

TATA COMMUNICATIONS LTD

FORM 20-F/A

(Amended Annual and Transition Report (foreign private issuer))

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F/A
AMENDMENT NO. 1

(Mark One)

- Registration statement pursuant to section 12(b) or (g) of the Securities Exchange Act of 1934
- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended March 31, 2009
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition period from _____ to _____
- Shell Company Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 001-15118

TATA COMMUNICATIONS LIMITED

(FORMERLY KNOWN AS VIDESH SANCHAR NIGAM LIMITED)

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

The Republic of India

(Jurisdiction of incorporation or organization)

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(Name, telephone, facsimile number and address of company contact person)

VSJ, Mahatma Gandhi Road, Fort, Mumbai—400001, INDIA

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares* Equity Shares, par value Rs. 10 per share**	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report: 285,000,000 Equity Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

- * American Depositary Shares evidenced by American Depositary Receipts. Each American Depositary Share represents two Shares.
 - ** Not for trading, but only in connection with the listing of American Depositary Shares pursuant to the requirements of the New York Stock Exchange.
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Explanatory Note

This Amendment No. 1 on Form 20-F/A (the “Form 20-F/A No. 1”) to the annual report on Form 20-F for the fiscal year ended March 31, 2009 (the “Form 20-F”) of Tata Communications Limited (the “Company”) filed with the U.S. Securities and Exchange Commission (the “SEC”) on October 15, 2009 responds to SEC comments provided to the Company on March 16, 2010 and therefore revises Part–I, Item 5 “Operating and Financial Review and Prospects”, Part–II, Item 15 “ Controls and Procedures ” and Part–III, Item 18 “Financial Statements” to reclassify Advance income taxes (net) balances associated with disputed tax claims in accordance with such comments. This Form 20-F/A No. 1 also revises Exhibits 12.1, 12.2 and 13.1 to update the date of such certifications and files the revised Exhibits 12.1, 12.2 and 13.1 herewith.

The other portions of the Form 20-F are unaffected by the changes described above and have not been amended. This Form 20–F/A No. 1 continues to speak as of the date of the Form 20–F and no attempt has been made in this Form 20–F/A No. 1 to modify or update disclosures in the Form 20–F except as noted above. This Form 20–F/A No. 1 does not reflect events occurring after the filing of the Form 20–F or modify or update any related disclosures, and information not affected by the amendment is unchanged and reflects the disclosure made at the time of the filing of the Form 20–F with the SEC except as noted above. In particular, any forward–looking statements included in this Form 20–F/A No. 1 represent management’s view as of the filing date of the Form 20–F. Accordingly, this Form 20–F/A No. 1 should be read in conjunction with any documents incorporated by reference therein and our filings made with the SEC subsequent to the filing of the Form 20–F, including any amendments to those filings.

PART I

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of the results of operations for the fiscal years ended 2007, 2008 and 2009 and the financial condition of the Company as at March 31, 2008 and 2009 should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto included elsewhere herein prepared in accordance with US GAAP. The Company’s fiscal year ends on March 31 of each year, and therefore all references to a particular fiscal year are to the twelve months ended March 31 of such year.

Introduction

The Company is a facilities-based service provider of a broad range of integrated communications services. The Company generates revenue from three business segments: Wholesale Voice, Enterprise and Carrier Data, and Others.

Wholesale Voice

The Company owns and operates international networks with coverage in more than 240 countries and territories and maintains over 415 direct and bilateral relationships with leading international voice telecommunication providers. Traffic into and out of India continues to represent a significant portion of the Company’s Wholesale Voice segment and the Company is a market leader in terms of the volume of inbound termination of calls to India. In fiscal 2009, the Company carried 25 billion minutes of international wholesale voice traffic.

Over the past several years, the global voice market has experienced an increase in traffic volumes as a result of significant growth in telephone density in developing countries and high growth rates in the number of cellular subscribers worldwide.

In India, where the Company is a significant player in wholesale voice services, the telecom market is growing rapidly and is expected to be an Rs. 1,380 billion sector by 2010, contributing 5.4% to India’s gross domestic product (GDP). According to the latest figures from the Telecom Regulatory Authority of India (TRAI), during 2008-09, India’s mobile subscriber base increased approximately 58%, from 165.11 million to 261.09 million, while the fixed subscriber base declined approximately 3.26%, from 40.75 million to 39.42 million. The past year has also witnessed significant regulatory developments, including changes in the access deficit charge (ADC) regime, a review of the Interconnect regime, announcements on the auction of spectrum for 3G and Broadband Wireless Access (BWA) services and recommendations by the TRAI on issues like mobile virtual network operators, internet telephony and Carrier Access Code (CAC)/calling cards. The past year also witnessed the announcement of Mobile Number Portability (MNP) with implementation expected to take place in the third quarter of fiscal 2010.

The international wholesale voice market continues to be a business of scale, with constant pressures on prices and margins. The recent global economic downturn has further increased the pressure on prices for international voice calls. Alternate services, such as portal-based offerings on the Web, are growing in popularity and usage. 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) in providing services.

The need for profitability in a largely commoditized market is making operators seek both scale and efficiency in their operations. Apart from driving consolidation, this could also create new business models based on greater collaboration between operators, which we believe the Company is well positioned to benefit from.

Enterprise and Carrier Data

The Indian Enterprise and Carrier Data segment has been growing at a very healthy rate. In the past financial year, even after adjusting for the market-driven price drops, the Indian industry grew noticeably in terms of revenue. This growth is driven by two factors. First, Indian businesses have recognized the need for IT and networking technology to improve productivity and create competitive advantage. Second, as Indian

business grows globally and international companies are increasing their Indian presence, there is an associated need for greater connectivity to and within the country. Financial services, information technology and business process outsourcing/call centres are some examples of high growth sectors in the country.

Internationally, increasing costs of capital have resulted in the delay and cancellation of private data center facilities, driving more purchases of data center collocation and hosted computing services from external service providers. Virtualization technology is changing the economics of data center computing, with utility computing and cloud computing on the cusp of moving into the mainstream. The Company's global and India managed hosting services are aggressively supporting this direction. Along with Managed hosting there is an increasing trend on global as well as Indian enterprises to outsource telecom services on a "Managed" Basis. The Company has over the years developed other Managed services like Managed Security services and Telepresence which enables the Company to capitalize on these emerging trends in enterprise space. These managed services also enables Enterprises to reduce costs of In-house Telecom teams and at the same time enable the Company to achieve a higher portion of the overall Telecom spend of enterprises.

The global data market is undergoing rapid changes. With the growing need for bandwidth around the world, there continues to be growth in the demand for submarine cable capacity. Several new cable systems have been announced or are being constructed in different markets, such as across the Pacific, within Asia, connecting Europe and Asia and on both the east and west coasts of Africa. Availability of large capacity in line with market growth and diversity to provide continuity of services in the event of cable cuts due to acts of man or nature continues to be important drivers of this growth. The addition of these new cables presents both investment opportunities as well as downward price challenges.

The global enterprise market has seen growing demand for network services, data center services, and value-added services. While the global recession has caused delays in decision-making and deferred procurement by some customer segments, information and communications technology investments by enterprises broadly continues to grow. This is motivated by the need for better engagement and service levels with their own customers, the need for higher velocity and flexibility in business, and the growth of global supply chains and markets. Industry leaders are more sharply focused on increasing the ratio of IT budgets that are applied towards competitive advantage and innovation versus basic services and compliance.

Also over the past 2 years the Company has focused on creating its competitive differentiator in Emerging markets. Leveraging on its strong base in one of the fastest growing emerging market of India, the Company has further expanded its presence in other emerging markets like South Africa & China. The increasing commerce between the developed countries and emerging markets in the post slow down era has resulted in increased need for Telecom connectivity to and from Emerging markets. The Company is thus in a competitive position to serve the needs of enterprises to and from emerging markets and going ahead Company expects to continue investing in emerging markets to further strengthen its position

Others

In the retail space, Tata Communications remains a premier Internet Service Provider (ISP), offering connectivity, messaging, internet telephony and a wide variety of content services. Tata Communications is also emerging as a key player in India's broadband sector. During fiscal 2009, the broadband subscriber base grew by approximately 67%, from 2.34 million to 3.90 million.

New Growth Opportunities

TCTSL

With the increasing need for reducing costs, several carriers around the world are looking to rationalize costs and relocate some of their business processes. They are also looking to improve operating efficiencies and network/infrastructure productivity. Leveraging its operating expertise in different developed and emerging markets around the world, and its relationships with these carriers, the Company is seeking to cater to this need. This initiative is being implemented through Tata Communications Transformation Services Limited (TCTSL), a wholly-owned subsidiary in India. Through its world-class delivery centres in Pune and in Chennai, TCTSL provides business transformation, telecom BPO and consultancy services to telecommunications carriers around the world.

TCTSL delivers solutions for all stages of the carrier processes and operations, such as network engineering, design, implementation and operations. TCTSL operations are totally independent, ensuring full confidentiality in managing the business processes of its customers. TCTSL employs approximately 770 people and has offices in Europe and North America.

TCBIL

In order to capture emerging opportunities in the banking and financial services sectors, the Company formed Tata Communications Banking InfraSolutions Limited. (TCBIL) in February 2008, as its wholly-owned subsidiary. TCBIL aims to provide infrastructure solutions to the banking industry, including services relating to establishing and operating Automated Teller Machines (ATMs), Electronic Transaction Processing Solutions (ETPS), Cheque Truncation Services (CTS), and Core Banking Solutions (CBS). With a highly experienced team of professionals from the banking and financial services industry, TCBIL commenced its commercial operations in April 2009.

Joint Ventures and Acquisitions

CEC

In fiscal 2009, the Company entered into a joint venture agreement with the shareholders of China Enterprise Communications Limited (CEC) to acquire a 50% equity interest in CEC, subject to the approvals of the requisite governmental and regulatory bodies in China, which are still pending.

Cable Depot JV at Cochin

The South East Asia and Indian Ocean Cable Maintenance Authority (SEAIOCMA) consortium, which maintains undersea cables in the Asia-Pacific region, has acquired the right to use a repair ship owned by Indian Ocean Cables Pte Ltd. Singapore (IOCPL) at Cochin port, in order to enable SEAIOCMA to more quickly repair damaged cables in the Indian Ocean region. To support the repair ship, the Company entered into a 60/40 joint venture with IOCPL (the Company is the 60% partner) to establish a cable depot at Cochin. The JV has leased a piece of land from the Cochin Port Trust and construction of the cable depot on that land is expected to be completed in the current fiscal year.

Acquisitions

As discussed elsewhere in this Form 20-F, the Company recently completed several acquisitions, including of DIL. See History and Development of the Company in Item 4. The Company sees a growing proportion of its revenues from its operations outside of India and these acquisitions can and will have a significant impact on this trend.

Operating Results

Fiscal Year 2009 Compared to Fiscal Year 2008

The following table sets forth information regarding the Company's net income for the fiscal years ended March 31, 2008 and 2009:

	2008		2009			Increase /	Increase /
	Rs.	% of	Rs.	US \$	% of	(Decrease)	(Decrease)
	(in millions)	revenues	(in millions)	(in millions)	revenues	Rs.	%
Revenues	82,331	100.00	97,295	1,913	100.00	14,964	18.18
Operating costs	(82,123)	99.74	(92,638)	(1,821)	95.22	10,515	12.80
Non-operating income, net	710	0.86	3,019	59	3.10	2,309	325.21
Income tax expense	(1,280)	1.55	(2,430)	(48)	2.50	1,150	89.84
Dividend tax	(218)	0.26	(218)	(5)	0.22	—	—
Share in net loss of equity method investees	(393)	0.48	(1,120)	(22)	1.15	727	184.99
Minority interest	(1)	—	(22)	—	0.02	21	2,100.00
Net income	(974)	(1.17)	3,886	76	4.00	4,860	498.97

Revenues

The following table sets forth information regarding the Company's revenues for the fiscal years ended March 31, 2008 and 2009:

	2008	2009		Increase / (Decrease)	Increase / (Decrease)
	Rs. (in millions)	Rs. (in millions)	US \$ (in millions)	Rs. (in millions)	%
Telephone:					
International long distance ("ILD")	46,687	50,207	987	3,520	7.54
National long distance ("NLD")	3,767	5,658	111	1,891	50.20
Corporate data transmission:					
Leased circuits and IRUs	10,998	12,365	243	1,367	12.43
Frame relay and MDNS services	932	814	16	(118)	(12.66)
Internet leased lines	4,796	5,549	110	753	15.70
Internet (including Corporate IP Transit)	7,844	9,114	179	1,270	16.19
Other	7,307	13,588	267	6,281	85.96
Total	82,331	97,295	1,913	14,964	18.18

Telephone

ILD Revenue

ILD is the single largest revenue stream of the Company—51.60% and 56.71% of revenues in fiscal years 2009 and 2008, respectively. Globally, during fiscal 2009, there were further reductions in tariff and interconnect rates, increasing the downward pressure on margins and revenues. However, to an extent, this downward pressure was counterbalanced by traffic volumes continuing to increase. Globally, the Company continues to focus on increasing volumes and thus revenues, while cutting costs to improve margins. During fiscal 2009, globally, Tata Communications carried 25 billion minutes of international voice traffic, a growth of about 7% over the previous fiscal year. Traffic to and from India has grown from about 6.86 billion minutes in fiscal 2008 to about 8.49 billion minutes in fiscal 2009. Increasing competition is expected to shrink the Company's addressable market and hence affect this business adversely. Management believes that the Company's scale, global reach, innovative solutions, expertise and strong business relationships give it the capability to compete successfully in this space.

NLD Revenue

NLD is a revenue stream that is generated by the Company's India operations. NLD volumes have increased by 43% in fiscal 2009 over fiscal 2008. Apart from increasing the Company's overall revenues, the NLD business has helped the Company reduce costs by reducing its dependence on other NLD operators for domestic connectivity because of increased capital expenditures to enhance the domestic network. The Company is able to carry increased volumes due to a larger network reach and increased points of interconnect with other service providers. Revenues increased by approximately 50% in fiscal 2009 over fiscal 2008 due to the growth in volumes. Net revenues per minute have increased to Rs. 0.26 in fiscal 2009 as compared to Rs. 0.24 in fiscal 2008.

Increased mobile penetration has resulted in significant growth in NLD traffic within India. The Company's NLD traffic has grown by over 43% from 7.01 billion minutes in fiscal 2008 to 10.04 billion minutes in fiscal 2009. Increased competition through the issue of new NLD licences, along with other regulatory initiatives, has reduced the gap between NLD and local tariffs. Continued shrinkage in the Company's addressable market and falling tariffs is expected to affect this business. The 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, Tata Communications is dependent on getting traffic from these access providers, many of whom have acquired their own NLD licences. Meanwhile, direct customer access mechanisms, such as the CAC, have not yet been implemented. During the year, the DoT reviewed the long pending consultation process for the implementation of CAC and eventually recalled the CAC directive and recommended calling cards operated by NLD/ILD operators as an alternative to the CAC. These recommendations have been submitted to the DoT and are awaiting acceptance and further directions from the DoT. Any such implementation will enable the Company to enter the retail long distance market. While increased competition in the long distance space affects our business, it also opens up opportunities to share the Company's network infrastructure with new licensees. The DoT has recently permitted sharing of active infrastructure. The DoT has also initiated a consultation process for the introduction of internet telephony in the NLD sector. This may provide new avenues for the Company in the NLD business area, although the margins are low.

Corporate Data Transmission

Leased Circuits and IRUs Revenue

Revenue from leased circuits (international and national) and IRUs, which form a substantial part of the revenue generated by our Enterprise and Carrier Data segment, increased by 12.43% during fiscal 2009 over fiscal 2008. The increase was on account of growth of IT, IT-enabled services, financial markets and outsourcing services in India. These services contributed approximately 12.71% and 13.36% in fiscals 2009 and 2008, respectively, of the Company's total revenues. The Company expects the product mix of these services to move from a fixed connectivity scenario to usage-based revenue in select customer segments.

Frame Relay and MDNS Services Revenue

Revenue from frame relay and MDNS services were Rs. 932 million and Rs. 814 million for fiscal 2008 and 2009, respectively. For fiscal 2009, we have seen a decline in revenues to the extent of Rs. 118 million (12.66%) over fiscal 2008 revenues because of customers moving to other products and services which are technologically and commercially more efficient. We therefore expect revenues from these services to decline going forward.

Internet Leased Lines Revenue

Revenues from internet leased lines increased by approximately 15.70% in fiscal 2009 over fiscal 2008 due to increased demand for high-speed dedicated internet access by enterprise customers. The growth was primarily driven by the Company's India operations. The Company expects the volume growth in these services to get offset to some extent due to pricing pressures going forward.

Internet Revenue

The growth in broadband subscribers has been slower than anticipated, primarily due to limited availability of quality last-mile networks capable of delivering the bandwidth necessary for broadband. To overcome the last-mile connectivity problem, the Company has rolled out its own wireless networks based on Wi-Max technologies in Bangalore, Delhi, NCR, Chandigarh and Hyderabad. Wi-fi services are an important supplement to the Company's internet access services. Through its partnership with global internet service providers and aggregators, the Company now offers its customers global internet roaming service in over 160 countries.

Internet revenues increased by 16.19% in fiscal 2009 over fiscal 2008. Internet revenues include revenues from retail dial-up and broadband services offered by the Company in India, services offered by TCISL and corporate IP transit services offered by the Company across the globe. Corporate IP transit services revenues increased to approximately Rs. 5,615 million in fiscal 2009 from Rs. 3,660 million in fiscal 2008.

Broadband revenues have increased to Rs. 2,032 million in fiscal 2009 from Rs. 1,703 million in fiscal 2008 due to our focus on customers from whom the Company generates higher revenues. The Company continues to focus on broadband services across India and plans to strengthen its product, delivery and customer service in this domain. The tariffs in the broadband business will continue to be under pressure due to increased competition in this space.

Other Revenue

Other revenue increased by 85.96% in fiscal 2009 over fiscal 2008 primarily due to the increase in revenues of VPN and data centre services. VPN revenues have grown to Rs. 1,634 million in fiscal 2009 from Rs. 1,009 million in fiscal 2008. IDC revenues have grown to Rs. 1,954 million in fiscal 2009 from Rs. 1,072 million in fiscal 2008. Global roaming services contributed Rs. 2,716 million in fiscal 2009 as against Rs. 2,037 million in fiscal 2008. Revenue from these services accounted for 13.97% of the Company's total revenue in fiscal 2009 as compared to 8.88% in fiscal 2008.

Operating Costs

The following table sets forth information regarding of the Company's operating costs for the fiscal years ended March 31, 2008 and 2009.

