legal Officer

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2011**

	Year ended 31 March, 2011 ₹ in crores	Year ended 31 March 2010 ₹ in crores
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
1 <b>PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS</b>	<b>175.15</b>	<b>91.05</b>
Adjustments for:		
Depreciation and amortisation	659.65	574.73
Prior year depreciation and excess depreciation written back	-	(1.63)
(Profit)/loss on sale of fixed assets	(2.18)	(2.67)
Interest income	(28.54)	(39.67)
Interest expense	211.93	246.08
Fixed assets written down *	4.14	8.01
Profit on sale and revaluation gain on current investments	(3.19)	(31.15)
Write off of investment	0.04	-
Provision for contingencies	-	0.23
Forex fluctuation on Loans to Subsidiaries	24.82	141.69
Bad debts written off	3.11	121.65
Provisions for doubtful advances	-	2.80
Provisions for doubtful debts	19.56	(92.18)
Dividend income from long-term investments	(1.68)	(4.10)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>1,062.81</b>	<b>1,014.84</b>
Inventories	(4.09)	0.31
Sundry debtors	(137.89)	681.46
Other current assets	14.51	45.83
Loans and advances	128.81	8.79
Margin money with banks and unpaid dividend	0.09	0.14
Restricted cash	(0.20)	(7.42)
Current liabilities and provisions	(393.70)	(784.10)
Cash generated from operations before tax and exceptional items	<b>670.34</b>	<b>959.85</b>
Income tax (paid)/ refund	144.28	(459.43)
Cash generated from operations before exceptional items	<b>814.62</b>	<b>500.42</b>
Interest on income tax refunds	4.04	218.28
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>818.66</b>	<b>718.70</b>
2 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(606.46)	(838.48)
Purchase of long-term investments	(132.23)	(6.84)
Advance paid against equity share capital	-	(0.04)
Sale of current investments (net of mutual funds dividend re-invested) (net)	391.60	260.40
Proceeds from sale of fixed assets	7.32	3.97
Proceeds from sale of long-term investment	77.47	-
Loans given to subsidiaries during the year	(602.26)	(753.83)
Loans repaid by subsidiaries during the year	963.35	357.40
Dividend income from long-term investments	1.68	4.10
Fixed deposits (net)	0.50	7.18
Interest received	34.07	49.94
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>135.04</b>	<b>(916.20)</b>
3 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short term loans	906.05	2,738.84
Repayment of short term loans	(849.50)	(3,209.16)
Proceeds from long term loans	6.32	791.03
Repayment of long term loans	(486.81)	(9.68)
Dividends paid including dividend tax	(0.09)	(150.23)
Interest paid	(211.60)	(224.91)
<b>NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>(635.63)</b>	<b>(64.11)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>318.07</b>	<b>(261.61)</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR</b>	<b>102.26</b>	<b>363.87</b>
<b>CASH AND CASH EQUIVALENTS PURSUANT TO MERGER **</b>	<b>2.27</b>	
(Refer note B14, Schedule 19)		
<b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR</b>	<b>422.61</b>	<b>102.26</b>
(Refer note B14, Schedule 19)		

Note :

Figures in brackets represent outflows.

\* The profit before taxes and exceptional items does not include fixed assets written off of ₹ 25.15 crores disclosed as exceptional item in the profit and loss account.

\*\* Cash and cash equivalents as at the beginning of the year pursuant to merger with Tata Communications Internet Services Limited as approved by Bombay High Court

In terms of our report attached

For and on behalf of the Board

**For S. B. BILLIMORIA & CO.**  
Chartered Accountants

**SAIRA NAINAR**  
Partner

**SUBODH BHARGAVA**  
Chairman

**VINOD KUMAR**  
Managing Director &  
Group CEO

**SANJAY BAWEJA**  
Chief Financial Officer

**SATISH RANADE**  
Company Secretary & Chief Legal Officer

MUMBAI  
DATED: 30 August, 2011

MUMBAI  
DATED: 30 August, 2011

## SCHEDULES FORMING PART OF THE BALANCE SHEET

<b>SCHEDULE - 1</b> <b>SHARE CAPITAL</b>	<b>As at</b> <b>31 March, 2011</b> <b>₹ in crores</b>	<b>As at</b> <b>31 March, 2010</b> <b>₹ in crores</b>
<b>AUTHORISED :</b>		
300,000,000 (2010:300,000,000) Equity Shares of ₹10 each	300.00	300.00
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
285,000,000 (2010: 285,000,000) Equity Shares of ₹10 each, fully paid up	285.00	285.00
Of the above:		
1) 60,000,000 (2010: 60,000,000) shares have been fully paid up, pursuant to a contract without payment being received in cash		
2) 210,000,000 (2010: 210,000,000) shares have been allotted as fully paid bonus shares by capitalisation of General Reserve		
3) 15,000,000 (2010: 15,000,000) shares are allotted as fully paid up by way of Euro issue, represented by 7,500,000 American Depository Receipts (ADRs)		
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>CAPITAL RESERVE</b> (Refer Note B2, Schedule 19)		
Balance at the beginning of the year	207.24	207.69
Less: Depreciation on assets gifted transferred to Profit and Loss account	(0.42)	(0.45)
	206.82	207.24
Add: Adjustment pursuant to merger with Tata Communications Internet Services Limited as approved by Bombay High Court (Refer Note B9, Schedule 19)	0.56	-
	207.38	207.24
<b>SECURITIES PREMIUM ACCOUNT</b>		
Balance at the end of the year	725.01	725.01
<b>GENERAL RESERVE</b>		
Balance at the beginning of the year	3,426.79	3,378.47
Add: Transferred from Profit and Loss account	12.19	48.32
	3,438.98	3,426.79
Less: Amalgamation adjustment deficit of Tata Communications Internet Services Limited set off against General Reserve (Refer Note B9, Schedule 19)	(78.24)	-
	3,360.74	3,426.79
<b>DEBENTURE REDEMPTION RESERVE</b>		
Balance at the beginning of the year	457.34	102.50
Add: Transferred from profit and loss account (Refer Note B12, Schedule 19)	560.77	354.84
	1,018.11	457.34
<b>PROFIT AND LOSS ACCOUNT</b>		
Balance carried forward	1,411.24	2,179.40
	<b>6,722.48</b>	<b>6,995.78</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

<b>SCHEDULE - 3 SECURED LOANS</b>	<b>As at 31 March, 2011 ₹ in crores</b>	<b>As at 31 March, 2010 ₹ in crores</b>
<b>DEBENTURES</b> (Refer Note B 12i, Schedule 19)		
10,000, 11.70% Rated taxable Secured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each [Repayable ₹ 400 crores within one year (2010: ₹ Nil)]	1,000.00	1,000.00
1,900, 11.00% Rated taxable Secured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	190.00	190.00
550, 11.20% Rated taxable Secured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	55.00	55.00
50, 11.25% Rated taxable Secured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	5.00	5.00
<b>TERM LOAN</b>		
Term - Loan from bank (Note)	-	31.76
	<b>1,250.00</b>	<b>1,281.76</b>
Note: Secured by Plant and Machinery of ₹ Nil (2010: ₹ 127 crores)		
<b>SCHEDULE - 4 UNSECURED LOANS</b>		
<b>DEBENTURES</b> (Refer Note B 12ii, Schedule 19)		
4000, 7.74% Rated taxable unsecured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each (fully repayable within one year)	400.00	400.00
1500, 9.50% Rated taxable unsecured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	150.00	150.00
1500, 9.85% Rated taxable unsecured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	150.00	150.00
<b>LONG TERM LOANS</b>		
[Repayable ₹ 8.54 crores within one year (2010: ₹ 405.25 crores)]		
From Bank	75.00	524.86
From Others	14.69	13.55
<b>SHORT - TERM LOANS</b>		
From Bank	155.29	118.74
From Subsidiary - Tata Communications Transformation Services Limited	20.00	-
	<b>964.98</b>	<b>1,357.15</b>

## SCHEDULE FORMING PART OF BALANCE SHEET

### SCHEDULE - 5 FIXED ASSETS

(₹ in crores)

FIXED ASSETS	GROSS BLOCK			ACCUMULATED DEPRECIATION/ AMORTISATION			NET BLOCK 31 March, 2011
	1 April 2010	Additions on Amalgama- tion	Deductions/ Adjustments	1 April 2010	Additions on Amalgama- tion	Deductions/ Adjustments	
LAND	218.31 217.44	- 0.87	(0.51) -	13.40 10.82	- -	2.58 2.58	201.82 204.91
LEASEHOLD IMPROVEMENT	-	0.72	-	-	0.68	0.03	0.71
BUILDING	454.44 337.30	- 126.03	- (8.89)	54.72 49.77	- -	7.94 6.82	472.64 399.72
PLANT AND MACHINERY	5,534.14 4,841.31	605.21 738.71	(199.11) (45.88)	1,966.47 1,507.74	429.59	568.55 (41.79)	2,793.62 1,966.47
FURNITURE AND FIXTURES	111.79 79.44	9.70 34.87	(0.29) (2.52)	48.47 38.21	4.71	8.10 (0.50)	61.10 48.47
OFFICE EQUIPMENT	82.98 71.62	1.49 17.15	(0.03) (5.79)	16.04 16.40	0.40	4.11 4.10	20.54 16.04
COMPUTERS	418.24 341.71	56.89 79.40	(3.14) (2.87)	216.06 168.12	35.03	65.77 (2.37)	316.33 202.18
MOTOR VEHICLES	1.04 1.18	0.30 -	(0.56) (0.14)	0.98 1.00	0.25	0.02 0.09	0.74 0.98
GOOD WILL	-	113.14	-	-	110.17	2.97	113.14
GRAND TOTAL	6,820.94 5,890.00	787.45 997.03	(203.64) (66.09)	2,316.14 1,792.06	580.83	660.07 575.18	4,805.19 4,504.80
CAPITAL WORK-IN-PROGRESS (Including advances for capital expenditure ₹ 0.55 crores (2010: ₹ 6.57 crores))							220.78 386.15
GRAND TOTAL							5,025.97 4,890.95

#### NOTES:

- Land includes ₹ 202.53 crores (2010: ₹ 203.04 crores) under lease. This includes:
    - Leasehold Land in Srinagar of ₹ 0.03 crores (2010: ₹ 0.03 crores) in respect of which conveyance is not done and lease deed is not available.
    - ₹ 0.06 crores (2010: ₹ 0.06 crores) in respect of which lease agreement has not been executed/registered.
    - ₹ 0.16 crores (2010: ₹ 0.16 crores) identified as Surplus land.
  - Gross block of buildings include:
    - ₹ 32.75 crores (2010: ₹ 32.75 crores) for flats at Mumbai and ₹ 1.03 crores (2010: ₹ 1.03 crores) for office space at New Delhi in respect of which agreements have not been executed.
    - ₹ 0.06 crores (2010: ₹ 0.06 crores) in respect of which lease agreement has not been executed/registered.
    - ₹ 0.16 crores (2010: ₹ 0.16 crores) identified as Surplus land.
- 3 Gross Block and Accumulated Depreciation of Plant and machinery includes Indefeasible Rights of Use (IRUs) for domestic and international telecommunication circuits of ₹ 345.46 crores (2010: ₹ 344.10 crores) and ₹ 134.57 crores (2010: ₹ 116.07 crores) respectively. The life of IRUs has been estimated at the lower of the life of the cables or the period of the IRU agreements.
4. Depreciation/Amortisation Expense includes: prior year depreciation of ₹ NIL (Net) (2010: ₹ 16.52 crores)
5. Gross Block and Accumulated Depreciation of Plant and machinery includes proportionate amounts towards share of assets held jointly with other enterprises of ₹ 919.57 crores (2010: ₹ 649.85 crores) and ₹ 279.50 crores (2010: ₹ 257.91 crores) respectively. The capital work in progress includes ₹ NIL (2010: ₹ 206.83 crores) towards jointly held assets under construction.
6. Figures in italics are for the previous year

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## SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - 6 INVESTMENTS	Number of shares	As at 31 March, 2011 ₹ in crores	As at 31 March, 2010 ₹ in crores
<b>I. TRADE INVESTMENTS (At Cost)</b>			
<b>A. Fully Paid Equity Shares (Unquoted)</b>			
Tata Teleservices Ltd. * (Equity shares of ₹ 10 each)	439,863,622	933.75	933.75
New ICO Global Communications (Holdings) Limited (Class A common stock of US\$ 0.01 each)	680,373	0.01	0.01
United Telecom Limited - Joint Venture (Equity shares of NRS 100 each)	5,731,900	35.82	35.82
Cochin Submarine Cable Depot India Private Limited - Joint Venture (Equity shares of ₹10 each) (net of provision for diminution in value of investments)	-	-	0.04
Green Infra Wind Farms Limited (Equity shares of ₹ 10 each) (60,000 (2010: Nil) Equity shares of ₹10 each subscribed during the year)	60,000	0.06	-
<b>B. Investment in Subsidiary Companies</b>			
<b>(i) Fully Paid Equity Shares (Unquoted)</b>			
Tata Communications Lanka Limited (Equity shares of LKR 10 each)	13,661,422	7.41	7.41
Tata Communications International Pte. Ltd. * (Equity shares of US\$ 1 each) (Refer note B4, Schedule 19)	110,810,000	474.23	474.23
Tata Communications Services (America) Inc. (3,000 Equity shares of US\$ 0.01 each sold during the year)	-	-	1.31
VSNL SNO SPV Pte. Ltd. * (Equity shares of US\$ 1.00 each) (Refer note B4, Schedule 19)	769,333	3.29	3.29
Tata Communications Internet Services Ltd. (Equity shares of ₹ 10 each) (Refer note B9, Schedule 19)	-	-	194.47
Tata Communications Transformation Services Limited (Equity shares of ₹ 10 each)	500,000	0.50	0.50
Tata Communications Banking InfraSolutions Limited (74,950,000 Equity shares of ₹ 10 each subscribed during the year)	75,000,000	75.00	0.05
(Equity shares of ₹ 10 each)			
S&A Internet Services Private Limited (Equity shares of ₹ 10 each)	10,000	0.01	0.01
<b>(ii) Fully Paid Preference Shares (Unquoted)</b>			
Tata Communications International Pte. Ltd. * (Cumulative convertible redeemable Preference Shares of US\$1 each) (Refer note B4, Schedule 19)	30,955,250	139.32	139.32
Tata Communications Internet Services Limited (Cumulative convertible Preference Shares of ₹100 each) (Refer note B9, Schedule 19)	-	-	190.00
VSNL SNO SPV Pte. Ltd. * (Cumulative convertible redeemable Preference shares of US \$ 1 each) (Refer note B4, Schedule 19)	24,680,000	118.71	118.71
		<b>1,788.11</b>	<b>2,098.92</b>

\* Equity investments on these companies are subject to certain restrictions on transfer as per the terms of individual contractual agreements.

## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE - 6 INVESTMENTS (Contd.)

#### II. OTHERS

	No. of Units	As at 31 March, 2011 ₹ in crores	As at 31 March, 2010 ₹ in crores
<b>INVESTMENT IN MUTUAL FUNDS (Unquoted)</b>			
<b>Liquid Growth Plan</b>			
Birla Sunlife Savings Fund - Institutional Plan - Growth	-	-	25.00
Baroda Pioneer Treasury Advantage Fund-IP-Growth	-	-	77.54
DSP BlackRock Floating Rate Fund-IP-Growth	-	-	8.01
IDFC Money Manager Fund-Treasury Plan C-Growth	-	-	75.01
Kotak Floater-Short Term-Growth	11,851,076	19.00	50.01
LIC Savings Plus Fund - Growth	-	-	112.06
ICICI Prudential Flexible Income Plan-Premium-Growth	-	-	45.00
ICICI Prudential Ultra Short Term Plan-Sup Premium-Growth	-	-	8.25
Reliance Medium Term-Growth	-	-	1.50
Frankline Tempeltone, TREASURY MANAGEMENT ACCOUNT Super Institutional Plan - Growth	26,382	3.80	-
DSP Black rock FMP-3M SERIES 33- Growth	5,110,950	5.11	-
Kotak Floater Short Term Growth	1,642,488	2.62	-
Kotak Quaterly Interval Plan Series 10 Growth	4,500,467	5.00	-
JM High Liquidity Fund - Super Institutional Plan - Growth (94)	665,919	1.00	-
Reliance Liquid Fund - Growth	4,150,826	6.09	-
Reliance Liquid Fund - cash plan-Growth	1,320,621	2.09	-
		<b>44.71</b>	<b>402.38</b>
	<b>Total I +II</b>	<b>1,832.82</b>	<b>2,501.30</b>
Book Value of unquoted investments		1,832.82	2,501.30

All investments other than investments in Mutual Funds are long-term investments

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## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31 March, 2011 ₹ in crores	As at 31 March, 2010 ₹ in crores
<b>SCHEDULE - 7</b>		
<b>SUNDRY DEBTORS (UNSECURED)</b>		
Over six months		
Considered good	172.18	166.32
Considered doubtful	133.56	100.94
	<u>305.74</u>	<u>267.26</u>
Less: Provision for doubtful debts	(133.56)	(100.94)
	<u>172.18</u>	<u>166.32</u>
Other debts		
Considered good	596.13	465.97
Considered doubtful	4.15	-
	<u>600.28</u>	<u>465.97</u>
Less: Provision for doubtful debts	(4.15)	-
	<u>596.13</u>	<u>465.97</u>
	<b><u>768.31</u></b>	<b><u>632.29</u></b>
<b>SCHEDULE - 8</b>		
<b>CASH AND BANK BALANCES (Refer Note B14, Schedule 19)</b>		
Cash in hand	0.07	0.05
Cheques in hand	318.16	65.93
Remittances in transit	0.02	2.57
Current accounts with scheduled banks	19.90	34.35
Deposit accounts with scheduled banks	92.63	7.96
	<u>430.78</u>	<u>110.86</u>
<b>SCHEDULE - 9</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest receivable	10.70	16.23
Service tax recoverable	30.60	48.32
Pension contributions recoverable from Government of India (net of provision of ₹ 53.71 crores; 2010: ₹ 53.71 crores) (Refer Note B5, Schedule 19)	7.44	7.44
NLD licence fees reimbursement recoverable from Government of India	0.64	0.64
Licence fees paid under protest (Refer Note B10, Schedule 19)	115.73	115.73
Others	17.63	8.25
	<u>182.74</u>	<u>196.61</u>

Note: Interest receivable includes interest due from subsidiaries of ₹ 10.70 crores (2010: ₹ 14.31 crores)

## SCHEDULES FORMING PART OF THE BALANCE SHEET

<b>SCHEDULE - 10</b>	<b>As at</b>	<b>As at</b>
<b>LOANS AND ADVANCES (UNSECURED)</b>	<b>31 March, 2011</b>	<b>31 March, 2010</b>
	<b>₹ in crores</b>	<b>₹ in crores</b>
Considered good		
Prepaid expenditure	109.01	119.37
Loans and advances to employees (Note 1)	0.88	1.16
Deposits		
a) Public bodies	12.12	11.64
b) Others	21.14	20.21
Advances recoverable in cash or kind or for value to be received	87.72	83.21
Advance payment of tax (net of provision for tax)	1,915.16	2,092.85
Loans and advances to subsidiary companies, joint ventures and associate (Note 2)	902.50	1,367.64
Others	7.31	54.29
	3,055.84	3,750.37
Considered doubtful		
Other loans and advances	7.99	10.41
Less: Provision for doubtful advances	(7.99)	(10.41)
	<b>3,055.84</b>	<b>3,750.37</b>

**Notes:**

(1) Staff Advances includes loans due by an officer of the Company ₹ Nil (2010: ₹ 0.01 crores)  
(Maximum amount due at any time during the year is ₹ 0.01 (2010: ₹ 0.01 crores))

(2) Loans and advances to:

Subsidiary companies:

Tata Communications International Pte. Ltd.	206.43	817.04
Tata Communications (Bermuda) Limited	0.23	0.16
VSNL SNOSPV Pte.Ltd.	668.40	407.08
Tata Communications (Netherlands) BV	5.71	1.91
Tata Communications Lanka Ltd.	0.05	0.08
Tata Communications (UK) Limited	0.14	-
Tata Communications (US) Inc.	-	4.29
Tata Communications Internet Services Limited	-	104.20
Tata Communications Transformation Services Limited	2.88	3.08
Tata Communications Banking InfraSolutions Limited	2.59	25.66
Videsh Sanchar Nigam Spain Srl	-	0.01
Tata Communications (America) Inc.	8.23	0.61
S&A Internet Services Pvt. Ltd.	1.14	1.06
Tata Communications (Hong Kong) Limited	0.82	-
Tata Communications Deutschland GmbH	0.07	-
Tata Communications Services (America) Inc	@	-
Tata Communications (France) SAS	0.15	-
Tata Communications (Belgium) SPRL	0.03	-
Tata Communications (Italy) SRL	0.01	-
Tata Communications (Nordic) AS	0.01	-
Tata Communications (Poland) Sp. Zoo	0.03	-
Tata Communications (Russia) LLC	0.02	-
Tata Communications (Middle East) FZ - LLC	0.01	-
Tata Communications (Japan) KK	0.01	-
TC Germany	0.01	-
Tata Communications (Canada) ULC	0.31	-
Tata Communications (Australia) Pty Limited	@	-

Joint ventures:

United Telecom Limited	@	0.01
Cochin Submarine Cable Depot (India) Private Limited	-	0.13
Neotel (Pty)Ltd.	2.34	2.32

Note: @ represents transaction of amount less than ₹ 50,000/-

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

<b>SCHEDULE - 11</b>	<b>As at</b>	<b>As at</b>
<b>CURRENT LIABILITIES</b>	<b>31 March, 2011</b>	<b>31 March, 2010</b>
	<b>₹ in crores</b>	<b>₹ in crores</b>
Sundry Creditors:		
(i) Creditors for interconnect charges	296.64	524.22
(ii) Dues of micro, small and medium enterprise (Refer Note B28, Schedule 19)	0.25	1.27
(iii) Others (Note 4)	656.37	631.79
Deferred revenues and advance received from customers	510.49	445.45
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act 1956 (not due): Unpaid dividend (Note1)	0.51	0.60
Government of India Current Account	20.57	20.57
Other liabilities (Note 2)	149.90	120.46
Interest accrued but not due on loans (Note 3)	70.13	69.80
	<b>1,704.86</b>	<b>1,814.16</b>
Notes:		
1. There are no dividends due and outstanding for a period exceeding seven years.		
2. Includes ₹ 24.67 crores overdrawn book bank balance (2010: ₹ 10.22 crores)		
3. Interest accrued but not due includes interest accrued on loan from Tata Communications Transformation Services Limited aggregating ₹ 0.11 crores (2010: ₹ Nil)		
4. Sundry creditors - others include due to:		
Subsidiary companies:		
Tata Communications (Canada) ULC	6.75	14.17
Tata Communications Lanka Ltd	-	0.01
Tata Communications Banking InfraSolutions Limited	0.07	0.20
Videsh Sanchar Nigam Spain Srl.	0.15	0.18
Tata Communications (Hongkong) Limited	-	-
Tata Communications International Pte Ltd	-	-
Tata Communications Internet Services Limited	-	0.18
Tata Communications Transformation Services Ltd.	4.12	2.67
Tata Communications UK Limited	-	1.01
Tata Communications (Japan) KK	0.44	0.46
Tata Communications (France) SAS	-	-
Tata Communications Services (America) Inc.	4.65	-
Tata Comm Netherlands	0.17	-
TC (US) Inc	0.40	-
Tata Communications (US) Inc.	0.57	-
Tata Communications (Australia) Pty Limited	0.01	-
Tata Communications (America) Inc.	2.18	-
Joint ventures:		
United Telecom Limited	14.96	9.11
Neotel Pty Ltd.	0.42	2.96
<b>SCHEDULE - 12</b>		
<b>PROVISIONS</b>		
Provisions for employee benefits	164.35	156.71
Provision for proposed dividend	57.00	-
Tax on dividend	9.25	-
Provision for contingencies (Refer Note B22, Schedule 19)	9.25	9.26
Provision for taxes (net of advance taxes)	8.70	8.70
	<b>248.55</b>	<b>174.67</b>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

<b>SCHEDULE - 13 OTHER INCOME</b>	<b>Year ended 31 March, 2011 ₹ in crores</b>	<b>Year ended 31 March, 2010 ₹ in crores</b>
Dividend Income from investment in a subsidiary	1.68	4.10
Profit on sale of current investments (net)	3.18	31.15
Profit on sale of fixed assets (net)	2.19	2.67
Rent	18.64	19.84
Exchange gain (net)	18.42	(12.28)
Provisions/ liabilities no longer required - written back	67.78	23.75
Other	50.28	56.52
	<b>162.17</b>	<b>125.75</b>
	<b>162.17</b>	<b>125.75</b>
<b>SCHEDULE - 14 INTEREST INCOME</b>		
Interest income		
Bank Deposits	0.56	1.76
[Tax deducted at source ₹ 0.05 crores (2010: ₹ 0.56 crores)]		
Other Loans and Advances	27.98	37.91
[Tax deducted at source ₹ 4.16 crores (2010: ₹ 5.51 crores)]		
	<b>28.54</b>	<b>39.67</b>
	<b>28.54</b>	<b>39.67</b>
Note:		
Interest on Loans and Advances includes ₹ 27.87 crores (2010: ₹ 37.66 crores) from subsidiaries.		
Tax Deducted at source on such income is ₹ 4.16 crores (2010: ₹ 5.45 crores)		
<b>SCHEDULE - 15 SALARIES AND RELATED COSTS</b>		
Salaries and related costs	450.17	346.14
Contributions to provident, gratuity and other funds	28.71	33.20
Staff welfare expenses	41.58	39.10
	<b>520.46</b>	<b>418.44</b>
	<b>520.46</b>	<b>418.44</b>
<b>SCHEDULE - 16 NETWORK COSTS</b>		
Charges for use of transmission facilities	1,405.06	1,240.81
Royalty and licence fee to Department of Telecommunications	102.42	122.77
Rent of satellite channels	20.48	25.64
Rent of landlines	19.15	20.88
Administrative lease charges	1.25	4.94
	<b>1,548.36</b>	<b>1,415.04</b>
	<b>1,548.36</b>	<b>1,415.04</b>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

<b>SCHEDULE - 17</b>	<b>Year ended</b>	<b>Year ended</b>
<b>OPERATING AND OTHER EXPENSES</b>	<b>31 March, 2011</b>	<b>31 March, 2010</b>
	<b>₹ in crores</b>	<b>₹ in crores</b>
Consumption of stores	7.94	11.56
Light and power	127.72	107.72
Repairs and Maintenance:		
- Buildings	14.25	12.99
- Plant and Machinery	158.45	120.81
- Others	6.48	14.87
Bad Debts written off	3.11	121.65
Provision for doubtful debts / (written back)	19.56	(92.18)
Advances written off	-	3.81
Provision for doubtful advances	-	2.80
Rent	35.82	17.35
Rates and taxes	13.22	6.06
Travelling expenses	23.88	20.03
Telephone expenses	14.07	17.41
Printing, postage and stationery	4.11	3.89
Legal and professional fees	31.34	55.32
Advertising and publicity	14.66	19.35
Commissions	25.87	20.63
Services rendered by agencies	85.99	68.48
Insurance	10.52	9.89
Loss on sale of fixed assets (net)	0.01	-
Prior period adjustments (net)	-	(0.77)
Other expenses	89.93	96.45
	<b>686.93</b>	<b>638.12</b>
<b>SCHEDULE - 18</b>		
<b>INTEREST EXPENSE</b>		
Interest paid on loans (Note 1)	19.29	93.66
Interest on Debentures	204.61	167.86
Other Interest	3.91	2.28
Less: Interest Capitalisation	(15.88)	(17.72)
	<b>211.93</b>	<b>246.08</b>

Note:

- Interest paid on loans includes interest on loan from Tata Communications Transformation Services Limited aggregating ₹ 0.11 crores (2010: ₹ Nil)
- Interest expense before capitalisation includes interest on fixed loans of ₹ 221.27 crores (2010: ₹ 245.65 crores)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### SCHEDULE 19

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. *Basis of preparation of financial statements*

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards ('NACAS') and relevant provisions of Companies Act, 1956 ('the Act') to the extent applicable.

##### 2. *Use of estimates*

The preparation of the financial statements requires the management of the Company to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures relating to the contingent liabilities as at the date of financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts and advances, employee benefits, provision for income taxes, impairment of assets and useful lives of fixed assets.