	2008		2009		Increase / (Decrease)	Increase / (Decrease)
	Rs. (in millions)	Rs. (in millions)	US \$ (in millions)	Rs. (in millions)	Rs. (in millions)	%
Network and transmission costs						
Interconnect charges	44,084	48,875	961	4,791	10.87	
Rent of landlines	969	302	6	(667)	(68.83)	
Space segment utilization charges	297	318	6	21	7.07	
Other transmission costs	1,367	1,706	33	339	24.80	
Total	46,717	51,201	1,006	4,484	9.60	
License fees	848	863	17	15	1.77	
Other operating costs including depreciation and amortization	34,558	40,574	798	6,016	17.41	
Total operating costs	82,123	92,638	1,821	10,515	12.80	

Network and Transmission Costs

Network and transmission costs increased by 9.60% in fiscal 2009 over fiscal 2008. As a percentage of revenue, network and transmission costs decreased to 52.62% in fiscal 2009 from 56.74% in fiscal 2008. The decrease in fiscal 2009 was because of efficiencies obtained due to higher volumes.

Interconnect charges increased by 10.87% in fiscal 2009 as against decrease of 10.20% in fiscal 2008. As a percentage of revenue, interconnect charges decreased from approximately 53.54% in fiscal 2008 to 50.23% in fiscal 2009. The decrease in fiscal 2009 was mainly due to the reduction in termination charges on wholesale voice services and the removal of ADC charges. The Company now operates in global markets where the pricing of its products and services is extremely competitive, impacting the cost to revenue ratio.

In fiscal 2009, rent of landlines decreased significantly as against fiscal 2008 because of a decrease in off-net charges consequent to decrease in 35,638 E1's (2MBPS circuits) in fiscal 2008 to E1's 23,244 in fiscal 2009. As a percentage of revenue, rent of landlines decreased from 1.18% in fiscal 2008 to 0.31% in fiscal 2009.

The Company continues to rationalize its space segment utilization charges by surrendering surplus capacity and utilizing its fibre optic cable infrastructure for carrying voice and data traffic. The space segment utilization charges have increased by 7.07% in fiscal 2009 as against a decrease of 49.04% in fiscal 2008. As a percentage of revenue, space segment utilization charges decreased from 0.36% in fiscal 2008 to 0.33% in fiscal 2009 due to such cost rationalization.

License Fees

The license fee payable by the Company to the DoT is 6% of adjusted gross revenues (“AGR”). The Government of India defines AGR as gross call revenues less access charges actually paid to other carriers for carrying of calls less service and sales taxes paid to the Government of India. As explained under Item 4 above, we have certain disputes with the Government of India over the calculation of AGR and therefore of license fees. The total amounts provided towards ILD, NLD and ISP licenses for fiscals 2009 and 2008 were Rs. 824 million and Rs. 821 million, respectively.

As part of the compensation to the Company for the early termination of its exclusivity in providing ILD services, the Government of India provided that the Company would be refunded 10% of the license fees it paid towards NLD services. Accordingly, the Company has taken a net charge of 5% of the revenues from NLD services in its financial statements and recorded a receivable from the Government of 10% of the license fees. Out of the total claim of Rs. 802.80 million, Rs. 793.10 million was reimbursed by the DoT. The balance of the claim of Rs. 9.70 million is pending with the DoT. The Company has requested that the DoT refund the balance of the claim.

Other Operating Costs

Other operating costs increased by 17.41% in fiscal 2009 over fiscal 2008. As a percentage of revenue, total other operating costs marginally decreased from 41.97% in fiscal 2008 to 41.70% in fiscal 2009. The increase in fiscal 2009 is primarily due to our infrastructure roll-out and organizational growth. Increases in some of the components of other operating costs were as follows:

- Depreciation and amortization charges increased from Rs. 7,358 million in fiscal 2008 to Rs. 10,180 million in fiscal 2009. Because of increase in capital expenditures from Rs. 39,460 million in fiscal 2008 to Rs. 47,328 million (US\$ 930 million) in fiscal 2009, respectively, there was a corresponding increase in depreciation. The Company’s net block of PP&E increased from Rs. 74,084 million in fiscal 2008 to Rs. 103,713 million in fiscal 2009. The effective rate of depreciation on PP&E was 8.67% and 8.29% in fiscal 2008 and fiscal 2009, respectively. Because of investments in undersea cable assets, data centres, rollout of WIMAX networks and other PP&E, the Company expects its depreciation charge to continue to increase in the foreseeable future.
- Manpower costs constituted about 27.79% and 25.44% of other operating costs in fiscal 2009 and fiscal 2008, respectively. These costs increased by 28.26% in fiscal 2009 as against a decrease of 2% in fiscal 2008. The increase in fiscal 2009 was primarily due to an increase in manpower and normal increments. As of March 31, 2009, the Company had a total of 5,825 employees, of which 4,775 employees (82%) were based in India.
- Repairs and maintenance costs constituted about 12.80% and 12.85% of other operating costs in fiscal 2009 and fiscal 2008, respectively. These costs increased by 17.54% in fiscal 2009 and 4.42% in fiscal 2008 corresponding to increase in the asset base discussed above.
- Legal and professional fees constituted 0.05% and 14.13% of other operating costs in fiscal 2009 and fiscal 2008, respectively. These costs decreased by 99.58% in fiscal 2009 and increased by 249.21% in fiscal 2008. In fiscal 2008 the amount was higher due to the Company’s increased operations outside India, dispute resolution and flag arbitration costs and restructuring and compliance costs, described in more detail below.

Polargrid LLC, the initial bidder for TGN, brought suit against the Company in December 2004 in the U.S. District Court for the Southern District of New York in connection with an alleged breach of contract between the parties, and subsequently amended its complaint to add additional claims. Polargrid’s complaint sought in excess of US\$1.5 billion in damages arising from the Company’s alleged breach and other alleged violations of common law. In April 2008, the Company settled all outstanding claims by Polargrid for an amount of Rs. 680 million, which was accrued in fiscal 2008 and included as a one-time, non-recurring cost under other operating costs in the income statement and under accrued expenses and other current liabilities in the balance sheet. Under the terms of our settlement with Polargrid, all claims and counterclaims in the New York federal action have been dismissed with prejudice, Polargrid ceased its opposition to the Tata Composite Scheme of Arrangement, and the parties released each other from all related claims and covenant not to sue each other for related matters, including any matters related to the Tyco Global Network or Polarnet project.

In fiscal 2008, the Company incurred Rs. 760 million of other operating costs and Rs. 69 million of interest expense, both of which were included under accrued expenses and other current liabilities on the balance sheet, in connection with the settlement of arbitration with Reliance Globalcom Limited (formerly known as “Flag Telecom”). The outcome of the arbitration proceeding was unfavorable for the Company and as a result the Company incurred a liability for damages payable to Reliance Globalcom. In September 2008, the Company paid the liability plus additional interest of Rs. 27 million for the period April 2008 to the date of settlement in September 2008. There were no such costs or related interest expense incurred in fiscal 2007.

Non-Operating Income

The following table sets forth information regarding the Company’s non-operating income for the fiscal years ended March 31, 2008 and 2009:

	<u>2008</u>	<u>2009</u>		<u>Increase / (Decrease)</u>	<u>Increase / (Decrease)</u>
	<u>Rs. (in millions)</u>	<u>Rs. (in millions)</u>	<u>US\$ (in millions)</u>	<u>Rs. (in millions)</u>	<u>%</u>
Gain on sale of investments (net)	145	4,289	84	4,144	2,857.93
Interest income / (expense) net	(1,369)	(2,241)	(44)	872	63.70
Dividend income	317	225	4	(92)	(29.02)
Foreign exchange gains (loss) (net)	3	(76)	(1)	(79)	(2,633.33)
Liabilities not required to be settled written back	229	228	4	(1)	(0.44)
Other income	1,385	594	12	(791)	(57.11)
Total	710	3,019	59	2,309	325.21

Gain on Sale of Investments

The gain on sale of investments was Rs. 4,289 million and Rs. 145 million in fiscal 2009 and 2008. In fiscal 2009, the gain on sale of investments included a gain on the sale of partial investment in shares of Tata Teleservices Limited amounting to Rs. 3,904 million. The balance was primarily a gain on the sale of mutual fund investments.

Interest Income/Expense (Net)

Net interest represents the net interest accrued by the Company on its bank and other deposits and borrowings under its overdraft facilities. Interest income from banks and others increased to Rs. 491 million in fiscal 2009 from Rs. 100 million in fiscal 2008 on account of an increase in bank deposits and loans given. In fiscals 2009 and 2008, the Company received interest of Rs. Nil and Rs. 167 million on income tax refunds on its India operations. During fiscal 2009, the Company had interest expense of Rs. 2,732 million on short-term and long-term debt as against Rs. 1,469 million in fiscal 2008. The increase was because of the increase in the total debt of the Company.

Dividend Income

Investments in mutual funds were in debt funds whose return was linked to interest rate movement. In fiscal 2009 the interest rates have decreased when compared to fiscal 2008. Hence, the dividend income earned on investments in mutual funds has decreased.

Other Income

Other income of Rs. 594 million (US\$ 12 million) in fiscal 2009 included rental and space sharing income of Rs. 249 million (USD\$5 million). Other income of Rs. 1,385 million in fiscal 2008 included Rs.278 million and Rs 162 million on account of license fees reimbursement from DoT and liabilities written back on dispute settlement respectively.

Income Tax Expense

The Company's effective tax rate on a consolidated basis was 31.66% in fiscal 2009 as against 139.43% in fiscal 2008. The statutory income tax rates in India were 33.99% for fiscal 2009 and 33.99% for fiscal 2008. The net profit in fiscal 2009 constitutes of significant portion of the gain on sale of investments in Tata Teleservices Limited, which is taxed at the rate of 22.66% as against a statutory rate of 33.99%, therefore the Company's effective tax rate on consolidated basis was lower in fiscal 2009 as against fiscal 2008. The effective tax rate in fiscal 2008 was higher than the statutory rate because the Company's operations outside of India incurred losses which could not be set off against the profits earned by the Company's operations within India, thereby causing the effective rate on a consolidated basis to rise substantially.

In fiscal 2007, the Company commenced its analysis under Section 382 of the US Internal Revenue Code to ascertain the amount of operating loss in respect of a subsidiary of Teleglobe International Holdings Ltd (TIHL) that will be available for future utilization consequent to the acquisition of TIHL by the Company in fiscal 2006. In fiscal 2008, deferred tax assets and corresponding valuation allowances of Rs. 2,605 million were written-off as the Company concluded that these deferred tax assets were not available for future utilization. The above write-off did not have an impact on the income statement as there was an equal but opposite movement in valuation allowance.

In the event of a decision against the Company relating to its tax holiday claim under Section 80-IA, claim for capital loss on sale of ICO Global shares, the reimbursement of levy by the Government of India and the related interest, and penalties will negatively affect the Company's results of operations by Rs. 6,275 million, Rs. 1,077 million, Rs. 629 million and Rs. 8,175 million respectively.

Taxes and interest relating to these tax disputes have been paid in full and classified as advance income taxes on the balance sheet. Penalties of Rs. 1,236 million (out of a total Rs. 8,175 million of penalties imposed by the tax authorities) have also been paid, which may result in an additional future payment of up to Rs. 6,939 million if the Company is unsuccessful in all of its significant tax disputes.

The Company continues to be subject to other significant claims by the revenue authorities in respect of income tax matters. These are described under "Item 8—Legal Proceedings."

Share in Net Loss of Equity Method Investees

During fiscals 2008 and 2009, Tata Communications' equity ownership interest in United Telecom Limited ("UTL") was 26.66% and in SEPCO Communications Pty. Ltd ("SEPCO") was 43.16%. SEPCO is an investment company which owns 51% of the equity of Neotel (Pty) Ltd, a company which provides basic telecommunication services in South Africa.

On January 19, 2009, the Company directly acquired an additional 27% equity ownership interest in Neotel.

The Company's share in the net loss of equity method investees in fiscal 2009 was Rs. 1,120 million (US\$ 22 million) as compared to Rs. 393 million in fiscal 2008 because the Company's share in the net loss from SEPCO has increased from Rs 399 million in fiscal 2008 to Rs 1,117 million (US\$ 22 million) in fiscal 2009. Rs. 1,117 million (US\$ 22 million) in fiscal 2009 included additional 27% equity ownership interest share of losses, which amounts to Rs. 142 million (US\$ 3 million) post-acquisition.

Fiscal Year 2008 Compared to Fiscal Year 2007

The following table sets forth information regarding the Company's net income for the fiscal years ended March 31, 2007 and 2008:

	2007		2008		Increase/ (Decrease)	Increase/ (Decrease)
	Rs. (in millions)	% of revenues	Rs. (in millions)	% of revenues	Rs. (in millions)	%
Revenues	85,977	100.00	82,331	100.00	(3,646)	(4.24)
Operating costs	(82,535)	96.00	(82,123)	99.74	(412)	(0.50)
Non-operating income	1,080	1.26	710	0.86	(370)	(34.26)
Income tax expense	(2,807)	3.26	(1,280)	1.55	(1,527)	(54.40)
Dividend tax	(180)	0.21	(218)	0.26	38	21.11
Share in net loss of equity method investees	(96)	0.11	(393)	0.48	297	309.38
Minority interest	—	—	(1)	—	(1)	—
Net income	1,439	1.67	(974)	(1.17)	(2,413)	(167.69)

Revenues

The following table sets forth information regarding the Company's revenues for the fiscal years ended March 31, 2007 and 2008:

	2007	2008	Increase/ (Decrease)	Increase/ (Decrease)
	Rs. (in millions)	Rs. (in millions)	Rs. (in millions)	%
Telephone:				
International long distance ("ILD")	53,047	46,687	(6,360)	(11.99)
National long distance ("NLD")	3,377	3,767	390	11.55
Corporate data transmission:				
Leased circuits and IRUs	10,329	10,998	669	6.48
Frame relay and MDNS services	2,794	932	(1,862)	(66.64)
Internet leased lines	4,038	4,796	758	18.77
Internet (including Corporate IP Transit)	5,357	7,844	2,487	46.43
Other	7,035	7,307	272	3.87
Total	85,977	82,331	(3,646)	(4.24)

Telephone

ILD Revenue

The ILD business generated the single largest revenue stream of the Company in fiscal 2007 and fiscal 2008—61.70% and 56.71% of the Company's total revenues, respectively. ILD traffic into and out of India represented a significant portion of the Company's Wholesale Voice segment and the Company maintained market leadership in terms of the volume of inbound termination of calls to India. However, the Company's ILD revenues declined by 11.99% to Rs. 46,687 million in fiscal 2008 from Rs. 53,047 million in fiscal 2007 primarily due to the appreciation of the rupee over the dollar in fiscal 2008 and reduced prices for ILD services as a result of increased competition in the industry (despite a 30% increase in ILD traffic volumes from fiscal 2007 to fiscal 2008).

NLD Revenue

NLD as a revenue stream is generated by the Company's India operations and accounted for 4.58% and 3.93% of the Company's total revenues in fiscal 2008 and fiscal 2007, respectively. NLD volumes increased by 33% in fiscal 2008 over fiscal 2007. This resulted in an increase of 11.55% in NLD revenues to Rs. 3,767 million in fiscal 2008 from Rs. 3,377 million in fiscal 2007. However, net revenues per minute decreased to Rs. 0.24 per minute in fiscal 2008 as compared to Rs. 0.26 per minute in fiscal 2007 due to falling prices for NLD services as a result of increased competition after the issuance of new NLD licenses and other regulatory initiatives. Although new entrants in the NLD market subjected the Company to ever increasing pricing pressures, they also presented opportunities for the Company to share its network infrastructure with the new licensees and pursue new revenue-earning avenues for the Company.

The Company continued to augment its NLD network, which also sustains its Enterprise and Carrier Data segment in India. The Company launched an NGN Voice network, and had a strong national infrastructure and interconnect agreements with all basic and cellular mobile service operators in India to carry NLD traffic to and from their networks. Apart from increasing the Company's overall revenues, the NLD business helped the Company reduce costs by reducing its dependence on other NLD operators for domestic connectivity. Further, the Company was able to carry increased volumes due to a larger network reach and increased points of interconnect with other access providers.

Corporate Data Transmission

Leased Circuits and IRUs Revenue

Revenue from leased circuits (international and national) and IRUs increased by 6.48% to Rs. 10,998 million in fiscal 2008 compared to Rs. 10,329 million in fiscal 2007. The increase was largely fuelled by the growth of IT, IT-enabled services, financial markets and outsourcing services in India. These services contributed approximately 13.36% and 12.01% of the Company's total revenues in fiscal 2008 and fiscal 2007, respectively. The Company continued to focus on the growth of these services globally.

Frame Relay and MDNS Services Revenue

Frame relay and MDNS services revenue decreased by 66.64% to Rs. 932 million in fiscal 2008 compared to Rs. 2,794 million in fiscal 2007 due to increased customer preference for dedicated leased circuits and certain customers launching their own captive facilities for these services. This revenue stream accounted for 3.25% and 1.13% of the Company's total revenues in fiscal 2007 and fiscal 2008, respectively.

Internet Leased Lines Revenue

Revenues from internet leased lines increased by approximately 18.77% to Rs. 4,796 million in fiscal 2008 compared to Rs. 4,038 million in fiscal 2007 on account of an increase in demand for high-speed dedicated internet access by enterprise customers. The growth was primarily driven by the Company's India operations. This revenue stream accounted for 4.70% and 5.83% of the Company's total revenues in fiscal 2007 and fiscal 2008, respectively.

Internet Revenue

Internet revenue (which generated 6.23% and 9.53% of the Company's total revenues in fiscal 2007 and fiscal 2008, respectively) increased by 46.43% to Rs. 7,844 million in fiscal 2008 compared to Rs. 5,357 million in fiscal 2007, primarily because of an increase in broadband and corporate IP transit services revenues. Internet revenue includes revenue from retail dial-up and broadband services offered by the Company in India, services offered by VBL and DIL, and corporate IP transit services offered by the Company across the globe.

Broadband revenues increased by 40.40% to Rs. 1,703 million in fiscal 2008 from Rs. 1,213 million in fiscal 2007 due to an increase in the Company's subscriber base. The Company continued to focus on broadband services across India, but its broadband plans were severely negatively impacted by the lack of unbundled last-mile access and the high cost of access to customers. In fiscal 2008, the Company commenced its roll-out of a Wimax-based Wireless Broadband Access network in an effort to help overcome the last-mile access problems.

Corporate IP transit services revenues increased by 11.47% to Rs. 3,660 million in fiscal 2008 from Rs. 3,283 million in fiscal 2007.

Other Revenue

Other revenue increased by 3.87% to Rs. 7,307 million in fiscal 2008 from Rs. 7,035 million in fiscal 2007, largely due to an increase in VPN revenues and IDC revenues. Other revenue accounted for 8.88% of the Company's total revenue in fiscal 2008 as compared to 8.18% in fiscal 2007. Other revenue was generated primarily from VPN services, data centre services, global roaming and other VAS services. VPN revenues grew by 21.27% to Rs. 1,009 million in fiscal 2008 from Rs. 832 million in fiscal 2007. IDC revenues grew by 31.21% to Rs. 1,072 million in fiscal 2008 from Rs. 817 million in fiscal 2007. Global roaming services contributed 4.57% more to Other revenue in fiscal 2008 than in fiscal 2007 (Rs. 2,037 million and Rs. 1,948 million, respectively).