##### 3. *Fixed assets*

- i. Fixed assets are stated at cost of acquisition or construction, less accumulated depreciation and impairment loss, if any. Cost includes inward freight, duties, taxes and all incidental expenses incurred to bring the assets to their present location and condition.
- ii. Fixed assets received as gifts from other Foreign Telecom Carriers / vendors are capitalised and credited to capital reserve on the basis of notional cost (cost assessed by customs authorities). Cost includes inward freight, insurance and customs duty.
- iii. Intangible assets in the nature of Indefeasible Rights of Use (IRUs) for international and domestic telecommunication circuits are classified under fixed assets. IRU agreements in respect of these intangibles transfer substantially all the risks and rewards of ownership.
- iv. Jointly owned assets are capitalised in proportion to the Company's ownership interest in such assets.
- v. Costs of borrowing related to the acquisition or construction of fixed assets that are attributable to the qualifying assets are capitalized as part of the cost of such asset. A qualifying asset is one which necessarily takes a substantial period to get ready for its intended use. All other borrowing costs are recognized as expenses in the periods in which they are incurred in accordance with the Accounting Standard on "Borrowing Costs" (AS-16) notified by the Companies (Accounting Standards) Rules, 2006.

##### 4. *Depreciation*

Depreciation is provided on the straight line method (SLM), at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except as follows:

<b>Assets</b>	<b>Rates of Depreciation /Period of amortisation</b>
i) Plant and Machinery	
a. Land cables	6.33%
b. Earth station and switches	7.92%
c. Other Networking equipments	11.88%
d. Customer premises cables & equipments	19.00%
ii) Indefeasible Rights of Use (IRU's)	Life of IRU or period of agreement, whichever is lower
iii) Leasehold Land	Over the lease period
iv) Goodwill	Over a period of 60 months

These rates are not less than those prescribed under Schedule XIV to the Companies Act, 1956.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)****5. Impairment**

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows expected from the continuing use of the asset and from its ultimate disposal are discounted to their present values using a pre-determined discount rate that reflects the current market assessments of the time value of money and risks specific to the asset.

**6. Operating Leases**

Lease arrangements where the risk and rewards incidental to ownership of an asset substantially vest with the lessor are classified as operating leases.

Rental income and rental expenses on assets given or obtained under operating lease arrangements are recognised on a straight line basis over the term of the lease.

**7. Investments**

Long-term investments are valued at cost less provision for other than temporary diminution in value.

Current investments comprising investments in mutual funds are stated at the lower of cost or market value, determined on an individual investment basis.

**8. Inventory**

Inventories are valued at the lower of cost or net realisable value. Cost includes all expenses incurred to bring the inventory to its present location and condition. Cost is determined on a weighted average basis.

**9. Employee benefits****i. Short term employee benefits**

The undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered by employees is recognized during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave and performance incentives payable within twelve months.

**ii. Post employment benefits**

Contributions to defined contribution retirement benefit schemes are recognized as expenses when employees have rendered services entitling them to the contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

**10. Revenue recognition**

- i. Revenues from Telephony services are recognised at the end of each month based upon minutes of traffic completed in such month.
- ii. Revenues from Global Data Managed Services (GDMS) are recognised over the period of the respective arrangements based on contracted fee schedules.

## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

- iii. Revenues from right to use of fibre capacity provided based on IRU are recognised over the period of such arrangements.
- iv. Revenues from Internet Telephony services are recognised based on usage.
- v. Revenue on account of subscription for providing internet access and broadband services is recognised on accrual basis in the year in which the access is provided. In cases where services are provided through a cable operator, revenue is shared between the cable operator, master distributor and the Company in terms of the agreement.
- vi. Revenue on account of registration fees for providing internet access is recognised in the year in which access is provided.
- vii. Transactions with providers of telecommunication services such as buying, selling, swapping and/or exchange of traffic are accounted for as non-monetary transactions depending on the terms of the agreements entered into with such telecommunication service providers.
- viii. Dividends from investments are recognized when the right to receive payment is established and no significant uncertainty as to measurability or collectability exists. Interest on bank deposits is recognised on accrual basis.

### **11. Taxation**

- i. Current tax expense is determined in accordance with the provisions of the Income Tax Act, 1961. Deferred tax assets and liabilities are measured using the tax rates, which have been enacted or substantively enacted at the balance sheet date. Deferred tax expense or benefit is recognized on timing differences being the differences between taxable incomes and accounting incomes that originate in one period and are capable of reversing in one or more subsequent periods.
- ii. In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise these assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.
- iii. Provision for current income taxes and advance taxes arising in the same jurisdiction are presented in the balance sheet after offsetting on an assessment year basis.

### **12. Foreign currency transactions**

- i. Foreign currency transactions are converted into Indian Rupees at rates of exchange approximating those prevailing at the transaction date or at average exchange rate during the transaction month. Foreign currency monetary assets and liabilities are translated to Indian Rupees at the closing rate prevailing on the balance sheet date. Exchange differences on foreign currency transactions are recognized in the profit and loss account.
- ii. Premium or discount on forward contracts are amortised over the life of such contracts and recognised in the profit and loss account. Forward contracts outstanding as at the balance sheet date are stated at exchange rates prevailing at the reporting date and any gains or losses are recognised in the profit and loss account. Profit or loss arising on cancellation or enforcement/exercise of forward exchange is recognised in the profit and loss account in the period of such cancellation or enforcement/exercise.

### **13. Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events if any of bonus issue to existing shareholders and share split.

### **14. Contingent Liabilities and Provisions**

Provisions are recognised in respect of present probable obligations, the amount of which can be reliably estimated. Contingent Liabilities are disclosed in respect of possible obligations that may arise from past events but their

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

**B. NOTES TO ACCOUNTS**

1. The Company was incorporated on 19 March 1986. The Government of India vide its letter No. G-25015/6/86OC dated 27 March 1986, transferred all the assets and liabilities of the Overseas Communications Service (OCS) (part of the Department of Telecommunications, Ministry of Communications) as appearing in the Balance Sheet as at 31 March 1986 to the Company with effect from 01 April 1986. As per the letter no G-25015/6/86-OC dated 23 October 2001 of Government of India, Department of Telecommunications, there was no requirement to register a formal transfer deed or deed of sale in the matter of such transfer of assets. During the year 2007-08, the Company changed its name to Tata Communications Limited and the fresh certificate of incorporation consequent upon the change of name was issued by the Registrar of Companies, Maharashtra on 28 January 2008.
2. Capital reserve includes ₹ 205.22 crores in respect of foreign exchange gains on unutilized proceeds from Global Depository Receipts credited to Capital Reserve ₹ 203.70 crores in 2000-01 and ₹ 1.52 crores in 2001-02.
3. The Board of Directors have recommended a dividend of ₹ 2 (2010: ₹ Nil) per share for the year ended 31 March 2011.
4. The Company has an investment of ₹ 474.23 crores (2010: ₹ 474.23 crores) in equity shares and ₹ 139.32 crores (2010: ₹ 139.32 crores) in preference shares of Tata Communications International Pte. Ltd ("TCIPL"), ₹ 3.29 crores (2010: ₹ 3.29 crores) in equity shares and ₹ 118.71 crores (2010: ₹ 118.71 crores) in preference shares of VSNL SNOSPV Pte. Ltd ("SNOSPV") wholly owned subsidiaries. In the opinion of the management, having regard to the nature of these subsidiaries' businesses and future business projections, there is no diminution, other than temporary in the value of investments despite the significant accumulated losses.
5. As at 31 March 2011 the proportionate share of pension obligations and payments of ₹ 61.15 crores (2010: ₹ 61.15 crores) to the erstwhile Overseas Communications Service ("OCS") employees were recoverable from the Government of India ("the Government"). Pursuant to discussions with the Government, the Company had made a provision of ₹ 53.71 crores (2010: ₹ 53.71 crores) thereby having a net amount due from the Government towards its share of pension obligations of ₹ 7.44 crores (2010: ₹ 7.44 crores).
6. Pursuant to acquisitions of Tyco Global Network ("TGN") and Teleglobe ("TLGB"), the Company from 1 April 2006 adopted the Residual Profits Split Method ("RPSM") for recording transactions pertaining to International Telecommunications Services under its Transfer Pricing Policy. This policy governs the majority of the transactions between the Company and its international subsidiaries. The Company's subsidiary in the Netherlands is designated as the Central Contracting Party ("CCP") and Transfer Pricing Administrator ("TPA").
7. During the previous year, the Company received a favourable order from Income tax Appellate Tribunal (ITAT) pertaining to financial year 1993-94, which was further supported by a favourable legal advice. Consequently, the Company had written back the corresponding tax provision of ₹ 280.01 crores. Interest on the above of ₹ 215.56 crores was included in ₹ 218.28 crores of interest on Income tax refund reflected as exceptional item in Profit and loss account for the year ended 31 March 2010. Income tax department has appealed against this order in the Honourable High Court of Bombay which is yet to come up for admission.
8. The Company had entered into an agreement with effect from 1 January 2007 with one of its customers for carriage of NLD traffic for a period of two years. In view of disputes between the parties, the agreement was truncated with effect from July 2008. The matter was referred to Conciliation in the earlier period and an award of ₹ 29 crores was made leaving the modalities of settlement to the parties. During the current year based on the settlement reached with the carrier, ₹ 26.54 crores is recorded in Revenue from telecommunication and other services and interest of ₹ 2.46 crores is recorded in Other income.
9. The Board of Directors of the Company at its meeting held on 31 January 2011 had approved the merger of the Company's wholly owned subsidiary, Tata Communications Internet Services Limited (TCISL) with the Company with effect from 1 April 2010. The Company had obtained the consent of the shareholders for the merger at Extra Ordinary General Meeting held on 27 April 2011.

## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

In accordance to the final order dated 20 August 2011 as pronounced by the Bombay High Court the financials have been revised to reflect the merger of TCISL with the Company effective 01 April 2010.

In accordance to the said Scheme, the Company has accounted for this amalgamation in the nature of merger under the pooling-of-interest method. Consequently:

- i. All the assets, debts, liabilities and obligations of TCISL have been vested in the Company with effect from 1 April 2010 and have been recorded at their respective book values.
  - ii. The net asset value of TCISL as on the date of amalgamation was ₹ 15.28 crores as against the investment of the Company of ₹ 384.47 crores. The excess of the cost of investment of ₹ 369.19 crores is adjusted against the general reserve to the extent of ₹ 78.24 crores, ₹ 0.56 crores against capital reserve and ₹ 291.51 crores against the opening profit and loss account.
  - iii. Consequent to the merger there has been a reduction in the current tax expense of ₹ 37.97 crores and increase in deferred tax benefit of ₹ 39.65 crores.
10. In January 2008, an amount of ₹ 295 crores was paid to the Department of Telecommunications (DoT) under protest, towards payment of licence fees, interest and penalty demanded by DoT before issue of certain licences to the Company. Against this, the Company carried a provision of ₹ 174.15 crores for licence fees and interest thereon which has been set off against the payment of ₹ 295 crores for the presentation in the financial statements. The Company has filed a petition in the Honourable Supreme Court of India challenging the judgement of The Telecom Disputes Settlement Appellate Tribunal (TDSAT) relating to the computation of licence fee.

Additionally, the Company has also filed a petition with TDSAT challenging applicability of penal provisions under International Long Distance (ILD) and National Long Distance (NLD) licence agreements, whereby DoT claimed penalty and interest on penalty amounting to ₹ 115.73 crores (included in aforesaid ₹ 295 crores). Consequently, the amount of ₹ 115.73 crores together with the excess licence fee paid of ₹ 5.12 crores (Payment of ₹ 295 crores as reduced by ₹ 289.88 crores computed by the Company for licence fees, interest thereon and penalty) totalling ₹ 120.85 crores was reflected as an asset in the books as at 31 March 2009.

During the previous year, TDSAT accepted the Company's position and decided in favour of the Company. However, DoT has filed an appeal in the Honourable Supreme Court of India challenging the judgement of TDSAT relating to the waiver of penalty and interest on penalty. Further, DoT completed the assessment for year ended 31 March 2006 in the previous fiscal year and adjusted the aforesaid excess licence fee of ₹ 5.12 crores; as a result, the balance amount of ₹ 115.73 crores (2010: ₹ 115.73 crores) is reflected as an asset in the books as at 31 March 2011.

11. Revenue from Telecommunication and other Services for the current year includes ₹ 25.60 crores (2010: ₹ Nil) pertaining to previous years.

### **12. Debentures**

#### **i. Secured Debentures**

During the year 2008-09, the Company issued Rated Taxable Secured Redeemable Non-convertible Debentures in demat form for cash at par on private placement basis aggregating ₹ 1,250 crores, IDBI Trusteeship Services Limited has been appointed as trustee to the debenture issue.

#### **a. Nature of Security**

₹ 1,000 crores, 11.70% debentures (face value of ₹ 1,000,000 each) are secured by a first legal mortgage and charge on the Company's immovable property being the free hold land at Mouje Maharajpura, Gujarat and Plant and machinery represented by earth stations, network equipments, Land and sea cables, transmission equipments and other telecom equipments.

₹ 250 crores, debentures (interest ranging from 11.00% to 11.25%, face value of ₹ 1,000,000 each) are secured by a first legal mortgage and charge on the Company's immovable property being the free hold land at Parambur Barracks, Chennai and Plant and machinery represented by land cable network and equipments.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**b. Redemption Terms**

These debentures are due for redemption as given below:

Date of redemption as per terms of issue	10000, 11.70% Debentures	1900, 11.00% Debentures	550, 11.20% Debentures	50, 11.25% Debentures
	(₹ in Crores)			
25 November 2011	400	-	-	-
25 November 2012	400	-	-	-
25 November 2013	200	-	-	-
23 July 2014	-	190	-	-
23 January 2016	-	-	55	-
23 January 2019	-	-	-	5
<b>Total</b>	<b>1,000</b>	<b>190</b>	<b>55</b>	<b>5</b>

For facilitating the above redemptions, the Company has created a Debenture Redemption Reserve of ₹ 734.64 (2010: ₹ 418.58 crores) and the amount of ₹ 316.07 crores (2010: ₹ 316.07 crores) has been appropriated during the current year.

**ii. Unsecured Debentures**

During the last year, the Company issued Rated, Unsecured, Taxable, Redeemable Non-convertible Debentures of face value ₹ 1,000,000 each, in demat form for cash at par on private placement basis aggregating ₹ 700 crores.

**a. Redemption Terms:**

Date of redemption as per terms of issue	4000,7.74% Debentures	1500,9.50% Debentures	1500,9.85% Debentures
	(₹ in Crores)		
25 March 2012	400	-	-
08 June 2014	-	150	-
02 July 2019	-	-	150
<b>Total</b>	<b>400</b>	<b>150</b>	<b>150</b>

For facilitating the above redemptions, the Company has created a Debenture Redemption Reserve of ₹ 283.47 (2010: ₹ 38.77 crores) and the amount of ₹ 244.70 crores (2010: ₹ 38.77 crores) has been appropriated during the current year.

**13. Employee benefits:**

**Retirement Benefits**

**i. Defined Contribution Plan**

**Provident Fund:**

The Company makes contribution towards provident fund under a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of the Tata Communications Employees' Provident Fund Trust and by Regional Provident Fund Commissioner. Under this scheme, the Company is required to contribute a specified percentage of payroll cost to fund the benefits.

The Rules of the Company's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

and the return on the investments, the Company does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

Provident fund contributions amounting to ₹ 17.85 crores (2010: ₹ 13.45 crores) have been charged to the profit and loss account.

### ii. Defined Benefit Plan

#### Gratuity:

The Company makes annual contributions under the Employees Gratuity scheme to a fund administered by Trustees covering all eligible employees. The plan provides for lump sum payments to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service.

#### Medical Benefit:

The Company reimburses domiciliary and hospitalization expenses not exceeding specified limits incurred by eligible and qualifying employees and their dependent family members under the Tata Communications Employee's Medical Reimbursement Scheme. The scheme provides for cashless hospitalization where the claims are directly settled by the Company.

#### Pension Plan:

The Company's pension obligations relate to certain employees transferred to the Company from the Overseas Communications Service ("OCS"). The Company purchases life annuity policies from an insurance company to settle such pension obligations. During the year the Company has incurred a charge of ₹ 7.00 crores (2010: ₹ 7.77 crores) to meet the additional pension obligation on account of increase in Dearness Allowances.

The details in respect of the status of funding and the amounts recognized in the Company's financial statements for the year ended 31 March 2011 for these defined benefit schemes are as under:

	<i>(₹ in crores)</i>					
	<b>Gratuity (Funded) As at 31 March</b>			<b>Medical Benefit (Unfunded) As at 31 March</b>		
	<b>2011</b>	2010	2009	<b>2011</b>	2010	2009
<b>I Change in the defined benefit obligation</b>						
Liability at the beginning of the period	<b>45.52</b>	32.71	27.41	<b>43.17</b>	35.68	31.54
Adjustment on account of merger	<b>2.02</b>	-	-	-	-	-
Current service cost	<b>3.98</b>	2.84	2.33	<b>3.96</b>	4.45	4.03
Past service cost	-	13.07	-	-	-	-
Interest cost	<b>3.07</b>	2.58	2.00	<b>3.56</b>	2.68	2.52
Liability transferred from / (to) other companies	-	0.14	0.46	-	-	-
Actuarial (gain) / loss on obligations	<b>1.87</b>	(3.59)	2.00	<b>1.90</b>	5.91	6.69
Benefits paid	<b>(4.02)</b>	(2.23)	(1.49)	<b>(7.20)</b>	(5.55)	(9.10)
<b>Liability at the end of the period</b>	<b>52.44</b>	45.52	32.71	<b>45.39</b>	43.17	35.68

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

(₹ in crores)

	Gratuity (Funded) As at 31 March			Medical Benefit (Unfunded) As at 31 March		
	2011	2010	2009	2011	2010	2009
<b>II Change in Fair Value of Assets</b>						
Opening Fair Value of Plan Assets	33.65	30.09	30.73	-	-	-
Adjustment on account of merger	0.44	-	-	-	-	-
Expected Return on Plan Assets	2.66	2.52	2.39	-	-	-
Employer's contribution	13.80	2.51	-	-	-	-
Transfer to / (from) other company	0.01	0.14	0.46	-	-	-
Actuarial Gain / (Loss)	2.32	0.62	(2.00)	-	-	-
Benefits paid	(4.02)	(2.23)	(1.49)	-	-	-
<b>Closing Fair Value of Plan Assets</b>	<b>48.86</b>	<b>33.65</b>	<b>30.09</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>As at 31 March</b>			<b>As at 31 March</b>		
	2011	2010	2009	2011	2010	2009
<b>III Amount recognized in the balance sheet</b>						
Liability at the end of the period	52.44	45.52	32.71	45.39	43.17	35.68
Fair value of plan assets at the end of the period	(48.86)	(33.65)	(30.09)	-	-	-
<b>Net (asset)/ liability in the balance sheet</b>	<b>3.58</b>	<b>11.87</b>	<b>2.62</b>	<b>45.39</b>	<b>43.17</b>	<b>35.68</b>
	<b>As at 31 March</b>			<b>As at 31 March</b>		
	2011	2010	2009	2011	2010	2009
<b>IV Expenses recognised in the profit and loss account</b>						
Current service cost	3.98	2.84	2.33	3.96	4.45	4.03
Past service cost	-	13.07	-	-	-	-
Interest cost	3.07	2.58	2.00	3.56	2.68	2.52
Expected return on plan assets	(2.66)	(2.52)	(2.39)	-	-	-
Net actuarial loss /(gain) to be recognized	(0.45)	(4.21)	4.00	1.90	5.91	6.69
<b>Expense recognised in the profit and loss account</b>	<b>3.94</b>	<b>11.76</b>	<b>5.94</b>	<b>9.42</b>	<b>13.04</b>	<b>13.24</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

(₹ in crores)

	Gratuity (Funded) As at 31 March			Medical Benefit (Unfunded) As at 31 March		
	2011	2010	2009	2011	2010	2009
<b>V Categories of plan assets as a percentage of total plan assets</b>						
Corporate bonds	-	-	1.97%	-	-	-
State Government	-	-	8.33%	-	-	-
Insurer Managed Funds	<b>100%</b>	100%	89.70%	-	-	-
<b>Total</b>	<b>100%</b>	100%	100%	-	-	-

The Company's policy and objective for plan assets management is to maximize return on plan assets to meet future benefit payment requirements while at the same time accepting a low level of risk. The asset allocation for plan assets is determined based on the investment criteria approved under the Income Tax Act, 1961 and is also subject to other exposure limitations.

(₹ in crores)

	Gratuity (Funded) As at 31 March			Medical Benefit (Unfunded) As at 31 March		
	2011	2010	2009	2011	2010	2009
<b>VI Principal Actuarial assumptions :</b>						
Discount rate	<b>8.25%</b>	8.25%	7.50%	<b>8.25%</b>	8.25%	7.50%
Expected return on plan assets	<b>8.00%</b>	8.00%	8.00%	-	-	-
Increase in compensation cost	<b>6.00%</b>	6.00%	6.00%	<b>6.00%</b>	6.00%	6.00%
Health care cost increase rate	-	-	-	<b>2.00%</b>	2.00%	2.00%
Attrition rate	<b>2.00%</b>	2.00%	2.00%	-	-	-

The estimates of future compensation cost considered in the actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

(₹ in crores)

	Gratuity (Funded) As at 31 March			Medical Benefit (Unfunded) As at 31 March		
	2011	2010	2009	2011	2010	2009
<b>VII Experience adjustment</b>						
Defined Benefit obligation	<b>(52.44)</b>	(45.52)	(32.71)	-	-	-
Plan assets	<b>48.86</b>	33.65	30.09	-	-	-
Surplus / (deficit)	<b>(3.58)</b>	(11.87)	(2.62)	-	-	-
Exp. Adj. on Plan Liabilities loss/ (gain)	<b>1.87</b>	(1.20)	2.00	-	-	-
Exp. Adj. on Plan Assets gain/ (loss)	<b>2.32</b>	0.62	(2.00)	-	-	-

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

(₹ in crores)

**VIII Effect of change in Assumed Health Care Cost Trend Rate. A one – percentage – point change in assumed health care cost trend rates would have the following effects:**

	31 March 2011		31 March 2010		31 March 2009	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Effect on service cost	0.39	0.39	0.44	0.48	0.44	0.43
Effect on interest cost	0.35	0.35	0.26	0.27	0.31	0.31
Effect on post employment benefit obligation	3.74	3.97	4.71	4.62	3.89	3.82

The Company expects to contribute ₹ 4.75 crores (2010: ₹ 14.11 crores) towards employer's contribution for funded defined benefit plans in 2011-12.

**IX. Leave plan and Compensates absences**

Eligible employees can carry forward and encash leave on death, permanent disablement and resignation subject to maximum accumulation of 300 days.

The liability for leave encashment and compensated absences as at the year end is ₹ 40.78 crores (2010: ₹ 33.94 crores).

The estimate salary future increases, considered in actuarial valuation, taken into account salary inflation, mortality, attrition and other relevant factors.

**14. Cash and Cash equivalents represent:**

	(₹ in crores)	
	As at 31 March 2011	As at 31 March 2010
Cash and Cheques on hand and balances held with scheduled banks	338.13	100.33
Remittances in transit	0.02	2.57
Deposit accounts held with scheduled banks	92.63	7.96
	<b>430.78</b>	<b>110.86</b>
<i>Less:</i>		
Deposits with original maturity over three months	-	(0.50)
Margin Money held with banks	-	(0.04)
Restricted Cash Balance	(7.66)	(7.46)
Current Account/ Deposits held for unpaid dividends	(0.51)	(0.60)
<b>Cash and Cash equivalents</b>	<b>422.61</b>	<b>102.26</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

### 15. Deferred tax liability (net)

(₹ in crores)

#### A. Major components of deferred tax asset and liability consist of the following:

	As at 31 March 2011	As at 31 March 2010
<b>Deferred tax liability arising out of timing differences on:</b>		
Difference between accounting and tax depreciation	257.07	270.51
<b>Total deferred tax liability (A)</b>	<b>257.07</b>	270.51
<b>Deferred tax assets arising out of timing differences on:</b>		
Provision for doubtful debts	45.59	33.53
Provision for post-employment medical benefits and leave encashment pursuant to transitional provision of AS – 15	-	8.94
Provision for Leave encashment	14.44	11.98
Provision for Bonus	3.74	5.24
Expenditure incurred on NLD licence fees	17.08	19.23
Expenditure disallowed u/s. 40 (a) (ia)	15.37	-
Unearned income and deferred revenues	11.03	12.62
Interest received on provisional income-tax assessment	7.81	-
Interest accrued on Secured Debenture issued to Public Financial Institutions	15.07	-
Others	1.01	3.86
<b>Total deferred tax assets (B)</b>	<b>131.14</b>	95.40
<b>Net deferred tax liability (A - B)</b>	<b>125.93</b>	175.11

#### B. Statement of Deferred tax charge for the year:

	As at 31 March 2011	As at 31 March 2010
<b>Opening Deferred tax liability</b>	<b>175.11</b>	<b>133.25</b>
Add: Adjustments to current income tax provisions	27.42	-
Add/ (Less): Current year deferred tax adjusted	(76.60)	41.86
<b>Closing Deferred tax liability</b>	<b>125.93</b>	<b>175.11</b>

### 16. Auditors remuneration:

(Included in operating and other expenses)

(₹ in crores)

	Year ended 31 March 2011	Year ended 31 March 2010
<b>Auditor's remuneration and expenses</b>		
■ Audit fees	1.15	1.15
■ Tax Audit fees	0.20	0.25
■ Other professional services	0.69	0.41
■ Service tax *	0.19	0.22

Auditors' remuneration excludes fees of ₹ 10.29 crores (including ₹ 0.23 crores payable/ paid for erstwhile Tata Communications Internet Services Limited) (2010: ₹ 7.59 crores) payable/ paid for professional services to a firm of chartered accountants in which some partners of the firm of statutory auditors are partners.

\* Service tax credit has been availed of.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**17. Managerial remuneration:**

	<b>Year ended 31 March 2011</b>	<i>(₹ in crores)</i> Year ended 31 March 2010
<b>a. Managerial remuneration for managing director and non executive directors</b>		
■ Salaries	<b>3.56</b>	0.63
■ Contribution to provident and other funds	<b>0.10</b>	0.09
■ Estimated monetary value of perquisites	<b>0.13</b>	0.13
■ Commission	<b>1.00</b>	0.75
■ Non - executive directors commission	<b>0.25</b>	-
■ Non - executive directors sitting fees	<b>0.19</b>	0.17
	<b>5.23</b>	<b>1.77</b>
<b>b. Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956</b>		
	<b>Year ended 31 March 2011</b>	Year ended 31 March 2010
Profit before taxes	154.04	309.33
Add: Managerial Remuneration	5.23	1.77
Provision for Doubtful debts (net)	19.56	(92.18)
Provision for Doubtful advances	-	2.80
<b>Total (A)</b>	<b>24.79</b>	<b>(87.61)</b>
Less: Profit on Sale of Fixed Assets	2.63	3.23
<b>Total (B)</b>	<b>2.63</b>	<b>3.23</b>
<b>Net profit as per Section 309(5) of the Companies Act, 1956</b>	<b>176.20</b>	<b>218.49</b>
Maximum amount permissible for the Managing Director under section 309 of the Companies Act, 1956	8.81	10.92
Remuneration to Managing Director including commission	4.79	1.60
Maximum Commission permissible to Non – executive Directors under section 309 of the Companies Act, 1956	1.76	2.18
Commission to Non – executive Directors	0.25	-
<b>c. Details of remuneration to the whole – time directors during the year 2010-11 are as follows:</b>		
	<b>Name of the person</b>	
	Mr N Srinath <i>(till 31 January 2011)</i>	Mr Vinod Kumar <i>(w.e.f 1 February 2011)</i>
Salary	0.84	2.82
Perquisites and Allowances	0.12	0.01
Commission	0.85	0.15

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

### 18. Earnings per share

		(₹ in crores)	
		As at	As at
		31 March 2011	31 March 2010
Net Profit after tax attributable to the equity shareholders	(A)	<b>162.56</b>	483.18
Number of equity shares outstanding at the end of the year		<b>285,000,000</b>	285,000,000
Weighted average number of shares outstanding during the year	(B)	<b>285,000,000</b>	285,000,000
Basic and diluted earnings per share (₹ per equity share of ₹ 10 each)	(A/B)	<b>5.70</b>	16.95

### 19. Segment reporting

#### i. Business Segments

Effective 1 April 2010, the Company's reportable business segments have been re-aligned into Global Voice Solutions, Global Data and Managed Services (GDMS) and Others to reflect change in the Company's Business and Organization Structure. Accordingly, all network and managed services in the Company have been aligned to GDMS and Retail Business have been aligned to Others.

		(₹ in crores)			
		Year Ended 31 March 2011			
		GVS	GDMS	OTHERS	TOTAL
Revenues from Telecommunication and Other Services		<b>1,013.87</b>	<b>2,419.19</b>	<b>178.71</b>	<b>3,611.77</b>
Segment Result		<b>(49.30)</b>	<b>1,881.31</b>	<b>173.34</b>	<b>2,005.35</b>
Other Unallocable expenses (net)					1,800.91
Non Cash Expenses (unallocable)					29.29
Profit before taxes and exceptional item					<b>175.15</b>
Exceptional Expenses/ (Income) (Net)					21.11
Profit before taxes					<b>154.04</b>
Tax expense (net)					(8.52)
<b>Profit after taxes</b>					<b>162.56</b>

		(₹ in crores)			
		Year Ended 31 March 2010			
		GVS	GDMS	OTHERS	TOTAL
Revenues from Telecommunication and Other Services		1,247.80	1,970.24	-	3,218.04
Segment Result		254.65	1,478.90	-	1,733.55
Other Unallocable expenses (net)					1,627.65
Non Cash Expenses (unallocable)					14.85
Profit before taxes and exceptional item					<b>91.05</b>
Exceptional Expenses/ (Income) (Net)					(218.28)
Profit before taxes					<b>309.33</b>
Tax expense (net)					(173.85)
<b>Profit after taxes</b>					<b>483.18</b>

(l) Revenues and expenses, which are directly identifiable to the segments, have been attributed to the relevant segments. The allocable enterprise expenses have been allocated on reasonable basis to the relevant

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

segments. Segment result is segment revenues less segment expenses. Certain costs including depreciation which are not allocable to segments have been classified as "Other Unallocable Expenses (net)".

- (II) Telecommunication services are provided utilizing the Company's assets which do not generally make a distinction between the types of services. 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.

**ii. Geographical Segments**

The secondary reportable segments are Geographical. Revenues have been allocated to countries based on location of the customers and are as follows:

(₹ in crores)

	<b>Segment revenues by Geographical Market</b>	
	<b>As at 31 March 2011</b>	<b>As at 31 March 2010</b>
India	<b>2,862.72</b>	2,433.75
United Kingdom	<b>81.53</b>	140.30
United States of America	<b>64.54</b>	129.31
Singapore	<b>83.51</b>	65.09
United Arab Emirates	<b>56.07</b>	65.23
Saudi Arabia	<b>28.66</b>	43.96
Others*	<b>434.73</b>	340.40
	<b>3,611.77</b>	<b>3,218.04</b>

- \* Others include amounts recorded as revenues from Tata Communication (Netherlands) BV of ₹ 197.07 crores (2010: ₹ 165.06 crores). Tata Communication (Netherlands) BV is a Central contracting party and a transfer pricing administrator for inter-company transactions between Tata Communications Limited and its international subsidiaries (Refer Note B-6, Schedule 19)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

### 20. Related party transactions

#### *i. Names of related parties and nature of relationship*

Sr. No	Category of related parties	Names
1	Investing Parties (Promoters)	Panatone Finvest Limited Tata Sons Limited
2	Subsidiaries (Held Directly)	Tata Communications Internet Services Limited <i>(Refer note B-9 Schedule 19)</i> Tata Communications Banking InfraSolutions Limited Tata Communications Transformation Services Limited Tata Communications International Pte. Ltd. VSNL SNOSPV Pte Ltd S&A Internet Services Private Limited Tata Communications Lanka Limited
3	Subsidiaries (Held Indirectly)	Tata Communications (Australia) Pty Limited Tata Communications (Belgium) SPRL Tata Communications Services (Bermuda) Limited Tata Communications (Bermuda) Limited Tata Communications (Canada) ULC VSNL International (ITXC) Corp Tata Communications (America) Inc. Tata Communications Services (America) Inc. <i>(Upto 31 March 2011)</i> Tata Communications (Middle East) FZ-LLC Tata Communications (UK) Limited Tata Communications (France) SAS Tata Communications Deutschland GmbH Tata Communications (Guam) LLC Tata Communications (Hong Kong) Limited Tata Communications (Hungary) LLC Tata Communications (Ireland) Limited TCPoP Communication GmbH Tata Communications (Taiwan) Limited Tata Communications (Italy) S.r.l Tata Communications (Japan) KK ITXC IP Holdings S.a r.l Tata Communications (Nordic) AS Tata Communications (Poland) Sp. z oo Tata Communications (Portugal) Unipessoal LDA Tata Communications (Portugal) Instalacao E Manutencao De Redes LDA

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

Sr. No	Category of related parties	Names
		Tata Communications (Puerto Rico) Inc
		Tata Communications (Russia) LLC
		Tata Communications Services (International) Pte. Ltd.
		Videsh Sanchar Nigam Spain Srl
		Tata Communications (Sweden) AB
		Tata Communications (Switzerland) GmbH
		Tata Communications (Netherlands) B.V.
		BitGravity Inc. (Held through Tata Communications International Pte. Ltd.) (Subsidiary w.e.f 16 February 2011)
4	Joint Venture	United Telecom Limited Cochin Submarine Cable Depot (INDIA) Private Limited (Under liquidation)
5	Joint Venture / Associate of wholly owned subsidiary	Neotel (Pty) Ltd. (Held through VSNL SNOSPV Pte Ltd.) SEPCO Communications Pty Ltd. (Held through VSNL SNOSPV Pte Ltd.)
6	Key Managerial Personnel	
	Mr. N. Srinath	Managing Director and Chief Executive Officer TCL Group (till 31 January 2011)
	Mr Vinod Kumar	Managing Director and Group CEO (w.e.f 1 February 2011)

**ii. Summary of transactions and balances with related parties**

Particulars	Investing Company	Subsidiaries	Key Managerial Personnel	Joint Venture	Joint Venture/ Associates of wholly owned subsidiary	Total
(₹ in crores)						
<b>Transactions during the year:</b>						
Dividend paid	-					-
	61.06					61.06
BEBP Expenses	<b>8.64</b>					<b>8.64</b>
	7.87					7.87
Revenues from Telecommunication services	<b>1.10</b>	<b>310.73</b>		<b>9.19</b>	<b>15.19</b>	<b>336.21</b>
	1.16	272.95		4.38	22.32	300.81
Network Cost		<b>12.81</b>		<b>67.67</b>	<b>4.08</b>	<b>84.56</b>
		7.92		58.09	2.82	68.83
Purchase of Fixed Assets		<b>0.01</b>				<b>0.01</b>
		11.86				11.86
Services rendered		<b>21.51</b>				<b>21.51</b>
		24.95				24.95
Services received	-	<b>16.99</b>				<b>16.99</b>
	0.01	12.82				12.83
Equity capital contribution		<b>73.64</b>		<b>(0.04)</b>		<b>73.60</b>
		-		6.87		6.87

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

### B. Notes to the accounts (Contd.)

Particulars	Investing Company	Subsidiaries	Key Managerial Personnel	Joint Venture	Joint Venture/ Associates of wholly owned subsidiary	Total
<i>(₹ in crores)</i>						
<b>Transactions during the year:</b>						
Interest Income		<b>27.87</b> 37.66				<b>27.87</b> 37.66
Dividend Income		<b>1.68</b> 4.10				<b>1.68</b> 4.10
Loan given / Forex Adjustments		<b>603.36</b> 612.13				<b>603.36</b> 612.13
Loan repaid		<b>961.73</b> 357.40				<b>961.73</b> 357.40
Advances given by the Company/repaid to the Company		<b>58.51</b> 39.71		<b>1.62</b> 0.14	@ 0.04	<b>60.14</b> 39.89
Advances repaid to/ taken from the Company/ Forex Adjustments		<b>26.11</b> 52.62		<b>0.06</b> -		<b>26.17</b> 52.62
Managerial Remuneration			<b>4.79</b> 1.60			<b>4.79</b> 1.60
<b>Balances as at 31 March 2011</b>						
Receivables	<b>0.35</b> 0.07	<b>205.15</b> 150.46			<b>13.51</b> 11.27	<b>219.02</b> 161.80
Payables	<b>8.64</b> 7.87	<b>17.30</b> 10.99	<b>2.11</b> 0.75	<b>14.96</b> 9.11	<b>0.42</b> 2.96	<b>43.43</b> 31.68
Loans Given		<b>840.63</b> 1,226.55				<b>840.63</b> 1,226.55
Advance Receivable		<b>56.64</b> 138.63		@ 0.14	<b>2.34</b> 2.32	<b>58.99</b> 141.09
Advance Payable		<b>2.21</b> 7.89				<b>2.21</b> 7.89
Loan taken		<b>20.00</b> -				<b>20.00</b> -
Interest Accrued-other deposits		<b>9.50</b> 14.31				<b>9.50</b> 14.31
Guarantees on behalf of subsidiaries		<b>6,493.82</b> 5,512.76				<b>6,493.82</b> 5,512.76
Letter of Comfort on behalf of subsidiaries		<b>1,238.36</b> 1,226.77				<b>1,238.36</b> 1,226.77
Interest expense		<b>0.11</b> -				<b>0.11</b> -
Interest accrued		<b>0.11</b> -				<b>0.11</b> -

**Note:** @ represents transaction of amount less than ₹ 50,000/-

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**B. Notes to the accounts (Contd.)**

*iii. Details of material transactions with related parties*

(₹ in crores)

	Investing Company	Subsidiaries	Key Managerial Personnel	Joint Venture	Joint Venture/ Associates of wholly owned subsidiary	Total
<b>Dividend paid</b>						
Panatone Finvest Limited	-					-
	47.10					47.10
Tata Sons Limited	-					-
	13.96					13.96
<b>BEBP Expenses</b>						
Tata Sons Limited	<b>8.64</b>					<b>8.64</b>
	7.87					7.87
<b>Revenues from Telecommunication services</b>						
Tata Communications (Netherlands) BV		<b>167.39</b>				<b>167.39</b>
		165.06				165.06
Tata Communications (America) Inc.		<b>58.68</b>				<b>58.68</b>
		8.03				8.03
Tata Communications (US) Inc.		<b>35.10</b>				<b>35.10</b>
		24.58				24.58
Tata Communications Internet Services Limited *		-				-
		45.13				45.13
<b>Network Cost</b>						
Tata Communications (Netherlands) BV		<b>4.16</b>				<b>4.16</b>
		7.92				7.92
United Telecom Limited				<b>67.67</b>		<b>67.67</b>
				58.09		58.09
<b>Purchase of Fixed Assets</b>						
Tata Communications International Pte.		<b>0.01</b>				<b>0.01</b>
		0.30				0.30
Tata Communications Internet Services Limited *		-				-
		11.56				11.56
<b>Services rendered</b>						
Tata Communications (Netherlands) BV		<b>5.14</b>				<b>5.14</b>
		5.59				5.59
Tata Communications International Pte. Ltd.		<b>10.15</b>				<b>10.15</b>
		5.97				5.97
Tata Communications Transformation Services Limited		<b>3.79</b>				<b>3.79</b>
		2.99				2.99
Tata Communications Internet Services Limited *		-				-
		8.01				8.01

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

### B. Notes to the accounts (Contd.)

					(₹ in crores)	
	Investing Company	Subsidiaries	Key Managerial Personnel	Joint Venture	Joint Venture/ Associates of wholly owned subsidiary	Total
<b>Services received</b>						
Tata Communications Transformation Services Limited		16.99 12.82				16.99 12.82
<b>Equity capital contribution</b>						
Tata Communications Banking Infra Solutions Limited		74.95 -				74.95 -
United Telecom Limited				-		-
				6.83		6.83
<b>Interest Income</b>						
Tata Communications International Pte. Ltd.		12.61 29.17				12.61 29.17
VSNL SNOSPV Pte. Ltd.		12.96 7.43				12.96 7.43
<b>Dividend Income</b>						
Tata Communications Lanka Limited		1.68 4.10				1.68 4.10
<b>Loan given / Forex Adjustments</b>						
Tata Communications International Pte. Ltd.		152.42 337.32				152.42 337.32
VSNL SNOSPV Pte. Ltd.		423.57 249.03				423.57 249.03
<b>Loan repaid</b>						
Tata Communications International Pte. Ltd.		775.60 356.90				775.60 356.90
VSNL SNOSPV Pte. Ltd.		153.19 -				153.19 -
<b>Advances given by the Company/repaid to the Company</b>						
VSNL SNOSPV Pte. Ltd.		0.01 6.46				0.01 6.46
Tata Communications (Netherlands) BV		5.21 7.08				5.21 7.08
Tata Communications Transformation Services Limited		7.18 3.03				7.18 3.03

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**B. Notes to the accounts (Contd.)**

(₹ in crores)

	Investing Company	Subsidiaries	Key Managerial Personnel	Joint Venture	Joint Venture/ Associates of wholly owned subsidiary	Total
Tata Communications (US) Inc.		-				-
		3.99				3.99
Tata Communications International Pte Ltd		<b>12.42</b>				<b>12.42</b>
		3.06				3.06
Tata Communications (America) Inc.		<b>10.16</b>				<b>10.16</b>
		-				-
Tata Communications (Canada) ULC		<b>8.75</b>				<b>8.75</b>
		11.07				11.07
Tata Communications Services (America) Inc.		<b>10.62</b>				<b>10.62</b>
		-				-
<b>Advances repaid to/ taken from the Company/ Forex Adjustments</b>						
Tata Communications (Netherlands) BV		<b>0.17</b>				<b>0.17</b>
		8.15				8.15
Tata Communications Internet Services Limited *		-				-
		35.83				35.83
Tata Communications (Canada) ULC		<b>1.88</b>				<b>1.88</b>
		6.64				6.64
Tata Communications Services (America) Inc.		<b>14.37</b>				<b>14.37</b>
		-				-
Tata Communications Transformation Services Limited		<b>6.03</b>				<b>6.03</b>
		-				-
<b>Managerial Remuneration</b>						
N. Srinath			<b>1.81</b>			<b>1.81</b>
			1.60			1.60
Vinod Kumar \$			<b>2.98</b>			<b>2.98</b>
			-			-
<b>Receivables</b>						
Tata Communications (Netherlands) BV		<b>58.22</b>				<b>58.22</b>
		79.75				79.75
Tata Communications International Pte. Ltd.		<b>27.28</b>				<b>27.28</b>
		4.50				4.50
Tata Communications (America) Inc.		<b>58.95</b>				<b>58.95</b>
		2.30				2.30
Tata Communications (US) Inc.		<b>39.60</b>				<b>39.60</b>
		6.69				6.69

\$ includes remuneration paid by subsidiary.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

### B. Notes to the accounts (Contd.)

					(₹ in crores)	
	Investing Company	Subsidiaries	Key Managerial Personnel	Joint Venture	Joint Venture/ Associates of wholly owned subsidiary	Total
Tata Communications Internet Services Limited *		-				-
		44.39				44.39
<b>Payables</b>						
Tata Communications (Canada) ULC		<b>6.75</b>				<b>6.75</b>
		7.31				7.31
United Telecom Limited				<b>14.96</b>		<b>14.96</b>
				9.11		9.11
Tata Sons Limited	<b>8.64</b>					<b>8.64</b>
	7.87					7.87
Tata Communications Services (America) Inc.		<b>4.49</b>				<b>4.49</b>
		-				-
<b>Loans Given</b>						
Tata Communications International Pte. Ltd.		<b>193.42</b>				<b>193.42</b>
		814.60				814.60
VSNL SNOSPV Pte Ltd.		<b>646.09</b>				<b>646.09</b>
		386.32				386.32
<b>Advance Receivable</b>						
VSNL SNOSPV Pte.Ltd.		<b>22.31</b>				<b>22.31</b>
		20.77				20.77
Tata Communications International Pte.		<b>13.01</b>				<b>13.01</b>
		2.44				2.44
Tata Communications Internet Services Limited *		-				-
		104.20				104.20
Tata Communications (America) Inc.		<b>8.23</b>				<b>8.23</b>
		0.61				0.61
<b>Advance Payable</b>						
Tata Communications (Canada) ULC		-				-
		6.86				6.86
Tata Communications (Japan) KK		<b>0.44</b>				<b>0.44</b>
		0.46				0.46
TC(US) Inc		<b>0.40</b>				<b>0.40</b>
		-				-
Tata Communications (America) Inc.		<b>0.30</b>				<b>0.30</b>
		-				-
<b>Loan taken</b>						
Tata Communications Transformation Services Limited		<b>20.00</b>				<b>20.00</b>
		-				-

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**B. Notes to the accounts (Contd.)**

	Investing Company	Subsidiaries	Key Managerial Personnel	Joint Venture	Joint Venture/ Associates of wholly owned subsidiary	(₹ in crores) Total
<b>Interest Accrued- other deposits</b>						
VSNL SNOSPV Pte. Ltd		<b>6.19</b>				<b>6.19</b>
		3.24				3.24
Tata Communications International Pte. Ltd.		<b>3.21</b>				<b>3.21</b>
		10.08				10.08
<b>Guarantees on behalf of subsidiaries</b>						
Tata Communications (Netherlands) BV		<b>602.10</b>				<b>602.10</b>
		2,115.47				2,115.47
Tata Communications International Pte. Ltd.		<b>5,762.53</b>				<b>5,762.53</b>
		2,827.61				2,827.61
<b>Letter of Comfort on behalf of subsidiaries</b>						
VSNL SNOSPV Pte. Ltd		-				-
		202.55				202.55
Tata Communications (Netherlands) BV		<b>446.00</b>				<b>446.00</b>
		225.05				225.05
Tata Communications (Bermuda) Limited		<b>669.00</b>				<b>669.00</b>
		675.15				675.15
<b>Interest expense</b>						
Tata Communications Transformation Services Limited		<b>0.11</b>				<b>0.11</b>
		-				-
<b>Interest accrued</b>						
Tata Communications Transformation Services Limited		<b>0.11</b>				<b>0.11</b>
		-				-

**Note:** @ represents transaction of amount less than ₹ 50,000/-

\* refer note B-9, Schedule 19

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

### 21. Operating lease arrangements

#### i. As lessee:

	(₹ in crores)	
	As at	As at
	31 March 2011	31 March 2010
Minimum lease payments under operating leases recognized as expense in the year	10.06	12.74

**At the balance sheet date, minimum lease payments under non-cancellable operating leases fall due as follows:**

	(₹ in crores)	
	As at	As at
	31 March 2011	31 March 2010
Due not later than one year	5.57	8.02
Due later than one year but not later than five years	2.37	5.54
Later than five years	@	0.34
	7.94	13.90

**Note:** @ represents amount less than ₹50,000/-

Operating lease payments represent rentals payable by the Company for certain buildings and satellite channels.

#### ii. As lessor:

a. The Company has leased under operating lease arrangements certain Indefeasible Rights of Use ("IRU") with gross carrying amount and accumulated depreciation of ₹ 84.33 crores (2010: ₹ 84.33 crores) and ₹ 33.30 crores (2010: ₹ 27.80 crores) respectively as at 31 March 2011. Depreciation expense of ₹ 5.50 crores (2010: ₹ 5.50 crores) in respect of these assets has been charged in the Profit and Loss Account for the year ended 31 March 2011.

In case of certain lease agreements aggregating ₹ 380.85 crores (2010: ₹ 331.85 crores) for the year ended 31 March 2011, the gross block, accumulated depreciation and depreciation expense of the assets given on IRU basis is not readily determinable and hence not disclosed. The lease rentals associated with such IRU arrangements for the year ended 31 March 2011 amount to ₹ 10.65 crores (2010: ₹ 27.74 crores).

In respect of such leases, rental income of ₹ 17.50 crores (2010: ₹ 34.59 crores) has been recognized in the profit and loss account for the year ended 31 March 2011.

Future lease rental receipts will be recognized in the profit and loss accounts of subsequent years as follows:

	(₹ in crores)	
	As at	As at
	31 March 2011	31 March 2010
Due not later than one year	33.17	33.81
Due later than one year but not later than five years	123.81	132.02
Later than five years	196.66	155.97
	353.64	321.80

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

- b. The Company has leased certain premises under operating lease arrangements. Future lease rental income in respect of these leases will be recognized in the profit and loss accounts of subsequent years as follows:

(₹ in crores)

	As at 31 March 2011	As at 31 March 2010
Not later than one year	-	0.01
Later than one year but not later than five years	-	@
Later than five years	-	-
	<u>-</u>	<u>0.02</u>

**Note:** @ represents amount less than ₹50,000/-

Lease rental income of ₹ Nil (2010: ₹ 0.01 crores) in respect of the above leases has been recognised in the profit and loss account for the current year.

**22. Provision for Contingencies:**

(₹ in crores)

	As at 31 March 2011			As at 31 March 2010		
	Asset Retirement Obligation	Others	Total	Asset Retirement Obligation	Others	Total
<b>Opening Balance</b>	<b>0.26</b>	<b>9.00</b>	<b>9.26</b>	0.40	9.00	9.40
Addition	-	-	-	0.10	-	0.10
Utilisation	(0.01)	-	(0.01)	(0.01)	-	(0.01)
Provision written back	-	-	-	(0.23)	-	(0.23)
<b>Closing Balance</b>	<b>0.25</b>	<b>9.00</b>	<b>9.25</b>	0.26	9.00	9.26

- i. The provision for Asset Retirement Obligation has been recorded in the books of the Company in respect of undersea cables and switches owned by the Company.
- ii. Others include amounts provided towards claims made by a creditor of the Company.

**23. Contingent Liabilities and Capital Commitments:**

**I. Contingent Liabilities:**

(₹ in crores)

	As at 31 March 2011	As at 31 March 2010
i. Guarantees given on behalf of subsidiaries (Refer Note 1)	<b>6,493.82</b>	5,512.76
ii. Claims for taxes on income (Refer Note 2)		
a. Income tax disputes where department is in appeal against the Company.	<b>1,009.60</b>	322.00
b. Income tax disputes where the Company has a favourable decision in other assessment years for the same issue	<b>1.79</b>	22.39
c. Income tax disputes other than above	<b>1,696.91</b>	1,448.89
iii. Claims for other taxes	<b>123.30</b>	118.08
iv. Other claims	<b>468.59</b>	495.08

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

**Notes:**

1. Guarantees given on behalf of subsidiaries:

The guarantees have been provided in the ordinary course of business and no liability on the Company is expected to materialize in this respect.

2. Significant claims by the revenue authorities in respect of income tax matters relate to deductions claimed under Section 80 IA of the Income Tax Act, 1961 from Assessment years 1996-97 onwards and disallowed by the revenue authorities. The Company has contested the disallowances and has preferred appeals which are pending.

3. The Company has taken appropriate professional advice in respect of the claims / appeals and has taken all necessary steps to protect its interest. Based on expert opinion, no provision is required in respect of these claims / appeals.

4. As on 31 March 2011, the Company has issued Letters of Comfort for the credit facility agreement in respect of various subsidiaries:

	(₹ in crores)	
<b>Name of the Subsidiary</b>	<b>As at 31 March 2011</b>	As at 31 March 2010
Tata Communications Transformation Services Ltd (TCTSL)	<b>26.76</b>	27.01
Tata Communications International Pte. Ltd (TCIPL)	<b>44.60</b>	45.01
VSNL SNOSPV Ltd	-	202.55
Tata Communications (Netherland) Ltd	<b>446.00</b>	225.05
Tata Communications (Bermuda) Ltd	<b>669.00</b>	675.15
Tata Communications Banking Infrasonolutions Ltd (TCBIL)	<b>52.00</b>	52.00

The Company has undertaken to the lenders of TCTSL and TCIPL that it shall retain full management control so long as amounts are due to the lenders.

5. The Company has issued a support letter to Tata Communications International Pte Limited (TCIPL), regarding providing financial support enabling, in turn, TCIPL to issue such support letters to certain subsidiaries having negative net worth as at 31 March 2011 aggregating ₹ 1,245.71 crores (2010: ₹ 1,508.41 crores) in various geographies in order that they may continue to be accounted for as going concern.

The letters of comfort / support mentioned in 4 and 5 above have been provided in the ordinary course of business and no liability on the Company is expected to materialize in these respects

6. During the year 2008-09, in terms of the agreements entered into between Tata Teleservices Ltd. ("TTSL"), Tata Sons Ltd. ("TSL") and NTT DoCoMo, Inc. of Japan (Strategic Partner - SP), TSL gave an option to the Company to sell 36,542,378 equity shares in TTSL to the SP, as part of a secondary sale of 253,163,941 equity shares effected along with a primary issue of 843,879,801 shares by TTSL to the SP.

If certain performance parameters and other conditions are not met, should the SP decide to divest its entire shareholding in TTSL, acquired under the primary issue and the secondary sale, and should TSL be unable to find a buyer for such shares, the Company is obligated to acquire the shareholding of the SP, at the higher of fair value or 50 percent of the subscription purchase price, in proportion of the number of shares sold by the company to the aggregate of the secondary shares sold to the SP, or if the SP divests the shares at a lower price pay a compensation representing the difference between such lower sale price and the price referred to above.

Further, in the event of breach of the representations and warranties (other than title and tax) and covenants not capable of specific performance, the Company is liable to reimburse TSL, on a pro rata basis, up to a maximum sum of ₹ 548.50 crores. The exercise of the option by SP being dependent on several variables, the liability, if any, in this respect is remote and indeterminable.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**II. Capital Commitments:**

Estimated amount of contracts remaining to be executed on capital account, not provided for and loan commitment to wholly owned subsidiaries for ₹ 2,772.94 crores (2010: ₹ 2,489.86 crores).

**24. Supplementary statutory information**

	(₹ in crores)	
	As at 31 March 2011	As at 31 March 2010
(i) Value of imports calculated on CIF basis (on accrual basis)		
■ Stores and Spares	1.35	12.30
■ Capital Goods	132.74	251.09
(ii) Earnings in Foreign Currency		
■ Revenue from telecommunication services	830.97	774.31
■ Interest income	25.83	36.67
■ Dividend income	1.68	4.10
■ Other income	26.77	16.44
	<b>885.25</b>	<b>831.52</b>
(iii) Expenditure in foreign currency (on accrual basis)		
■ Charges for use of transmission facilities	374.85	453.75
■ Rent of satellite channels	7.72	12.42
■ Administrative lease charges	1.25	4.94
■ Repairs and maintenance	90.96	89.52
■ Legal and professional fees	5.14	7.12
■ Interest	0.98	2.21
■ Others	2.47	16.47
	<b>483.37</b>	<b>586.43</b>

**25. Value of imported and indigenous stores/ spared consumed**

	(₹ in crores)			
Item	As at 31 March 2011		As at 31 March 2010	
	Value	Percentage	Value	Percentage
Imported	0.19	2.36	0.04	0.37
Indigenous	7.73	97.64	11.52	99.63
	<b>7.92</b>	<b>100.00</b>	<b>11.56</b>	<b>100.00</b>

26. United Telecom Limited ("UTL") is a Joint Venture between the Company, Mahanagar Telephone Nigam Limited, Telecommunications Consultant India Limited and Nepal Ventures Private Limited. The Company has 26.66 percent equity ownership in UTL. UTL operates basic telephony services in Nepal based on Wireless-in-local loop technology.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

The Company's share in income, expenses, assets and liabilities of UTL based on management accounts for the year ended 31 March 2011 and year ended 31 March 2010 are as follows:

	(₹ in crores)	
	As at 31 March 2011	As at 31 March 2010
Income	35.44	27.13
Expenses	30.79	27.11
Assets	34.32	35.93
Liabilities	12.33	15.32

### 27. Net Dividend remitted to non-resident shareholders in foreign currency

The Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non – resident shareholders. The particulars of final dividends for the year ended 31 March 2010 paid to non – resident shareholders are as under:

	(₹ in crores)	
	As at 31 March 2011	As at 31 March 2010
Number of non – resident shareholders	1,175	822
Number of shares held by them	23,606,875	26,633,326
Year to which the dividend relates	-	2008-09
Amount remitted net of tax	-	11.98

### 28. Micro, Small and Medium Enterprises

According to information available with the Management, on the basis of intimation received from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), the Company has amounts due to Micro and Small Enterprises under the said Act as at 31 March 2011 as follows :

	(₹ in crores)	
	As at 31 March 2011	As at 31 March 2010
(a) i. Principal amount remaining unpaid to any supplier beyond scheduled date as at the year end	-	0.01
ii. Interest on (a)(i) above	-	-
(b) i. The amount of principal paid beyond the appointed date	@	2.70
ii. The amount of interest paid beyond the appointed date	@	-
(c) Amount of interest due and payable on delayed payments	@	0.03
(d) Amount of interest accrued and due as at the year end	@	0.03
(e) Total outstanding dues of micro enterprises and small enterprises	0.25	1.27

**Note:** @ represents amount less than ₹ 50,000/-

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**29. Disclosure as required under clause 32 of Listing Agreement**

Amounts of loans and advances in the nature of loans outstanding from subsidiaries during the year ended 31 March 2011

Name of the Company	Outstanding as at 31 March 2011	Maximum amount outstanding during the year	(₹ in crores)	
			Investment in shares of the Company  No of shares	Investment in shares of subsidiaries of the Company  No of shares
Tata Communications International Pte Ltd (Note 1)	207.29	831.76	-	-
VSNL SNOSPV Pte. Ltd	668.40	820.51	-	-
Tata Communications Lanka Ltd	0.05	0.05	-	-
Tata Communications Transformation Services Limited	2.95	5.45	-	-
Tata Communications Banking InfraSolutions Limited	2.60	56.21	-	-
S & A Internet Services Private Limited	1.14	1.26	-	-

**Note 1:** Tata Communications International Pte Ltd which is wholly owned subsidiary of the Company has investments in 34 subsidiaries as at 31 March 2011.