Operating Costs

The following table sets forth information regarding the Company's operating costs for the fiscal years ended March 31, 2007 and 2008:

	<u>2007</u>	<u>2008</u>	<u>Increase/ (Decrease)</u>	<u>Increase/ (Decrease)</u>
	<u>Rs. (in millions)</u>	<u>Rs. (in millions)</u>	<u>Rs. (in millions)</u>	<u>%</u>
Network and transmission costs				
Interconnect charges	49,092	44,084	(5,008)	(10.20)
Rent of landlines	345	969	624	180.87
Space segment utilization charges	583	297	(286)	(49.06)
Other transmission costs	1,425	1,367	(58)	(4.07)
Total	51,445	46,717	(4,728)	(9.19)
License fees	1,087	848	(239)	(21.99)
Other operating costs including depreciation and amortization	30,003	34,558	4,555	15.18
Total operating costs	82,535	82,123	(412)	(0.50)

Network and Transmission Costs

Network and transmission costs decreased by 9.19% to Rs. 46,717 million in fiscal 2008 from Rs. 51,445 million in fiscal 2007. As a percentage of revenue, network and transmission costs decreased to 56.74% in fiscal 2008 compared to 59.80% in fiscal 2007. The decrease in fiscal 2008 was primarily due to the realization of synergies from the acquisitions of Teleglobe and TGN and price efficiencies achieved due to higher volumes.

Interconnect charges decreased by 10.20% to Rs. 44,084 million in fiscal 2008 from Rs. 49,092 million in fiscal 2007. Interconnect charges also decreased as a percentage of revenue to 53.54% in fiscal 2008 from 57.10% in fiscal 2007. These decreases were primarily due to a reduction in termination charges on wholesale voice services and the conversion of revenue-sharing contracts in the data business to direct network contracts.

Costs incurred in relation to the rent for landlines increased by 180.87% to Rs. 969 million in fiscal 2008 from Rs. 345 million in fiscal 2007. As a percentage of revenue, the costs associated with rent of landlines also increased to 1.18% in fiscal 2008 from 0.40% in fiscal 2007. These increases were principally a result of the acquisition of DIL on June 24, 2007 and an increase in off-net lease charges consequent to increase in 19,713 E1s in fiscal 2007 to 35,638 E1s in fiscal 2008.

The Company continued to rationalize its space segment utilization charges by surrendering surplus capacity and using its fibre optic cable infrastructure for carrying voice and data traffic. Consequently, these charges decreased by 49.06% to Rs. 297 million in fiscal 2008 compared to Rs. 583 million in fiscal 2007. As a percentage of revenue, these charges also decreased to 0.36% in fiscal 2008 from 0.68% in fiscal 2007.

License Fees

The license fee payable by the Company to the DoT is 6% of adjusted gross revenues ("AGR"). The Government of India defines AGR as gross call revenues less access charges actually paid to other carriers for carrying of calls less service and sales taxes paid to the Government of India. We have certain disputes with the Government of India over the calculation of AGR and therefore of license fees. The total amounts provided towards ILD, NLD and ISP licenses for fiscals 2008 and 2007 were Rs. 821 million and Rs. 1058 million, respectively.

As part of the compensation to the Company for the early termination of its monopoly on providing ILD services, the GoI agreed to refund to the Company 10% of the NLD license fees. Accordingly, the Company recorded a net charge of 5% of the revenues from NLD services and recorded a receivable from the GoI of 10% of such fees. The total original amount of the claim was Rs. 802.80 million. As of March 31, 2008, the GoI had refunded Rs. 793.10 million to the Company.

Other Operating Costs

Other operating costs increased by 15.18% to Rs. 34,558 million in fiscal 2008 from Rs. 30,003 million in fiscal 2007. As a percentage of revenue, other operating costs increased to 41.97% in fiscal 2008 compared to 34.9% in fiscal 2007. These increases were primarily due to increases in legal charges, infrastructure roll-out and organizational growth.

Increases in some of the components of other operating costs were as follows:

- Depreciation and amortization charges increased by 5.63% to Rs. 7,358 million in fiscal 2008 from Rs. 6,966 million in fiscal 2007, representing 21.29% and 23.22% of other operating costs in fiscal 2008 and fiscal 2007, respectively, primarily because of capital expenditures made by the Company of Rs. 39,460 million and Rs. 10,091 million in fiscal 2008 and fiscal 2007, respectively. Depreciation and amortization charges in fiscal 2007 included an impairment charge of Rs. 80 million taken to write-off the net book value of the distribution rights acquired through Teleglobe. The Company's net block of property, plant and equipment ("PP&E") increased to Rs. 74,084 million in fiscal 2008 from Rs. 59,640 million in fiscal 2007 and the effective rate of depreciation on PP&E was 8.67% and 9.05% in fiscal 2008 and fiscal 2007, respectively.
- Manpower costs decreased by 2% to Rs. 8,792 million in fiscal 2008 from Rs. 9,001 million in fiscal 2007, representing about 25% and 30% of other operating costs in fiscal 2008 and fiscal 2007, respectively. Manpower costs in fiscal 2007 included Rs. 239 million recorded as an expenditure toward the Voluntary Retirement and Separation schemes for VSNL India and Rs. 100 million toward severance payments for TGN employees and retention bonuses for TGN and Teleglobe employees pursuant to the integration and restructuring related to the TGN and Teleglobe acquisitions. Excluding these costs, manpower costs went up by 2% in fiscal 2008 as compared to fiscal 2007. This increase is primarily due to an increase in manpower. As of March 31, 2008 and 2007, respectively, the Company had a total of 5,147 (80% based in India) and 4,401 (72.73% based in India) employees.
- Repairs and maintenance costs increased by 4% to Rs. 4,419 million in fiscal 2008 from Rs. 4,232 million in fiscal 2007, representing 12.85% and 14.11% of other operating costs in fiscal 2008 and fiscal 2007, respectively, primarily due to the expansion of the Company's asset base as a result of the TGN and Teleglobe acquisitions.
- Legal and professional fees increased by 249% to Rs. 4,861 million in fiscal 2008 from Rs. 1,392 million in fiscal 2007, representing 14.13% and 4.64% of other operating costs in fiscal 2008 and fiscal 2007, respectively, primarily due to the Company's increased operations outside India, dispute resolution and arbitration costs, and restructuring and compliance costs. Polargrid LLC, initial bidders for TGN, brought suit against the Company in December 2004 in the U.S. District Court for the Southern District of New York in connection with an alleged breach of contract between the parties, and subsequently amended its complaint to add additional claims. Polargrid's complaint sought in excess of US\$1.5 billion in damages arising from the Company's alleged breach and other alleged violations of common law. In April 2008, the Company settled all outstanding claims by Polargrid for an amount of Rs. 680 million (US\$17 million), which was accrued in fiscal 2008 and included as a one-time, non-recurring cost under other operating costs in the income statement and under accrued expenses and other current liabilities in the balance sheet. Under the terms of our settlement with Polargrid, all claims and counterclaims in the New York federal action have been dismissed with prejudice, Polargrid ceased its opposition to the Tata Composite Scheme of Arrangement, and the parties released each other from all related claims and covenant not to sue each other for related matters, including any matters related to the Tyco Global Network or Polarnet project.

In fiscal 2008, the Company incurred Rs. 760 million of other operating costs and Rs. 69 million of interest expense, both of which were included under accrued expenses and other current liabilities on the balance sheet, in connection with the settlement of arbitration with Reliance Globalcom Limited (formerly known as “Flag Telecom”). The outcome of the arbitration proceeding was unfavorable for the Company and as a result the Company incurred a liability for damages payable to Reliance Globalcom. In September 2008, the Company paid the liability plus additional interest of Rs. 27 million for the period April 2008 to the date of settlement in September 2008. There were no such costs or related interest expense incurred in fiscal 2007.

Non-Operating Income

The following table sets forth information regarding the Company’s non-operating income for the fiscal years ended March 31, 2007 and 2008:

	<u>2007</u>	<u>2008</u>	<u>Increase/ (Decrease)</u>	<u>Increase/ (Decrease)</u>
	<u>Rs. (in millions)</u>	<u>Rs. (in millions)</u>	<u>Rs. (in millions)</u>	<u>%</u>
Gain on sale of investments (net)	17	145	128	752.94
Interest income/(expense) (net)	(1,317)	(1,369)	52	3.95
Dividend income	578	317	(261)	(45.16)
Foreign exchange gains (loss) (net)	36	3	(33)	(91.67)
Liabilities not required to be settled written back	578	229	(349)	(60.38)
Other income	1,188	1,385	197	16.58
Total	1,080	710	(370)	(34.26)

The Company’s total non-operating income declined by 34.26% to Rs. 710 million in fiscal 2008 from Rs. 1,080 million in fiscal 2007 primarily due to a decrease in dividend income and liabilities written back. The Company’s income from dividends decreased due to a reduction in Company’s investment in mutual funds.

Gain on Sale of Investments

As a result of the Company’s sale of mutual fund investments, the gain on sale of investments increased by 752.94% in fiscal 2008 to Rs. 145 million from Rs. 17 million in fiscal 2007.

Interest Income/ Expense(Net)

Net interest, which represents the net interest accrued by the Company on its bank and other deposits and borrowings under its overdraft facilities, increased from Rs. 1,317 million in fiscal 2007 to Rs. 1,369 million in fiscal 2008, primarily due to an increase in interest expense paid by the Company on short-term and long-term debt from Rs. 1,380 million in fiscal 2007 to Rs. 1,469 million in fiscal 2008 because of an increase in the total debt of the Company. This outflow was offset by an increase in interest received by the Company from banks and others of Rs. 100 million in fiscal 2008 from Rs. 63 million in fiscal 2007 as a result of an increase in interest rates globally.

Other Income

Other non-operating income increased to 16.58% from Rs. 1,188 million in fiscal 2007 to Rs. 1,385 million in fiscal 2008, primarily because of profits on sales of fixed assets and an increase from Rs. 63 million in fiscal 2007 to Rs. 167 million in fiscal 2008 of interest received by the Company on income tax refunds related to the Company’s India operations.

Income Tax Expense

The Company's income tax expense decreased by 54.40% to Rs. 1,280 million in fiscal 2008 from Rs. 2,807 million in fiscal 2007 principally because of a reduction in income before income taxes from Rs. 4,522 million in fiscal 2007 to Rs. 918 million in fiscal 2008. The Company's effective tax rate on a consolidated basis was 139.43% and 62.07% for fiscal 2008 and fiscal 2007, respectively. The Company's statutory income tax rates were 33.99% and 33.66% for fiscal 2008 and fiscal 2007, respectively. The Company's effective tax rates were higher than the statutory rates because the Company's operations outside India incurred losses which could not be set off against the profits earned by the Company's Indian operations.

In fiscal 2007, the Company commenced its analysis under Section 382 of the US Internal Revenue Code to ascertain the amount of operating loss in respect of a subsidiary of Teleglobe International Holdings Ltd (TIHL) that will be available for future utilization consequent to the acquisition of TIHL by the Company in fiscal 2006. In fiscal 2008, deferred tax assets and corresponding valuation allowance of Rs. 2,605 million were written-off as the Company concluded that these deferred tax assets were not available for future utilization. The above write-off did not have an impact on the income statement as there was an equal but opposite movement in valuation allowance.

The Company is subject to significant claims by revenue authorities in respect of income tax matters. See—"Legal Proceedings" in Item 8.

Share in Net Loss of Equity Method Investees

The Company's share in the net loss of equity method investees increased by 309.38% to Rs. 393 million in fiscal 2008 from Rs. 96 million in fiscal 2007. On March 31, 2008 and March 31, 2007, the equity method investees were SEPCO Communications Pty. Ltd ("SEPCO") and United Telecom Limited ("UTL"). During fiscal 2008 and 2007, the Company had an ownership interest of 43.16% in SEPCO and 26.66% in UTL.

Critical Accounting Policies

US GAAP

The Company prepares its financial statements in accordance with Indian GAAP. US GAAP differs in certain material respects from Indian GAAP. Principal differences insofar as they relate to the Company include differences in the measurement basis for acquisitions accounted for using the purchase method, valuation of investments, measurement and accounting for impairment loss of long-lived assets, accounting for deferred income taxes, accounting for retirement benefits, compensated absences, foreign exchange differences, financial instruments, proposed dividends and taxes thereon and the presentation and format of the financial statements and related notes.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the years presented. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The Company believes the following critical accounting policies apply to and affect significant judgments and estimates used in the preparation of its consolidated financial statements.

Useful lives of Property, Plant and Equipment ("PP&E") and Other Intangibles

We estimate the useful lives of property, plant and equipment and intangible assets in order to determine the amount of depreciation and amortization expense to be recorded during any reporting period. Such estimated life is based on historical experience with similar assets or the fair valuation done at the time of acquisition, as well as taking into account anticipated technological or other changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods. Assets that do not meet the criteria to be classified as intangible assets are accounted as service contracts or operating leases. Any amounts paid in advance related to service contracts or operating leases are included in other non-current assets and amortized on a straight-line basis over the term of the arrangement.

Impairment of Long-Lived Assets

We review these types of assets for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable over the remaining life of the asset or asset group. In order to determine if the asset or asset group is recoverable, we determine if the expected future cash flows directly related to the asset or asset group are less than the carrying amount of the asset or asset group. If so, we then determine if the carrying amount of the asset or asset group exceeds its fair value. We determine fair value using estimated discounted cash flows. If impairment is indicated, the asset or asset group is written down to its fair value. Assets to be disposed off are reported at the lower of the carrying value or the fair value less the cost to sell. The discounted cash flows calculation uses various assumptions and estimates regarding future revenue, expenses and cash flows projections over the estimated remaining useful life of the asset or asset group. These forecasts are subject to changes in external factors, including adverse regulatory and legal rulings. If the asset is impaired, we recognize an impairment loss, as the difference between the carrying amount and the fair value of the asset. The adjusted carrying amount is the new cost basis.

Valuation of Goodwill

Goodwill is tested for potential impairment on an annual basis, which for the Company is performed on March 31 or in interim periods if events and circumstances indicate a potential impairment. As reporting units are determined after an acquisition or evolve with changes in business strategy, goodwill is assigned and it may no longer retain its association with a particular transaction. All revenue streams and related activities of a reporting unit, whether acquired or organic, are available to support the carrying amount of goodwill. The reporting units for impairment assessments are generally one level below the operating segment and have been identified as international voice (included under the global voice services operating segment), broadband internet through optical fibre and broadband and dial-up internet (both included under the retail internet operating segment).

Under the applicable accounting standard, goodwill impairment analysis is a two-step test. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. The adjustments to measure the assets, liabilities and intangibles at fair value are only for the purpose of measuring the implied fair value of goodwill and these adjustments are not reflected in the consolidated balance sheet. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

Estimating the fair value of reporting units is a subjective process that requires significant estimates and assumptions, particularly related to cash flows and the appropriate discount rates. The fair values of the reporting units were determined using a valuation technique consistent with the income approach. For the purposes of the income approach, internal forecasts were used to estimate the future cash flows (including a terminal value approach to estimate cash flows beyond the final year of the forecast) after considering current economic conditions and trends, estimated future operating results and growth rates, anticipated future economic and regulatory conditions and the availability of necessary technology and network infrastructure. Due to the inherent uncertainty involved in making those estimates, actual results could differ from the estimates. The Company evaluates the merits of each significant assumption, both individually and in the aggregate, used to determine the fair values of the reporting units, as well as the fair values of the corresponding assets and liabilities within the reporting units, for reasonableness.

Cash flows were discounted based on equity return rates. The Company believes that the discount rates used adequately reflect the inherent risk in the businesses of the reporting units, uncertainty in the economic environment and the risks associated with the internally developed forecasts. Expected rates of equity returns were estimated based on historical market returns for similar industries of the reporting units.

Legal claims against the Company

There are a number of legal proceedings covering a wide range of matters pending or threatened against us. We have accrued for loss contingencies that are probable and where the loss amount can be reasonably estimated. The judgments we make with regard to whether to establish an accrual are based on an evaluation of all relevant factors by internal and external legal counsel, as well as subject matter experts and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Claims are continually monitored and revalued as new information is obtained. We may not establish our liability for a particular matter until long after the litigation is filed, once a liability becomes probable and estimable. In respect of loss contingencies where the reliable estimate of loss is a range, the amount accrued is the better estimate of the loss within the range and when no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued.

The actual settlement of such matters could differ from the judgments made in determining how much, if any, to accrue. We do not believe these proceedings will have a material adverse effect on our consolidated financial results. While we believe that our accruals for these matters are adequate, if the actual loss from a loss contingency is significantly different than the estimated loss, our results of operations may be over or understated.

Income Taxes

Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and probability of realization of deferred income taxes and the timing of income tax payments. Deferred income taxes are provided for the effect of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. The Company measures deferred tax assets and liabilities using enacted tax rates that, if changed, would result in either an increase or decrease in the provision for income taxes in the period of change. A valuation allowance is recorded when it is more likely than not that a deferred tax asset will not be realized. In assessing the likelihood of realization, management considers estimates of future taxable income, the character of income needed to realize future tax benefits, and all available evidence. Income tax benefits from tax positions have been recognized only when it was more likely than not that the Company would be entitled to the economic benefits of the tax positions. The more-likely-than-not threshold has been determined based on the technical merits that the position will sustain upon examination. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the tax position are recognized. Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, our financial condition and results of operations in future periods, as well as final review of our tax returns by taxing authorities, which, as a matter of course, are regularly audited by the Indian and foreign tax authorities. Upon adoption of FIN 48, the variation on account of review could be minimized but may not be altogether eliminated.

Accounting policy on uncertain tax positions

Uncertain tax positions are recognized using the more-likely-than-not threshold determined solely based on the technical merits that the tax positions sustain upon examination. Tax positions that met the recognition threshold are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties relating to uncertain tax positions are classified as income tax expense in the statement of operations and reduced from advance income taxes which are presented in the balance sheet under non-current assets.

In the consolidated balance sheets as of March 31, 2008 and 2009 included in the Form 20-F, advance income taxes (net) related mainly to tax disputes and had been classified as current assets because examinations by the tax appeal authority (referred to as the "Income Tax Appellate Authority or "ITAT") were scheduled within one year of the balance sheet dates and on the basis of the Company's expectation of a favorable resolution by the ITAT and subsequent tax refund of cash, all of which the Company had anticipated would occur within one year of the balance sheet dates.

Subsequent to the issuance of the 2009 consolidated financial statements, in response to the SEC Staff's comment, the Company reassessed its basis of classification and determined that it was prudent and more appropriate to classify these balances as non-current assets because of the Company's experience with recurring delays in hearings and rescheduled examinations by the ITAT. The effect of the reclassification on current and non-current assets as of March 31, 2008 and 2009 has been disclosed in footnote 30 to the 2009 consolidated financial statements (restated) included in this Form 20-F/A No. 1.