**30. Derivative Transactions**

The Company uses forward exchange contracts and currency options to hedge its exposure in foreign currency and interest rates. The information on derivative instrument is as follows:

	As at 31 March 2011	
	(Amount in USD millions)	(Amount in ₹ crores)
(i) Outstanding derivatives instruments		
■ Forward exchange contract (net)	146.00 (Sell)	651.16
(ii) Foreign exchange currency exposures not covered by derivative instruments		
■ Amount receivable on account of Export of goods and loan and interest charges(net)	108.94	485.88
■ Creditors payable on account of services, loan payable and interest charges and other foreign currency expenditure	86.68	386.59

31. Previous year figures have been regrouped / reclassified wherever necessary to conform to the current year's classifications. The results for the current year ended 31 March 2011 include the operations of Tata Communications Internet Service Limited. In view of this, the results for the current year are not comparable with the corresponding period of the previous financial year.

**20. Balance Sheet Abstract and Company's General Business Profile in terms of Part IV of Schedule VI to the Companies Act, 1956.**
**I. Registration Details**

Registration No.      State Code   (REFER CODE LIST)

Balance Sheet Date           
Date Month Year

**II. Capital Raised during the year (Amount in ₹ Crores)**

Public Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Right Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Bonus Shares	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Private Placement	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L

**III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Crores)**

Total Liabilities             .

Total Assets             .

**Source of Funds**

Paid-up Capital	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Reserves & Surplus	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Secured Loans	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Unsecured Loans	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Deferred Tax Liabilities	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		

**Application of Funds**

Net Fixed Assets	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Investments	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Net Current Assets	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Misc. Expenditure	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Accumulated Losses	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L		

**IV. Performance of Company (Amount in ₹ Crores)**

Turnover	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Total Expenditure	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<input checked="" type="checkbox"/> <input type="checkbox"/> Profit/Loss Before Tax	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> Profit/Loss After Tax	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<input type="checkbox"/> <input checked="" type="checkbox"/> Profit/Loss	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> <input checked="" type="checkbox"/> Profit/Loss	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

(Please tick appropriate box + for Profit, - for Loss)

Earning per Share in Rs.             .

Dividend Rate %

# TATA COMMUNICATIONS

Twenty Fifth Annual Report 2010-2011

Tata Communications Limited

## V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)*	
Product Description	I N T E R N A T I O N A L T E L E C O M M U N I C A T I O N S S E R V I C E S
Item Code No. (ITC Code)	
Product Description	
Item Code No. (ITC Code)	
Product Description	

\* Note : For ITC code of products please refer to the publication Indian Trade Classification based on harmonized commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics, Calcutta - 700 001

### ANNEXURE I Code List 1 : State Codes

State Code	State Name	State Code	State Name
01	Andhra Pradesh	02	Assam
03	Bihar	04	Gujarat
05	Haryana	06	Himachal Pradesh
07	Jammu & Kashmir	08	Karnataka
09	Kerala	10	Madhya Pradesh
11	Maharashtra	12	Manipur
13	Meghalaya	14	Nagaland
15	Orissa	16	Punjab
17	Rajasthan	18	Tamil Nadu
20	Uttar Pradesh	21	West Bengal
22	Sikkim	23	Arunachal Pradesh
24	Goa	52	Andaman Islands
53	Chandigarh	54	Dadra Islands
55	Delhi	56	Daman & Diu
57	Lakshwadeep	58	Mizoram
59	Pondicherry		

For and on behalf of the Board

**SUBODH BHARGAVA**  
Chairman

**SANJAY BAWEJA**  
Chief Financial Officer

MUMBAI  
DATED: 30 August, 2011

**VINOD KUMAR**  
Managing Director &  
Group CEO

**SATISH RANADE**  
Company Secretary & Chief Legal Officer

# **CONSOLIDATED FINANCIAL STATEMENTS 2010-11**

**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS****TO THE BOARD OF DIRECTORS OF TATA COMMUNICATIONS LIMITED**

- 1) We have audited the attached Consolidated Balance Sheet of **TATA COMMUNICATIONS LIMITED** ("the Company"), its subsidiaries and jointly controlled entities (the Company, its subsidiaries and jointly controlled entities constitute "the Group") as at 31 March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and the jointly controlled entities accounted in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
- 2) We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) The financial statements for the year ended 31 March, 2011 were audited by us and our report dated 29 May, 2011 expressed an unqualified opinion on those financial statements. Consequent to order dated 20 August, 2011 of the Honourable High Court of Bombay sanctioning the merger of Tata Communications Internet Services Limited with the Company, the audited financial statements for year ended 31 March, 2011 were revised by the Company to give effect to the said merger, effective from 01 April, 2010. We have accordingly carried out audit procedures and amended the date of our audit report in respect of this subsequent event. (Refer Note B5 of Schedule 20 to the financial statements.)
- 4) (a) We did not audit the financial statements of certain subsidiaries and a joint venture, whose financial statements reflect total assets of ₹ 1,017.03 crores, as at 31 March, 2011, total revenues of ₹ 659.23 crores and net cash inflow amounting to ₹ 3.41 crores for the year then ended and the share of loss of associate of ₹ 172.56 crores for the year ended on that date as considered in the Consolidated Accounts. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries, joint ventures and associate are based solely on the reports of the other auditors.  
(b) As stated in note B12, Schedule 20, the financial statements of certain subsidiaries and joint ventures which represents total assets of ₹ 535.18 crores as at 31 March, 2011, total revenue of ₹ 18.49 crores and net cash inflow amounting to ₹ 2.92 crores for the year then ended and the share in loss of associate of ₹ 12.04 crores for the year then ended have been incorporated in the consolidated financial statements on the basis of unaudited financial statement as provided by the management of those subsidiaries, joint ventures and associate.
- 5) We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint

- Ventures) as notified under the Companies (Accounting Standards) Rules, 2006.
- 6) Further to our comments in paragraph 3 above and Subject to the matter referred to in paragraph 4 (b) above, based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, and the aforesaid subsidiaries and joint ventures and associates, and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March, 2011;
  - (ii) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**For S. B. BILLIMORIA & Co**  
Chartered Accountants  
(Registration No.101496W)

Saira Nainar  
Partner

(Membership No.040081)

**MUMBAI**, 29 May, 2011 (30 August, 2011 as to effect the amendment discussed in paragraph 3 above)

# TATA COMMUNICATIONS

Twenty Fifth Annual Report 2010-2011

Tata Communications Limited

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

	Schedule	As at 31 March, 11 ₹ in crores	As at 31 March, 10 ₹ in crores
<b>SOURCES OF FUNDS :</b>			
SHARE CAPITAL	1	285.00	285.00
RESERVES AND SURPLUS	2	3,306.84	4,249.90
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>3,591.84</b>	<b>4,534.90</b>
MINORITY INTEREST		6.83	5.75
SECURED LOANS	3	2,401.72	2,148.85
UNSECURED LOANS	4	6,063.64	5,159.81
DEFERRED TAX LIABILITY (NET) (Refer Note B16, Schedule 20)		136.52	198.12
<b>TOTAL FUNDS EMPLOYED</b>		<b>12,200.55</b>	<b>12,047.43</b>
<b>APPLICATION OF FUNDS:</b>			
FIXED ASSETS:	5		
(a) Gross Block		16,668.39	15,361.53
(b) Less: Accumulated Depreciation/ Amortisation		6,391.91	5,137.64
(c) Net Block		10,276.48	10,223.89
(d) Capital work-in-progress		2,039.00	1,850.63
		<b>12,315.48</b>	<b>12,074.52</b>
GOODWILL (ON CONSOLIDATION)		78.60	55.88
INVESTMENTS	6	844.50	1,304.18
DEFERRED TAX ASSET (NET) (Refer Note B16, Schedule 20)		11.83	—
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
<b>A. CURRENT ASSETS</b>			
(a) Inventories - Stores and Spares	7	15.78	41.88
(b) Sundry Debtors	8	2,125.51	2,187.75
(c) Cash and Bank Balances	9	721.91	284.11
(d) Other Current Assets	10	514.54	436.06
		3,377.74	2,949.80
<b>B. LOANS AND ADVANCES</b>	11	3,158.53	3,191.94
		<b>6,536.27</b>	<b>6,141.74</b>
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>			
(A) Current Liabilities	12	7,102.82	7,117.94
(B) Provisions	13	483.31	410.95
		<b>7,586.13</b>	<b>7,528.89</b>
<b>NET CURRENT LIABILITIES</b>		<b>(1,049.86)</b>	<b>(1,387.15)</b>
<b>TOTAL APPLICATION OF FUNDS</b>		<b>12,200.55</b>	<b>12,047.43</b>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS</b>	20		

In terms of our report attached  
For **S.B.BILLIMORIA & CO.**  
Chartered Accountants  
**SAIRA NAINAR**  
Partner

MUMBAI  
DATED: 30 August, 2011

For and on behalf of the Board

**SUBODH BHARGAVA**  
Chairman

**SANJAY BAWEJA**  
Chief Financial Officer

MUMBAI  
DATED: 30 August, 2011

**VINOD KUMAR**  
Managing Director  
& Group CEO  
**SATISH RANADE**  
Company Secretary & Chief Legal Officer

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31 MARCH, 2011

	Schedule	Year ended 31 March, 11 ₹ in crores	Year ended 31 March, 10 ₹ in crores
<b>INCOME:</b>			
REVENUES FROM TELECOMMUNICATION AND OTHER SERVICES		11,931.99	11,025.56
OTHER INCOME	14	201.09	119.53
INTEREST INCOME	15	52.13	49.13
<b>TOTAL INCOME</b>		<b>12,185.21</b>	<b>11,194.22</b>
<b>EXPENDITURE:</b>			
SALARIES AND RELATED COSTS	16	1,627.31	1,537.12
NETWORK COSTS	17	7,127.77	6,468.99
OPERATING AND OTHER EXPENSES	18	1,951.64	2,007.09
INTEREST EXPENSE	19	569.77	569.69
DEPRECIATION, AMORTISATION AND IMPAIRMENT (Refer Note 4, Schedule 5)		1,548.30	1,510.80
<b>TOTAL EXPENDITURE</b>		<b>12,824.79</b>	<b>12,093.69</b>
<b>PROFIT/ (LOSS) BEFORE EXCEPTIONAL ITEMS AND TAXES</b>		<b>(639.58)</b>	<b>(899.47)</b>
EXCEPTIONAL ITEMS:			
(a) Severance Cost		46.01	—
(b) Interest on Income Tax Refund		(4.04)	(218.28)
(c) Fixed asset written off		25.15	—
<b>PROFIT/ (LOSS) BEFORE TAXES</b>		<b>(706.70)</b>	<b>(681.19)</b>
TAXES			
(a) CURRENT TAX		92.23	92.85
(b) DEFERRED TAX EXPENSE		(101.01)	44.77
(c) EXCESS PROVISION FOR TAX WRITTEN BACK		—	(280.01)
<b>NET PROFIT/ (LOSS) BEFORE MINORITY INTEREST</b>		<b>(697.92)</b>	<b>(538.80)</b>
MINORITY INTEREST (Share of Loss/(Profit) (net))		105.62	88.60
SHARE IN LOSS OF ASSOCIATE		(184.60)	(147.54)
<b>NET PROFIT/ (LOSS)</b>		<b>(776.90)</b>	<b>(597.74)</b>
BALANCE BROUGHT FORWARD FROM PREVIOUS PERIOD		(551.98)	448.92
(ADD): ADJUSTMENT PURSUANT TO MERGER		29.12	—
<b>PROFIT/ (LOSS) BALANCE BEFORE APPROPRIATIONS</b>		<b>(1,299.76)</b>	<b>(148.82)</b>
APPROPRIATIONS :			
(a) PROPOSED DIVIDEND (Refer note B3, Schedule 20)		57.00	—
(b) TAX ON DIVIDEND		9.25	—
(c) GENERAL RESERVE		12.19	48.32
(d) TRANSFER TO DEBENTURE REDEMPTION RESERVE (Refer note B13, Schedule 20)		560.77	354.84
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(1,938.97)</b>	<b>(551.98)</b>
<b>EARNINGS PER SHARE (EPS)</b>			
Basic/Diluted earnings per share, (₹) (Refer Note B18, Schedule 20)		<b>(27.26)</b>	<b>(20.97)</b>

In terms of our report attached  
For **S.B.BILLIMORIA & CO.**  
Chartered Accountants  
**SAIRA NAINAR**  
Partner

For and on behalf of the Board

**SUBODH BHARGAVA**  
Chairman

**SANJAY BAWEJA**  
Chief Financial Officer

MUMBAI  
DATED: 30 August, 2011

**VINOD KUMAR**  
Managing Director  
& Group CEO  
**SATISH RANADE**  
Company Secretary & Chief Legal Officer

MUMBAI  
DATED: 30 August, 2011

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2011**

	Year ended 31 March, 2011 ₹ In crores	Year ended 31 March, 2010 ₹ In crores
<b>1 CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>PROFIT/(LOSS) BEFORE TAXES AND EXCEPTIONAL ITEMS</b>	<b>(639.58)</b>	<b>(899.47)</b>
Adjustments for:		
Depreciation, amortisation and impairment	1,548.30	1,510.80
(Profit) /Loss on sale of fixed assets (net) including writeoffs*	15.60	11.81
Interest income	(52.13)	(49.13)
Interest expense	569.77	569.69
Provision for doubtful debts	34.77	(61.39)
Bad debts written off	30.98	193.99
Provision for contingency	5.71	1.94
CEC termination fees along with interest (Refer Note B7 schedule 20)	(9.00)	—
Dividend income/profit on sale of current investments	(4.96)	(34.48)
Profit on sale of long-term investments	(16.06)	(0.98)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>1,483.40</b>	<b>1,242.78</b>
Inventories	28.26	(21.76)
Sundry debtors	(24.32)	65.83
Other current assets, loans and advances	(239.20)	(126.62)
Restricted cash	(0.20)	—
Current liabilities and provisions	(126.78)	672.45
Cash generated from operations before tax and exceptional items	<b>1,121.16</b>	<b>1,832.68</b>
Interest on income tax refunds	4.04	218.28
Cash generated from operations before taxes	<b>1,125.20</b>	<b>2,050.96</b>
Income tax (paid)/refunds	102.60	(498.16)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,227.80</b>	<b>1,552.80</b>
<b>2 CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,709.97)	(2,773.75)
Business acquisitions of Bit Gravity, net of cash (Refer Note B8, schedule 20)	(30.82)	(6.15)
Proceeds from sale of ATG shares	16.06	0.98
Investment in Green Infra Wind Farms Limited	(0.06)	—
Investment in Number portability by Neotel	(2.59)	—
Net sale of current investments (net of mutual funds dividend reinvested)	365.52	281.75
Proceeds from sale of fixed assets	8.28	15.65
Refund of amount paid towards Joint Venture with China Enterprise Communications (Refer Note B7 schedule 20)	74.80	—
Dividend income from current investments	0.06	0.03
Fixed deposits (net)	0.26	2.57
Investment in equity / preference shares in Neotel	(40.08)	(37.35)
Interest received	10.13	13.42
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,308.41)</b>	<b>(2,502.85)</b>
<b>3 CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from unsecured loans	4,663.36	3,991.22
Repayment of unsecured loans	(3,725.34)	(3,323.26)
Proceeds from secured loans	209.86	307.57
Repayment of secured loans	(37.32)	(12.18)
Dividends paid including dividend tax	(0.09)	(150.23)
Dividends paid to minority	(0.18)	(0.47)
Interest paid	(562.59)	(548.55)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>547.70</b>	<b>264.10</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>467.09</b>	<b>(685.95)</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR</b>	<b>257.37</b>	<b>863.42</b>
(Refer note B15, Schedule 20)		
Effect of exchange on cash and cash equivalents	(19.80)	79.90
<b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR</b>	<b>704.66</b>	<b>257.37</b>
(Refer note B15, Schedule 20)		

**Note:**

Figures in brackets represents outflows.

\* The profit before taxes and exceptional items does not include fixed assets written off of ₹ 25.15 crores disclosed as exceptional item in the profit and loss account.

 In terms of our report attached  
**For S.B.BILLIMORIA & CO.**  
 Chartered Accountants  
**SAIRA NAINAR**  
 Partner

For and on behalf of the Board

**SUBODH BHARGAVA**  
 Chairman

**SANJAY BAWEJA**  
 Chief Financial Officer

**VINOD KUMAR**  
 Managing Director  
 & Group CEO  
**SATISH RANADE**  
 Company Secretary & Chief Legal Officer

 MUMBAI  
 DATED: 30 August, 2011

 MUMBAI  
 DATED: 30 August, 2011

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31 March, 11 ₹ in crores	As at 31 March, 10 ₹ in crores
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED :</b>		
300,000,000 (2010:300,000,000) Equity Shares of ₹10 each	<u>300.00</u>	<u>300.00</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
285,000,000 (2010: 285,000,000) Equity Shares of ₹10 each, fully paid up	<u>285.00</u>	<u>285.00</u>
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS BALANCE</b>		
Capital Reserve		
– Balance at the beginning of the period	218.91	217.84
Less: Depreciation on Gifted Assets	(0.42)	(0.45)
Add: Translation Adjustments	0.78	1.52
	<u>219.27</u>	<u>218.91</u>
Add: Adjustment pursuant to merger with Tata Communications Internet Services Limited as approved by Bombay High Court	0.56	—
– Balance at the end of the period	<u>219.83</u>	<u>218.91</u>
Securities Premium		
– Balance at the beginning of the period	725.01	725.01
Less: Adjustments during the period	—	—
– Balance at the end of the period	<u>725.01</u>	<u>725.01</u>
General Reserve		
– Balance at the beginning of the period	3,426.78	3,378.46
Add: Transferred from Profit and Loss account	12.19	48.32
	<u>3,438.97</u>	<u>3,426.78</u>
Less: Amalgamation adjustment deficit of Tata Communications Internet Services Limited set off against General Reserve	(78.24)	—
– Balance at the end of the period	<u>3,360.73</u>	<u>3,426.78</u>
Debenture Redemption Reserve (Refer Note B13, Schedule 20)		
– Balance at the beginning of the period	457.34	102.50
Add: Transferred from Profit and Loss account	560.77	354.84
– Balance at the end of the period	<u>1,018.11</u>	<u>457.34</u>
Hedge Fluctuation Reserve		
– Balance at the beginning of the period	—	—
Add: MTM on IRS	(3.05)	—
– Balance at the end of the period	<u>(3.05)</u>	<u>—</u>
Profit and Loss Account		
	<u>(1,938.97)</u>	<u>(551.98)</u>
Exchange Translation Reserve (net)	<u>3,381.66</u> (74.82)	<u>4,276.06</u> (26.16)
<b>TOTAL</b>	<u><b>3,306.84</b></u>	<u><b>4,249.90</b></u>

**Notes:**

1. Capital reserve includes ₹ 205.22 crores in respect of foreign exchange gains on unutilised proceeds from Global Depository Receipts credited to Capital Reserve ₹ 203.70 crores in 2000-01 and ₹ 1.52 crores in 2001-02.
2. Capital reserve includes ₹ 12.46 Crores (2010: ₹ 11.67 crores) which represents Group's share in capital reserve of Joint Venture SEPCO Communications (Pty) Ltd. arising on acquisition made during 2008-09.

# TATA COMMUNICATIONS

Twenty Fifth Annual Report 2010-2011

Tata Communications Limited

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31 March, 11 ₹ in crores	As at 31 March, 10 ₹ in crores
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
<b>DEBENTURES (Refer Note B13(A), Schedule 20)</b>		
10,000, 11.70% Rated taxable Secured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	1,000.00	1,000.00
1,900, 11.00% Rated taxable Secured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	190.00	190.00
550, 11.20% Rated taxable Secured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	55.00	55.00
50, 11.25% Rated taxable Secured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	5.00	5.00
<b>TERM LOANS</b>		
<b>From Banks</b>		
Hongkong and Shanghai Banking Corporation Limited (Secured by hypothecation of moveable properties of ₹ NIL (2010: ₹ 128.00 crores))	—	31.76
Punjab National Bank	2.36	5.76
Everest Bank Limited	0.14	0.30
Everest Bank Limited and Nepal SBI Bank Limited	0.33	2.31
Consortium led by Nedbank Ltd. (Repayable within one year)	1,148.89	858.72
<b>TOTAL</b>	<b>2,401.72</b>	<b>2,148.85</b>
<b>Note:</b>		
Secured against fixed assets of Joint Ventures		
 <b>SCHEDULE - 4</b>		
<b>UNSECURED LOANS</b>		
<b>DEBENTURES (Refer Note B13(B), Schedule 20)</b>		
4,000, 7.74% Unsecured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	400.00	400.00
1,500, 9.50% Unsecured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	150.00	150.00
1,500, 9.85% Unsecured Redeemable Non-convertible Debentures of face value ₹ 10 lakhs each	150.00	150.00
<b>LOANS [Repayable within one year ₹ 1,293.04 Crores (2010: ₹ 1,682.80 crores)]</b>		
From Banks	4,939.00	4,184.99
From Others	424.64	274.82
<b>TOTAL</b>	<b>6,063.64</b>	<b>5,159.81</b>

SCHEDULE - 5

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

₹ in Crores

SL. NO.	FIXED ASSETS	GROSS BLOCK		ACCUMULATED DEPRECIATION / AMORTISATION		NET BLOCK 31 March, 2011
		01 April, 2010	Additions Deductions/ Adjustments	01 April, 2010	Depreciation/ Amortisation Expenses Deductions/ Adjustments	
1	TANGIBLE FIXED ASSETS					
(a)	LAND	279.34	7.65	3.53	13.40	21.97
		286.25	1.02	(7.93)	10.81	2.58
		97.47	35.68	5.45	49.69	13.40
		100.09	11.58	(14.20)	39.60	0.01
(b)	LEASEHOLD IMPROVEMENTS	615.68	104.38	(14.08)	95.29	(6.20)
		492.66	156.00	(32.98)	81.78	49.69
(c)	BUILDING	12,410.77	1,173.03	(218.94)	3,980.31	103.38
		10,213.81	2,685.54	(488.58)	3,003.41	(5.01)
(d)	PLANT AND MACHINERY	146.82	13.81	(1.16)	63.41	(26.51)
		112.21	40.13	(5.52)	36.22	(72.40)
(e)	FURNITURE AND FIXTURES	105.13	11.01	2.82	22.49	4,949.94
		91.09	21.71	(7.67)	26.92	3,980.31
(f)	OFFICE EQUIPMENT	715.63	124.13	(10.02)	341.47	1,205.19
		582.70	141.02	(8.09)	258.53	(1.99)
(g)	COMPUTERS	1.78	0.14	(0.60)	1.40	11.91
		1.97	0.18	(0.37)	1.43	14.56
(h)	MOTOR VEHICLES					6.64
						6.06
						157.72
						(17.02)
						482.17
						(28.40)
						341.47
						0.11
						(0.54)
						0.97
						0.20
						1.40
2	INTANGIBLE ASSETS					
(a)	SOFTWARE	314.45	73.13	2.32	182.85	(0.84)
		236.23	87.52	(9.30)	120.17	74.68
(b)	LICENCE FEES	7.41	—	(0.09)	3.78	0.16
		23.01	—	(15.60)	2.36	0.31
(c)	GOODWILL	667.05	—	(5.33)	383.55	1.05
		738.46	0.29	(71.70)	359.55	35.00
						(29.93)
						53.93
						1,510.19
						(291.93)
						6,391.91
						(312.73)
						10,276.48
						10,223.89
3	CAPITAL WORK-IN-PROGRESS (including advances for capital expenditure ₹ 0.55 crores (2010: ₹ 6.57 crores))					
		15,361.53	1,542.96	(236.10)	5,137.64	6,391.91
		12,878.48	3,144.99	(661.94)	3,940.18	5,137.64
						2,039.00
						1,850.63
						12,315.48
						12,074.52

NOTES:

- Land includes ₹216.90 crores (2010: ₹203.04 crores) under lease. This includes:
    - Leasehold Land in Srinagar of ₹0.03 crores (2010: ₹0.03 crores) in respect of which conveyance is not done and lease deed is not available
    - ₹ 0.06 crores (2010: ₹0.06 crores) in respect of which lease agreement has not been executed/registered
    - ₹ 0.16 crores (2010: ₹0.16 crores) identified as Surplus land.
  - Gross block of buildings include:
    - ₹ Nil (2010: ₹0.44 crores) being cost of flats in Co-operative Societies under formation.
    - ₹ 32.75 crores (2010: ₹32.75 crores) for flats at Mumbai and ₹ 1.03 crores (2010: ₹ 1.03 crores) for office space at New Delhi in respect of which agreements have not been executed.
- 3 Gross Block and Accumulated Depreciation of Plant and machinery includes: Infeasible Rights of Use (IRUs) for domestic and international telecommunication circuits of ₹ 1,891.18 crores (2010: ₹1,757.71 crores) and ₹ 615.08 crores (2010: ₹494.48 crores) respectively. The life of IRUs has been estimated at the lower of the life of the cables or the period of the IRU agreements.
- 4 The difference between Depreciation as per fixed assets schedule of ₹ 1,546.20 crores (2010: ₹1,510.19 crores) and net amount charged to P & L account of ₹ 1,548.30 crores (2010: ₹1,510.80 crores) is on account of goodwill amortisation of ₹ 1.81 crores (2010: ₹1.80 crores), depreciation charged to P & L account of ₹ 0.74 crores (2010: Nil) for service contract under progress for one of the subsidiaries, decreased on account of depreciation on gifted assets transferred to Capital reserve of ₹ 0.45 crores (2010: ₹0.45 crores).
- 5 Depreciation/Amortisation Expense includes prior year depreciation of ₹ Nil (2010: ₹20.14 crores) (Net).
- 6 Figures in italics are for the previous year.