Asset retirement obligations

The Company's asset retirement obligations relate to the removal of cable systems when they will be retired. The Company records a liability for the estimated current fair value of the costs associated with the removal obligations. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of the fair value can be made. The liability for an asset retirement cost is capitalized by increasing the carrying amount of the related long-lived asset and is depreciated over its useful life. The estimated removal liabilities are based on historical cost information, industry factors and technical estimates received from consortium members of the cable

systems. The Company measures changes in liability for an asset retirement obligation due to the passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. The interest rate used to measure that change is the credit-adjusted risk-free rate that existed when the liability was initially measured. That amount is recognized as an increase in the carrying amount of the liability and as an expense classified as interest expense in the statement of operations. The Company reviews and revises its estimate to the extent there are material differences between the estimated and actual removal costs and the estimated and actual rates.

Segment Analysis

The Company has three reportable segments:

- Wholesale Voice—global voice services;
- Enterprise and Carrier Data—corporate data transmission services;
- Others—India voice, retail internet, data center, signaling, roaming and T.V. uplinking services.

Revenues from the Wholesale Voice and Enterprise and Carrier Data segments exceed 75% of the Company's total consolidated revenues. The Chief Operating Decision Makers ("CODM"), comprised of the board of directors and managing director of the Company, determine the Company's reportable segments, and allocate resources and costs to, and assess the performance of, each of the Company's segments.

Fiscal Year 2009 Compared to Fiscal Year 2008

The following is a summary of segment information for the fiscal years ended March 31, 2008 and March 31, 2009:

Segment	2008		2009				Increase / (Decrease)		Increase / (Decrease)	
	Revenues	Results	Revenues		Results		Revenues	Results	Revenues	Results
	Rs. (millions)	Rs. (millions)	Rs. (millions)	US \$ (millions)	Rs. (millions)	US \$ (millions)	Rs. (millions)	Rs. (millions)	%	%
Wholesale Voice	46,687	7,539	50,207	987	8,771	173	3,520	1,232	7.54	16.34
Enterprise and Carrier Data	18,809	15,977	25,184	495	22,500	442	6,375	6,523	33.89	40.83
Others	16,835	11,359	21,904	431	13,960	275	5,069	2,601	30.11	22.90
Total	82,331	34,875	97,295	1,913	45,231	890	14,964	10,356	18.18	29.69

Wholesale Voice

In fiscal 2009 and 2008, the Company carried approximately 25 billion minutes and 23 billion minutes, respectively, of international voice traffic. The Indian business of the Company carried international traffic of approximately 8.49 billion minutes in fiscal 2009 and 6.9 billion minutes in fiscal 2008. The segment results of Wholesale Voice increased from Rs. 7,539 million in fiscal 2008 to Rs. 8,771 million in fiscal 2009, a rise of 16.34% due to continuous focus on increasing volumes and thus revenues, while cutting costs to improve margins.

Segment results of Wholesale Voice are approximately 17.47% and 16.15% of total wholesale voice revenues for fiscal 2009 and fiscal 2008, respectively.

The retentions per minute are in line with the pricing prevailing in the highly competitive global voice markets in which the Company operates. Though on a blended basis the Company has been able to maintain its retentions, these are expected to decrease in the foreseeable future.

Enterprise and Carrier Data

Revenues from our Enterprise and Carrier Data segment have increased by 33.89% in fiscal 2009, from Rs. 18,809 million in fiscal 2008 to Rs. 25,184 million in fiscal 2009. Though the Company has witnessed substantial volume growth, tariff drops have been significant and the Company expects tariffs to continue to be under pressure.

The segment result of Enterprise and Carrier Data increased from Rs. 15,977 million in fiscal 2008 to Rs. 22,500 million in fiscal 2009, an increase of 40.83%. The Enterprise and Carrier Data segment results were 84.95% and 89.34% of Enterprise and Carrier Data segment revenue for fiscal 2008 and fiscal 2009, respectively. However, these segment results are not indicative of the true margins of this segment as substantial costs of the Company cannot be allocated among segments, as discussed below and in the consolidated financial statements of the Company.

Others

Revenues from the Others segment increased from Rs. 16,835 million in fiscal 2008 to Rs. 21,904 million in fiscal 2009, an increase of 30.11%. The segment results increased from Rs. 11,359 million in fiscal 2008 to Rs. 13,960 million in fiscal 2009. This has been largely driven by the growth in Internet and other value-added services. Volumes in the national long distance services have increased by approximately 43% though the retentions for this business increased marginally from Rs. 0.24 in 2008 to Rs. 0.26 in 2009. Other value-added services including mobile roaming and signaling, data centers and TV uplinking, have all contributed to significant growth in the segment revenues.

Fiscal Year 2008 Compared to Fiscal Year 2007

The following is a summary of segment information for the fiscal years ended March 31, 2007 and March 31, 2008:

Segment	2007		2008		Increase/ (Decrease)		Increase/ (Decrease)	
	Revenues	Results	Revenues	Results	Revenues	Results	Revenues	Results
	(Rs. millions)	(Rs. millions)	%	%				
Wholesale Voice	53,047	7,234	46,687	7,539	(6,360)	305	(11.99)	4.22
Enterprise and Carrier Data	19,550	16,936	18,809	15,977	(741)	(959)	(3.79)	(5.66)
Others	13,380	9,400	16,835	11,359	3,455	1,959	25.82	20.84
Total	85,977	33,570	82,331	34,875	(3,646)	1,305	(4.24)	3.89

Wholesale Voice

Although revenues from our Wholesale Voice segment decreased by 11.99% from Rs. 53,047 million in fiscal 2007 to Rs. 46,687 million in fiscal 2008, the results of the Wholesale Voice segment increased by 4.22% from Rs. 7,234 million in fiscal 2007 to Rs. 7,539 million in fiscal 2008, principally because of an increase in international voice traffic. In fiscal 2008, the Company carried approximately 23 billion minutes of international voice traffic compared to 20 billion minutes in fiscal 2007, primarily driven by growth resulting from the acquisition of Teleglobe. Out of this, the Indian business of the Company carried international traffic of approximately 6.9 billion minutes in fiscal 2008 and 5.3 billion minutes in fiscal 2007, respectively. Revenues generated by the Wholesale Voice segment constituted 56.71% and 61.70% of total revenues for fiscal 2008 and fiscal 2007.

Enterprise and Carrier Data

Revenues from our Enterprise and Carrier Data segment decreased by 3.79% to Rs. 18,809 million in fiscal 2008 from Rs. 19,550 million in fiscal 2007, and the results of the Enterprise and Carrier Data segment decreased by 5.66% to Rs. 15,977 million in fiscal 2008 from Rs. 16,936 million in fiscal 2007, in both cases because the substantial volume growth that the Company benefited from in this segment was offset by competitive pressures driving down prices for these services. Moreover, the results of the Enterprise and Carrier Data segment in fiscal 2007 and fiscal 2008 were not indicative of the true margins generated because substantial costs could not be allocated to this segment. See below and “— Consolidated Financial Statements”. Revenues generated by the Enterprise and Carrier Data segment constituted 22.85% and 22.74% of total revenues for fiscal 2008 and fiscal 2007, respectively.

Others

Revenues from our Others segment increased by 25.82% to Rs. 16,835 million in fiscal 2008 from Rs. 13,380 million in fiscal 2007, and the results of the Others segment increased by 20.84% to Rs. 11,359 million in fiscal 2008 from Rs. 9,400 million in fiscal 2007, largely driven by the growth in internet and other value-added services (such as NLD, mobile roaming, signaling, data center and T.V. uplinking services) provided by the Company as part of its strategy to diversify its product and service portfolio. For example, NLD service volumes increased by approximately 33% in fiscal 2008 from fiscal 2007, although the Company retained fewer customers due to increased competitive pricing pressures.

Allocation of Costs Among Segments

Revenues and interconnect charges are directly attributable to each segment. Space segment utilization charges, rent of landlines and other network and transmission costs are allocated based on the utilization of satellite and landlines by the businesses included in each segment. License fees for international voice and corporate data transmission services are allocated based on net revenues generated by each segment from these services. Depreciation and amortization, impairment loss on intangible assets and all other operating costs are unallocable.

Telecommunication services are provided utilizing the Company’s assets which do not generally make a distinction between the types of service. As a result, assets and expenses relating to those assets are not allocated to segments.

Liquidity and Capital Resources

	<u>2007</u>	<u>2008</u>	<u>2009</u>	
	<u>(Rs. millions)</u>	<u>(Rs. millions)</u>	<u>(Rs. millions)</u>	<u>(US \$ millions)</u>
Cash flows provided by operating activities	6192	10,401	14,724	289
Cash flows used in investing activities	(12,074)	(16,674)	(35,116)	(690)
Cash flows provided by/(used in) financing activities	3,806	6,738	22,548	443
Effect of foreign exchange on cash flows	(256)	(57)	445	9
Cash and cash equivalents, beginning of year	4,373	2,041	2,449	48
Cash and cash equivalents, end of year	<u>2,041</u>	<u>2,449</u>	<u>5,050</u>	<u>99</u>

Cash Flows Provided by Operating Activities

The Company generated Rs. 6,192 million, Rs. 10,401 million and Rs. 14,724 million (US\$ 289 million) as cash from operating activities for fiscal 2007, fiscal 2008 and fiscal 2009 respectively. During the fiscal year 2009, increase in net operating revenues contributed to substantial increase in cash flows from operations.

During fiscal 2009, the net impact of working capital changes was an inflow of Rs. 3,140 million as against an inflow of Rs. 4,076 million in fiscal 2008 and outflow of Rs. 2,033 million in fiscal 2007. The inflow of net working capital changes reduced due to a combination of mainly net change in accounts receivable, prepaid expenses and other current assets, other non-current assets, accounts payable, accrued expenses and other current liabilities in fiscal 2009 over fiscal 2008. The changes in working capital arise primarily from timing of receipts and payments related to our accounts receivable, other current and non-current assets, accounts payable and other current and non-current liabilities.

Cash Flows Used in Investing Activities

The Company used cash amounting to Rs. 12,074 million, Rs. 16,674 million and Rs. 35,116 million (US\$ 690 million) towards investing activities during fiscal 2007, fiscal 2008 and fiscal 2009 respectively. The Company's purchase of tangible and intangible assets net of sale proceeds were higher by Rs. 6,774 million in fiscal 2009 as against fiscal 2008. In fiscal 2009, the Company generated Rs 4,242 million from sale of partial investment in Tata Teleservices Ltd and had used net cash of Rs. 2,668 million during the year in mutual fund investments. The Company had also made additional investments and provided loans to the extent of Rs. 3,752 million to support its long term venture in South Africa. The Company also made a restricted interest bearing deposit of Rs. 2,550 million placed with a bank in India as margin money for short period (40 days) for issuing bank guarantee till the bank set up credit limits at its end for the Company. Further, a sum of Rs. 81 million was interest bearing restricted deposit with banks due to statutory / legal requirements.

Cash Flows Provided by (Used in) Financing Activities

The Company generated capital resources from its financing activities to the extent of Rs. 3,806 million in fiscal 2007, Rs. 6,738 million in fiscal 2008 and Rs. 22,548 million (US\$ 443 million) in fiscal 2009. During fiscal 2007, the Company converted its short-term borrowing to long-term borrowings ranging for periods from six to seven years. During fiscal 2008, the Company raised a term loan of Rs. 3,500 million to meet its working capital and capital expenditure requirements. During fiscal 2009, the Company's proceeds from long-term borrowings net of repayment were Rs. 21,920 million toward meeting various capital expenditure and to augment growth plans. In order to manage short term liquidity, the company had raised Rs. 2,016 million (net of repayments) in fiscal 2009 ranging from overnight overdrafts to short term loans for a period up to one year. The Company as on March 31, 2009, has total long term debt of Rs. 48,601 million (US\$ 956 million) and cash and cash equivalents of Rs. 5,050 million (US\$ 99 million) as against long-term debt of Rs. 20,384 million and cash and cash equivalents of Rs. 2,449 million as of March 31, 2008.

Other than the normal business capital expenditures related to its existing businesses and related working capital requirements, the known and likely commitments of the Company towards new ventures and debt repayments are discussed below. The Company will have to explore options to raise financial resources either in the domestic or global markets or both to meet its likely commitments. The terms and conditions under which financing will be available cannot be determined and are subject to fluctuations and uncertainties. Any problems in obtaining favorable credit ratings and access to the financial markets can be detrimental to the Company's liquidity position and can cause delays and cost escalations in the Company's business plans.

The following factors are expected to impact the Company's liquidity and capital resources:

Board of Directors' Approval for Investments in South Africa

The Company owns 43.16% in SEPCO Telecommunication Pty. Ltd. ("SEPCO"). SEPCO in turn owns 51% in Neotel, the second national telecommunications operator in South Africa. The Board has approved an investment of up to US\$ 300 million over a four year period in Neotel. The investment in fiscal 2010 is expected to be US \$26.6 million. In March 2009, Neotel completed its project financing by raising debt funding of ZAR 4.4 billion.

Planned Capital Expenditures and Cash Requirements

The Company has forecasted total capital expenditures of approximately Rs. 39,272 million in its annual operating plan for fiscal 2010 for upgrading facilities and setting up new networks and facilities. This is over and above the investment commitment in Neotel.

The capital expenditures include a planned investment in new cable system for approximately Rs 17,238 million (US\$ 338 million) which includes some of the ongoing projects like Intra-Asia, Eurasia, IMEWE and new cable system-Western African Cable System.

Fall in Revenues due to Tariff Drops both in Voice and Data

The Company has gradually over the past years witnessed pricing pressures on its products and services, both in the voice and other segments. Further, the entry into the India enterprise business of major international carriers who have capacities on international cables may cause prices of many of our enterprise products and services to decline. These factors could cause revenues and profits to decline in fiscal 2010 and future periods, which would affect the working capital of the Company.

Unfavorable Resolution of Tax Disputes

In the event of a decision against the Company relating to its tax holiday claim under Section 80-IA, claim for capital loss on sale of ICO Global shares, the reimbursement of levy by the government of India and the related interest, and penalties will negatively affect the Company's results of operations by Rs. 6,275 million, Rs. 1,077 million, Rs. 629 million and Rs. 8,175 million respectively.

Taxes and interest relating to these tax disputes have been paid in full and classified as advance income taxes on the balance sheet. Penalties of Rs. 1,236 million (out of a total Rs. 8,175 million of penalties imposed by the tax authorities) have also been paid which may result in an additional future payment of up to Rs. 6,939 million if the Company is unsuccessful in all of its significant tax disputes.

In fiscal 2009, the Company's outstanding loan balance increased by approximately Rs. 29,809 million, consisting of short-term borrowings of Rs. 1,592 million and long-term borrowings of Rs. 28,217 million. The additional short-term borrowings were incurred to finance the Company's working capital requirements. Short term loans as on 31st March 2009, aggregating to Rs. 6,763 million (US\$ 133 million) have been converted into long term loans in July and August 2009 and therefore shown as long term loans. The unsecured short-term borrowings carried a weighted average interest rate of approximately 9.67% per annum. The long-term borrowings consist of secured and unsecured term and foreign currency loans (mainly denominated in US dollars and INR) with interest rates ranging from Libor plus 300 basis points to 470 basis points per annum for US dollars denominated loans and 10.70% to 11.75% per annum on secured Indian Rupee loans. The maturity dates of these loans range from March 2010 to January 2019. The increase in the long-term borrowings was mainly to finance capital expenditures. As of March 31, 2009, the Company's total interest bearing debt was 115% of total shareholders' equity as compared to 60% on March 31, 2008.

The Company has unutilized lines of short-term credit facilities of Rs. 7,345 million and Rs. 4,500 million of long-term credit facilities as of March 31, 2009.

In fiscal 2010, the Company may require additional financing of approximately Rs. 30,804 million for capital expenditures. In addition, the Company may need to raise short-term funds to meet temporary working capital requirements from time to time. The Company intends to refinance Rs. 5,981 million short-term loans and Rs. 564 million long-term loans maturing in fiscal 2010. The additional financing may be obtained by way of loans from Indian and overseas banks / financial institutions. These loans will be denominated mainly in Indian Rupee, US dollar and South African Rand.

The Company may also obtain financing through one or more equity offerings which would be subject to shareholders' approvals (including the Government of India).

Details of Loan covenant restrictions:

The financial loans covenants are applicable to long-term dollar denominated loans and will also be applicable to ZAR denominated long term loan from FY 10 onwards pursuant to conversion of ZAR denominated bridge loan of ZAR 315 million into long term loan. The financial covenants are based on the annual consolidated financial statements of the Company prepared in accordance with Indian Accounting Standards (referred to as "Indian GAAP"). In accordance with the loan agreements, the annual consolidated financial statements to compute the covenants exclude the financial statements of VSNL SNOSPV Pte. Ltd, a subsidiary, SepCo Communications (Pty) Limited and United Telecom Limited, joint ventures and Neotel (Pty) Limited, a subsidiary of SepCo Communications (Pty) Limited (referred to as "Relevant Group").

Breach of any financial covenant will result in an event of default under the applicable loan agreement and will give the lenders the right to demand immediate loan repayments.

The financial covenants applicable for fiscal 2008 have been set out below. The terms defined in the loan agreements that are used in the financial covenants are detailed after the table, which are on lines of those defined in the loan agreements.

	Loan balance as of March 31, 2008 to which Financial Covenant is applicable	Financial Covenant	Compliance as of March 31, 2008
1.	Rs. 19,610 million (US\$490 million)	Tangible Net Worth should not be less than Rs. 40 billion	In compliance.
2.	Rs. 10,006 million (US\$250 million)	Net Debt should not exceed 3.25 times of EBITDA	In compliance.
3.	Rs. 8,804 million (US\$220 million)	Borrowings should not exceed 1.5 times Tangible Net Worth; Total Liabilities should not exceed 2 times Tangible Net Worth; EBITDA should not be less than 1.5 times Debt Service Obligation; and Total Net Fixed Assets should not be less than 1.50 times Borrowings	In compliance.

- | | | | |
|----|---|--|----------------|
| 4. | Rs. 800 million
(US\$20 million) | Borrowings should not exceed 2 times Tangible Net worth

Total Net Fixed Assets should not be less than 1.25 times Total Net Borrowings

EBITDA should not be less than 2.5 times the Interest Expense | In compliance. |
| 5. | Rs. 18,810 million
(US\$470 million) | EBITDA should not be less than 3 times the Interest Expense | In compliance. |

Definitions:

“**Tangible Net Worth**” means, as at any particular time, shareholders’ funds less (but without double counting) any amount included in shareholders’ funds which is attributable to:

- a) goodwill or other intangible assets;
- b) amounts set aside for tax;
- c) minority interests;
- d) the amount by which the net book value of any asset has been written up after 31 March 2005 (or, in the case of a person becoming a member of the Relevant Group after that date, the date on which that person became or becomes a member of the Relevant Group) by way of revaluation or on its transfer from one member of the Relevant Group to another; and
- e) any dividend or other distribution declared, recommended or made by any member of the Relevant Group,

but ignoring any variation in the credit or debit balance on the Relevant Group consolidated profit and loss account since the date of the then latest audited consolidated balance sheet of the Relevant Group except to the extent reflected in any later Relevant Group consolidated profit and loss statement.

“**EBITDA**” means, in relation to any relevant fiscal year, the total consolidated profit of the Relevant Group for the concerned fiscal year before taking into account:

- (a) Interest Expense;
- (b) tax;
- (c) any share of the profit of any associated company or undertaking, except for dividends received in cash by any member of the Relevant Group; and
- (d) extraordinary and exceptional items (excluding tax and licence fee refunds); and
- (e) after adding back all amounts provided for depreciation and amortisation for the relevant fiscal year,

as determined from the financial statements of the Relevant Group.

“ **Net Debt** ” means at any time, without double counting, the aggregate amount of all Borrowings of the Relevant Group:

- (a) excluding any working capital or similar facilities (the proceeds of which are applied solely towards working capital purposes) which are not made available in cash by way of short-term or long-term loans; and

reducing by any cash and/or cash equivalents and investments made in mutual funds, bank deposits and any other available means for surplus funds investment by the Relevant Group.

“ **Borrowings** ” means, as at any particular time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of the financial indebtedness of members of the Relevant Group. For this purpose, any amount outstanding or repayable in a currency other than INR shall on that day be taken into account in its INR equivalent at the rate of exchange that would have been used had an audited consolidated balance sheet of the Relevant Group been prepared as at that day in accordance with the GAAP applicable to the Financial Statements of Tata Communications Limited.

“ **Total Liabilities** ” means, at any time but without double counting, the aggregate value of the liabilities of each member of the Relevant Group (including all of its liabilities which are treated as current liabilities in accordance with the GAAP applicable to the financial statements of Tata Communications Limited, Borrowings (including all guarantees and indemnities in respect of Borrowings), all performance guarantees in favour of persons who are not members of the Relevant Group and all other liabilities of each member of the Relevant Group).

“ **Interest Expense** ” means, in relation to a relevant fiscal year, the aggregate amount of interest and any other finance charges (whether or not paid, payable or capitalised) accrued by the Relevant Group in that relevant fiscal year in respect of Borrowings including:

- (a) the interest element of leasing and hire purchase payments;
- (b) commitment fees, commissions, arrangement fees and guarantee fees; and
- (c) amounts in the nature of interest payable in respect of any shares other than equity share capital,

adjusted (but without double counting) by adding back the net amount payable (or deducting the net amount receivable) by members of the Relevant Group in respect of that Relevant Period under any interest or (so far as they relate to interest) currency hedging arrangements, all as determined from the financial statements.

“ **Debt Service** ” means, in respect of any relevant fiscal year, the sum of:

Interest Expense for that relevant fiscal year;

that part of all Borrowings outstanding at the commencement of the relevant fiscal year originally scheduled for repayment in the relevant fiscal year (whether or not paid or repaid when due) other than any Borrowings which are outstanding under:

any bridge facility provided that such Borrowings are refinanced prior to their stated maturity (or, if earlier, 31 March 2007) and such refinancing does not, and could not reasonably be expected to, result in any default; and

any working capital or similar facilities (the proceeds of which are applied solely towards working capital purposes) which are not made available in cash by way of short-term or long-term loans.

“ **Total Net Fixed Assets** ” means, at any time but without double counting, the aggregate net book value of all of the fixed tangible assets, investments and capital work in progress (excluding, for the avoidance of doubt, any revaluation reserve, any capital advances, goodwill and other intangible assets) of each member of the Relevant Group as determined from the financial statements of the Relevant Group.

“ **Total Net Borrowings** ” means at any time, without double counting, the aggregate net amount of all Borrowings of the Relevant Group:

- (a) excluding any working capital or similar facilities (the proceeds of which are applied solely towards working capital purposes) which are not made available in cash by way of short term or long term loans; and
- (b) reducing by any cash and/or cash equivalents and investments made in mutual funds, bank deposits and any other available means for surplus funds investment by the Relevant Group.

In fiscal 2009, the Company renegotiated the financial covenants on all long-term dollar denominated loans totaling Rs. 28,979 million (US\$ 570 million). The Company was in compliance with all of the new and revised covenants as of March 31, 2009. The covenants were renegotiated in order to facilitate the Company’s ability to obtain additional long-term financing. The need for additional long-term financing is a result of a change in the Company’s business plan to increase capital expenditures, for example the plan to acquire Wimax spectrum to support the Company’s Broadband Wireless Access (BWA) in India (expected to be auctioned in fiscal 2010) and the subsequent rollout of wireless broadband services. The capital expenditure for the Wimax license is strategically important to the Company’s ability to expand its business and achieve its business objectives set out in its new business plan.

The new and revised financial covenants that are applicable from fiscal 2009 onwards are set out below in table. The terms defined in the loan agreements that are used in the financial covenants are detailed after the table.

No.	Loan balance as of March 31, 2009 to which Financial Covenant is applicable	Financial Covenant	Threshold level pertaining to the financial covenant	Actual level pertaining to financial covenant for the fiscal 2009.
1.	Rs. 28,979 million (US\$ 570 million)	Tangible Net Worth of the Relevant Group	<p>As of March 31, 2009 must exceed Rs. 40 billion.</p> <p>As of March 31, 2010, 2011 and 2012 must exceed Rs. 25 billion</p> <p>As of March 31, 2013 must exceed Rs. 35 billion.</p> <p>As of March 31, 2014 and annual periods ending beyond March 31, 2014 must exceed Rs. 42 billion.</p>	Tangible net worth was Rs. 52.18 billion.
2.	Rs. 28,979 million (US\$ 570 million)	Ratio of Total Net Fixed Assets of the Relevant Group to Net Debt as of the year ended March 31, 2009 and for annual periods ending beyond March 31, 2009.	Should exceed 1.6 times	The ratio of Total Net Fixed Assets to Net Debt was 3.90 times.

3.	Rs. 28,979 million (US\$ 570 million)	Ratio of Net Debt to EBITDA and limit on Net Debt	For any relevant fiscal year in which the ratio of Net Debt to EBITDA is greater than 3.25:1, Net Debt should not exceed US\$ 2.3 billion.	Net Debt to EBITDA ratio was 2.51 times and the Net Debt was US\$ 865.71 million.
4.	Rs. 28,979 million (US\$ 570 million)	The ratio of EBITDA to Net Interest Expense	EBITDA in fiscals 2009 to 2014 should exceed Net Interest Expense as follows: 2009 - 3.00 times 2010 and 2011 - 2.25 times 2012 - 2.75 times 2013 - 3.10 times 2014 - 3.25 times	The ratio of EBITDA to Net Interest Expense was 7.65 times.
5.	Rs. 28,979 million (US\$ 570 million)	Ratio of Net Debt to EBITDA.	In fiscals 2013 and beyond, Net Debt should not exceed 3.25 times EBITDA.	This covenant is applicable from fiscal 2013 onwards and hence not relevant for fiscal 2009.

Definitions:

“**Tangible Net Worth**” means, as at any particular time, shareholders’ funds less (but without double counting) any amount included in shareholders’ funds which is attributable to:

- a. goodwill;
- b. amounts set aside for tax;
- c. minority interests;
- d. the amount by which the net book value of any asset has been written up after 31 March 2006 (or, in the case of a person becoming a member of the Relevant Group after that date, the date on which that person became or becomes a member of the Relevant Group) by way of revaluation or on its transfer from one member of the Relevant Group to another; and
- e. any dividend or other distribution declared, recommended or made by any member of the Group,

but ignoring any variation in the credit or debit balance on the Relevant Group consolidated profit and loss account since the date of the then latest audited consolidated balance sheet of the Relevant Group except to the extent reflected in any later Relevant Group consolidated profit and loss statement.

For the avoidance of doubt the Wimax licence fee will not be deducted when calculating Tangible Net Worth and any depreciation or amortization of the Wimax licence fee included in the calculation of Tangible Net Worth shall be cumulatively added back.

“ **Total Net Fixed Assets** ” means at any time but without double counting:

- a. the aggregate book value of all fixed assets less depreciation;
- b. the aggregate book value of all capital work in progress;
- c. investments (but excluding the book value of the Tata Teleservices Limited (TTSL) Investment); and
- d. the last traded value of the TTSL Investment,

in each case, of each member of the Relevant Group as determined from the financial statements of the Relevant Group.

“ **Net Debt** ” means at any time, without double counting, the aggregate net amount of all borrowings of the Relevant Group:

- a. excluding any working capital or similar facilities (the proceeds of which are applied solely towards working capital purposes) which are (i) not made available in cash by way of short term or long term loans; and (ii) not exceeding an aggregate amount of US\$75,000,000 (or its equivalent in any other currency or currencies); and
- b. reducing by any cash and/or cash equivalents and investments made in mutual funds, bank deposits and any other available means for surplus funds investment by the Relevant Group.

“ **EBITDA** ” means, in relation to any relevant fiscal year, the total consolidated profit of the Relevant Group for that relevant fiscal year:

- a. before taking into account:
 - i. Interest Expense;
 - ii. tax;
 - iii. any share of the profit of any associated company or undertaking, except for dividends received in cash by any member of the Relevant Group; and
 - iv. extraordinary and exceptional items (excluding tax and licence fee refunds); and
- b. after adding back all amounts provided for depreciation and amortisation for that Relevant Period,

as determined from the financial statements of the Relevant Group.

“ **Net Interest Expense** ” means Interest Expense less all income received by the Relevant Group in the relevant fiscal year in respect of any cash and/or cash equivalents and investments made in mutual funds, bank deposits and any other available means of surplus funds investment of the Relevant Group.

“ **Interest Expense** ” means, in relation to any Relevant Period, the aggregate amount of interest and any other finance charges (whether or not paid, payable or capitalised) accrued by the Relevant Group in the relevant fiscal year in respect of borrowings including:

- a. the interest element of leasing and hire purchase payments;

- b. commitment fees, commissions, arrangement fees and guarantee fees; and
- c. amounts in the nature of interest payable in respect of any shares other than equity share capital, adjusted (but without double counting) by adding back the net amount payable (or deducting the net amount receivable) by members of the Relevant Group in respect of that Relevant Period under any interest or (so far as they relate to interest) currency hedging arrangements and all as determined from the financial statements.

Based on the covenants levels as on March 31, 2009, the Company could raise additional debt of Rs.63,305 million without breaching any of its debt covenants as on March 31, 2009. Accordingly, considering the Company's current financial position, and taking into account management's assessment of its business potential, the Company anticipates that it will continue to comply with the covenants described above.

The reclassification of advance income taxes (net) from current assets to non-current assets in the consolidated balance sheets as of March 31, 2008 and 2009, as more fully described in footnote 30 to the consolidated financial statements (restated) included in this Form 20-F/A No. 1, had no effect on the Company's compliance with the loan covenants as all of the loan covenants are based on the Company's consolidated Indian GAAP financial statements and the reclassification has no effect on those financial statements.

Other material limitations—Debt and non-debt financing :

Panatone Finvest Limited and the Government of India have agreed in the Shareholders' Agreement that the Company shall not undertake certain corporate actions unless at least one director nominated by each of them (in the case of a Board meeting) or at least one authorized representative nominated by each of them (in the case of a shareholder meeting) consents to such action. These actions include, among other things, the granting of any security or incurring of indebtedness in excess of the net worth of the Company per se. In the event that Panatone Finvest Limited and the Government of India fail to agree on such matter, their disagreement could result in the Company's inability to borrow funds for future expansion.

However the Board of Directors of the Company including the nominee directors of the Government of India and Panatone Finvest Limited recently accorded an approval for the Company to raise debt, and provide guarantees which may in aggregate exceed the net worth of the Company per se by up to Rs. 41,990 million, subject to the Company obtaining Shareholders approval in the event the borrowings of the Company on a unconsolidated basis exceeds the unconsolidated net worth of the Company as per Indian GAAP. The unconsolidated net worth of the Company as per Indian GAAP as on March 31, 2009 stood at Rs. 67,980 million and the unconsolidated borrowings of the Company as on March 31, 2009 stood at Rs. 23,279 million. In view of the above approval and the fact that the unconsolidated borrowings are well within the unconsolidated net worth of the Company, the management believes that the Company has no material restrictions to raise additional debt necessary to fund its expansion plans.

The authorized share capital of the Company is Rs. 3,000 million of which the issued share capital is Rs. 2,850 million at par value of Rs. 10 per share. The Company postponed seeking shareholders' approval for increase of current level of authorized capital as the Government approvals were not received at the time of Annual General Body Meeting held on August 7, 2009. The Company shall approach the shareholders as soon as it receives Government approval for increasing authorized capital which is under consideration of the Government. However, considering the current market capitalization and the traded price of the Company's shares on stock exchanges as discussed under Item 9 of Form 20-F, the balance un-issued portion of Rs. 150 million of the authorized capital would enable the Company to raise additional equity capital at a premium.

Off-Balance Sheet Arrangements

The Company has provided guarantee for Rs. 5,485 million to the buying stake holder of our investment in TTSL Shares in respect of certain representation and warranties (other than title and tax). In the event Neotel does not meet certain performance criteria as a result of which another shareholder does not fulfill its investment commitment, the Company will be obligated to invest an additional amount of Rs. 864 million.

Table of Aggregate Contractual Obligations

The Company had the following contractual and commercial commitments related to normal business activities as of March 31, 2009:

	Payments Due by Period (Rs. millions)				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 years
Purchase Obligations	24,382	20,798	3,584	—	—
Other long term contractual commitments (1)	11,257	5,697	5,524	36	—
Operating Lease Obligations	13,368	2,225	3,576	2,896	4,671
Capital Lease Obligations	3	3	—	—	—

- (1) The other long term contractual commitments consist primarily of bank guarantees amounting to Rs. 2,206 million and standby letters of credit amounting to Rs. 5,142 million.

The Company is not involved in any trading activities.

Capital Expenditures

The Company has forecast total capital expenditures of approximately Rs. 39,272 million in its annual operating plan for fiscal 2010 for upgrading facilities and setting up new networks and facilities. This is over and above the Company's investment commitment in Neotel. The bulk of the capital expenditures will be made to enhance the transmission capacities and last-mile connectivity of the Company, both inland and offshore, the primary benefit of which will be an expansion in our capacity, but the enhancements will also improve network resilience, expand network reach, optimize our network and enable us to offer new services. The data and internet product businesses of the Enterprise and Carrier Data segment and Other Segment of the Company will derive the most benefits from these advancements. In addition, the Company expects to make limited capital expenditures to grow its Wholesale Voice business, including expenditures to develop and acquire information technology assets, sustenance capital expenditures and expenditures to enhance infrastructure. The Company also expects to make capital expenditures to develop infrastructure that will be able to be used in all the segments of the Company.

But the above figure does not include the amount required towards investment in WiMax spectrum and the subsequent roll out of a Retail WiMax network, which is expected to take place in this fiscal year depending upon the auction dates to be announced by the government.

Research and Development, Patents and Licenses

The Company conducts its own internal research and development in order to achieve its strategic goals and to remain a leader in current technological advancements. The main focus of the Company's internal research and development activity is the exploration of suitable technologies that will enable the Company to best serve its customers, gain a competitive advantage in the telecommunications market and reduce its cost of operations. The research and development that the Company has focused on in recent years has been on access technologies, content delivery systems, tools for network optimization, graphic user interface applications for network inventory systems and internet applications.

In accordance with the Company's accounting policy on research and development, all costs incurred in connection with research and development by the Company are charged to the income statement under the relevant line items.

Financial and Management Accounting and Reporting Systems

The Company was subject to various laws and Government policies in respect of public sector enterprises and followed procedures appropriate for a public sector entity until its privatization in fiscal 2002. Consequently, the Company did not have the financial and management accounting and reporting systems that are typical of private comparable companies outside India. Although the Company initiated various steps to improve its processes and systems, the Company has to continue to invest in improving its processes and systems further in light of the dynamic conditions and changes within the industry in which it operates. In addition, the Company has grown quickly as a result of significant acquisitions in fiscal 2006. In fiscal 2009, the Company has introduced new processes and have also upgraded the ERP system for its international operations due to which the accounting and reporting systems have significantly stabilized. However Company has made and will continue to make significant efforts to further develop and maintain effective accounting and reporting systems.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of effectiveness of disclosure controls and procedures

Based on their evaluation and considering the material weaknesses in internal control over financial reporting described below as of March 31, 2009, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, were not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that material information related to us and our consolidated subsidiaries is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions about required disclosures.

Management's report on internal control over financial reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers or persons performing similar functions and effected by the Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that the receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

Due to inherent limitations, including the possibility of human errors, the circumventing or overriding of controls, or fraud, internal control over financial reporting may not prevent or detect misstatements. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control—integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In the Company's previous Annual Report on Form 20-F for the year ended March 31, 2009 filed on October 15, 2009, management had concluded that the Company's internal control over financial reporting as of March 31, 2009 was effective. Subsequently, as a result of reclassification of advance income tax balances (net) from current assets to non-current assets that caused the restatement, as more fully described in Note 30, to the consolidated financial statements, management concluded there is a material weakness, as described below, in the effectiveness of internal controls in the area of classification and presentation of advance income tax balances:

Subsequent to the issuance of the Company's 2009 consolidated financial statements, management reclassified advance income tax balances mainly relating to tax disputes under appeal from current assets to non-current assets, as result of recurring delays in hearing and rescheduled examinations by the relevant tax appeal authority, that caused the Company to restate its consolidated balance sheets as of March 31, 2008 and 2009. The change in classification of advance income tax balances (net) within the balance sheet did not affect total assets as of March 31, 2008 and 2009 and did not have any effect on the consolidated statements of operations, changes in shareholders' equity and cash flows for any of the periods presented in consolidated financial statements.

Although management believes that the Company's controls in areas of accounting for and presentation of income tax balances were, and are appropriately designed, management has concluded that the deficiencies in the operating effectiveness of the controls constitute a material weakness in internal control over financial reporting in the classification and presentation of advance income tax balances in the consolidated balance sheet.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Solely as a result of the matters described in the preceding paragraphs, management revised its previously reported assessment of the effectiveness of internal control over financial reporting as of March 31, 2009.

The Company's independent registered public accounting firm, Deloitte Haskins & Sells, has issued an audit report on management's revised assessment of the Company's internal control over financial reporting, included herein.

Changes in internal control over financial reporting

During the period covered by this Annual Report, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Subsequent to March 31, 2009, we have or are planning to take the following actions to address the material weakness in our internal control over financial reporting noted above:

- improving training and accounting reviews designed to ensure that all relevant personnel involved in accounting and reporting for income taxes understand and correctly apply the classification requirements of FIN 48.

We believe as a result of the actions we have taken to date, the information contained in this Form 20-F fairly presents, in all material respects, our financial condition and results of operations for the periods contained therein.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements comprised the consolidated balance sheets of the Company as of March 31, 2008 and 2009 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the fiscal years ended March 31, 2007, 2008 and 2009 prepared in accordance with U.S. GAAP, which have been audited by Deloitte Haskins & Sells, an independent registered public accounting firm, in accordance with Standards of the Public Company Accounting Oversight Board (United States) (PCAOB). The financial statement pages appear on pages F-1 through F-37.