# TATA COMMUNICATIONS

Twenty Fifth Annual Report 2010-2011

Tata Communications Limited

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31 March, 11 ₹ in crores	As at 31 March, 10 ₹ in crores
<b>SCHEDULE - 6</b>		
<b>INVESTMENTS</b>		
<b>Trade Investments - Long Term (At Cost) (Unquoted)</b>		
<b>A. Fully Paid Equity Shares</b>		
(a) Tata Teleservices Ltd.	748.03	748.03
(b) New ICO Global Communications (Holdings) Limited	0.01	0.01
(c) Wmode Inc.	2.50	2.55
(d) Green Infra Wind Farms Limited	0.06	—
<b>B. Convertible Bonds of China Enterprise Netcom Corporation Ltd.</b> (Refer Note B7, Schedule 20)	—	31.51
<b>C. Investment in Associates (Refer Note B8, Schedule 20)</b>		
(a) Equity Shares in Neotel (at cost)	88.42	88.54
Less: Share in Loss	(88.42)	(88.54)
	—	—
(b) Preference Shares in Neotel (at cost)	118.12	79.51
Less: Share in Loss	(118.12)	(66.46)
	—	13.05
Total Investment in Neotel	—	13.05
(c) Equity Shares in Bit Gravity (at cost)	—	5.95
Less: Share in Loss	—	(0.52)
	—	5.43
(d) Convertible Promissory Note and warrants of Bit Gravity.	—	51.76
Total Investment in Bit Gravity	—	51.76
(e) Equity shares in Number portability company (at cost)	2.83	—
Less: Share in Loss	(0.12)	—
Total Investment in Number Portability Company	2.71	—
<b>TOTAL (A+B+C)</b>	<b>753.31</b>	<b>852.34</b>
<b>Current Investments (Unquoted)</b>		
Investments In Mutual Funds	91.19	451.84
<b>TOTAL</b>	<b>844.50</b>	<b>1,304.18</b>
Book Value of unquoted investments	844.50	1,304.18
<b>SCHEDULE - 7</b>		
<b>INVENTORIES</b>		
Equipments for resale	0.08	0.08
Less: Provision for obsolescence	(0.08)	(0.08)
	—	—
Consumable stores and spares	18.69	44.41
Less: Provision for obsolescence	(2.91)	(2.53)
<b>TOTAL</b>	<b>15.78</b>	<b>41.88</b>

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	<i>As at</i> <b>31 March, 11</b>	<i>As at</i> <b>31 March, 10</b>
	<i>₹ in crores</i>	<i>₹ in crores</i>
<b>SCHEDULE - 8</b>		
<b>SUNDRY DEBTORS (UNSECURED)</b>		
(a) Over six months		
Considered good	135.29	313.13
Considered doubtful	317.67	325.41
(b) Other debts		
Considered good	1,990.22	1,874.62
Considered doubtful	37.78	16.66
	2,480.96	2,529.82
Less: Provision for doubtful debts	(355.45)	(342.07)
<b>TOTAL</b>	<b>2,125.51</b>	<b>2,187.75</b>
 <b>SCHEDULE - 9</b>		
<b>CASH AND BANK BALANCES</b> (Refer Note B15, Schedule 20)		
Cash in hand	0.18	0.53
Cheques in Hand	318.16	66.18
Remittances in transit	0.02	2.57
Current accounts with banks	246.64	143.00
Deposit accounts with banks	156.91	71.83
<b>TOTAL</b>	<b>721.91</b>	<b>284.11</b>
 <b>SCHEDULE - 10</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest receivable	100.78	65.17
Service tax / VAT recoverable	47.79	60.08
Pension contributions recoverable from Government of India (net of provision of ₹ 53.71 crores; 2010: ₹ 53.71 crores) (Refer Note B4, Schedule 20)	7.44	7.44
Licence fees paid recoverable from Government of India	0.64	0.64
Licence fees paid under protest (Refer Note B9, Schedule 20)	115.73	115.73
Others	242.16	187.00
<b>TOTAL</b>	<b>514.54</b>	<b>436.06</b>

# TATA COMMUNICATIONS

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Tata Communications Limited

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31 March, 11 ₹ in crores	As at 31 March, 10 ₹ in crores
<b>SCHEDULE - 11</b>		
<b>LOANS AND ADVANCES (UNSECURED)</b>		
Considered good		
- Loans and Advances to employees	7.81	19.48
- Deposits with public bodies and others	61.49	86.89
- Prepaid expenditure	631.74	538.19
- Advance payment of tax (net of provision for tax)	1,918.59	2,101.50
- Other loans and advances	538.90	445.88
	<u>3,158.53</u>	<u>3,191.94</u>
Considered doubtful		
Other loans and advances	7.99	11.79
Less: Provision for doubtful advances	(7.99)	(11.79)
<b>TOTAL</b>	<b><u>3,158.53</u></b>	<b><u>3,191.94</u></b>
<b>SCHEDULE - 12</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors:		
- Creditors for interconnect charges	1,484.34	1,889.98
- Dues of micro, small and medium enterprises	0.32	2.05
- Others	1,645.27	1,635.13
Unearned income and deferred revenues	2,972.50	2,978.72
Investor Education and Protection Fund - unpaid dividend	0.51	0.60
Government of India current account	20.57	20.57
Interest accrued but not due on loans taken from banks	70.02	69.83
Deposits / Advances from Customers	483.53	216.41
Other liabilities (Note)	425.76	304.65
<b>TOTAL</b>	<b><u>7,102.82</u></b>	<b><u>7,117.94</u></b>
<b>Note:</b>		
Includes ₹ 29.82 crores overdrawn book balance (2010: ₹ 13.42 crores)		
<b>SCHEDULE - 13</b>		
<b>PROVISIONS</b>		
Provisions for employee benefits	317.01	304.05
Provision for proposed dividend	57.00	—
Tax on dividend	9.25	—
Provision for contingencies (Refer Note B23, Schedule 20)	72.23	63.59
Provision for tax (net of advance taxes)	27.82	43.31
<b>TOTAL</b>	<b><u>483.31</u></b>	<b><u>410.95</u></b>

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Year ended 31 March, 11 ₹ in crores	Year ended 31 March, 10 ₹ in crores
<b>SCHEDULE - 14</b>		
<b>OTHER INCOME</b>		
Dividend income from current investments	1.76	0.15
Profit on sale of current investments (net)	3.19	34.33
Profit from sale of long term investment	16.06	0.98
Rent	14.77	13.51
Exchange gain (net)	31.26	(16.53)
Provisions / Liabilities no longer required written back	67.95	30.40
Other	66.10	56.69
<b>TOTAL</b>	<b>201.09</b>	<b>119.53</b>
<b>SCHEDULE - 15</b>		
<b>INTEREST INCOME</b>		
On Bank deposits (Tax deducted at source ₹ 0.05 crores (2010: ₹ 0.05 crores))	6.65	9.33
On Other loans and advances (Tax deducted at source ₹ NIL (2010: ₹ NIL))	45.48	39.80
<b>TOTAL</b>	<b>52.13</b>	<b>49.13</b>
<b>SCHEDULE - 16</b>		
<b>SALARIES AND RELATED COSTS</b>		
Salaries and bonus	1,505.76	1,302.43
Contribution to provident, gratuity and other funds	43.83	156.51
Staff welfare expenses	77.72	78.18
<b>TOTAL</b>	<b>1,627.31</b>	<b>1,537.12</b>
<b>SCHEDULE - 17</b>		
<b>NETWORK COSTS</b>		
Charges for use of transmission facilities	6,973.30	6,279.98
Royalty and licence fee to Department of Telecommunications	108.60	127.74
Rent of satellite channels	20.64	25.80
Rent of landlines	23.99	30.52
Administrative lease charges	1.24	4.95
<b>TOTAL</b>	<b>7,127.77</b>	<b>6,468.99</b>

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## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Year ended 31 March, 11 ₹ in crores	Year ended 31 March, 10 ₹ in crores
<b>SCHEDULE - 18</b>		
<b>OPERATING AND OTHER EXPENSES</b>		
Consumption of stores	21.71	22.53
Light and power	223.95	207.78
Repairs and Maintenance:		
– Buildings	29.36	30.62
– Plant and Machinery	493.48	429.86
– Others	19.33	22.30
Bad Debts written off	30.98	193.99
Provision for doubtful debts/(written back)	34.77	(61.39)
Advance written off	—	3.81
Provision for doubtful advances	—	3.52
Rent	275.85	236.29
Rates and taxes	65.05	75.68
Travelling expenses	80.35	82.21
Telephone	41.59	48.13
Printing, postage and stationery	15.08	17.90
Legal and professional fees	83.16	110.97
Advertising and publicity	66.54	91.47
Commissions	43.48	49.99
Insurance	19.65	23.96
Donations	0.37	0.36
(Profit) /Loss on sale of fixed assets (net) including writeoffs	15.60	1.14
Services rendered by agencies	196.95	221.83
Other expenses	194.39	194.14
<b>TOTAL</b>	<b>1,951.64</b>	<b>2,007.09</b>
<b>SCHEDULE - 19</b>		
<b>INTEREST EXPENSE</b>		
<b>Interest on:</b>		
– Bank Loans	228.82	328.21
– Debentures	204.61	167.86
– Others	201.92	135.12
– Less : Interest Expense Capitalized	(65.58)	(61.50)
<b>TOTAL</b>	<b>569.77</b>	<b>569.69</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### SCHEDULE 20

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

##### A. SIGNIFICANT ACCOUNTING POLICIES

###### 1. Basis of preparation

The consolidated financial statements of Tata Communications Limited (the Company), its subsidiaries and jointly controlled entities ("the Group") are prepared under the historical cost convention, on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards ('NACAS').

The financial statements of certain subsidiaries having a negative net worth have been prepared on a 'going concern' assumption and included in these consolidated statement on that basis as the Company has provided a support letter regarding providing financial support to enable those entities continuing as a 'going concern'.

###### 2. Principles of consolidation

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

The consolidated financial statements have been prepared on the following basis:

- i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions, and unrealised profits or losses have been fully eliminated.
- ii) The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the date of acquisition.
- iii) The consolidated financial statements include the interest in joint ventures which has been accounted as per the 'proportionate consolidation' method as per Accounting Standard 27-'Financial Reporting of Interests in Joint Ventures'. Unrealised profits and losses have been eliminated to the extent of the Company's share in the joint ventures.
- iv) The consolidated financial statements include the interest in associates which has been accounted as per "Equity Accounting" Method as per Accounting Standard 23 -"Accounting for investments in Associates in Consolidated Financial Statements".
- v) The excess of cost to the Company of its investment in a subsidiary company / joint venture over its share of the equity of the subsidiary company / joint venture at the date on which the investment in the subsidiary company / joint venture is made is recognized as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies / joint venture as on date of investment, is in excess of cost of investment of the Company, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.
- vi) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.
- vii) Losses applicable to the minority in excess of the minority's interest in the subsidiaries equity are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

###### 3. 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 period. Examples of such estimates include provisions for doubtful debts and advances, employee benefit obligations, provision for income taxes, provision for cable restoration, impairment of assets, asset retirement obligation and useful lives of fixed assets.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)****4. Fixed assets**

- i) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and impairment loss, if any. Cost includes freight, duties, taxes, salaries and employee benefits directly related to the construction or development of the asset and all incidental expenses incurred to bring the assets to their present location and condition.
- ii) Fixed assets received as gifts from other Foreign Telecom Carriers / vendors are capitalised and credited to Capital Reserve on the basis of notional cost (cost assessed by customs authorities). Cost includes freight, insurance and customs duty.
- iii) Intangible assets in the nature of Indefeasible Rights of Use (IRUs) for international and domestic telecommunication circuits are classified under fixed assets. IRU agreements in respect of these intangibles transfer substantially all the risks and rewards of ownership.
- iv) Jointly owned assets are capitalised in proportion to the Company's ownership interest in such assets.
- v) Costs of borrowing related to the acquisition or construction of fixed assets that are attributable to the qualifying assets are capitalized as part of the cost of such asset. A qualifying asset is one which necessarily takes a substantial period to get ready for its intended use. All other borrowing costs are recognized as an expense in the periods in which they are incurred in accordance with the Accounting Standard on "Borrowing Costs" (AS-16) notified by the Companies (Accounting Standards) Rules, 2006.
- vi) Consideration for purchase of business in excess of the value of net assets acquired is recognized as goodwill.
- vii) Internally developed computer software, and licence fees have been classified as intangible assets.
- viii) Assets acquired pursuant to an agreement for exchange of similar assets are recorded at the net book value of the asset given up, with an adjustment for any balancing receipt or payment of cash or any other form of consideration.

**5. Depreciation**

Depreciation other than on freehold land and capital work-in progress is charged over the periods set out below so as to write-off the cost of the asset on a straight line basis over the estimate useful lives, at the following rates:

a) Leasehold land	Lease period
b) Leasehold improvements	Lease period
c) Buildings	1.64% to 6.67%
d) Plant and Machinery	
(i) Indefeasible Rights of Use (IRU's)	Life of IRU or period of agreement, whichever is lower
(ii) Other plant and machinery	4.75% to 33.33%
e) Furniture and fixtures	6.33% to 33.33%
f) Office equipment	4.75% to 33.33%
g) Computers	10.00% to 33.33%
h) Motor vehicles	9.50%
i) Goodwill on purchase of business	60/120 months
j) Intangibles	
(i) Internally developed computer software	20.00% to 33.33%
(ii) Licence fees	4.00%

## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

### **6. Leases**

Lease arrangements where the risk and rewards incidental to ownership of an asset substantially vests with the lessor are classified as operating lease.

Rental income and rental expenses on assets given or obtained under operating lease arrangements are recognized on a straight - line basis over the term of the relevant lease.

The initial direct costs relating to operating leases are recorded as expenses as they are incurred.

Assets given under finance lease are recognized at an amount equal to the net investment in the lease and the finance income is based on a constant rate of return on the outstanding net investment.

Assets acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

### **7. Impairment**

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets and goodwill included in each cash generating unit to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other asset of the unit pro-rata on the basis of the carrying value of each asset in the unit. An impairment loss recognized for goodwill is not reversed in the subsequent period unless there are changes in external events.

### **8. Asset Retirement Obligation ("ARO")**

The Company's ARO relate to the removal of cable systems and switches when they will be retired. Provision is recognized based on management's best estimate of the eventual costs that relate to such obligation and is adjusted to the cost of such assets. The estimated costs are based on historical cost information, industry factors and technical estimates received from consortium members of the cable systems.

### **9. Investments**

Long-term investments are valued at cost less provision other than temporary diminution in value. Current investments comprising investments in mutual funds are stated at the lower of cost or fair value, determined on an individual investment basis. The acquisition cost of an investment acquired in exchange, or part exchange, for another asset is determined based on the fair value of the asset given up.

### **10. Inventories**

Inventories are valued at the lower of cost or net realisable value. Cost includes all expenses incurred to bring the inventory to its present location and condition. Cost is determined on a weighted average basis.

### **11. Employee Benefits**

#### **i) Short-term employee benefits**

The undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered by employees is recognized during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave and performance incentives payable within twelve months.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

## ii) Post-employment benefits

Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to the contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

**12. Revenue recognition**

- i) Revenues from Telephony services are recognized at the end of each month based upon minutes of traffic completed in such month.
- ii) Revenues from Global Data Managed Services (GDMS) are recognized over the period of the respective arrangements based on contracted fee schedules.
- iii) Revenues from right to use of fibre capacity provided based on IRU are recognized over the period of such arrangements.
- iv) Revenues from Internet Telephony services are recognized based on usage.
- v) Transactions with providers of telecommunication services such as buying, selling, swapping and/or exchange of traffic are accounted for as non-monetary transactions depending on the terms of the agreements entered into with such telecommunication service providers.
- vi) Dividend from investments is recognized when the right to receive payment is established and no significant uncertainty as to measurability or collectability exists.

**13. Taxation**

Current income tax expense comprises taxes on income from operations in India and foreign tax jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Deferred tax expense or benefit is recognized on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets in respect of unabsorbed depreciation and carry forward tax losses are recognized only to the extent that there is virtual certainty that there will be sufficient future taxable income available to realise these assets. All other deferred tax assets in respect of other timing differences are recognized if there is a reasonable certainty that sufficient future taxable income will be available to realise such assets.

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax and income tax provision arising in the same tax jurisdiction and where the Group intends to settle the asset and liability on a net basis.

## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

The Group offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing tax authorities.

### **14. Foreign currency transactions**

- i) Foreign currency transactions are converted into Indian Rupees at rates of exchange approximating those prevailing at the transaction date. Foreign currency monetary assets and liabilities are translated to Indian Rupees at the closing rate prevailing on the balance sheet date. Exchange differences, on foreign currency transactions are recognized in the profit and loss account.
- ii) Premium or discount on forward contracts is amortised over the life of such contracts and is recognized in the Profit and Loss Account. Forward contracts outstanding as at the balance sheet date are stated at exchange rate prevailing at the reporting date and any gains or losses are recognized in the profit and loss account. Profit or loss arising on cancellation or enforcement/exercise of a forward exchange is recognized in the profit and loss account in the period of such cancellation or enforcement/exercise.
- iii) For the purpose of consolidation of foreign subsidiaries and joint ventures, income and expenses are translated at average rates and the assets and liabilities are stated at closing rate. The net impact of such change is disclosed under exchange translation reserve.

### **15. Derivative financial instruments**

- i) The Group enters into forward contracts and interest rate swaps to manage its exposure on foreign exchange rate risk and interest rate risk globally. Exposures to currency and interest rate risk are monitored on an ongoing basis and the Group endeavours to keep the net exposure at acceptable levels.

Forward contracts are initially recognized at fair value at the date a forward contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognized in profit and loss account immediately. Interest rate swaps are designated as cash flow hedges and the effective portion of the fair value of the interest rate swaps are carried to Hedge Fluctuation Reserve which will be recycled to the profit and loss account in the accounting period in which the interest expense is being recognized

- ii) Effective 01 April, 2010, the Company has changed its accounting policy for financial instruments for the limited purpose of hedge accounting. The effective portion of the mark-to-market loss on interest rate swaps for the year ended 31 March, 2011 is ₹ 3.05 crores in the consolidated financial statements which has been recognized in the Hedge Fluctuation Reserve. Consequently, the net loss for the year is lower by ₹ 3.05 crores.

### **16. Earning Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue if any, to existing shareholders and share split.

### **17. Contingent Liabilities and Provision**

Provisions are recognized in respect of present probable obligations, the amount of which can be reliably estimated. Contingent Liabilities are disclosed in respect of possible obligations that may arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

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## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

### B. NOTES TO ACCOUNTS

1. Particulars of subsidiaries, associate and joint ventures are as follows:

	Country of Incorporation	Percentage of Ownership Interest	
		As at 31 March, 2011	As at 31 March, 2010
<b>Subsidiaries (held directly)</b>			
Tata Communications Transformation Services Limited	India	100.00	100.00
Tata Communications Lanka Limited	Sri Lanka	90.00	90.00
S&A Internet Services Private Limited	India	100.00	100.00
Tata Communications International Pte. Limited	Singapore	100.00	100.00
VSNL SNOSPV Pte. Limited.	Singapore	100.00	100.00
Tata Communications Banking InfraSolutions Limited	India	100.00	100.00
Tata Communications Internet Services Limited (Merged with Tata Communications Limited w.e.f. 01 April, 2010)	India	-	100.00
<b>Subsidiaries (held indirectly)</b>			
Tata Communications (Bermuda) Limited	Bermuda	100.00	100.00
Tata Communications (Netherlands) BV	Netherlands	100.00	100.00
Tata Communications (Hong Kong) Limited	Hong Kong	100.00	100.00
ITXC IP Holdings S.A.R.L.	Luxembourg	100.00	100.00
Tata Communications (America) Inc.	United States of America	100.00	100.00
Tata Communications Services (International) Pte Limited (Formerly known as Teleglobe Asia Pte Ltd)	Singapore	100.00	100.00
Tata Communications (Canada) ULC	Canada	100.00	100.00
Tata Communications (Belgium) S.P.R.L.	Belgium	100.00	100.00
Tata Communications (Italy) SRL	Italy	100.00	100.00
Tata Communications (Portugal) Unipessoal LDA	Portugal	100.00	100.00
Tata Communications (France) SAS	France	100.00	100.00
Tata Communications (Nordic) AS	Norway	100.00	100.00
Tata Communications (Guam) L.L.C.	Guam	100.00	100.00
Tata Communications (Portugal) Instalacao E Manutencao De Redes LDA	Portugal	100.00	100.00
Tata Communications (Australia) Pty Limited	Australia	100.00	100.00
Tata Communications Services (Bermuda) Limited	Bermuda	100.00	100.00
Tata Communications (Puerto Rico) Inc.	Puerto Rico	100.00	100.00
VSNL International (ITXC) Corp.	United States of America	100.00	100.00
Tata Communications (Poland) Sp.z.o.o	Poland	100.00	100.00

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

	Country of Incorporation	Percentage of Ownership Interest	
		As at 31 March, 2011	As at 31 March, 2010
Tata Communications (Japan) KK.	Japan	100.00	100.00
Videsh Sanchar Nigam Spain Srl	Spain	100.00	100.00
Tata Communications (UK) Limited	United Kingdom	100.00	100.00
Tata Communications Deutschland GMBH	Germany	100.00	100.00
Tata Communications (Middle East) FZ-LLC	United Arab Emirates	100.00	100.00
Tata Communications (Hungary) LLC	Hungary	100.00	100.00
Tata Communications (Ireland) Limited	Ireland	100.00	100.00
Tata Communications (Russia) LLC	Russia	100.00	100.00
Tata Communications (Switzerland) GmbH	Switzerland	100.00	100.00
Tata Communications (Sweden) AB	Sweden	100.00	100.00
TCPoP Communication GmbH	Austria	100.00	100.00
Tata Communications (Taiwan) Limited	Taiwan	100.00	100.00
Bit Gravity Inc (Date of Acquisition: 16 February, 2011) (Refer Note B8 Schedule 20)	United States of America	100.00	-
Tata Communications services (America) Inc. (Liquidated on 31 March, 2011)	United States of America	-	100.00
Tata Communications US Inc. (Liquidated on 31 March, 2011)	United States of America	-	100.00
Teleglobe International Luxembourg Sarl (Liquidated on 14 October, 2010)	Luxembourg	-	100.00
TLGB International Luxembourg Sarl (Liquidated on 14 October, 2010)	Luxembourg	-	100.00
VSNL International (Global) Corp. (Liquidated on 31 March, 2011)	United States of America	-	100.00
VSNL International (IPCO) LLC (Liquidated on 31 March, 2011)	United States of America	-	100.00
<b><i>Joint Ventures</i></b>			
United Telecom Limited	Nepal	26.66	26.66
SEPCO Communications (Pty) Limited. (Held through VSNL SNOSPV Pte Limited)	South Africa	43.16	43.16
Cochin Submarine Cable Depot (India) Private Limited (Under Liquidation)	India	40.00	40.00
<b><i>Associate</i></b>			
NEOTEL (Pty) Ltd. (Held through VSNL SNOSPV Pte Limited)	South Africa	27.00	27.00
Bit Gravity Inc (till 15 February, 2011)	United States of America	45.72	22.86

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

2. The Company was incorporated on 19 March, 1986. The Government of India vide its letter No.G-25015/6/86OC dated 27 March, 1986, transferred all the assets and liabilities of the Overseas Communications Service (OCS) (part of the Department of Telecommunications, Ministry of Communications) as appearing in the Balance Sheet as at 31 March, 1986 to the Company with effect from 01 April, 1986. As per the letter no. G-25015/6/86-OC dated 23 October, 2001 of Government of India, Department of Telecommunications, there was no requirement to register a formal transfer deed or deed of sale in the matter of such transfer of assets. The Management has changed names of certain subsidiaries and is in the process of changing the names of the other subsidiaries to reflect the name "Tata Communications" in names.
3. The Board of Directors of the Company recommended a dividend of ₹ 2.00 (2010: ₹ NIL) per share to its shareholders for the year ended 31 March, 2011.
4. As at 31 March, 2011 the proportionate share of pension obligations and payments of ₹ 61.15 crores (2010: ₹ 61.15 crores) to the erstwhile Overseas Communications Service ("OCS") employees were recoverable from the Government of India ("the Government"). Pursuant to discussions with the Government, the Company had made a provision of ₹ 53.71 crores (2010: ₹ 53.71 crores) thereby having a net amount due from the Government towards its share of pension obligations of ₹ 7.44 crores (2010: ₹ 7.44 crores).
5. The Board of Directors of the Company at its meeting held on 31 January, 2011 had approved the merger of the Company's wholly owned subsidiary, Tata Communications Internet Services Limited (TCISL) with the Company with effect from 01 April, 2010. The Company had obtained the consent of the shareholders for the merger at Extra Ordinary General Meeting held on 27 April, 2011.  
In accordance to the final order dated 20 August, 2011 as pronounced by the Bombay High Court the financials have been revised to reflect the merger of TCISL with the Company effective 01 April, 2010.  
In accordance to the said Scheme:
  - i. All the assets, debts, liabilities and obligations of TCISL have been vested in the Company with effect from 01 April, 2010 and have been recorded at their respective book values.
  - ii. Consequent to the merger there has been a reduction in the current tax expense of ₹ 37.97 crores and increase in deferred tax benefit of ₹ 39.65 crores.
  - iii. Goodwill on consolidation amounting to ₹ 48.54 crores has been derecognised in consolidated accounts pursuant to merger.
6. On 16 January, 2010, the Group through its UK subsidiary completed its purchase of business and assets of Cosmos business of British Telecommunications PLC ("BT") for a cash consideration of ₹ 14.62 crores (GBP 2 million). BT Mosaic is in the business of development and supply of the product, together with the provision of equipment and professional services exclusively relating to the Product. The entire amount of consideration is attributable to the Mosaic (Software) platform and hence there is no Goodwill/Capital Reserve involved in the transaction.
7. During the year, the Company withdrew its advances against equity in joint venture with China Enterprise Communications Limited. The amount contributed of ₹ 65.80 crores (\$ 14 million) was refunded to the Company along with termination fee of ₹ 9 crores (\$ 2 million).
8. In August, 2008, the Group through its Netherlands subsidiary invested ₹ 48.56 crores (\$11.5 million) in convertible debt issued by Bit Gravity Inc. and also acquired the equity interest as per the details below:  
On 14 December, 2009, an equity interest of 22.86% for consideration of approximately ₹ 6.15 crores (\$ 1.4 million) valued at ₹ 6.20 crores as on balance sheet date.  
On 19 September, 2010, additional equity interest of 22.86% for approximately ₹ 6.42 crores (\$1.4 million.) valued at ₹ 6.20 crores as on balance sheet date.  
On 16 February, 2011, remaining 54.28% of outstanding equity shares of Bit Gravity Inc. for consideration of ₹ 26.37 crores (\$5.8 million) valued at ₹ 25.87 crores as on balance sheet date. As a result, Bit Gravity Inc. has become 100% wholly owned subsidiary of the Company with effect from 16 February, 2011.
9. In January, 2008, an amount of ₹ 295 crores was paid to the Department of Telecommunications (DoT) under protest, towards payment of licence fees, interest and penalty demanded by DoT before issue of certain licences to the

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

Company. Against this, the Company carried a provision of ₹ 174.15 crores for licence fees and interest thereon which has been set off against the payment of ₹ 295 crores for the presentation in the financial statements. The Company has filed a petition in the Honourable Supreme Court of India challenging the judgment of The Telecom Disputes Settlement Appellate Tribunal (TDSAT) relating to the computation of licence fee.

Additionally, the Company has also filed a petition with TDSAT challenging applicability of penal provisions under International Long Distance (ILD) and National Long Distance (NLD) licence agreements, whereby DoT claimed penalty and interest on penalty amounting to ₹ 115.73 crores (included in aforesaid ₹ 295 crores). Consequently, the amount of ₹115.73 crores together with the excess licence fee paid of ₹ 5.12 crores (Payment of ₹ 295 crores as reduced by ₹ 289.88 crores computed by the Company for licence fees, interest thereon and penalty) totalling ₹ 120.85 crores was reflected as an asset in the books as at 31 March, 2009.

During the previous year, TDSAT accepted the Company's position and decided in favour of the Company. However, DoT has filed an appeal in the Honourable Supreme Court of India challenging the judgment of TDSAT relating to the waiver of penalty and interest on penalty. Further, DoT completed the assessment for year ended 31 March, 2006 in the previous fiscal year and adjusted the aforesaid excess licence fee of ₹ 5.12 crores; as a result, the balance amount of ₹ 115.73 crores (2010: ₹ 115.73 crores) is reflected as an asset in the books as at 31 March, 2011.

10. During the previous year the Company received a favorable order from Income tax Appellate Tribunal (ITAT) pertaining to financial year 1993-94, which was further supported by a favorable legal advice. Consequently, the Company has written back the corresponding tax provision of ₹ 280.01 crores. Interest on the above of ₹ 215.56 crores is included in ₹ 218.28 crores of interest on Income tax refund reflected as exceptional item in Profit and loss account 31 March, 2010. Income tax department has appealed against this order in the Bombay High Court which is yet to come up for admission.
11. The Company had entered into an agreement with effect from 1 January, 2007 with one of its customers for carriage of NLD traffic for a period of two years. In view of disputes between the parties, the agreement was truncated with effect from July, 2008. The matter was referred to Conciliation in the earlier period and an award of ₹ 29 crores was made leaving the modalities of settlement to the parties. During the current year based on the settlement reached with the carrier, ₹ 26.54 crores is recorded in Revenue from telecommunication and other services and interest of ₹ 2.46 crores is recorded in Other income.
12. Financial Statements for the following companies considered in the consolidated financial statements are based on management accounts and are therefore unaudited:

	(₹ in crores)		
<b>Subsidiaries:</b>	<b>Total Assets included in Consolidation</b>	<b>Total Revenues included in Consolidation</b>	<b>Cash flows included in Consolidation</b>
VSNL SNOSPV Pte Ltd.	493.88	-	0.49
S&A Internet Services Pvt. Ltd.	0.87	0.04	0.09
Bit Gravity Inc. (w.e.f 16 February, 2011)	9.95	1.38	1.34
Total	504.70	1.42	1.92
<b>Joint Ventures:</b>			
United Telecom Ltd.	30.49	17.07	1.01
SEPCO (Pty.) Ltd. (Standalone)	(0.01)	-	@
Total	30.48	17.07	1.01
<b>Associate:</b>			<b>Share in loss included in consolidation</b>
Bit Gravity Inc. (till 15 February, 2011)			(12.04)

@ represents transaction of amount less than ₹ 50,000/-

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

**13. A) Secured Debentures**

During the year 2008-09, the Company issued Rated Taxable Secured Redeemable Non-convertible Debentures in demat form for cash at par on private placement basis aggregating ₹ 1,250 Crores. IDBI Trusteeship Services Limited has been appointed as trustee to the debenture issue.

**Nature of Security**

₹ 1,000 crores, 11.70% debentures (face value of ₹ 10,00,000 each) are secured by a first legal mortgage and charge on the Company's immovable property being the free hold land at Mouje Maharajpura, Gujarat and Plant and machinery represented by earth stations, network equipments, Land and sea cables, transmission equipments and other telecom equipments.

₹ 250 crores, debentures (interest ranging from 11.00% to 11.25%, face value of ₹ 10,00,000 each) are secured by a first legal mortgage and charge on the Company's immovable property being the free hold land at Parambur Barracks, Chennai and Plant and machinery represented by land cable network and equipments.

**Redemption Terms**

These debentures are due for redemption as given below-

	(₹ in crores)			
Date of redemption as per terms of issue	10000, 11.70% Debentures	1900, 11.00% Debentures	550, 11.20% Debentures	50, 11.25% Debentures
25 November, 2011	400			
25 November, 2012	400			
25 November, 2013	200			
23 July, 2014		190		
23 January, 2016			55	
23 January, 2019				5
<b>Total</b>	<b>1,000</b>	<b>190</b>	<b>55</b>	<b>5</b>

For facilitating the above redemptions, the Company has created a Debenture Redemption Reserve of ₹ 734.64 crores (2010: ₹ 418.57 crores) and the amount of ₹ 316.07 crores (2010: ₹ 316.07 crores) has been appropriated during the current year.

**B) Unsecured Debentures**

During the previous year, the Company has issued Rated, Unsecured, Taxable, Redeemable Non-convertible Debentures of face value ₹ 10,00,000 each, in a demat form for cash at par on a private placement basis aggregating ₹ 700 Crores.

**Redemption Terms**

	(₹ in crores)		
Date of redemption as per terms of issue	4000, 7.74% Debentures	1500, 9.50% Debentures	1500, 9.85% Debentures
25 March, 2012	400		
08 June, 2014		150	
02 July, 2019			150
<b>Total</b>	<b>400</b>	<b>150</b>	<b>150</b>

For facilitating the above redemptions, the Company has created a Debenture Redemption Reserve of ₹ 283.47 crores (2010: ₹ 38.77 crores) and the amount of ₹ 244.70 crores (2010: ₹ 38.77 crores) has been appropriated during the current year.

## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

### **14. Employee Benefits:**

#### **(A) Domestic**

##### **Retirement Benefits**

#### **(a) Defined Contribution plan**

##### **- Provident Fund**

The Company makes contribution towards provident fund under a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of the Tata Communications Employees' Provident Fund Trust. Under this scheme, the Company is required to contribute a specified percentage of payroll cost to fund the benefits. For certain subsidiaries contribution is paid to Provident Fund Commissioner.

The Rules of the Company's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

Provident fund contributions amounting to ₹ 20.04 crores (2010: ₹ 17.23 crores) have been charged to the profit and loss account.

#### **(b) Defined Benefit Plans**

##### **- Gratuity**

The Company makes annual contributions under the Employee's Gratuity scheme to a fund administered by trustees covering all eligible employees. The plan provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. For certain subsidiaries gratuity plan is unfunded.

##### **- Medical Benefit**

The Company reimburses domiciliary and hospitalization expenses not exceeding specified limits incurred by eligible and qualifying employees and their dependent family members under the Tata Communication employee's medical reimbursement scheme. The scheme provides for cashless hospitalization where the claims are directly settled by the Company.

##### **- Pension Plan**

The Company's pension obligation relate to certain employees transferred to the Company from the Overseas Communications Service (OCS). The Company purchases life annuity policies from an insurance company to settle such pension obligation. During the year the Company has incurred a charge of ₹ 7.00 crores (2010: ₹ 7.77 crores) to meet the additional pension obligation on account of increase in Dearness Allowance.

The details in respect of status of funding and the amounts recognized in the Company's financial statement as at 31 March, 2011 and 2010 for these defined benefit schemes are as under:

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

i) Change in the defined benefit obligation

Particulars	(₹ in crores)		
	Gratuity (Funded) As at 31 March, 2011	Gratuity (Unfunded) As at 31 March, 2011	Medical Benefits (Unfunded) As at 31 March, 2011
Liability at the beginning of the period	45.95	2.95	43.17
Current service cost	3.98	0.38	3.96
Interest cost	3.07	0.13	3.56
Others	1.60	(1.60)	-
Actuarial (gain) / loss on obligations	1.87	0.23	1.90
Benefits paid	(4.02)	(0.39)	(7.20)
<b>Liability at the end of the period</b>	<b>52.45</b>	<b>1.70</b>	<b>45.39</b>
			(₹ in crores)
Particulars	(₹ in crores)		
	Gratuity (Funded) As at 31 March, 2010	Gratuity (Unfunded) As at 31 March, 2010	Medical Benefits (Unfunded) As at 31 March, 2010
Liability at the beginning of the period	33.35	1.36	35.68
Current service cost	2.92	0.54	4.45
Past service cost	13.21	0.60	-
Interest cost	2.64	0.14	2.68
Liability transferred from / (to) other companies	0.14	0.11	-
Others	(0.27)	-	-
Actuarial (gain) / loss on obligations	(3.78)	0.27	5.90
Benefits paid	(2.26)	(0.07)	(5.54)
<b>Liability at the end of the period</b>	<b>45.95</b>	<b>2.95</b>	<b>43.17</b>
			(₹ in crores)
Particulars	(₹ in crores)		
	Gratuity (Funded) As at 31 March, 2009	Gratuity (Unfunded) As at 31 March, 2009	Medical Benefits (Unfunded) As at 31 March, 2009
Liability at the beginning of the period	27.93	0.80	31.54
Current service cost	2.50	0.40	4.03
Interest cost	2.04	0.04	2.52
Liability transferred from / (to) other companies	0.46	-	-
Actuarial (gain) / loss on obligations	2.01	0.20	6.69
Benefits paid	(1.59)	(0.08)	(9.10)
<b>Liability at the end of the period</b>	<b>33.35</b>	<b>1.36</b>	<b>35.68</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

ii) Change in Fair Value of Assets

(₹ in crores)

Particulars	Gratuity (Funded)		
	As at 31 March, 2011	As at 31 March, 2010	As at 31 March, 2009
Opening Fair Value of Plan Assets	34.09	30.29	30.82
Expected Return on Plan Assets	2.66	2.56	2.41
Employer's contribution	13.80	2.76	0.15
Transfer (to) / from other company	0.01	0.14	0.46
Actuarial Gain / (Loss)	2.32	0.60	(1.99)
Benefits paid	(4.02)	(2.26)	(1.56)
<b>Closing Fair Value of Plan Assets</b>	<b>48.86</b>	<b>34.09</b>	<b>30.29</b>

iii) Amount recognized in the balance sheet

(₹ in crores)

Particulars	Gratuity (Funded)	Gratuity (Unfunded)	Medical Benefits (Unfunded)
	As at 31 March, 2011	As at 31 March, 2011	As at 31 March, 2011
Present value of funded obligations	52.45	-	-
Fair value of plan assets	(48.86)	-	-
Present value of Unfunded obligations	-	1.70	45.39
<b>Net (asset)/ liability in the balance sheet</b>	<b>3.59</b>	<b>1.70</b>	<b>45.39</b>

(₹ in crores)

Particulars	Gratuity (Funded)	Gratuity (Unfunded)	Medical Benefits (Unfunded)
	As at 31 March, 2010	As at 31 March, 2010	As at 31 March, 2010
Present value of funded obligations	45.95	-	-
Fair value of plan assets	(34.09)	-	-
Present value of Unfunded obligations	-	2.95	43.17
<b>Net (asset)/ liability in the balance sheet</b>	<b>11.86</b>	<b>2.95</b>	<b>43.17</b>

(₹ in crores)

Particulars	Gratuity (Funded)	Gratuity (Unfunded)	Medical Benefits (Unfunded)
	As at 31 March, 2009	As at 31 March, 2009	As at 31 March, 2009
Present value of funded obligations	33.35	-	-
Fair value of plan assets	(30.29)	-	-
Present value of Unfunded obligations	-	1.36	35.68
<b>Net (asset)/ liability in the balance sheet</b>	<b>3.06</b>	<b>1.36</b>	<b>35.68</b>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

iv) Expenses recognized in the profit and loss account

(₹ in crores)

Particulars	Gratuity	Gratuity	Medical
	(Funded)	(Unfunded)	Benefits
	Year ended 31	Year ended 31	Year ended 31
	March, 2011	March, 2011	March, 2011
Current service cost	3.98	0.38	3.96
Interest cost	3.07	0.13	3.56
Expected return on plan assets	(2.66)	-	-
Net actuarial loss /(gain) to be recognized	(0.45)	0.23	1.90
<b>Expense recognised in the profit and loss account</b>	<b>3.94</b>	<b>0.74</b>	<b>9.42</b>

(₹ in crores)

Particulars	Gratuity	Gratuity	Medical
	(Funded)	(Unfunded)	Benefits
	Year ended 31	Year ended 31	Year ended 31
	March, 2010	March, 2010	March, 2010
Current service cost	2.92	0.54	4.45
Past service cost	13.21	0.60	-
Interest cost	2.64	0.14	2.68
Expected return on plan assets	(2.56)	-	-
Net actuarial loss /(gain) to be recognized	(4.38)	0.27	5.90
<b>Expense recognised in the profit and loss account</b>	<b>11.83</b>	<b>1.55</b>	<b>13.03</b>

(₹ in crores)

Particulars	Gratuity	Gratuity	Medical
	(Funded)	(Unfunded)	Benefits
	Year ended 31	Year ended 31	Year ended 31
	March, 2009	March, 2009	March, 2009
Current service cost	2.50	0.40	4.03
Interest cost	2.04	0.04	2.52
Expected return on plan assets	(2.41)	-	-
Net actuarial loss /(gain) to be recognized	3.94	0.27	6.69
<b>Expense recognised in the profit and loss account</b>	<b>6.07</b>	<b>0.71</b>	<b>13.24</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

v) Categories of plan assets as a percentage of total plan assets

	<b>As at 31 March, 2011</b>	<b>As at 31 March, 2010</b>	<b>As at 31 March, 2009</b>
Corporate bonds	-	-	1.96%
State Government	-	-	8.28%
Insurer Managed Funds	100%	100%	89.76%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The Company's policy and objective for plan assets management is to maximize return on plan assets to meet future benefit payment requirements while at the same time accepting a low level of risk. The asset allocation for plan assets is determined based on the investment criteria approved under the Income Tax Act, 1961 and is also subject to other exposure limitations.

vi) Principal Actuarial assumptions

<b>Particulars</b>	<b>Gratuity (Funded) As at 31 March, 2011</b>	<b>Gratuity (Unfunded) As at 31 March, 2011</b>	<b>Medical Benefits (Unfunded) As at 31 March, 2011</b>
Discount rate	8.25%	8.25%	8.25%
Expected return on plan assets	8.00%	-	-
Increase in compensation cost	6.00%	6.00%	6.00%
Health care cost increase rate	-	-	2.00%
Attrition Rate	2.00%	-	-

<b>Particulars</b>	<b>Gratuity (Funded) As at 31 March, 2010</b>	<b>Gratuity (Unfunded) As at 31 March, 2010</b>	<b>Medical Benefits (Unfunded) As at 31 March, 2010</b>
Discount rate	8.25%	8.00% - 8.25%	8.25%
Expected return on plan assets	8.00%	-	-
Increase in compensation cost	6.00%	6.00%	6.00%
Health care cost increase rate	-	-	2.00%
Attrition Rate	2.00%	-	-

<b>Particulars</b>	<b>Gratuity (Funded) As at 31 March, 2009</b>	<b>Gratuity (Unfunded) As at 31 March, 2009</b>	<b>Medical Benefits (Unfunded) As at 31 March, 2009</b>
Discount rate	7.50% - 8.00%	7.75%	7.50%
Expected return on plan assets	8.00%	-	-
Increase in compensation cost	6.00% - 7.00%	5.00%	6.00%
Health care cost increase rate	-	-	2.00%
Attrition Rate	2.00%	-	-

The estimates of future compensation cost considered in the actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

vii) Experience Adjustment

(₹ in crores)

Particulars	Gratuity (Funded) As at 31 March, 2011	Gratuity (Unfunded) As at 31 March, 2011
Defined Benefit Obligation	52.45	1.70
Plan assets	48.86	-
Surplus / (deficit)	(3.59)	(1.70)
Exp. Adj. on Plan Liabilities loss/ (gain)	1.87	0.23
Exp. Adj. on Plan Assets gain/ (loss)	2.32	-

(₹ in crores)

Particulars	Gratuity (Funded) As at 31 March, 2010	Gratuity (Unfunded) As at 31 March, 2010
Defined Benefit Obligation	45.95	2.95
Plan assets	34.09	-
Surplus / (deficit)	(11.86)	(2.95)
Exp. Adj. on Plan Liabilities loss/ (gain)	(1.39)	0.27
Exp. Adj. on Plan Assets gain/ (loss)	0.60	-

(₹ in crores)

Particulars	Gratuity (Funded) As at 31 March, 2009	Gratuity (Unfunded) As at 31 March, 2009
Defined Benefit Obligation	33.35	1.36
Plan assets	30.29	-
Surplus / (deficit)	(3.06)	(1.36)
Exp. Adj. on Plan Liabilities loss/ (gain)	2.01	0.20
Exp. Adj. on Plan Assets gain/ (loss)	1.99	-

viii) Effect of change in Assumed Health Care Cost Trend Rate. A one – percentage – point change in assumed health care cost trend rates would have the following effects:

(₹ in crores)

Particulars	31 March, 2011		31 March, 2010		31 March, 2009	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Effect on service cost	0.39	0.39	0.44	0.48	0.44	0.43
Effect on interest cost	0.35	0.35	0.26	0.27	0.31	0.31
Effect on post employment benefit obligation	3.74	3.97	4.71	4.62	3.89	3.82

The Company expects to contribute ₹ 4.75 crores (2010: ₹ 14.19 crores) towards employer's contribution for funded defined benefit plans in 2011-12.

ix) **Leave Plan and Compensated absences**

Eligible employees can carry forward and encash leave on death, permanent disablement and resignation subject to maximum accumulation of 300 days.

The liability for leave encashment and compensated absences as at the year end is ₹ 70.53 crores (2010: ₹ 64.78 crores)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

The estimate salary future increases, considered in actuarial valuation, taken into account salary inflation, mortality, attrition and other relevant factors.

### (B) International

#### (a) Defined Contribution plans

The Group makes contribution to defined contribution retirement benefit plans under the provisions of section 401(k) of the Internal Revenue Code for USA employees, a Registered Retirement Savings Plan ("RRSP") for Canadian employees and a Group Stakeholder Pension plan ("GSPP") for UK employees. An amount of ₹ 15.31 crores (2010: ₹ 12.34 crores) is charged to Profit and loss account for the year ended 31 March, 2011.

In addition to above the Group has made a contribution of ₹ 14.17 crores (2010: ₹ 11.42 crores) in respect of Sepco, a joint venture with the Group.

#### (b) Defined Benefit Pension Plans

##### Pension

The Company has both a contributory and non-contributory defined benefit pension plans covering certain of its employees in Canada. The Company also has an unfunded Supplemental Employee Retirement Plan ("SERP") covering certain senior executives in Canada, closed on 13 February, 2006. The plan provides for defined benefit based on years of service and final average salary.

##### Health and Life insurance

The Group also assumed a post-retirement health care and life insurance plan for its current retirees and future retirees in the purchase of Teleglobe.

The details in respect of status of funding and the amounts recognized in the Company's financial statement as at 31 March, 2011 for these defined benefit schemes are as under:

i) Changes in the defined benefit obligation:

	Pension Plans			Health care and Life insurance Plans
	Contributory As at 31 March, 2011	Non- contributory As at 31 March, 2011	SERP As at 31 March, 2011	As at 31 March, 2011
Projected defined benefit obligation, beginning of the year (01 April, 2010)	387.05	347.64	13.17	7.70
Current Service cost	1.95	6.80	0.51	0.20
Interest cost	21.81	19.94	0.79	0.44
Benefits paid	(23.92)	(19.28)	-	(0.76)
Actuarial (gain)/loss	10.44	1.12	0.58	(0.43)
Effect of foreign exchange rate changes	(9.26)	(8.30)	(0.36)	(0.16)
<b>Projected benefit obligation at the end of the year</b>	<b>388.07</b>	<b>347.92</b>	<b>14.69</b>	<b>6.99</b>

(₹ in crores)

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

	<i>Pension Plans</i>			<i>Health care and Life insurance Plans</i>
	<i>Contributory As at 31 March, 2010</i>	<i>Non-contributory As at 31 March, 2010</i>	<i>SERP As at 31 March, 2010</i>	<i>As at 31 March, 2010</i>
Projected defined benefit obligation, beginning of the year (01 April, 2009)	283.70	238.02	7.84	7.33
Current Service cost	1.70	5.88	0.34	0.10
Interest cost	23.55	20.04	0.70	0.60
Benefits paid	(22.65)	(21.09)	-	(0.95)
Actuarial (gain)/loss	73.79	81.77	3.50	(0.04)
Effect of foreign exchange rate changes	26.96	23.02	0.79	0.66
<b>Projected benefit obligation at the end of the year</b>	<b>387.05</b>	<b>347.64</b>	<b>13.17</b>	<b>7.70</b>

(₹ in crores)

	<i>Pension Plans</i>			<i>Health care and Life insurance Plans</i>
	<i>Contributory As at 31 March, 2009</i>	<i>Non-contributory As at 31 March, 2009</i>	<i>SERP As at 31 March, 2009</i>	<i>As at 31 March, 2009</i>
Projected defined benefit obligation, beginning of the year (01 April, 2008)	351.30	297.46	11.17	8.41
Current Service cost	2.03	8.08	0.45	0.13
Interest cost	20.54	17.68	0.69	0.49
Benefits paid	(21.89)	(21.18)	(0.21)	(0.96)
Actuarial (gain)/loss	(81.39)	(75.14)	(4.68)	(1.05)
Effect of foreign exchange rate changes	13.11	11.12	0.42	0.31
<b>Projected benefit obligation at the end of the year</b>	<b>283.70</b>	<b>238.02</b>	<b>7.84</b>	<b>7.33</b>

(₹ in crores)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

ii) Changes in the fair value of plan assets for pension plans

(₹ in crores)

	Pension Plans	
	Contributory As at 31 March, 2011	Non-Contributory As at 31 March, 2011
Fair value of plan assets, beginning of the year	500.95	373.68
Actual return on plan assets	27.05	20.79
Contributions	-	23.57
Benefits paid	(23.92)	(19.28)
Actuarial gain / (loss)	18.81	17.87
Effect of foreign exchange rate changes	(12.24)	(9.90)
<b>Fair value of plan assets, end of the year</b>	<b>510.65</b>	<b>406.73</b>

(₹ in crores)

	Pension Plans	
	Contributory As at 31 March, 2010	Non-Contributory As at 31 March, 2010
Fair value of plan assets, beginning of the year	440.95	317.06
Actual return on plan assets	25.37	18.59
Contributions	-	17.52
Benefits paid	(22.65)	(21.09)
Actuarial gain / (loss)	17.11	12.48
Effect of foreign exchange rate changes	40.17	29.12
<b>Fair value of plan assets, end of the year</b>	<b>500.95</b>	<b>373.68</b>

(₹ in crores)

	Pension Plans	
	Contributory As at 31 March, 2009	Non-Contributory As at 31 March, 2009
Fair value of plan assets, beginning of the year	460.90	321.79
Actual return on plan assets	25.82	18.29
Contributions	-	15.42
Benefits paid	(21.89)	(21.18)
Actuarial gain / (loss)	(40.66)	(28.92)
Effect of foreign exchange rate changes	16.78	11.66
<b>Fair value of plan assets, end of the year</b>	<b>440.95</b>	<b>317.06</b>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

iii) The amounts recognized in the Balance sheet is as follows:

	<b>Pension Plans</b>			<b>Health care and Life insurance Plans</b>
	<b>Contributory As at 31 March, 2011</b>	<b>Non-contributory As at 31 March, 2011</b>	<b>SERP As at 31 March, 2011</b>	<b>As at 31 March, 2011</b>
Present value of funded obligations	388.07	347.92	-	-
Fair value of plan assets	(510.65)	(406.73)	-	-
Present value of unfunded obligations	-	-	14.70	6.99
<b>Net (asset)/liability in balance sheet</b>	<b>(122.58)</b>	<b>(58.81)</b>	<b>14.70</b>	<b>6.99</b>
				(₹ in crores)
	<b>Pension Plans</b>			<b>Health care and Life insurance Plans</b>
	<b>Contributory As at 31 March, 2010</b>	<b>Non-contributory As at 31 March, 2010</b>	<b>SERP As at 31 March, 2010</b>	<b>As at 31 March, 2010</b>
Present value of funded obligations	387.05	347.64	-	-
Fair value of plan assets	(500.95)	(373.68)	-	-
Present value of unfunded obligations	-	-	13.17	7.70
<b>Net (asset)/liability in balance sheet</b>	<b>(113.90)</b>	<b>(26.04)</b>	<b>13.17</b>	<b>7.70</b>
				(₹ in crores)
	<b>Pension Plans</b>			<b>Health care and Life insurance Plans</b>
	<b>Contributory As at 31 March, 2009</b>	<b>Non-contributory As at 31 March, 2009</b>	<b>SERP As at 31 March, 2009</b>	<b>As at 31 March, 2009</b>
Present value of funded obligations	283.70	238.03	-	-
Fair value of plan assets	(440.95)	(317.06)	-	-
Present value of unfunded obligations	-	-	7.84	7.33
<b>Net (asset)/liability in balance sheet</b>	<b>(157.25)</b>	<b>(79.03)</b>	<b>7.84</b>	<b>7.33</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

- iv) The components of pension expense recognized in the Profit and Loss account for the year ended 31 March, 2011, 2010 and 2009:

(₹ in crores)

	Year ended 31 March, 2011	Year ended 31 March, 2010	Year ended 31 March, 2009
Current service cost	9.47	8.02	10.69
Interest cost	42.98	44.89	39.40
Actual return on plan assets	(47.84)	(43.96)	(44.11)
Net Actuarial loss/(gain) recognized	(24.97)	125.62	(92.68)
Effect of foreign exchange rate changes(Net)	2.05	(39.03)	34.65
<b>Total</b>	<b>(18.31)</b>	<b>95.54</b>	<b>(52.05)</b>

- v) Categories of plan assets as a percentage of total plan assets:

Category of assets	As at 31 March, 2011	As at 31 March, 2010	As at 31 March, 2009
Debt securities	89.00%	76.00%	76.00%
Equity securities	10.00%	19.00%	19.00%
Short term investments	1.00%	5.00%	5.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The Company uses an active management style to manage short-term securities, Canadian equities and international equities. Canadian bonds, US equities and the asset mix are managed passively. To accomplish this, the Company has entrusted this task to a professional investment manager. The management mandate defines the targeted asset allocation and the parameters for evaluating the manager performance.

- vi) The assumptions used for the pension plans and the other benefit plans on a weighted-average basis are as follows:

Assumptions	As at 31 March, 2011	As at 31 March, 2010	As at 31 March, 2009
Discount rate used for benefit costs	5.75%	8.00%	5.75%
Discount rate used for benefit obligations	5.50%	5.75%	8.00%
Expected long-term return on plan assets	5.50%	5.50%	5.50%
Inflation	2.25%	2.25%	2.50%
Rate of compensation increase	3.25%	3.25%	3.50%
Asset valuation method	Market Value	Market Value	Market Value

- vii) The health care cost trend rate has a significant effect on the amounts reported. The assumed health care trend rate used to determine the accumulated post-retirement benefit obligation calculated as at 31 March, 2011 is 9.30% (2010: 9.30%). A one-percentage-point change in assumed health care cost trend rates would have the following effects:

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

(₹ in crores)

Particulars	31 March, 2011		31 March, 2010		31 March, 2009	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Effect on service cost	0.04	0.03	0.02	0.01	0.03	0.02
Effect on interest cost	0.04	0.03	0.04	0.04	0.04	0.04
Effect on post-employment benefit obligation	0.67	0.59	0.61	0.54	0.47	0.42

The Group expects to contribute ₹ 15.77 crores (2010: ₹ 21.52 crores) to its defined benefit plans in 2011-12.

The estimate salary future increases, considered in actuarial valuation, taken into account inflation, seniority, promotion and other relevant factors.

**15. Cash and cash equivalents represent :-**

(₹ in crores)

	As at 31 March, 2011	As at 31 March, 2010
Cash and Cheques on hand and balances held with banks	564.98	209.71
Remittances in transit	0.02	2.57
Deposit accounts held with banks	156.91	71.83
	<b>721.91</b>	<b>284.11</b>
Less: Deposits with original maturity over three months	(1.19)	(1.67)
Less: Current Account / Deposits held for unpaid dividends	(0.51)	(0.60)
Less: Deposit accounts held as margin money	(7.88)	(17.01)
Less: Other Restricted Cash	(7.67)	(7.46)
<b>Cash and cash equivalents</b>	<b>704.66</b>	<b>257.37</b>

**16. Deferred tax liability (net):**

The significant components of deferred tax asset and liability consist of the following

(₹ in crores)

	As at 31 March, 2011	As at 31 March, 2010
<b>A. Deferred tax liability/(assets) (Net)</b>		
Difference between accounting and tax depreciation	357.34	357.43
Provision for Leave Encashment	(14.93)	(12.17)
Provision for doubtful debts	(53.28)	(33.53)
Provision for Bonus	(14.20)	(5.24)
Expenditure incurred on NLD and EGO licence fees	(17.08)	(19.22)
Unearned income / deferred revenues	(80.89)	(72.44)
Interest accrued on Secured Debenture issued to Public Financial Institutions	(15.07)	-
Expenditure disallowed u/s. 40 (a) (ia)	(15.37)	-
Interest received on provisional income-tax assessment	(7.81)	-
Carried Forward Net Operating Losses	(10.28)	(6.36)
Provisions for post employment benefit and Leave encashment pursuant to the transitional provisions of AS-15	-	(8.94)
Others	(3.74)	(1.41)
<b>Net Deferred Tax Liability</b>	<b>124.69</b>	<b>198.12</b>
<b>Deferred tax asset (net)</b>	11.83	-
<b>Deferred tax liability (net)</b>	136.52	198.12

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

<b>B. Statement of Deferred tax charge for the year</b>	<b>As at 31 March, 2011</b>
Opening Deferred Tax liability (net)	198.12
Add: Adjustments to current income tax provisions	27.42
Add: Others	0.16
Less: Current year deferred tax adjusted	(101.01)
Closing Deferred Tax liability (net)	<b>124.69</b>

### 17. Auditors Remuneration

	(₹ in crores)	
	<b>Year ended 31 March, 2011</b>	<b>Year ended 31 March, 2010</b>
<b>Auditor's remuneration and expenses</b>		
i. Audit fees	1.22	1.22
ii. Tax Audit fees	0.21	0.26
iii. Other professional services	0.69	0.41
iv. Service tax *	0.20	0.23

Auditors' remuneration excludes fees of ₹ 10.43 crores (including ₹0.23 crores payable / paid for erstwhile Tata Communications Internet Services Limited) (2010: ₹ 7.83 crores) payable / paid for professional services to a firm of chartered accountants in which some partners of the firm of statutory auditors are partners.