ITEM 19. EXHIBITS

The exhibits contained in our Form 20-F are hereby amended solely in order to replace Exhibits 12.1, 12.2 and 13.1 with revised Exhibits 12.1, 12.2 and 13.1 filed herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing this Form 20-F/A No. 1 and that it has duly caused and authorized the undersigned to sign this Form 20-F/A No. 1 on its behalf.

August 20, 2010

TATA COMMUNICATIONS LIMITED,

By: /s/ Narasimhan Srinath
Name: **Narasimhan Srinath**
Title: **Managing Director and CEO**

By: /s/ Sanjay Baweja
Name: **Sanjay Baweja**
Title: **Chief Financial Officer**

<u>Exhibit Number</u>	<u>Description</u>
12.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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TATA COMMUNICATIONS LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Tata Communications Limited
Mumbai, India

We have audited the accompanying consolidated balance sheets of Tata Communications Limited and subsidiaries (the "Company") as of March 31, 2008 and 2009, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Tata Communications Limited and subsidiaries as of March 31, 2008 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 30 to the consolidated financial statements, the accompanying financial statements have been restated.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2009, based on the criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 15, 2009 (August 20, 2010, as to the material weakness), expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

Our audit for the year ended and as of March 31, 2009, also comprehended the translation of Indian rupee amounts into U.S. dollar amounts, and in our opinion, such translation has been made in conformity with the basis stated in Note 2 (y). Such U.S. dollar amounts are presented solely for the convenience of readers in the United States of America.

Deloitte Haskins & Sells
Chartered Accountants
Mumbai, India

October 15, 2009 (August 20, 2010 as to the effects of the restatement discussed in Note 30)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Tata Communications Limited
Mumbai, India

We have audited the internal control over financial reporting of Tata Communications Limited and subsidiaries (the "Company") as of March 31, 2009, based on criteria established in Internal Control – Integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our report dated October 15, 2009, we expressed an unqualified opinion on the effectiveness of internal control over financial reporting. As described in the following paragraph, a material weakness was subsequently identified as a result of the restatement of the previously issued consolidated financial statements. Accordingly, management has revised its assessment about the effectiveness of the Company's internal control over financial reporting and our present opinion on the effectiveness of the Company's internal control over financial reporting as of March 31, 2009, as expressed herein, is different from that expressed in our previous report.

A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: Management has concluded that the internal control over financial reporting with respect to the classification and presentation of advance income taxes (net) balances in the consolidated balance sheet as of March 31, 2009, is not effective as a result of deficiencies in the operating effectiveness of such controls. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended March 31, 2009 and this report does not affect our report on such financial statements.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of March 31, 2009, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 31, 2009 of the Company and our report dated October 15, 2009 (August 20, 2010 as to the effects of the restatement discussed in Note 30), expressed an unqualified opinion on those financial statements.

Deloitte Haskins & Sells
Chartered Accountants
Mumbai, India

October 15, 2009 (August 20, 2010 as to the material weakness)

Tata Communications Limited

**Consolidated Balance Sheets
As of March 31, 2008 and 2009**

	Rs. 2008 Restated-See Note 30	Rs. 2009 Restated- See Note 30	US\$ 2009 Restated-See Note 30
(in millions, except share and per share amounts)			
ASSETS			
Current assets			
Cash and cash equivalents	2,449	5,050	99
Short-term bank deposits	9	2,671	53
Investments	123	7,089	139
Accounts receivable (net of allowances of Rs.2,696 million and Rs.3,218 million as of March 31, 2008 and 2009) (includes Rs.1,518 million and Rs.1,434 million as of March 31, 2008 and 2009 due from related parties)	16,624	25,851	508
Prepaid expenses and other current assets (net of allowances of Rs.613 million and Rs.663 million, as of March 31, 2008 and 2009) (includes Rs.820 million and Rs.6 million as of March 31, 2008 and 2009 due from related parties)	9,227	10,405	205
Total current assets	28,432	51,066	1,004
Investments	8,634	4,103	81
Investments in equity method investees	117	120	2
Advances against investment	—	712	14
Property, plant and equipment, net	74,084	103,713	2,039
Intangible assets, net	2,822	3,237	64
Goodwill	5,469	6,287	123
Advance income taxes (net)	12,183	14,205	279
Other non-current assets (includes Rs.126 million and Rs.2,965 million as of March 31, 2008 and 2009 due from related parties)	4,582	8,890	175
Total assets	136,323	192,333	3,781
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable (includes Rs.779 million and Rs.1,341 million as of March 31, 2008 and 2009 due to related parties)	22,245	34,063	670
Short-term debt and current portion of long-term debt	10,036	11,628	228
Accrued expenses and other current liabilities (includes Rs.2,693 million and Rs.3,228 million as of March 31, 2008 and 2009 due to related parties)	16,134	21,299	419
Total current liabilities	48,415	66,990	1,317
Long-term debt, net of current portion	20,384	48,601	956
Other non-current liabilities	16,707	24,225	476
Total liabilities	85,506	139,816	2,749
Commitments and contingencies (See Note 28)			
Minority interest	32	50	1
Shareholders' equity			

Equity shares par value Rs.10 each			
Authorized: 300,000,000 shares			
Issued and outstanding 285,000,000 shares as of March 31, 2008 and 2009	2,850	2,850	56
Additional paid-in-capital	15,770	15,770	310
Retained earnings	31,418	34,021	669
Accumulated other comprehensive income /(loss)	747	(174)	(4)
	<u>50,785</u>	<u>52,467</u>	<u>1,031</u>
Total shareholders' equity	<u>50,785</u>	<u>52,467</u>	<u>1,031</u>
	<u>136,323</u>	<u>192,333</u>	<u>3,781</u>
Total liabilities and shareholders' equity	<u>136,323</u>	<u>192,333</u>	<u>3,781</u>

See accompanying notes to consolidated financial statements

Tata Communications Limited

Consolidated Statements of Operations
For each of the years ended March 31, 2007, 2008 and 2009

	Rs. 2007	Rs. 2008	Rs. 2009	US\$ 2009
(in millions, except share, per share and per ADS amounts)				
Operating revenues:				
Revenues from telecommunication services (includes Rs.4,193 million, Rs.5,114 million and Rs.5,846 million in fiscals 2007, 2008 and 2009 from related parties)	85,977	82,331	97,295	1,913
Cost of revenues				
Network and transmission costs (excluding depreciation of Rs.5,552 million, Rs.6,668 million and Rs.8,114 million in fiscals 2007, 2008 and 2009)	51,445	46,717	51,201	1,006
Licence fees	1,087	848	863	17
Total cost of revenues	52,532	47,565	52,064	1,023
Operating costs				
Depreciation and amortization	6,966	7,358	10,180	200
Other operating costs (includes Rs.674 million, Rs.698 million and Rs.1,028 million in fiscals 2007, 2008 and 2009 to related parties)	23,037	27,200	30,394	598
Total operating costs	30,003	34,558	40,574	798
Operating income	3,442	208	4,657	92
Non-operating income, net:				
Gain on sale of investments	17	145	4,289	84
Interest income from banks and others (includes Rs.2 million, Rs.40 million and Rs.188 million in fiscals 2007, 2008 and 2009 from related parties)	63	100	491	10
Interest expense	(1,380)	(1,469)	(2,732)	(54)
Other non-operating income, net (includes Rs.85 million, Rs.123 million and Rs.100 million in fiscals 2007, 2008 and 2009 from related parties)	2,380	1,934	971	19
Total non-operating income, net	1,080	710	3,019	59
Income before income taxes	4,522	918	7,676	151
Income tax expense	(2,807)	(1,280)	(2,430)	(48)
Dividend tax	(180)	(218)	(218)	(5)
Equity in net loss of equity method investees	(96)	(393)	(1,120)	(22)
Minority interest	—	(1)	(22)	—
Net income (loss)	1,439	(974)	3,886	76
Per share Information:				
Basic earning (loss) per equity share	5.05	(3.42)	13.64	0.27
Weighted number of equity shares outstanding	285,000,000	285,000,000	285,000,000	285,000,000

Basic earning (loss) per ADS (each ADS represents two equity shares)	10.10	(6.84)	27.28	0.54
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See accompanying notes to consolidated financial statements

Tata Communications Limited

**Statements of Changes in Shareholders' Equity
For each of the years ended March 31, 2007, 2008 and 2009**

	Number of equity shares	Equity share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income / (loss)	Total shareholders' equity	Comprehensive income / (loss)
(in millions, except number of equity shares)							
Balance at March 31, 2006	285,000,000	Rs. 2,850	Rs. 15,770	Rs. 33,521	Rs. 25	Rs. 52,166	
Net income				1,439		1,439	1,439
Net unrealized gain on available-for-sale securities, net of realized gains and net of tax of Rs. 25 million					42	42	42
Foreign currency translation adjustment					38	38	38
Dividends paid				(1,283)		(1,283)	
Effective portion of net loss on derivative instrument designated as cash flow hedge					(4)	(4)	(4)
Change in accounting principle in respect of actuarial gain/(loss), net of taxes					(90)	(90)	
Comprehensive income							<u>1,515</u>
Balance at March 31, 2007	285,000,000	2,850	15,770	33,677	11	52,308	
Net loss				(974)		(974)	(974)
Net unrealized gain on available-for-sale securities, net of realized gains and net of tax of Rs. 63 million					175	175	175
Foreign currency translation adjustment					387	387	387
Dividends paid				(1,283)		(1,283)	
Effective portion of net loss on derivative instrument designated as cash flow hedge					(248)	(248)	(248)
Actuarial gains on employee benefit plans					422	422	422
Cumulative effect of a change in accounting-principle adoption of FIN 48				(2)		(2)	
Comprehensive loss							<u>(238)</u>
Balance at March 31, 2008	285,000,000	2,850	15,770	31,418	747	50,785	
Net income				3,886		3,886	3,886
Net unrealized loss on available-for-sale securities, net of realized loss and net of							

tax benefit of Rs. 90 million				(219)		(219)	(219)
Foreign currency translation adjustment				(937)		(937)	(937)
Dividends paid			(1,283)			(1,283)	
Effective portion of net loss on derivative instrument designated as cash flow hedge				(28)		(28)	(28)
Actuarial gains on employee benefit plans net of tax of Rs. 271 million				263		263	263
Comprehensive income							2,965
Balance at March 31, 2009	285,000,000	2,850	15,770	34,021	(174)	52,467	
	US\$	56	US\$	310	US\$	669	US\$ (4)
						US\$	1,031
							US\$ 58

As of March 31, 2009, retained earnings include Rs. 1,025 million restricted for non-convertible debenture (NCD) redemption

See accompanying notes to consolidated financial statements

Tata Communications Limited

Consolidated Statements of Cash Flows
For each of the years ended March 31, 2007, 2008 and 2009

	Rs. 2007	Rs. 2008	Rs. 2009	US\$ 2009
(in millions)				
Cash flows from operating activities:				
Net income (loss)	1,439	(974)	3,886	76
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	6,966	7,358	10,180	200
Deferred income tax (benefit) expense	261	(308)	650	13
Minority interest	—	1	22	—
Loss on sale of investment in subsidiary	—	4	—	—
Gain on sale of property, plant and equipment	(427)	(4)	15	—
Equity in net loss of equity method investees	96	393	1,120	22
Gain on sale of investment, at cost	—	—	(3,904)	(76)
Gain on sale of available-for-sale investments	(110)	(145)	(385)	(8)
Net change in:				
Accounts receivable	(1,997)	(643)	(6,464)	(127)
Prepaid expenses and other current assets	16	(4,908)	(811)	(16)
Advance income taxes, net	(395)	(2,422)	(1,892)	(37)
Other non-current assets	(1,529)	485	(623)	(12)
Accounts payable	(733)	3,797	8,130	160
Accrued expenses and other current liabilities	(25)	4,383	644	13
Other non-current liabilities	2,630	3,384	4,156	81
Net cash provided by operating activities	6,192	10,401	14,724	289
Cash flows from investing activities:				
Purchase of property, plant and equipment	(11,655)	(21,927)	(28,571)	(562)
Purchase of intangible assets	(510)	(380)	(494)	(10)
Proceeds from sale of property, plant and equipment	766	60	44	1
Purchase of available - for - sale investments	(67,107)	(66,450)	(78,402)	(1,541)
Proceeds from sale of available - for - sale investments	67,349	72,185	75,733	1,489
Proceeds from sale of investment in subsidiary	—	27	—	—
Purchase of convertible promissory note	—	—	(585)	(11)
Advance against investment	—	—	(712)	(14)
Proceeds from sale of investment, at cost	—	—	4,242	83
Acquisition of business, net of cash acquired	(871)	—	—	—
Purchase of shares in equity method investees	(107)	(92)	(890)	(18)
Loans given to equity method investees	(130)	(219)	(2,862)	(56)
Restricted cash	—	93	43	1
Short-term bank deposits	191	29	(2,662)	(52)
Net cash used in investing activities	(12,074)	(16,674)	(35,116)	(690)
Cash flows from financing activities:				
Proceeds from long-term borrowings	12,112	1,018	21,991	431
Repayment of long-term borrowings	(71)	(871)	(71)	(1)
Proceeds from short-term borrowings	7,797	25,226	19,865	391
Repayment of short-term borrowings	(14,721)	(17,455)	(17,629)	(347)
Availment /(repayment) of bank overdrafts	133	201	(220)	(4)
Repayment of finance lease obligations	(161)	(98)	(101)	(2)
Dividends paid to minority shareholders of subsidiary	—	—	(4)	—
Dividends paid (includes Rs. 903 million and Rs. 966 million and Rs. 966 million in fiscals 2007, 2008 and 2009 paid to related parties)	(1,283)	(1,283)	(1,283)	(25)
Net cash provided by financing activities	3,806	6,738	22,548	443

Net change in cash flows	(2,076)	465	2,156	42
Effect of foreign exchanges differences on cash	(256)	(57)	445	9
Cash and cash equivalents, beginning of year	4,373	2,041	2,449	48
Cash and cash equivalents, end of year	2,041	2,449	5,050	99
Supplementary cash flow information:				
Interest paid (net of interest capitalized)	1,454	1,390	2,433	48
Income taxes (including advance taxes) paid	3,316	4,219	3,774	74
Supplementary disclosure of non-cash investing activity:				
Payables for capital purchases	(763)	1,283	(186)	(4)

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

1. Background

Tata Communications Limited (“Tata Communications India”) and its subsidiaries (collectively “Tata Communications” or “the Company”) offer international and national voice and data transmission services, selling and leasing of bandwidth on undersea cable systems, internet dial up and broadband services, and other value-added services comprised mainly of mobile global roaming and signaling services, transponder lease, data centers, gateway packet switching services (GPSS), telex and telegraph and television uplinking.

The Tata group, directly and indirectly through Tata Sons Limited, Panatone Finvest Limited and Tata Power Limited, and the Government of India (GOI) owned 50.09% and 26.12%, respectively of the Company’s equity shares, as of March 31, 2009.

The consolidated financial statements of Tata Communications include the financial statements of Tata Communications India and its subsidiaries, Tata Communications International Pte Ltd. (“TCIPL”) and its subsidiaries, Tata Communications Services (America) Inc. (“TCSAI”), Tata Communications Lanka Ltd. (“TCLL”), VSNL SNO SPV Pte Ltd. (“SNOSPV”), Tata Communications Internet Services Limited (“TCISL”), Tata Communications Transformation Services Limited (“TCTSL”) and Tata Communications Banking InfraSolutions Limited (“TCBIL”) (formerly Banking ATM InfraSolutions Limited).

In India, the Company is regulated by Department of Telecommunications (DoT), Government of India and the Telecom Regulatory Authority of India (TRAI). In Singapore and Hong Kong, the Company is regulated by the Infocomm Development Authority of Singapore and the Office of the Telecommunications Authority of the Special Administrative Region, respectively. In North America, the Company is regulated by the Canadian Radio-television and Telecommunications Commission and Industry Canada, and the U.S. Federal Communications Commission, under the Communications Act of 1934, as amended. In the United Kingdom, the Company is regulated by the Office of Communications. In other areas of the world, the Company is subject to various foreign regulations.

2. Significant Accounting Policies

a. Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Notes to Consolidated Financial Statements—(Continued)

b. Basis of consolidation

The Company consolidates all entities in which it has control. In addition, the Company reviews its relationships with other entities to assess if it is the primary beneficiary of a variable interest entity. If the determination is made that it is the primary beneficiary, then that entity is consolidated. In fiscals 2008 and 2009, the Company was not the primary beneficiary of any variable interest entity. Inter-company transactions, balances, and unrealized profits and losses on such transactions are eliminated on consolidation.

c. Investments in equity method investee

Investments in entities where the Company has significant influence, generally where the Company controls between 20% and 50% of the voting stocks of such entities, are accounted for using the equity method. Investments in equity method investees are initially recorded at cost and is adjusted in subsequent periods to reflect the Company's share of earnings or loss of the equity method investee and any impairment. The Company's equity in net loss of equity method investees in excess of the equity ownership interest is recognized in the statement of operations as an adjustment to the loan given to such investees.

d. Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the years presented. Actual results could differ from these estimates. Material estimates included in these consolidated financial statements that are susceptible to change as more information becomes available include allowances for uncollectible accounts receivable and other current assets, useful lives of property, plant and equipment and intangible assets, asset retirement obligations, retirement benefits, impairment of goodwill and property, plant and equipment, and valuation of deferred tax assets.

e. Cash and cash equivalents

Cash and cash equivalents represents cash on hand and held with banks including demand deposits, which are unrestricted as to withdrawal and use, and which have maturities of three months or less when purchased.

f. Investments

Investments in securities with readily determinable market values are classified as available-for-sale securities and recorded at fair value. Unrealized gains and losses on such securities, net of applicable taxes, are reported in other comprehensive income, a separate component of shareholders' equity. Realized gains and losses on sale of securities are recorded on the trade date and the cost in respect of available-for-sale securities sold is determined on a weighted average basis.

Equity securities that do not have readily determinable fair values are recorded at original cost. Fair values of these securities are not estimated if there are no events or changes in circumstances that may have a significant effect on the carrying amount. Other than temporary declines in fair values below cost are reflected in earnings as realized loss.

The Company has not classified any securities as trading or held to maturity.

g. Accounts receivable

Accounts receivable are stated at their expected realizable values, net of allowances for uncollectible receivables. Accounts receivable and payable are disclosed on a net basis where a legal right of set-off exists. These payables and receivables are generally settled on a net basis.

h. Goodwill

Goodwill represents the premium paid over the fair values of the assets acquired and liabilities assumed in a business combination. Goodwill is assessed for impairment on an annual basis on March 31 or earlier when events or circumstances indicate that the carrying amount of goodwill exceeds its implied fair value.

Goodwill impairment assessment is a two-step test. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the impairment loss amount, if any.

The Company uses an income-based valuation approach to determine the fair value of the reporting unit by estimating the present value of future cash flows after considering current economic conditions and trends, estimated future operating results and growth rates, anticipated future economic and regulatory conditions and availability of necessary technology and network infrastructure.

When required to perform the second step, the Company compares the implied fair value of a reporting unit's goodwill with the carrying amount

of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss equal to that excess amount is recognized, not to exceed the goodwill carrying amount. The Company determines the implied fair value of goodwill for a reporting unit by assigning the fair value of the reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of the goodwill. This assignment process is only for purposes of testing goodwill impairment and the Company does not adjust the carrying amounts of the recognized assets and liabilities (other than goodwill, if appropriate) or recognize previously unrecognized intangible assets in the consolidated balance sheet as a result of this assignment process.

i. Intangible assets

The Company’s intangible assets include customer relationships, internally developed computer software and spectrum costs. Costs incurred on application development of internal use computer software are capitalized. Capitalization is commenced when the preliminary stage is complete, funding is committed, and it is probable that the project will be completed and the software will perform the function intended. Upgrades and enhancements that result in additional functionality are capitalized. Costs of ongoing maintenance, support and training activities are expensed as incurred. Customer relationships, internally developed computer software and spectrum are amortized using the straight-line method, over the following estimated useful lives:

Nature of Intangibles	Useful lives (years)
Customer relationships	1.25 to 14.5
Internally developed computer software	3 to 5
Spectrum	1.8

Notes to Consolidated Financial Statements—(Continued)

j. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes purchase price, taxes and duties, installation expenses and other direct costs incurred till the date the asset is available for use. The cost of construction in progress is transferred to the appropriate asset category, when construction is complete and the asset is available for use.

Property, plant and equipment includes intangible assets in the nature of indefeasible rights of use (“IRU’s”) for international and domestic telecommunication circuits, which the Company acquires from time to time. IRU arrangements under which the Company has the right to exclusively use a substantial portion of the capacity in the cables for substantially all of the economic lives of the cables are capitalized as intangible assets. The Company has the obligation for costs of operations, maintenance and administration, and has the risk of obsolescence during the contract period.

Depreciation is charged on a straight-line basis over the estimated economic useful lives of property, plant and equipment. Land is not depreciated. The estimated useful economic lives are as follows:

Nature of Assets	Years
Leasehold improvements	Lesser of useful life or term of lease
Leased properties	Lesser of useful life or term of lease
Buildings	12 to 58
Plant and machinery – Telecommunication equipment:	
Earth stations and exchanges	12
Cables	12 to 18
Other network equipment	3 to 20
Office equipment	3 to 20
Computers	3 to 6
Motor vehicles	5 to 10
Furniture and fixtures	3 to 15

Cables under IRU arrangements are amortized on a straight-line basis over a period of 18 years or the contracted period of right to use, whichever is lower.

k. Asset retirement obligation

The Company’s asset retirement obligations relate to the costs associated with the removal of long-lived assets when they will be retired. The Company records a liability at the estimated current fair value of the costs associated with the removal obligations. The fair value of a liability for asset retirement obligation is recognized if a reasonable estimate of the fair value can be made. The liability for asset retirement cost is capitalized by increasing the carrying amount of the related long-lived asset and is depreciated over its useful life. The estimated removal liabilities are based on historical cost information, industry factors and engineering estimates. The Company measures changes in liability for an asset retirement obligation due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. The interest rate used to measure that change is the credit-adjusted risk-free rate that existed when the liability was initially measured. That accretion is recognized as an increase in the carrying amount of the liability and as an expense classified as interest expense in the statement of operations.

l. Impairment of long-lived assets

The Company evaluates the carrying amount of its long-lived assets for impairment whenever events or circumstances indicate the carrying amount of such assets may not be recoverable. The Company subjects such assets to a test of recoverability based on the undiscounted cash flows from use or disposition of such assets. If the carrying amount of the asset exceeds the undiscounted cash flows, the Company recognizes an impairment loss measured as the amount by which the carrying amount of the long-lived asset exceeds the fair value.

m. Derivative financial instruments

The Company uses derivative financial instruments such as forward exchange contracts and option contracts to mitigate the risk of changes in foreign exchange rates. The Company is also exposed to market risks associated with changes in interest rates. The Company also uses derivative instruments such as interest rate swaps to manage its exposure to interest rate movements relating to its variable-rate long-term debts. The counterparty to these contracts is generally a bank.

The Company formally documents all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions.

The Company formally assesses, both at the hedge’s inception and on a quarterly basis, whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows and in the fair values of the hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not, or has ceased to be,

highly effective as a hedge, the Company discontinues hedge accounting prospectively.

Derivative instruments are recorded at fair value on the balance sheet. The effective portion of the change in the fair value of a derivative that is designated as a cash flow hedge is recorded in accumulated other comprehensive income. When the hedged item affects earnings the gain or loss included in accumulated other comprehensive income is reported on the same line in the consolidated statements of operations as the hedged item. In addition, both the fair value of changes excluded from the Company's effectiveness assessments and the ineffective portion of the changes in the fair value of derivatives used as cash flow hedges are reported in interest expense line in the consolidated statements of operations.

When hedge accounting is discontinued, the derivative is adjusted for changes in fair value through earnings. For cash flow hedges, gains and losses that were deferred in accumulated other comprehensive income as a component of shareholders' equity in connection with hedged assets or liabilities will be recognized in interest expense in the same period the hedged item affects earnings.

Changes in fair value of derivative instruments that are not designated as a hedge are recorded immediately in earnings.

Notes to Consolidated Financial Statements—(Continued)

n. Revenue recognition

Revenues from voice, data and mobile roaming services are recognized based on usage when the minutes of voice calls are processed or data are transmitted, based on contracted rates. For certain voice contracts, contracted rates may be renegotiated with retroactive effect. For previously recognized revenue, these rate amendments are recognized in the period when the new rates are established. Capacity contracts which convey the right of use a specified capacity on an identified fiber for a stated period of time, which is substantially lower than its economic useful life are classified as operating lease arrangements. These contracts typically range for a period between one and three years. Capacity contracts which do not convey the right to use a specified capacity in an identified fiber cable are accounted as service arrangements. Revenues from capacity contracts under operating lease and service arrangements are recognized on a straight line basis over the period of the contracts. Amounts received in advance for any services are recorded as deferred revenue. In the event that a customer terminates an IRU prior to the expiry of the contract and releases the Company from the obligation to provide future services, the remaining unamortized deferred revenue is recognized in the period the contract is terminated. Revenues from internet services are recognized based on usage by subscribers/ customers.

Revenue is recognized when collectability is reasonably assured. The Company evaluates collectability assessing a number of factors including credit worthiness and past transaction history of customers.

o. Non-monetary transactions

Exchange of network capacities with other telecommunication service providers are recorded as non-monetary transactions and measured at the carrying amount of the capacities relinquished, as these exchanges are for similar productive assets used to provide telecommunication services to customers.

p. Cost recognition

Cost and expenses are recognized as incurred and are classified according to their functions as follows:

Network and transmission costs

Network and transmission costs primarily include interconnect charges paid or payable to domestic and foreign carriers for the termination of voice and data traffic, costs related to satellite, terrestrial and sub sea leased circuits for the network backbone.

License fees

License fees are payable to the Department of Telecommunication (DoT), GOI for international long distance (“ILD”), national long-distance (“NLD”) and internet service provider (“ISP”) licenses and are computed in accordance with the respective license fee agreements.

Operating costs

Operating costs primarily include employee compensation and other related costs, outsourced manpower costs, repairs and maintenance, utilities, advertising and marketing, legal and professional fees, allowances for uncollectible accounts receivables and other current assets, travel, insurance and other administrative costs.

In fiscal 2007, the Company offered voluntary retirement and separation schemes to certain employees in India effective for the period from November 29, 2006 to January 5, 2007. Under these schemes, the Company offered lump sum payments in exchange for employees’ voluntary retirement. The Company recognized an expense of Rs. 239 million on acceptance of the offer by the employees which has been included as operating costs. There were no such schemes offered in fiscals 2008 and 2009.

In fiscal 2007, operating costs includes employee severance expense of Rs.13 million incurred subsequent to the acquisition of Tyco Global Network (TGN). In fiscals 2007 and 2008, operating costs include retention bonuses of Rs.87 million and Rs. 103 million, respectively in respect of Teleglobe employees. Subsequent to the acquisition of Teleglobe, in September 2006, as a result of the Company’s decision to integrate and restructure the operations of Teleglobe, certain employees in Canada were involuntarily terminated. To induce the Teleglobe employees to stay until the integration was complete, the Company established a retention bonus plan. In order to receive the retention bonus, the employees were required to provide service for a period of approximately 12 months from September 2006, which was when the employees received notice of termination.

As of September 2006, the Company determined that the fair value of the liability for retention bonuses was Rs. 190 million, which was recognized as follows:

(Amounts in Rs. Million)

Balance as at March 31, 2006	Incurred	Amounts Paid	Amounts written off	Ending Balance as at March 31, 2007

Retention Bonus	—	87	—	—	87
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	Balance as at March 31, 2007	Incurred	Amounts Paid	Amounts written off	Ending Balance as at March 31, 2008
Retention Bonus	87	103	(190)	—	—

q. Compensated absences

The Company provides for the cost of vacation earned based on the number of days of unutilized leave entitled at each balance sheet date.

r. Foreign currency

The functional currency of Tata Communications India and its Indian subsidiaries is the Indian Rupee, whereas the functional currency of TCIPL and its subsidiaries, TCSAI and VSNL SNOSPV Pte Ltd. is the United States Dollar and that of all other subsidiaries, the currency in the country of incorporation.

Foreign currency transactions are converted into the functional currency at the exchange rates prevailing on the date of transaction. Foreign currency denominated monetary assets and liabilities are translated into functional currency using the exchange rates prevailing on the balance sheet dates. Gains and losses on translation of foreign currency denominated monetary assets and liabilities are included in determination of earnings.

The financial statements of foreign subsidiaries and equity method investees are translated into Indian rupees for the purposes of consolidation as follows: income statement items are translated at the average exchange rates for the period; assets and liabilities are translated at the exchange rates prevailing on the balance sheet dates. Unrealized translation gains and losses are reported in accumulated other comprehensive income.

Notes to Consolidated Financial Statements—(Continued)

s. Operating leases and service contracts

Purchase of capacity on specified cables for a stated period of time which is substantially lower than the economic lives of the cables are classified as operating lease, and recognized as expense on a straight-line basis over the contracted period.

Capacity purchase contracts which do not transfer the right to use any specific cable and do not identify capacity in specific cable, and under which the service provider can meet its obligation by routing the Company's traffic utilizing capacity in any of its cable depending on availability are accounted as service contracts. Capacity expense under service contracts are recognized on a straight-line basis over the contract period.

t. Income taxes

Income tax expense comprises current income tax expense and changes in deferred tax assets and liabilities during the year.

Current income taxes:

Current income tax expense comprises taxes on income from operations in India and foreign tax jurisdictions. Income taxes payable in India is determined in accordance with the provisions of the Indian Income Tax Act of 1961. The current income tax expense for overseas subsidiaries has been computed based on the laws applicable to each entity in the jurisdiction in which that entity operates.

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

Deferred income taxes:

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, and unutilized business loss carry forwards. Deferred tax assets and liabilities are computed separately for each taxable entity in the consolidated enterprise and for each taxable jurisdiction. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. In assessing the likelihood of realization, management considers estimates of future taxable income, the character of income needed to realize future tax benefits, and all available evidence. The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing tax authorities.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

Uncertain tax positions are recognized using the more-likely-than-not threshold determined solely based on the technical merits that the tax positions sustain upon examination. Tax positions that met the recognition threshold are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties relating to uncertain tax positions are classified as income tax expense in the statement of operations and reduced from advance income taxes which are presented in the balance sheet under non-current assets.

u. Earnings per share

Basic earnings per equity share have been computed by dividing net income by the weighted average number of equity shares outstanding for the period. The Company did not have any dilutive potential equity shares outstanding in any of the periods presented.

v. Comprehensive income

Accounting principles generally require that recognized revenues, expenses, gains and losses be included in net income. Unrealized gains and losses on available-for-sale securities, translation adjustments arising on the consolidation of foreign subsidiaries and equity method investees, gains/ losses on derivative instruments designated as cash flow hedges, unamortized actuarial gains and losses on actuarial valuation and net income are components of comprehensive income.

w. Employee benefit plans

A). Domestic:

(a) Defined Contribution plan

-Provident Fund

The Company makes contribution towards provident fund to 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 which is expensed as incurred.

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 Employer's Provident Fund scheme 1952 for the reason that the return on investment is less or for any other reason, the then deficiency shall be made 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.

(b) Defined Benefit Plans

-Gratuity

The Company makes annual contributions for 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 in 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. The Company accounts for the liability for gratuity benefits payable in future based on an actuarial valuation. The difference between the fair value of plan assets and benefit obligation recognized, is reported in the balance sheet as a net asset or liability.

Notes to Consolidated Financial Statements—(Continued)

- Medical Benefit

The Company reimburses domiciliary and hospitalization expenses incurred by eligible and qualifying employees and their dependent family members not exceeding certain specified limits under the TATA Communications employee's medical reimbursement scheme. The scheme provides for cashless hospitalization where the claims are directly settled / reimbursed by the Company. Tata Communications India account for the liability for medical benefits based on an actuarial valuation.

- Pension Plan

Benefits under the pension plan covered by purchased annuity contracts are excluded from benefit obligations. On the date of purchase, the excess of the purchase price of the participating annuity contract over the price of an equivalent nonparticipating annuity contract is recognized as an asset and is subsequently measured at fair value.

B) International:

The Company's defined benefit pension plans, covering certain employees, include a contributory plan, a non-contributory plan and a supplementary employee retirement plan ("SERP"). The benefits under the defined benefit plans are based on various factors, such as years of service and compensation. For certain employees, the Company also offers a non-pension post-retirement benefit plan covering retiree life insurance and health care coverage. In addition to these plans, there are defined contribution plans qualifying under the provisions of Section 401 (k) of the Internal Revenue Code for U.S. employees, a Registered Retirement Savings plan ("RRSP") for Canadian employees, enabling qualified employees to contribute on a tax-deferred basis, and a Group Stakeholder Pension Plan ("GSPP") for UK employees, enabling qualified employees to contribute on a tax-deferred basis.

- Actuarial gain (loss)

The corridor method is used to amortize actuarial gains and losses (such as changes in actuarial assumptions and experience gains and losses). Under the corridor method, amortization is recorded only if the accumulated net actuarial gains or losses exceed 10% of the greater of the projected benefit obligation and the value of the plan assets. The difference between the fair value of plan assets and benefit obligation is reported in the balance sheet as a net asset or liability.

x. New accounting pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In February 2008, the FASB issued FASB *Staff Position* ("FSP") 157-2, Effective Date of FASB Statement No. 157, which delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 was effective for the Company in the fiscal year beginning April 1, 2008. The Company did not have a material effect on its financial statements upon adoption of SFAS 157.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 gives an irrevocable option to carry financial assets and liabilities at fair values, with changes in fair value recognized in earnings. SFAS No. 159 is effective beginning April 1, 2008. The Company did not elect the fair value option for any eligible financial assets and liabilities as of April 1, 2008.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combination*. This statement requires the acquiring entity in a business combination to recognize all the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141 (R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, with early adoption prohibited. This standard will change the accounting for business combinations on a prospective basis.

In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements*, to improve the relevance, comparability, and transparency of financial information by requiring all entities to report net income (loss) attributable to both the parent and the non-controlling interests in subsidiaries in the consolidated financial statements. SFAS 160 eliminates the diversity that currently exists in accounting for transactions between an entity and non-controlling interests by requiring these to be accounted as equity transactions. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does not expect to have any significant effect on its financial position and results of operations on adoption of SFAS 160.



In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* —an amendment of FASB Statement No. 133. SFAS No. 161 requires enhanced disclosures about an entity’s derivative and hedging activities. These enhanced disclosures will discuss (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently assessing the effect, if any, SFAS No. 161 will have on its consolidated financial statements.

In April 2008, the FASB issued FSP SFAS 142-3, *“Determination of the Useful Life of Intangible Assets”* (FSP 142-3). This guidance is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142, *“Goodwill and Other Intangible Assets”* (SFAS 142), and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) when the underlying arrangement includes renewal or extension of terms that would require substantial costs or result in a material modification to the asset upon renewal or extension. Companies estimating the useful life of a recognized intangible asset must now consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, must consider assumptions that market participants would use about renewal or extension as adjusted for SFAS 142’s entity-specific factors. FSP 142-3 is effective for the Company beginning April 1, 2009. The Company would be required to adopt this FSP prospectively for all assets acquired after April 1, 2009 and early adoption is prohibited. Its effect on future periods will depend on the nature and specific facts of assets acquired subject to SFAS No. 142.

In November 2008, the FASB issued EITF 08-6, *“Equity Method Investment Accounting Considerations”* (EITF 08-6), which clarifies the accounting for transactions such as Change in Level of Ownership or Degree of Influence and contingent consideration, and impairment considerations involving equity method investments. The EITF is effective from fiscal year beginning on or after December 15, 2008. The Company’s management is currently evaluating the impact, if any, the adoption of EITF 08-6 will have on the Company’s financial reporting and disclosures.

In December, 2008, FASB issued FSP FAS 132 (R-1) which amends Statement 132 (R) to require more detailed disclosures about employers plan assets, including employers’ investment strategies, major categories of plan assets, concentration of risk within plan assets and valuation techniques used to measure the fair value of the plan assets. An entity must provide the FSP’s disclosure in the financial statements for the fiscal years ending after December 2009. The Company is currently assessing the impact the above FSP will have on the financial statement disclosures.

Notes to Consolidated Financial Statements—(Continued)

In April 2009, the FASB issued FASB Staff Position No. FAS 141(R)-1, “*Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*” (FSP 141(R)-1), to amend and clarify the initial recognition and measurement, subsequent measurement and accounting, and related disclosures arising from contingencies in a business combination under SFAS 141(R). This FSP is effective from fiscal year beginning on or after December 15, 2008. The Company’s management is currently evaluating the impact, if any, the adoption of FSP 141(R)-1 will have on the Company’s financial reporting and disclosures.

In April 2009, the FASB issued FASB Staff Position No. FAS 115-2 and FAS 124-2, “*Recognition and Presentation of Other-Than-Temporary Impairments*” . The objective of an other-than-temporary impairment analysis under existing U.S. generally accepted accounting principles (GAAP) is to determine whether the holder of an investment in a debt or equity security for which changes in fair value are not regularly recognized in earnings (such as securities classified as held-to-maturity or available-for-sale) should recognize a loss in earnings when the investment is impaired. An investment is impaired if the fair value of the investment is less than its amortized cost. This FSP is effective from period ending after June 15, 2009. The Company is currently evaluating the impact of FAS 115 and FAS 124 on its consolidated financial position and results of operation for items within the scope of FAS 115-2 and FAS 124-2.