\* Service tax credit has been availed of.

### 18. Earnings per Share

	(₹ in crores)	
	<b>Year ended 31 March, 2011</b>	<b>Year ended 31 March, 2010</b>
Net (Loss) after tax attributable to the equity shareholders (A)	(776.90)	(597.74)
Number of equity shares outstanding at the end of the year	285,000,000	285,000,000
Weighted average number of shares outstanding during the year (B)	285,000,000	285,000,000
Basic and diluted earnings per share (₹ per equity share of ₹ 10 each) (A/B)	(27.26)	(20.97)

### 19. Segment Reporting

#### Business Segments

Effective 01 April, 2010, the Company's reportable business segments have been re-aligned into Global Voice Solutions, Global Data and Managed Services (GDMS) and Others to reflect change in the Company's Business and Organization Structure. Accordingly, all network and managed services in the Company and its subsidiaries have been aligned to GDMS and Joint Ventures and Retail Business have been aligned to Others.

The composition of the reportable segments is as follows:

- a. Global Voice Services (GVS): includes International and National Voice services.
- b. Global Data Management Services (GDMS): includes corporate data transmission services like International Private Leased Circuits (IPLC), Frame Relay (FR), Internet Leased Line Circuits (ILL) and National Private Leased Circuits (NPLC), Virtual Private Network, Data Centre, TV up-linking, Transponder lease Corporate Internet Telephony (CIT) and other services

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

- c. Others: includes services by joint ventures and Retail business.

(₹ in crores)

	Year ended 31 March, 2011			Total
	GVS	GDMS	Others	
Revenues from Telecommunications and Other Services	6,525.89	4,615.91	790.19	11,931.99
Segment Results	<u>1,014.17</u>	<u>3,382.64</u>	<u>407.41</u>	<u>4,804.22</u>
Unallocable expenses (net)				(5,536.29)
Non Cash Expenses (Unallocable)				92.49
Profit/(Loss) before taxes and exceptional items				(639.58)
Exceptional Items (includes non-cash expenses of ₹ 25.15 crores)				(67.12)
Profit/(Loss) before taxes				(706.70)
Tax (expense)/benefits				8.78
Profit/(Loss) after taxes				(697.92)
Minority interest – Share of Loss (Net)				105.62
Share in Loss of Associates				(184.60)
<b>Net Profit/(Loss)</b>				<b><u>(776.90)</u></b>

(₹ in crores)

	Year ended 31 March, 2010			Total
	GVS	GDMS	Others	
Revenues from Telecommunications and Other Services	6,131.94	4,205.41	688.21	11,025.56
Segment Results	<u>1,136.39</u>	<u>3,005.43</u>	<u>414.75</u>	<u>4,556.57</u>
Unallocable expenses (net)				(5,310.83)
Non Cash Expenses (Unallocable)				(145.21)
Profit/(Loss) before taxes and exceptional items				(899.47)
Exceptional Items				218.28
Profit/(Loss) before taxes				(681.19)
Tax (expense)/benefits				142.39
Profit/(Loss) after taxes				(538.80)
Minority interest – Share of Loss (Net)				88.60
Share in Loss of Associates				(147.54)
<b>Net Profit/(Loss)</b>				<b><u>(597.74)</u></b>

- i) Revenues and expenses, which are directly identifiable to segments, are attributed to the relevant segment. Expenses on rent of satellite channels and landlines, and royalty and licence fees are allocated on the basis of usage. Expenses on Leased Circuits acquired for Backbone and Access is allocated on the basis of revenue. Segment result is segment revenues less segment expenses. Certain costs, including depreciation which are not allocable to segments have been classified as "Unallocable expense (net)".
- ii) Telecommunication services are provided utilizing the Group assets which do not generally make a distinction between the types of services. 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.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

(₹ in crores)

### Geographical Segment:

#### Segment Revenue by Geographical Market

	Year ended 31 March, 2011	Year ended 31 March, 2010
India	3,081.23	2,850.86
United States of America	1,779.66	1,936.25
United Kingdom	1,282.80	1,172.20
South Africa	727.75	526.76
Canada	587.64	427.51
Germany	358.65	355.68
Netherlands	115.46	94.76
Spain	210.85	137.05
Saudi Arabia	213.57	176.09
France	162.28	125.21
Hong Kong	172.80	178.73
United Arab Emirates	123.00	84.03
Singapore	231.97	204.45
Bermuda	79.05	129.17
Others	2,805.28	2,626.81
	<b>11,931.99</b>	<b>11,025.56</b>

### 20. Related Party Disclosures

(a) List of related parties and relationship:

Sr. No	Category of related parties	Names
i)	Investing party (Promoters)	Panatone Finvest Limited Tata Sons Limited
ii)	Key Managerial Personnel:	Mr. N.Srinath - Managing Director and Chief Executive Officer (till 31 January, 2011) Mr. Vinod Kumar - Managing Director & Group CEO (w.e.f 01 February, 2011)
iii)	Joint Ventures:	United Telecom Ltd. SEPCO Communications Pty. Ltd. (including its direct and indirect subsidiaries - Neotel(Pty)Ltd.and Neotel Business Support Services (Pty.) Ltd. Cochin Submarine Cable Depot (India) Private Limited
iv)	Associates:	Neotel (Pty.) Ltd Bit Gravity Inc (Till 15 February 2011)

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

(b) Related party transactions

i. Summary of transactions with related parties.

(₹ in crores)

	<b>Key Investing Company</b>	<b>Joint Managerial Personnel</b>	<b>Venture / Associate</b>	<b>Total</b>
<b><u>Transactions</u></b>				
<u>Dividend Paid</u>	- 61.06	- -	- -	- 61.06
<u>BEBP Expenses</u>	<b>11.17</b> 10.28	- -	- -	<b>11.17</b> 10.28
<u>Revenues from Telecommunication services</u>	<b>1.10</b> 1.16	- -	<b>66.48</b> 52.94	<b>67.58</b> 54.10
<u>Network Cost</u>	- -	- -	<b>100.20</b> 95.91	<b>100.20</b> 95.91
<u>Services received</u>	- 0.01	- -	<b>0.56</b> 0.55	<b>0.56</b> 0.56
<u>Interest Income</u>	- -	- -	<b>40.17</b> 31.71	<b>40.17</b> 31.71
<u>Loan given (Net)</u>	- -	- -	<b>153.17</b> 104.36	<b>153.17</b> 104.36
<u>Advances given by the Company</u>	- -	- -	- 0.08	- 0.08
<u>Advances repaid by the Company</u>	- -	- -	- -	- -
<u>Managerial Remuneration</u>	- -	<b>14.86</b> 8.68	- -	<b>14.86</b> 8.68
<b><u>Balances</u></b>				
<u>Receivables</u>	<b>0.35</b> 0.08	- -	<b>119.91</b> 93.20	<b>120.26</b> 93.28
<u>Payables</u>	<b>11.13</b> 11.22	<b>5.40</b> 0.75	<b>93.98</b> 42.91	<b>110.51</b> 54.88
<u>Loans Given</u>	- -	- -	<b>459.12</b> 305.94	<b>459.12</b> 305.94
<u>Advance Receivable</u>	- -	- -	<b>1.33</b> 1.40	<b>1.33</b> 1.40

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

ii) Details of material transactions with related parties

(₹ in crores)

	Key Investing Company	Joint Managerial Personnel	Venture / Associate	Total
<b>Transactions</b>				
<u>Dividend Paid</u>				
Panatone Finvest Limited	-	-	-	-
	47.10	-	-	47.10
Tata Sons Limited	-	-	-	-
	13.96	-	-	13.96
<u>BEBP Expenses</u>				
Tata Sons Limited	11.17	-	-	11.17
	10.28	-	-	10.28
<u>Revenues from Telecommunication services</u>				
United Telecom Limited	-	-	7.51	7.51
	-	-	3.22	3.22
Neotel Pty Ltd.	-	-	55.85	55.85
	-	-	46.98	46.98
<u>Network Cost</u>				
United Telecom Limited	-	-	49.62	49.62
	-	-	42.60	42.60
Bit Gravity Inc	-	-	1.43	1.43
	-	-	17.74	17.74
Neotel Pty Ltd.	-	-	49.15	49.15
	-	-	35.57	35.57
<u>Services received</u>				
Neotel Pty Ltd.	-	-	0.56	0.56
	-	-	0.55	0.55
<u>Interest Income</u>				
SEPCO Communications Pty. Ltd.	-	-	18.62	18.62
	-	-	12.25	12.25
Neotel Pty Ltd.	-	-	21.55	21.55
	-	-	18.65	18.65
<u>Loan given (Net)</u>				
SEPCO Communications Pty. Ltd.	-	-	73.89	73.89
	-	-	62.31	62.31
Neotel Pty Ltd.	-	-	79.28	79.28
	-	-	42.05	42.05
<u>Advances given by the Company</u>				
Cochin Submarine Cable Depot (India) Private Limited	-	-	-	-
	-	-	0.08	0.08

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

(₹ in crores)

	<b>Key Investing Company</b>	<b>Joint Managerial Personnel</b>	<b>Venture / Associate</b>	<b>Total</b>
<u>Managerial Remuneration</u>				
N. Srinath	-	<b>1.81</b>	-	<b>1.81</b>
	-	<i>1.60</i>	-	<i>1.60</i>
Vinod Kumar	-	<b>13.05</b>	-	<b>13.05</b>
	-	<i>7.08</i>	-	<i>7.08</i>
<b>Balances</b>				
<u>Receivables</u>				
Neotel Pty Ltd.	-	-	<b>76.12</b>	<b>76.12</b>
	-	-	<i>66.80</i>	<i>66.80</i>
SEPCO Communications Pty. Ltd.	-	-	<b>43.43</b>	<b>43.43</b>
	-	-	<i>23.91</i>	<i>23.91</i>
<u>Payables</u>				
Neotel Pty Ltd.	-	-	<b>83.08</b>	<b>83.08</b>
	-	-	<i>28.24</i>	<i>28.24</i>
N. Srinath	-	<b>0.85</b>	-	<b>0.85</b>
	-	<i>0.75</i>	-	<i>0.75</i>
Vinod Kumar	-	<b>4.55</b>	-	<b>4.55</b>
	-	-	-	-
Bit Gravity Inc	-	-	-	-
	-	-	<i>7.99</i>	<i>7.99</i>
United Telecom Limited	-	-	<b>10.90</b>	<b>10.90</b>
	-	-	<i>6.68</i>	<i>6.68</i>
Tata Sons Limited	<b>11.13</b>	-	-	<b>11.13</b>
	<i>11.22</i>	-	-	<i>11.22</i>
<u>Loans Given</u>				
SEPCO Communications Pty. Ltd.	-	-	<b>206.19</b>	<b>206.19</b>
	-	-	<i>132.30</i>	<i>132.30</i>
Neotel Pty Ltd.	-	-	<b>252.93</b>	<b>252.93</b>
	-	-	<i>173.64</i>	<i>173.64</i>
<u>Advance Receivable</u>				
Neotel Pty Ltd.	-	-	<b>1.33</b>	<b>1.33</b>
	-	-	<i>1.32</i>	<i>1.32</i>

Note:

- Figures in *italic* are in respect of the previous year
- The un-eliminated portion of transactions and balances with joint ventures has been disclosed for purpose of related party disclosures.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

### 21. Operating lease arrangements:

#### (a) As lessee:

	<i>(₹ in crores)</i>	
	<b>Year ended 31 March, 2011</b>	<b>Year ended 31 March, 2010</b>
Minimum lease payments under operating leases recognized as expense in the year	387.82	397.57

At the balance sheet date, minimum lease payments under non- cancellable operating leases fall due as follows:

	<i>(₹ in crores)</i>	
	<b>Year ended 31 March, 2011</b>	<b>Year ended 31 March, 2010</b>
Due not later than one year	278.66	401.79
Due later than one year but not later than five years	899.96	843.18
Later than five years	688.97	632.42
	<b><u>1,867.59</u></b>	<b><u>1,877.39</u></b>

Operating lease payments represent rentals payable by the Company for certain buildings, satellite channels, office equipments, computer equipments and certain circuit capacities.

The minimum future lease payments have not been reduced by minimum operating sublease rentals of ₹ 2.82 crores (2010: ₹ 11.40 crores) due in the future under non-cancellable subleases for certain buildings, which primarily commenced in January, 2002 and extend until 31 July, 2011. ₹ 8.66 crores (2010: ₹ 9.02 crores) was recognized in the current year as minimum sublease rental against the same.

#### (b) As lessor:

The Company has leased under operating lease arrangements certain Indefeasible Right of Use (IRU) with gross carrying amount and accumulated depreciation of ₹ 50.45 crores (2010: ₹ 50.45 crores) and ₹ 21.62 crores (2010: ₹ 18.25 crores) respectively as at 31 March, 2011. Depreciation expense of ₹ 3.37 crores (2010: ₹ 3.36 crores) in respect of these assets has been charged in the profit and loss account for the year ended 31 March, 2011.

In case of certain lease arrangements aggregating ₹ 380.85 crores (2010: ₹ 331.85 crores) for the year ended 31 March, 2011, the gross block, accumulated depreciation and depreciation expenses of the assets given on IRU basis is not readily determinable and hence not disclosed. The lease rentals associated with such IRU arrangements for the year ended 31 March, 2011 amount to ₹ 10.65 crores (2010: ₹ 27.74 crores).

In respect of the above, rental income of ₹ 14.65 crores (2010: ₹ 31.74 crores) has been recognized in the profit and loss account for the year ended 31 March, 2011.

Future lease rental receipts will be recognized in the profit and loss account of subsequent years as follows:

	<i>(₹ in crores)</i>	
	<b>Year ended 31 March, 2011</b>	<b>Year ended 31 March, 2010</b>
Not later than one year	30.32	30.96
Later than one year but not later than five years	112.41	120.62
Later than five years	182.41	138.90
	<b><u>325.14</u></b>	<b><u>290.48</u></b>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**
**22. Finance Lease arrangements:**
**(a) As Lessee**

As on 31 March, 2011, assets under finance leases with gross carrying amount and accumulated depreciation of ₹ 119.32 crores (2010: ₹ 85.42 crores) and ₹ 79.69 crores (2010: ₹ 56.77 crores) respectively, are included in the total fixed assets. The net carrying amount of each class of asset under finance leases is as follows:

(₹ in crores)

	Gross carrying amount		Accumulated Depreciation		Net carrying amount	
	As at 31 March,		As at 31 March,		As at 31 March,	
	2011	2010	2011	2010	2011	2010
Building	40.71	41.20	17.70	6.99	23.01	34.21
Plant and Machinery	60.35	65.70	45.78	41.90	14.57	23.80
Furniture and Fixtures	4.23	4.26	2.18	1.77	2.05	2.49
Computers	14.03	13.62	14.03	12.91	-	0.71
	<b>119.32</b>	<b>124.78</b>	<b>79.69</b>	<b>63.57</b>	<b>39.63</b>	<b>61.21</b>

**23. Provision for Contingencies:**

(₹ in crores)

	31 March, 2011			31 March, 2010		
	Asset Retirement Obligation ("ARO")	Others	Total	Asset Retirement Obligation ("ARO")	Others	Total
Balance as at beginning of the year	54.59	9.00	63.59	33.86	9.00	42.86
Provision made during the year	5.71	-	5.71	2.18	-	2.18
Payment made during the year	(0.01)	-	(0.01)	-	-	-
Liability incurred in current year	3.56	-	3.56	22.73	-	22.73
Effect of change in foreign exchange rate	(0.62)	-	(0.62)	(3.94)	-	(3.94)
Provisions no longer required written back	-	-	-	(0.24)	-	(0.24)
Balance as at end of the year	<b>63.23</b>	<b>9.00</b>	<b>72.23</b>	<b>54.59</b>	<b>9.00</b>	<b>63.59</b>

Notes:

- 1) The provision for ARO has been recorded in the books of the Group in respect of undersea cables and switches owned by the Group.
- 2) Others include amounts provided towards claims made by creditors of the Group.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

### 24. Contingent Liabilities and Capital Commitments

#### Contingent Liabilities:

	As at 31 March, 2011	As at 31 March, 2010
(₹ in crores)		
i. Claims for taxes on income (Refer Note 1)		
(a) Income tax disputes where the department is in appeal against the Company	1,009.60	322.00
(b) Income tax disputes where the Company has a favourable decision in other assessment year for the same issue	1.79	22.39
(c) Income tax disputes other than the above	1,696.91	1,489.67
ii. Claims for other taxes	123.30	118.08
iii. Other claims	512.05	575.12

#### Notes:

- (1) Significant claims by the revenue authorities in respect of income tax matters relate to:
  - a. Deductions claimed under Section 80 IA of the Income Tax Act, 1961 from Assessment years 1996-97 onwards and disallowed by the revenue authorities. The Company has contested the disallowances and has preferred appeals which are pending.
  - b. The Company has taken appropriate professional advice in respect of the claims / appeals and has taken all necessary steps to protect its interest. Based on expert opinion, no provision is required in respect of these claims / appeals.
- (2) In April, 2010, the Company voluntarily disclosed to the U.S. Department of Justice and the U.S. Securities and Exchange Commission the results of an internal investigation conducted by outside counsel for the Company relating to the activities of a reseller of the Company. The internal investigation found evidence that the reseller may have offered and made improper payments to officials of a government purchaser in a Southeast Asian country in connection with the resale of the Company's products. The investigation also found evidence that the Company's sales consultant in the country was aware of the reseller's potentially improper activities. Such activities may have violated the U.S. Foreign Corrupt Practices Act. The investigation did not reveal any prior involvement or knowledge regarding these activities by any officer or director of the Company or its subsidiary. The Company has taken remedial action, including terminating its relationship with the sales consultant and with the reseller. The Company cannot predict the ultimate consequences of these matters at this time, nor can we reasonably estimate the potential liability, if any, related to these matters. However, based on the facts currently known, we do not believe that these matters will have a material adverse effect on our business, financial condition, results of operations or cash flow.
- (3) The subsidiaries of the Company in various geographies are routinely party to suits for collection, commercial disputes, claims from customers and/or suppliers over reconciliation of payments for voice minutes, circuits, Internet bandwidth and/or access to the public switched telephone network, leased equipment, and claims from estates of bankrupt companies alleging that we received preferential payments from such companies prior to their bankruptcy filings. While management currently believes that resolving such suits and claims, individually or in aggregate, will not have a material adverse impact on the Company's financial position, the FCPA investigations noted above are subject to inherent uncertainties and management's view of this matter may change in the future. Were an unfavorable final outcome to occur, such an outcome could have a material adverse impact on the Company's financial position and results of operations for the period in which the effect becomes reasonably estimable.

#### Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 1,224.75 crores (2010: ₹ 2,413.22 crores).

Capital Commitment towards associate is ₹ NIL (2010: ₹ 121.32 crores).

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

25. United Telecom Limited (UTL) is a Joint Venture between the Company, Mahanagar Telephone Nigam Limited, Telecommunications Consultant India Limited and Nepal Ventures Private Limited. The Company has 26.66 percent equity ownership in UTL. UTL operates basic telephony services in Nepal based on Wireless-in-local loop technology. The Company's share in income, expenses, assets and liabilities based on the uniform accounting policy adopted by the Company and after inter-company eliminations based on management accounts for the year ended 31 March, 2011 and 31 March, 2010 are as follows:

	<b>As at</b>	<b>As at</b>
	<b>31 March, 2011</b>	<b>31 March, 2010</b>
		<i>(₹ in crores)</i>
<b>LIABILITIES :</b>		
1 Reserves and Surplus	(29.14)	(30.03)
2 Secured Loan	2.82	8.37
3 Unsecured Loan	6.33	6.95
4 Deferred Tax Liability (Net)	3.18	-
<b>ASSETS :</b>		
5 Fixed Assets		
(a) Gross Block	56.61	47.28
(b) Less: Accumulated Depreciation	25.85	20.21
(c) Net Block	30.76	27.07
(d) Capital work-in-progress	0.52	6.54
	31.28	33.61
6 A. Current Assets		
(a) Inventories	1.19	1.15
(b) Sundry Debtors	2.60	4.58
(c) Cash and Bank Balances	2.83	1.82
(d) Other Current Assets	9.52	0.66
	16.14	8.21
B. Loans And Advances	1.85	1.34
	17.99	9.55
7 Less: Current Liabilities	18.78	10.15
8 Net Current assets	(0.79)	(0.60)
		<i>(₹ in crores)</i>
	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March, 2011</b>	<b>31 March, 2010</b>
<b>INCOME</b>		
1 Traffic Revenue	17.07	11.55
2 Other Income	-	-
3 Interest Income	0.33	0.09
<b>Total Income</b>	<b>17.40</b>	<b>11.64</b>
<b>EXPENDITURE</b>		
4 Salaries and Related Costs	1.02	0.86
5 Network Costs	13.34	13.20
6 Operating and Other Expenses	6.00	4.23
7 Interest Expense	1.48	1.82
8 Depreciation	5.74	4.79
<b>Total Expenditure</b>	<b>27.58</b>	<b>24.90</b>
<b>CONTINGENT LIABILITIES</b>		
(i) Claims for other Taxes	-	-
(ii) Other Claims	-	-
	-	-

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

26. As at 31 March, 2011, the Company through its wholly owned subsidiary, VSNL SNOSPV Pte. Ltd., has 43.16 percent (2010: 43.16 percent) ownership in the issued and paid-up share capital of the Joint Venture SEPCO Communications (Pty) Ltd. (Sepco)

(i) SEPCO is an investment company which has acquired 51 percent controlling stake in the issued and paid-up share capital of Neotel (Pty.) Ltd, the licenced second network operator in South Africa. The Company's share in income, expenses, assets and liabilities based on the uniform accounting policy adopted by the Company and after inter-company eliminations for the year ended 31 March, 2011 and 31 March, 2010 are as follows:

		(₹ in crores)	
		As at 31 March, 2011	As at 31 March, 2010
<b>LIABILITIES:</b>			
1	Reserves and Surplus	(1,253.16)	(641.63)
2	Secured Loan	1,148.89	858.71
3	Unsecured Loan	424.64	274.73
<b>ASSETS</b>			
4	Fixed Assets		
	(a) Gross Block	1,028.70	805.90
	(b) Less: Accumulated Depreciation	332.72	194.37
	(c) Net Block	695.98	611.53
	(d) Capital work-in-progress	195.28	161.21
		891.26	772.74
5	Investments	2.71	-
6	A. Current Assets		
	(a) Inventories	8.99	30.74
	(b) Sundry Debtors	69.61	108.26
	(c) Cash and Bank Balances	28.93	33.16
	(d) Other Current Assets	202.47	123.40
		310.00	295.55
	B. Loans And Advances	61.72	69.30
		371.72	364.85
7	Less: Current Liabilities and provisions		
	(a) Current Liabilities	279.56	257.35
	(b) Provisions	30.71	25.84
		310.27	283.19
8	Net (Current Liabilities)/Assets	61.45	81.66
(₹ in crores)			
		Year ended 31 March, 2011	Year ended 31 March, 2010
<b>INCOME</b>			
1	Traffic Revenue	594.38	453.61
2	Other Income	(3.44)	(18.36)
3	Interest Income	6.06	5.24
	<b>Total Income</b>	<b>597.00</b>	<b>440.49</b>
<b>EXPENDITURE</b>			
4	Salaries and Related Costs	152.46	116.18
5	Network Cost	364.03	256.27
6	Operating and Other Expenses	228.53	194.78
7	Interest Expenses	163.10	150.96
8	Depreciation	119.95	96.82
	<b>Total Expenditure</b>	<b>1,028.07</b>	<b>815.01</b>
<b>CONTINGENT LIABILITIES</b>			
	(i) Claims for other Taxes	-	-
	(ii) Other Claims	-	-
		-	-

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)****27. Derivative Transactions**

The Company uses forward exchange contracts and interest rate swaps to hedge its exposure in foreign currency and interest rates. The information on derivative instruments outstanding as at 31 March, 2011 is as follows;

**(a) Outstanding forward contracts and options as on 31 March, 2011**

	Amount (Foreign Currency in millions)	Buy / Sell	Amount (₹ in crores)
Forward Exchange Contract ( Net)			
USD/ INR	146.56	Sell	653.68
CAD/ INR	0.13	Sell	0.62
Euro/ INR	0.11	Sell	0.71
GBP/ INR	0.22	Sell	1.57
GBP/ USD	5.69	Sell	40.84
Euro/ USD	1.00	Sell	6.34
			703.76

**(b) Interest Rate Swaps to hedge against fluctuations in interest rate changes as at 31 March, 2011**

The Company uses interest rate swaps to manage the market risks associated to interest rate movements relating to its variable-rate long-term debt. As of 31 March, 2011 the company had outstanding 6 contracts related to interest rate swaps to convert the variable interest rate of its long term debt to fixed rate. The total notional amount of swaps is US\$ 175 million which is related to the variable rate long-term debts denominated in US\$.

- 28.** In terms of a Shareholders' Agreement dated January, 2009 by and between the shareholders of Neotel, the Company had agreed to support Two Telecom Consortium (Pty) Limited (2TC), one of the parties to the said Shareholders' Agreement. The relevant provisions of the said Shareholders' Agreement, inter alia, provided that, in the event 2TC were not be in a position to fund the calls made by Neotel under the subscription agreement, the Company agreed to pay the amount of the call pro-rata to the share of 2TC with 2TC agreeing to dilute proportionately at par. As per this provision, 2TC being unable to fund, requested the Company and the Company (through its subsidiary, VSNL SNO SPV Pty Ltd.) paid an amount of ZAR 112,708,524 (excluding interest element) as at 31 March, 2011 towards such calls pro-rata to the share of 2TC. As of 31 March, 2011 the transaction awaited approval of Governmental authorities and therefore, transfer of the diluted stake could not be given effect to. In the meanwhile, 2TC offered their entire stake in Neotel for sale under the pre-emption provisions of the said Shareholders' Agreement to the other shareholders, which stake was purchased by the Company effective 11 April, 2011.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

(₹ in crores)

Sl.No.	Name of the subsidiary company	Reporting currency	Share Capital	Reserves	Total Assets	Total Liabilities	Investment Details (except in case of investment in the subsidiaries)	Total Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
1.	Tata Communications Banking Infra Solutions Limited	INR	75.00	(26.95)	115.05	67.00	30.45	41.12	(16.89)	-	(16.89)	-
2	Tata Communications Transformation Services Limited	INR	0.50	51.56	59.03	6.96	16.03	116.54	13.81	0.43	13.38	-
3	S&A Internet Services Pvt. Ltd.	INR	0.01	(0.50)	0.73	1.22	-	0.04	(0.12)	0.00	(0.13)	-
4	VSNL SNOSPV Pte Ltd	USD	121.99	10.66	966.23	833.57	208.75	-	41.66	5.04	36.63	-
5	Tata Communications Lanka Limited	LKR	8.24	61.93	70.53	0.36	-	139.57	14.45	1.69	12.75	1.87
6	Tata Communications (Netherlands) BV	USD	105.96	352.34	7,315.60	6,857.29	-	66.63	(177.82)	0.97	(178.79)	-
7	Tata Communications (UK) Limited	USD	46.66	(137.84)	220.67	311.84	-	1,075.07	(85.53)	-	(85.53)	-
8	Tata Communications (Bermuda) Ltd.	USD	0.05	(1,269.69)	2,841.15	4,110.79	-	103.79	(451.45)	-	(451.45)	-
9	Tata Communications Services (Bermuda) Ltd.	USD	0.05	85.83	85.89	-	2.53	360.90	278.26	-	278.26	-
10	Tata Communications (France) SAS	USD	96.79	(19.85)	76.93	-	-	185.88	(7.29)	(0.99)	(6.30)	-
11	Tata Communications (America) Inc.	USD	0.00	259.80	479.27	219.47	-	2,572.78	(66.39)	(14.18)	(52.21)	-
12	Tata Communications Deutschland GmbH	USD	0.16	2.41	272.30	269.73	-	468.42	5.10	1.36	3.74	-
13	Tata Communications (Nordic) AS	USD	0.16	(4.39)	(4.23)	-	-	1.33	(0.27)	-	(0.27)	-
14	Videsh Sanchar Nigam Spain Srl	USD	2.62	17.51	152.60	132.48	-	189.72	6.62	-	6.62	-
15	Tata Communications (HongKong) Limited	USD	0.00	6.90	170.56	163.66	-	97.41	0.62	0.21	0.41	-
16	Tata Communications (Poland) Spz oo	USD	0.08	0.72	8.42	7.61	-	5.99	0.07	0.22	(0.15)	-
17	Tata Communications Services (International) Pte. Ltd.	USD	1.89	(2.05)	(0.02)	0.14	-	-	(1.06)	(0.00)	(1.06)	-
18	ITXC IP Holdings S.a.r.l.	USD	0.08	65.72	98.39	32.59	-	-	(3.81)	0.09	(3.90)	-
19	VSNL International (ITXC) Corp.	USD	0.00	128.54	137.60	9.06	-	-	(0.71)	-	(0.71)	-
20	Tata Communications (Sweden) AB	USD	0.07	0.16	4.06	3.83	-	0.28	(0.10)	-	(0.10)	-
21	Tata Communications (Portugal) Instalacao E Manutencao De Redes Lda	USD	100.17	(286.30)	(136.29)	49.83	-	15.67	(1.39)	-	(1.39)	-
22	Tata Communications (Portugal) Unipessoal Lda	USD	6.69	(4.10)	2.58	-	-	-	0.08	-	0.08	-
23	Tata Communications (Belgium) BVBA	USD	12.16	(1.03)	18.06	6.92	-	5.76	(0.51)	-	(0.51)	-
24	Tata Communications (Guam) LLC	USD	-	20.97	20.97	-	-	12.38	5.79	1.04	4.75	-
25	Tata Communications (Hungary) LLC	USD	0.23	(0.68)	(0.45)	-	-	-	(0.50)	-	(0.50)	-
26	Tata Communications (Canada) ULC	USD	216.40	(360.36)	382.07	526.03	-	2,290.72	(88.31)	-	(88.31)	-
27	Tata Communications (Italy) srl	USD	0.06	(14.60)	(14.54)	-	-	60.31	2.36	-	2.36	-
28	Tata Communications (Australia) Pty. Ltd.	USD	1.59	1.58	3.17	-	-	41.09	1.61	(0.94)	2.55	-
29	Tata Communications (Middle East) FZ-LLC	USD	0.06	(5.26)	(0.16)	5.04	-	-	(4.67)	-	(4.67)	-
30	Tata Communications (Puerto Rico) Inc.	USD	0.00	(0.74)	0.72	1.46	-	-	0.01	-	0.01	-
31	Tata Communications (Russia) LLC	USD	0.00	14.80	14.80	-	-	0.52	14.91	-	14.91	-
32	Tata Communications (Switzerland) GmbH	USD	2.44	0.06	2.49	-	-	-	0.04	(0.07)	0.11	-
33	Tata Communications (Ireland) Ltd.	USD	0.00	(0.09)	0.24	0.32	-	-	0.04	0.01	0.03	-
34	TCPop Communications GmbH	USD	0.22	(0.12)	0.10	-	-	-	0.05	0.01	0.04	-
35	Tata Communications (Taiwan) Ltd.	USD	0.04	(1.07)	(1.03)	-	-	-	(1.01)	-	(1.01)	-
36	Tata Communications (Japan) KK	USD	10.71	136.59	162.94	15.64	-	84.33	(1.93)	1.09	(3.02)	-
37	Tata Communications International Pte. Ltd.	USD	632.27	977.22	2,222.24	612.75	-	311.56	(28.38)	-	(28.38)	-
38	Bit Gravity Inc	USD	11.26	(60.50)	2.05	51.29	-	18.34	(30.66)	-	(30.66)	-

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)**

- 30.** Previous year figures have been regrouped / reclassified wherever necessary to conform to the current year's classifications.
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For and on behalf of the Board

**SUBODH BHARGAVA**  
Chairman

**VINOD KUMAR**  
Managing Director  
& Group CEO

**SANJAY BAWEJA**  
Chief Financial Officer  
MUMBAI  
DATED: 30 August, 2011

**SATISH RANADE**  
Company Secretary & Chief Legal Officer

**MR. SUBODH BHARGAVA**  
**CHAIRMAN**

Mr. Subodh Bhargava, born in 1942, holds a Degree in Mechanical Engineering from the University of Roorkee. He started his career with Balmer Lawrie & Co., Kolkata before joining the Eicher group of companies in Delhi in 1975. On March 31, 2000, he retired as the Group Chairman and Chief Executive and is now the Chairman Emeritus, Eicher group.

He is the past President of CII and the Association of Indian Automobile Manufacturers; and the Vice President of the Tractor Manufacturers Association. Over several years, he has been a key spokesperson for Indian industry, contributing to and influencing government policy while simultaneously working with industry to evolve new responses to the changing environment.

He was a member of the Insurance Tariff Advisory Committee, the Economic Development Board of the government of Rajasthan. He was also the chairman of the National Accreditation Board for Certifying Bodies (NABCB) under the aegis of the Quality Council of India (QCI).

Mr. Bhargava has been closely associated with technical and management education in India. He was the Chairman of the Board of Apprenticeship Training and Member of the Board of Governors of the University of Roorkee; The Indian Institute of Foreign Trade, New Delhi; Indian Institute of Management, Indore; the Entrepreneurship Development Institute of India, Ahmedabad.

He is currently on the Board of Governors of IIM (Lucknow) and other Institutions for Engineering and Business Management Education; the Centre for Policy Research; Member, Technology Development Board, Ministry of Science & Technology, Govt. of India.

He has been conferred with the first IIT Roorkee Distinguished Alumnus Award in 2005 by Indian Institute of Technology, Roorkee. Mr Bhargava is the Chairman of Tata Communications Limited and also Wartsila India Limited and Director on the boards of several Indian Corporates such as Tata Steel Limited; Tata Motors Limited; Larsen & Toubro Ltd. etc.

**MR. VINOD KUMAR**  
**MANAGING DIRECTOR & GROUP CEO**

Vinod Kumar is Managing Director of Tata Communications Limited and CEO of Tata Communications Limited Group, part of the \$83.5 billion Tata Companies.

Mr. Kumar joined Tata Communications in April 2004, just when the company was embarking on its international growth. He was closely associated with the acquisitions of TGN and Teleglobe and assumed responsibility as Managing Director of the company's international operations. Subsequently, he was promoted to Chief Operating Officer, whilst managing the Global Data Business Unit as well as the Engineering and Operations functions. Mr Kumar was also appointed as a non-executive director on the Board of Tata Communications Limited in February 2007. In February 2011, Mr. Kumar was appointed as the Managing Director of Tata Communications Limited and Tata Communications Limited Group CEO.

Mr. Kumar has been at the forefront of Tata Communications' shift away from traditional network services towards managed services and recently, cloud computing.

With over 20 years of experience in the global telecom industry, Mr. Kumar has an impressive track record in developing business strategies and creating fast growth organizations across the world.

Prior to Tata Communications, he was Senior Vice President of Asia Netcom, responsible for generating top-line growth including strategy formulation, product marketing and sales. He was actively involved in the financial restructuring and eventual asset sale of Asia Global Crossing to China Netcom, resulting in the formation of Asia Netcom.

In 1999, Mr. Kumar joined WorldCom Japan as Chief Executive Officer. Prior to this, he held various senior positions in Global One in the United States and Asia where he has had major responsibilities in market management, sales, marketing, product management, multinational account management and operations.

Mr. Kumar is a Member on the Board of Economic Development Board (EDB), the lead government agency responsible for planning and executing strategies to enhance Singapore's position as a global business centre and grow the Singapore economy. Mr. Kumar is also a Member on the Governing Council of Human Capital Leadership Institute (HCLI) in Singapore, a premier institution for raising human capital management capabilities in Asia.

Mr. Kumar was born in 1965 and graduated with honours in Electrical and Electronic Engineering from the Birla Institute of Technology and Science in India

#### **MR. N. SRINATH DIRECTOR**

Mr. N. Srinath, born in 1962, has a degree in Mechanical Engineering from IIT (Chennai) and a Management Degree from IIM (Kolkata), specialising in Marketing and Systems.

Since joining the Tata Administrative Services in 1986, Mr. Srinath has held positions in Project Management, Sales & Marketing, and Management in different Tata companies in the ICT sector over the last 25 years.

On completing his probation with the TAS in 1987, Mr. Srinath joined Tata Honeywell, a start-up in the business of process control systems, as Project Executive working till late 1988 on securing various statutory approvals and funding necessary for the project. He then moved to Tata Industries as Executive Assistant to the Chairman, an assignment he handled till March 1992. In that period, he was also part of the team that set up Tata Information Systems (later Tata IBM). From June 1992 to February 1998 he handled a number of assignments in Tata Information Systems Limited in Sales & Marketing to enterprise customers in the banking, retail, petroleum and process manufacturing sectors.

In March 1998, Mr. Srinath returned to Tata Industries as General Manager (Projects) responsible for overseeing the project implementation of Tata Teleservices fixed line telecom service in the state of Andhra Pradesh. In April 1999, he took over as the Chief Operating Officer of Tata Teleservices responsible for Sales, Customer Service, Networks and Information Technology. From late 2000 till February 2002, he was the Chief Executive Officer of Tata Internet Services, a start-up Internet services business serving retail and enterprise customers.

Mr. Srinath joined Tata Communications (then known as VSNL) in 2002 as Director (Operations) when the Tata Group was selected as the strategic partner at the company. Since February 2007 Mr. Srinath has been the Managing Director of Tata Communications Limited & CEO of the Tata Communications global group of companies. Under his leadership, Tata Communications has transformed from a monopoly, public sector undertaking into a global communications services provider offering advanced network, managed and cloud services to customers worldwide.

Mr. Srinath has received several recognitions in the telecom industry. He was named the 'Telecom CEO of the Year' in Asia by the leading publishing group Telecom Asia in the 2006 edition of their awards. The Institute of Economic Studies (IES), a research oriented organisation, conferred its Udyog Rattan Award on Mr. Srinath in November 2006. In 2008 and 2009, Mr. Srinath was named as the world's eighth most influential telecom personality by the Global Telecoms Business magazine as well as the 'Telecom Person of the Year' by the India-based Voice and Data magazine in 2008.

Since February 1, 2011 he has been appointed as the Managing Director of Tata Teleservices Limited one of India's leading mobile service providers.

#### **MR. KISHOR A. CHAUKAR DIRECTOR**

Mr. Kishor A. Chaukar (64), currently the Managing Director of Tata Industries Limited (TIL), is a post-graduate in management from the Indian Institute of Management at Ahmedabad.

TIL is the smaller of the two principal holding companies of the Tata Group, India's largest and best-known conglomerate. TIL acts as the new projects promotion arm of the Group, and spearheads the entry of the Group in the emerging, high-tech and sunrise sectors of the economy.

In his capacity as Managing Director of TIL, Mr. Chaukar is responsible for enhancing the value and interest of TIL in TIL divisions and in companies where TIL has made investments and/or has sponsored. One of the tasks performed in the quest for this value enhancement is to provide strategic direction to these companies.

Mr. Chaukar is a member of the Group Corporate Centre, which is engaged in strategy formulation at the House of Tata. He also chairs the Tata Council for Community Initiatives (TCCI) - the nodal forum of the Group on matters related to corporate sustainability.

Mr. Chaukar is a member of the Board and Advisory Board of several national and international organizations in the Corporate Sustainability and Human Rights space, viz. Global Reporting Initiative – Amsterdam Shell Foundation Breathing Space India Advisory Board – New Delhi, and the Tata Memorial Centre – Mumbai.

Mr. Chaukar was previously the managing director of ICICI Securities & Finance Company Ltd. (July 1993 to October 1998), and a member of the Board of Directors of ICICI Ltd. from February 9, 1995 to October 15, 1998. His other experiences include a long stint in Bhartiya Agro Industries Foundation, an NGO engaged in rural development and Godrej Soaps Ltd.

**MR. AMAL GANGULI**  
**DIRECTOR**

Mr. Amal Ganguli, born in 1939, is a fellow member of the Institute of Chartered Accountants of India and the Institute of Chartered Accountants of England and Wales and a member of the New Delhi Chapter of The Institute of Internal Auditors, Florida, USA. He was the Chairman and Senior Partner of Pricewaterhouse Coopers (PWC), India till his retirement on 31 March 2003. Besides his qualifications in the area of accounting and auditing, Mr. Ganguli is an alumnus of IMI, Geneva.

Mr. Ganguli, trained in the UK to become a Chartered Accountant. He was seconded as a Partner to PWC, UK/USA for a year in 1972-73. During his career spanning over 40 years, Mr. Ganguli's range of work included International Tax advice and planning, cross border investments, Corporate mergers and re-organizations, financial evaluation of projects, management, operational and statutory audit and consulting projects funded by International funding agencies. In the course of his professional career, he has dealt with a variety of clients including US AID, World Bank, ADB, NTPC, Alcatel, GE, Hindustan Lever, STC, Hewlett Packard and IBM.

Mr. Ganguli is a member of the Board of Directors of several companies such as Hughes Communications India Limited, HCL Technologies Limited, New Delhi Television Limited, Century Textiles and Industries Limited, Aricent Technologies (Holdings) Ltd, AVTEC Ltd, ICRA Ltd, Maruti Suzuki India Ltd and others.

Mr. Ganguli is a member of Audit Committees of HCL Technologies Limited, Century Textiles and Industries Limited, and ICRA Ltd. He is chairman of the Audit Committee of Aricent Technologies (Holdings) Ltd, New Delhi Television Ltd, Tata Communications Limited and Maruti Suzuki Ltd.

**MR.S RAMADORAI**  
**DIRECTOR**

In February 2011, S Ramadorai stepped into public service when the Indian Government appointed him as the Advisor to the Prime Minister in the National Skill Development Council, in the rank of Cabinet Minister. The Council, which is headed by the Prime Minister, seeks to develop a strategy for Skill Development at the National level with a view to address the skill deficit.

Mr. S. Ramadorai, born in 1944, Vice-Chairman of Tata Consultancy Services Limited (TCS), has been associated with TCS for the past 39 years. He took over as CEO of TCS in 1996 when TCS's revenues were at \$160 million and has since led the company through some of its exciting phases, including its going public in 2004. In October 2009, he stepped down as CEO, leaving a \$6 billion global IT services company to his successor and is now the Vice Chairman of the company. Today, the company's revenues stand at USD 8 billion for the fiscal year ended 31 March 2011, with an employee base of over 198,500 of the world's best trained IT consultants in 42 countries.

Mr. Ramadorai is the Chairman of other Tata companies - Tata Elxsi Ltd, Tata Technologies Ltd, CMC Ltd and CRL Limited. He is also on the Boards of a number of companies and educational institutions – Tata Industries, Hindustan Unilever Limited, Bombay Stock Exchange and the MIT Sloan School of Management (EMSAB).

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In recognition of Mr. Ramadorai's commitment and dedication to the IT industry he was awarded the Padma Bhushan (India's third highest civilian honour) in January 2006. In April 2009, he was awarded the CBE (Commander of the Order of the British Empire) by her Majesty Queen Elizabeth II for his contribution to the Indo British economic relations.

His academic credentials include a Bachelors degree in Physics from Delhi University (India), a Bachelor of Engineering degree in Electronics and Telecommunications from the Indian Institute of Science, Bangalore (India) and a Masters degree in Computer Science from the University of California - UCLA, USA. In 1993, Mr. Ramadorai attended the Sloan School of Management's highly acclaimed Senior Executive Development Program.

#### **MR. ARUN GANDHI DIRECTOR**

Mr. Arunkumar Ramanlal Gandhi born in 1943, is a director on the Board of Directors of Tata Sons Ltd and is a member of the Group Corporate Centre of the Tata Companies. He is a fellow member of the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of India. He is an associate member of the Chartered Institute of Taxation, London.

Prior to joining Tata Sons, he was with M/s N. M. Rajji & Co., Chartered Accountants. He joined the firm as a partner in July 1969 and in 1993 became a senior partner. The firm has more than 60 years of professional standing. He joined Tata Sons Limited as an Executive Director on 18<sup>th</sup> August 2003 and continued in that position till 17<sup>th</sup> August 2008.

Mr. Gandhi has been assisting the Tata Group in acquiring diverse assets and companies across the globe. This has enabled the Tata Group to acquire critical assets, resources and access to world class R&D facilities.

In the course of his professional career, Mr. Gandhi has worked on numerous mergers and acquisitions, both crossborder and domestic transactions.

Mr. Gandhi has been a member of various committees constituted by industry forums and regulatory bodies such as SEBI's Takeover Panel Exemption Committee and the Institute of Chartered Accountants of India's Accounting Standards Board among various others.

#### **DR. ASHOK JHUNJHUNWALA DIRECTOR**

Dr. Ashok Jhunjunwala, born in 1953, received his B.Tech degree from IIT, Kanpur, and his MS and Ph.D degrees from the University of Maine. From 1978 to 1981, he was with Washington State University as Assistant Professor. Since 1981, he has been teaching at IIT, Madras, where he leads the Telecommunications and Computer Networks group (TeNeT). This group works with industry in the development of technologies relevant in India. It has incubated several technology companies which work in partnership with TeNeT group to develop Telecom and Banking products for Indian Urban and Rural Markets. He chairs Rural Technology Business Incubator (RTBI) at IIT Madras and Mobile Payment Forum of India (MPFI).

Dr. Ashok Jhunjunwala has been awarded the Padma Shri in the year 2002. He has been awarded Shanti Swarup Bhatnagar Award in 1998, Dr. Vikram Sarabhai Research Award for the year 1997, Millennium Medal in Indian Science Congress in the year 2000 and H.K. Firodia for "Excellence in Science and Technology" for the year 2002, Shri Om Prakash Bhasin Foundation Award for Science & Technology for the year 2004, Awarded Jawaharlal Neheru Birth Centenary Lecture Award by INSA for the year 2006, IBM Innovation and Leadership Forum Award by IBM for the year 2006, recently awarded Honorary Doctorate by the institute of Blekinge Institute of Technology Sweden and Excellence in Science and Technology Award. He is a Fellow of World Wireless Research Forum, IEEE and Indian academies including INAE, IAS, INSA and NAS.

Dr. Jhunjunwala is a Director in the Board of many other companies such as TTML, Polaris, 3i Infotech, Sasken, Tejas, Exicom and others. He is a member of Prime Minister's Scientific Advisory Committee.

**MR. UDAY B. DESAI**  
**DIRECTOR**

Mr. Uday B Desai received the B. Tech. degree from Indian Institute of Technology, Kanpur, India, in 1974, the M.S. degree from the State University of New York, Buffalo, in 1976, and the Ph.D. degree from The Johns Hopkins University, Baltimore, U.S.A., in 1979, all in Electrical Engineering.

Since June 2009 he is the Director of IIT Hyderabad.

From 1979 to 1984 he was an Assistant Professor in the School of Electrical Engineering and Computer Science Department at Washington State University, Pullman, WA, U.S.A., and an Associate Professor at the same place from 1984 to 1987. From 1987 to May 2009 he was a Professor in the Electrical Engineering Department at the Indian Institute of Technology - Bombay. He was Dean of Students at IIT-Bombay from Aug 2000 to July 2002. He has held Visiting Associate Professor's position at Arizona State University, Purdue University, and Stanford University. He was a visiting Professor at EPFL, Lausanne during the summer of 2002. From July 2002 to June 2004 he was the Director of HP-IITM R and D Lab. at IIT-Madras.

His research interest is in wireless communication, Cognitive Radio, Cyber Physical Systems, wireless sensor networks and statistical signal processing. He is also interested in multimedia, image and video processing. He is the Editor of the book "Modeling and Applications of Stochastic Processes" (Kluwer Academic Press, Boston, U.S.A. 1986) and co-editor of Second Asian Applied Computing Conference, Springer Verlag (2004). He is also a co-author of four books "A Bayesian Approach to Image Interpretation", "Multifractal based Network Modeling", Multihop Mobile Wireless Networks, and "Capacity Enhancement and Interference Mitigation in Multiuser UWB: Capacity Enhancement and Interference Mitigation in Multiuser Ultra Wideband (UWB) Systems".

Dr. Desai is a senior member of IEEE, a Fellow of INSA (Indian National Science Academy), Fellow of Indian National Academy of Engineering (INAE), and a Fellow of The Institution of Electronic & Telecommunication Engineers (IETE). He is the recipient of J C Bose Fellowship. He is also the recipient of the Excellence in Teaching Award from IIT-Bombay for 2007. He was an associate editor of IEEE Transactions on Image Processing from Jan 1999 to Dec. 2001. He is on the Technology Advisory Board of Microsoft Research Lab. India. He is one of the founding member of COMSNETS and also Society for Cancer Research and Communication. He was the Chair for IEEE Bombay Section 2006-2008. He was also on the Visitation Panel for University of Ghana.

**MR. AJAY KUMAR MITTAL**  
**DIRECTOR**

Shri A.K. Mittal did his Graduation in Engineering in Electronics and Communications in 1976 from University of Roorkee (now one of the Indian Institutes of Technology). He also holds Diploma in Management.

After working in R&D wing of Indian Telephone Industries Ltd. for about two and a half years, he joined Indian Telecom Service in the erstwhile Posts & Telegraphs Department (now Department of Telecommunications) in February, 1979 and was posted as Assistant Divisional Engineer Telecom. In 1981, he was given charge of setting up the ground segment of New Delhi Satellite Earth Station located at Sikandarabad (U.P.) for INSAT-1 series of satellites where he commissioned and then operated SCPC, FDM-FDMA Systems for voice communication as well as TV uplinking, Radio uplinking, meteorological data uplinking and reception systems etc. He also set up the Network Operations Control Centre (NOCC) for INSAT. Later he was involved in setting up Earth Stations in remote and hilly areas of some states. As Assistant Director General (Satellite Planning) in the Department of Telecommunications Headquarter in 1987, he was involved in planning of satellite communications systems. Thereafter as Director Telecommunications, he was responsible for operations and maintenance of a large Optical Fibre, Microwave, Coaxial and Satellite Communication Network in the State of U.P.

In 1991, as Director in the Headquarter of Department of Telecom, he handled regulation and tariffing of telecommunications services. He was responsible for activities relating to opening up of telecom sector for competition 1991 onwards. This included invitation of bids for basic services, mobile services, radio paging services etc. He remained in this position for over 6 years. Subsequently, from 1998 onwards, as General Manager in U.P. (West) Circle of Department

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of Telecommunications, he headed the Operations and Maintenance Wing, responsible for making policies in respect of operations of all types of services and ensuring that services are maintained as per desired Q.o.S.

He was deputed to the Headquarter of BSNL, a public sector unit under Ministry of Communications, as Deputy Director General (Network Management) in the year 2000 where for a period of about 7 years he was in-charge of management of BSNL's international and national long distance switching and transmission network. During this period, he set up Network Management Systems, overlay managed signaling network, KU Band VSAT Network and country-wide Managed Leased Line Network. He was also a member of core team responsible for planning and implementation of Indo-Srilanka Submarine Cable System. Later, for a period of over two years, while on deputation to BSNL, he worked as General Manager (Mobile Network Planning and Operations) in J&K State.

Currently he is working as Senior Deputy Director General in DoT headquarter looking after policy on licencing of Access Services and related matter as well as implementation of telecom security related policies.

### **MR. SAURABH KUMAR TIWARI DIRECTOR**

Mr. Saurabh K Tiwari, born in 1967, holds a Masters degree in Political Science with a Certificate of Merit from the University of Allahabad. He completed his MBA with specialisation in Finance from National Institute of Financial Management, an autonomous body under Ministry of Finance, Govt. of India. He has recently completed LLB from the Delhi University. Besides being a Fellow of the University Grants Commission, he has taught Political Philosophy in the Post Graduate Classes of the University of Allahabad for two years. After clearing the Civil Services Examination in 1993, he joined the Indian P&T Accounts and Finance Service. He has wide ranging work experience in the Government of India and PSUs. He has handled the Central Area of MTNL, Delhi which provides service to the elite of India including the President, Prime Minister, Union Council of Ministers, Embassies, High Commissions and the Central Business District. He has also served as the Financial Advisor to various units of the Indian Air Force including the Central Air Command, Bamrauli. He was instrumental in designing and implementing the software for the revision of pension of more than 2 million Defence Pensioners, spread throughout the country, as per the recommendations of the Sixth Pay Commission. His current assignment as Deputy Director General (Licensing Finance), Deptt. of Telecom, Govt. of India involves assessment of revenue to the tune of Rs.165 thousand crore annually resulting in collection of Rs.10,000/- crores (approx.) in the form of licence fee – the single largest contributor to the non-tax revenue of the Union. He has attended various trainings and seminars in India and abroad. Besides, he has been a regular faculty in various Training Institutes. Shri Tiwari has exemplary leadership qualities. He has been the General Secretary of the Indian P&T Accounts and Finance Service Officers' Association for almost a decade now (except for 2 years). An avid sportsperson, he has won various awards in games like Volley ball, Football, Badminton, Cricket and Tennis.



**Tata Communications Limited**

Registered office : VSB, M.G. Road, Fort, Mumbai - 400 001.

TWENTY FIFTH ANNUAL GENERAL MEETING - 11TH OCTOBER, 2011 AT 1100 HRS.

**ATTENDANCE SLIP**

I, Mr/Mrs./Miss.....LF/Client ID.No .....hereby record my presence at the 25th Annual General Meeting of Tata Communications Limited at the M. C. Ghia Hall, Kalaghoda, Mumbai - 400 001.

.....  
Signature of the Shareholder or Proxy

- Notes:
1. Please fill this Attendance Slip and hand it over at the entrance of the hall.
  2. SHAREHOLDERS ARE REQUESTED TO BRING THEIR COPIES OF THE NOTICE DOCUMENT WITH THEM.



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**PROXY**

I/We .....(LF/Client ID. No.....)  
(Address).....being a Member/Members of Tata Communications Limited, do hereby appoint ..... of .....or/failing him .....of .....as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the 25th Annual General Meeting of the Company to be held at 1100 Hrs on Tuesday, the 11th October, 2011, and at any adjournment thereof.

IN WITNESS whereof I/We have set my/our hand/hands this.....day of.....2011.

Please affix  
1.00 Re.  
Revenue  
Stamp

(Signature of the Shareholder across the stamp)

- Note :
1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself, and a proxy need not be a Member.
  2. A One Rupee Revenue Stamp should be fixed to this and it should then be signed by the Member.
  3. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed, or a copy of that power of authority duly certified by a notary or other proper authority, shall be deposited at the Registered Office of the Company not later than forty-eight hours before the time for the holding of the Meeting, in default, the instrument of proxy shall not be treated as valid.

## United Kingdom

Tata Communications (UK) Limited  
1st Floor, 20 Old Bailey  
London EC4M 7AN  
Registered in England and Wales with registered  
number 05272339

## Germany

Tata Communications Deutschland GmbH  
Bettinastraße 30  
60325 Frankfurt  
Tata Communications Deutschland GmbH  
Domicile: Frankfurt am Main  
Registry Court: AG Frankfurt am Main  
Commercial  
Register Number: HRB 54483  
Bettinasr:30, 60325 Frankfurt am Main

## France

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92200 Neuilly sur Seine  
France

## Hong Kong

Tata Communications (Hong Kong) Limited  
2402 Bank of America Tower  
12 Harcourt Road  
Central

## India

Tata Communications Limited  
Plots C21 and C36  
Block G, Bandra Kurla Complex  
Bandra (East)  
Mumbai 400098

## Singapore

Tata Communications International Pte. Ltd.  
Tata Communications Exchange  
35 Tai Seng Street, #06-01  
Singapore 534103  
Registration Number: 200400245G

## Canada

Tata Communications (Canada) ULC  
1555 Rue Carrie-Derick  
Montreal, Quebec H3C 6W2

## United States

Tata Communications (America) Inc.  
2355 Dulles Corner Boulevard, Suite 700  
Herndon, VA 20171

[www.tatacommunications.com](http://www.tatacommunications.com)

# The New World of Communications



**Tata Communications Limited**  
VSB, Mahatma Gandhi Road,  
Fort Mumbai, 400 001  
India

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