In May 2009, the FASB issued SFAS No. 165, “*Subsequent Events*” (“SFAS 165”), which provides guidance on accounting for and disclosures of events that occur after balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for fiscal years and interim periods ending after June 15, 2009. The Company’s management is currently evaluating the impact, if any, the adoption of SFAS 165 will have on the Company’s financial reporting and disclosure.

In June 2009, the FASB issued SFAS No. 166, “*Accounting for Transfer of financial assets an amendment of FASB No 140*” , which improves the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor’s continuing involvement in transferred financial assets. SFAS 166 is effective entity’s first annual reporting period after November 15, 2009, and for interim and annual reporting periods there after beginning. The Company is currently evaluating the impact of FAS 166 on its consolidated financial position and results of operation.

In June 2009, the FASB issued SFAS No. 167, “*Amendments to FASB Interpretation No. 46 (R)* “ , which improves the financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. SFAS 167 is effective entity’s first annual reporting period after November 15, 2009, and for interim and annual reporting periods there after beginning. The Company does not expect any material effect on its financial statements on adoption of SFAS 167.

In June 2009, FASB issued SFAS No. 168, “*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162*” (“SFAS 168”) . The FASB Accounting Standards Codification (Codification) will become the source of authoritative US GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the US Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this Statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This Statement is effective for financial statements issued for fiscal years and interim periods ending after September 15, 2009. Once the Codification is in effect, all of its content will carry the same level of authority, effectively superseding SFAS No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*” . The issuance of SFAS 168 (and the Codification) will not change US GAAP except for certain non-public non-governmental entities and accordingly adoption of SFAS 168 will not have any impact on the Company’s financial reporting and disclosures.

y. Convenience Translation

The consolidated financial statements have been expressed in Indian rupees (“Rs.”), the Company’s reporting currency. For the convenience of the readers in the United States of America the consolidated financial statements as of and for the year ended March 31, 2009 have been translated into US dollars at US\$1.00 = Rs. 50.87 based on the certified foreign exchange rates published by Federal Reserve Bank of New York on March 31, 2009. Such convenience translation should not be construed as a representation that the Indian rupee amounts have been or could be converted into US dollars at this or at any other rate of exchange, or at all.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of March 31,	
	2008	2009
	(In millions)	
Cash and cheques on hand	Rs.	Rs. US\$

	181	560	11
Current account balances and deposits with banks in Indian rupees	614	555	11
Current account balances and deposits with banks in foreign currencies	<u>1,654</u>	<u>3,935</u>	<u>77</u>
Total	<u>Rs. 2,449</u>	<u>Rs. 5,050</u>	<u>US\$ 99</u>

4. Short-term bank deposits

Short-term bank deposits as of March 31, 2009 includes restricted deposit of Rs. 2,631 million placed with a bank as a collateral for increase in credit limit extended to a subsidiary.

Notes to Consolidated Financial Statements—(Continued)

5. Accounts receivable

Changes in the allowances for uncollectible accounts receivables are as follows:

	As of March 31,		US\$
	2008	2009	
	(In millions)		
Beginning balance	Rs.1,937	Rs.2,696	53
Additional allowances for the year	1,710	2,847	56
Recoveries	(686)	(1,181)	(23)
Uncollectible receivables written off	(241)	(1,298)	(26)
Foreign currency translation adjustment	(24)	154	3
Ending balance	Rs.2,696	Rs.3,218	US\$ 63

The Company has customer concentration of risk, as disclosed in the table below showing the aggregated accounts receivable for five largest customers as of March 31, 2008 and 2009, respectively. Tata Communications' exposure to other customers is diversified, and no other single customer explains more than 1.8% and 1.8% of outstanding accounts receivable at March 31, 2008 and 2009 respectively.

Balances due from major customers are as follows:

	As of March 31, 2008		5%
	(In millions, except percentages)		
Customer I	Rs. 868		5%
Customer F	799		5%
Customer A	635		4%
Customer G	485		3%
Customer B	386		2%
Others	13,451		81%
Total	Rs. 16,624		100%

	As of March 31, 2009			3%
	(In millions, except percentages)			
Customer F	Rs. 925	US\$ 18		4%
Customer K	826	16		3%
Customer L	737	14		3%
Customer M	704	14		3%
Customer A	652	13		2%
Others	22,007	433		85%
Total	Rs.25,851	US\$ 508		100%

6. Prepaid expenses and other current assets

Prepaid expenses and other current assets include the following:

	As of Mar. 31		US\$ 42
	2008	2009	
	(In millions)		
Prepaid expenses	Rs. 1,303	Rs. 2,120	US\$ 42
Advances to suppliers and contractors (net of allowances of Rs. 76 million and Rs. 126 million, as of March 31, 2008 and 2009 respectively)	452	272	5

Deferred income taxes (see note 18)	1,809	1,776	35
License fees paid recoverable from GOI	820	6	—
License fees paid under protest	2,950	2,950	58
Recoverable indirect tax	775	1,389	27
Operating lease and other deposits	557	606	12
Others (net of allowances of Rs 537 million as of March 31, 2008 and 2009 respectively)	<u>561</u>	<u>1,286</u>	<u>26</u>
Total	<u>Rs. 9,227</u>	<u>Rs. 10,405</u>	<u>US\$ 205</u>

Notes to Consolidated Financial Statements—(Continued)

The Company was in dispute with the DoT's basis of including certain income, such as investment and interest income, income from sale of property, plant equipment, foreign exchange gains and other non-operating income, and excluding certain expense such as bandwidth and other network related costs for the purposes of determining adjusted gross revenues to compute license fee.

In fiscal 2005, the Company filed a petition with the Telecom Disputes Settlement and Appellate Tribunal (referred to as "the TDSAT") to obtain TDSAT's clarification on whether or not the basis of DoT's determination of license fee was appropriate. In August 2007, the Telecom Disputes Settlement and Appellate Tribunal (referred to as "the TDSAT") concluded on the Company's Petition, that license fee was not payable on certain income such as income from investments, sale of immovable property, plant and equipment, foreign exchange gain and other non-operating income. Additionally, the TDSAT concluded that bandwidth and other similar network costs incurred should not be deducted from revenues in computing license fees.

The Company has challenged the TDSAT conclusion in the Supreme Court of India, the outcome of which is currently pending. The Company, on the basis of external legal opinion, expects the Supreme Court of India to overturn the TDSAT conclusion and permit deduction of bandwidth and other similar network costs from the revenues, retrospectively from the fiscal 2003 and onwards in order to compute license fees.

In January 2008, the DoT issued additional license fee demand for fiscals 2003, 2004 and 2005 of Rs.2,950 million for (a) additional payment of license fee (computed on the basis of the TDSAT conclusion) of Rs. 830 million, (b) compounded interest of Rs. 910 million on unpaid license fees, (c) penalty of Rs.772 million and interest on penalty of Rs.378 million (together referred to as "penalty") totaling Rs. 1,150 million, (all of (a)-(c) aggregating Rs. 2,890 million), and (d) an excess claim of Rs.60 million by DoT (a claim for refund of this excess has been made by the Company).

In January 2008, the Company made payment of Rs.2,950 million which has been recorded as license fee paid under protest. The additional license fee and interest totaling Rs. 1,740 million demanded by the DoT has been accrued as liability by recognizing an expense. The accrued liability of Rs.1,740 million has not been offset against the payment of Rs.2,950 million pending outcome of the Company's challenge against the TDSAT conclusion in the Supreme Court of India, as the Company believes that its challenge will be successful in the Supreme Court of India and deduction of bandwidth and other network related costs will be permitted for the purposes of computing license fees.

The Company has not recorded an expense and liability in respect of the DoT's claim for penalty and interest on penalty totaling Rs.1,150 million as the Company believes that the DoT's claim will not be sustained, as in accordance with the license agreement penalty and any interest on penalty is payable to the DoT only if the shortfall in license fee paid in a fiscal is more than 10% of license fee payable. The DoT terminated the Company's exclusive right to provide international long distance service in fiscal 2002 and granted a compensation of Rs.793 million (as certified by the Government of India auditors) to the Company (the compensation was paid by the DoT in April 2008). In accordance with the license agreement, the compensation receivable from the DoT should have been offset against the license fee, as the agreement permits the deduction of any amounts due to the Company from the DoT from any amounts payable by the Company to the DoT. The penalty has been computed by the DoT without offsetting the compensation of Rs.793 million (US\$ 16 million). Had the DoT offset the compensation due to the Company against the additional license fee claimed from the Company, consequent to the TDSAT conclusion, the license fee paid would have been short, by lower than 10% of the license fee payable in respect of those fiscal years. The Company has made a representation to the DoT in respect of the offset of compensation against the unpaid license fee claim which is under consideration by the DoT.

7. Investments

Investments consist of the following:

	As of March 31,		
	2008	2009	
	(In millions)		
Current investments			
Investments available-for-sale, at fair value	Rs. 123	Rs. 7,089	US\$ 139
Non-current investments			
Investments available-for-sale, at fair value	4,198	—	—
Investments at cost, net	<u>4,436</u>	<u>4,103</u>	<u>81</u>
Total	<u>Rs. 8,757</u>	<u>Rs. 11,192</u>	<u>US\$ 220</u>

Information on unrealized gains and losses from investments in available-for-sale securities is as follows:

	As of March 31,		
	Amortized cost	Gross Unrealized gains (losses)	Fair value

(In millions)

Available-for-sale securities				
As of March 31, 2008;				
Mutual Funds	Rs.	3,919	Rs. 279	Rs. 4,198
Equity shares		<u>82</u>	<u>41</u>	<u>123</u>
Total available-for-sale securities	Rs.	<u>4,001</u>	Rs. <u>320</u>	<u>Rs. 4,321</u>
As of March 31, 2009;				
Mutual Funds	Rs.	6,990	Rs. 16	Rs. 7,006
Equity shares		<u>85</u>	<u>(2)</u>	<u>83</u>
Total available-for-sale securities	Rs.	<u>7,075</u>	Rs. <u>14</u>	<u>Rs. 7,089</u>
	US\$	<u>139</u>	US\$ <u>—</u>	<u>US\$ 139</u>

Dividends from investments were Rs. 578 million, Rs. 317 million and Rs. 225 million in fiscals 2007, 2008 and 2009 respectively.

In fiscal 2007, the proceeds and gross realized gains from sale of available-for-sale securities were Rs. 67,349 million and Rs. 17 million, respectively. On sale of these securities, unrealized gains of Rs. 8 million were reclassified from accumulated other comprehensive income to earnings.

In fiscal 2008, the proceeds and gross realized gains from sale of available-for-sale securities were Rs 72,185 million and Rs. 145 million, respectively. On sale of these securities, unrealized gains of Rs. 46 million were reclassified from accumulated other comprehensive income to earnings.

Notes to Consolidated Financial Statements—(Continued)

In fiscal 2009, the proceeds and gross realized gains from sale of available-for-sale securities were Rs 75,733 million and Rs. 385 million, respectively. On sale of these securities, unrealized gains of Rs. 190 million were reclassified from accumulated other comprehensive income to earnings.

In fiscal 2009, the Company partially sold its investment in Tata Teleservices Limited (“TTSL”), a cost method investment, with carrying amount of Rs. 338 million to NTT Docomo Inc. (“the buyer”) for a cash consideration of Rs.4,242 million and realized a gain of Rs.3,904 million, reducing its ownership interest in TTSL from 14.43% to 10.66%. In the event Company sells any of its remaining ownership interest in TTSL within the period of 3 years, the buyer will have first right to buy shares at fair value. The Company will have the first right to acquire TTSL shares at fair value in the event of a sale of shares by the buyer within a period of 3 years.

The Company, has an option to reacquire TTSL shares at fair value if any of the TTSL’s competitor acquires more than 10% of voting interest in buyer. The buyer has the option to sell the TTSL shares to the Company, at fair value, in the event any competitor of the buyer acquires more than 10% ownership interest in TTSL.

The buyer has an option to acquire additional interests in TTSL from the Company, at fair value, if TTSL does not meet certain performance targets by 2014. Additionally, the buyer has an option (referred to as the put option) to sell its interest in TTSL to the Company at the higher of fair value or 50% of the consideration paid by the buyer in the event TTSL does not meet all of the performance targets by 2014. The Company recognized the sale and recorded a gain, as the Company options to reacquire the shares are at fair value and therefore do not provide more than a trivial benefit to the Company. The exercise of put option was not considered probable as of March 31, 2009, and therefore the put option does not preclude the recognition of the sale and consequently the gain in determination of earnings. The put option is in the nature of a guarantee and fair value of guarantee at inception was insignificant.

The Company has provided guarantee of Rs.5,485 million relating to representations and warranties in connection with the sale of Company's investment in TTSL. These representation and warranties mainly relate to the validity of the Company's title to TTSL shares, validity of the sale and issuance of the shares by the Company and TTSL, validity of TTSL's telecommunication license. Additionally the guarantee indemnify the buyer against any loss on account of unrecorded or undisclosed liabilities, and for any loss that the buyer may incur in relation to TTSL's contingent liabilities existing as on the date of sale agreements. The fair value of the guarantee at inception was insignificant.

8. Investments in equity method investees

During fiscal years ended 2008 and 2009 Tata Communications equity ownership interest in United Telecom Limited (“UTL”) was 26.66% and 43.16% in SEPCO Communications Pty. Ltd (“SEPCO”). SEPCO is an investment holding company which owns 51% equity ownership interest in Neotel (Pty) Ltd. (“Neotel”) a company which provides basic telecommunication services in South Africa.

On January 19, 2009, the Company directly acquired an additional 27% equity ownership interest in Neotel for a cash consideration of Rs. 616 million. At acquisition date, the Company assumed net liabilities of Rs. 1,136 million resulting in a goodwill of Rs. 1,752 million.

Additionally, in fiscal 2009 the Company also invested Rs. 274 million in SEPCO.

Secured loans provided to Neotel and SEPCO carry interest at the rate of Johannesburg Inter-bank Agreed Rate (“JIBAR”) plus 2% per annum and unsecured loans carry interest at the rate of JIBAR plus 2.5% per annum. In fiscal 2009, the Company’s net share of losses in Neotel and SEPCO of Rs. 890 million has been allocated against equity investment and Rs. 292 million, represents the share of loss in excess of equity investment has been allocated against loan to Neotel and SEPCO. The loans do not have a fixed repayable term.

Summarized combined financial information of SEPCO and Neotel accounted for under the equity method is as follows:

	2007		2008		2009			
	(In millions)							
Revenues	Rs.	124	Rs.	1,300	Rs.	6,159	US\$	121
Gross Profit/ (loss)		(22)		462		2,980		59
Net loss		427		1,816		4,421		87

	As of March 31,					
	2008		2009			
	(In millions)					
Current Assets	Rs.	6,281	Rs.	5,348	US\$	105
Non Current Assets		1,714		13,115		258
Current Liabilities		6,745		5,059		99
Non Current Liabilities		2,638		18,147		357

Advance against Investment

The Company through its Hong Kong subsidiary entered into an Equity Joint Venture (EJV) Agreement with the shareholders of China Enterprise Communications Limited (CEC). The Company will be acquiring a 50% equity interest in CEC subject to the approvals of the requisite governmental and regulatory bodies in China.

The Company has advanced an amount of Rs. 712 Million (\$14 Million) towards the investment in the joint-venture.

9. Property, plant and equipment, net

	As of March 31,		
	2008	2009	
	(In millions)		
Land	Rs. 685	Rs. 832	US\$ 16
Leasehold improvements	794	987	20
Buildings	3,716	5,055	100
Plant and machinery – telecommunications equipment	68,035	99,368	1,953
Computers	3,732	5,665	111
Motor vehicles	16	16	—
Furniture and fixtures	777	1,070	21
Property, plant and equipment, at cost	77,755	112,993	2,221
Less: Accumulated depreciation	(22,812)	(33,545)	(659)
	54,943	79,448	1,562
Add: Construction in progress	19,141	24,265	477
Property, plant and equipment, net	Rs. 74,084	Rs. 103,713	US\$ 2,039

Notes to Consolidated Financial Statements—(Continued)

As of March 31, 2008 and 2009, property, plant and equipment include IRUs as follows:

	As of March 31,		
	2008	2009	
	(In millions)		
IRUs	Rs. 13,596	Rs. 16,371	US\$ 322
Accumulated amortization	<u>(2,725)</u>	<u>(4,184)</u>	<u>(82)</u>
IRUs, net	<u>Rs.10,871</u>	<u>Rs.12,187</u>	<u>US\$ 240</u>

Depreciation expense of Rs. 6,338 million, Rs. 6,664 million and Rs. 9,430 million in fiscals 2007, 2008 and 2009 respectively includes IRU amortization expense of Rs. 911 million, Rs. 936 million and Rs. 1,078 million, respectively.

The estimated amortization for each of the five fiscal years subsequent to March 31, 2009 is as follows:

Year ending March 31,	(In millions)	
2010	Rs. 1,096	US\$ 22
2011	1,096	22
2012	1,096	22
2013	1,096	22
2014	1,096	22
Thereafter	6,707	130

Interest expense of Rs. 105 million, Rs. 412 million and Rs. 541 million was capitalized during fiscals 2007, 2008 and 2009 respectively.

As of March 31, 2009, property, plant and equipment include Rs. 857 million of leased property under capital leases. The accumulated depreciation on leased property under capital leases is Rs. 465 million.

Obligations under capital leases:

	(In millions)	
Year ending March 31, 2010	Rs. 3	US\$ —
Year ending March 31, 2011	<u>0</u>	<u>—</u>
Total	<u>3</u>	<u>—</u>
Less: amounts representing interest	<u>0</u>	<u>—</u>
Present value of net minimum lease payments	Rs. 3	US\$ —

10. Asset retirement obligations

The Company's asset retirement obligations for fiscals 2008 and 2009 relate to the costs associated with the removal of long-lived assets mainly cables and certain other telecommunication equipments when they will be retired.

The following is a reconciliation of the asset retirement obligations for fiscals 2008 and 2009.

	2008		2009	
	(In millions)			
Asset retirement obligations, April 1,	Rs. 212	Rs. 204	US\$	5
Liabilities incurred during the year	—	128		2
Accretion expense	7	11		—
Liabilities settled during the year	—	(58)		(1)
Foreign currency translation adjustments	<u>(15)</u>	<u>53</u>		<u>1</u>
Asset retirement obligations, March 31,	<u>Rs. 204</u>	<u>Rs. 338</u>	<u>US\$</u>	<u>7</u>

Notes to Consolidated Financial Statements—(Continued)

11. Intangible Assets

	(In millions)		
	Gross carrying amount	Accumulated amortization	Net carrying amount
As of March 31, 2008:			
Internally developed computer software	Rs. 1,648	Rs. 531	Rs. 1,117
Customer relationships	2,425	720	1,705
Spectrum	49	49	—
	Rs. 4,122	Rs. 1,300	Rs. 2,822
As of March 31, 2009:			
Internally developed computer software	Rs. 2,648	Rs. 1,055	Rs. 1,593
Customer relationships	2,958	1,314	1,644
Spectrum	49	49	—
	Rs. 5,655	Rs. 2,418	Rs. 3,237
	US\$ 111	US\$ 47	US\$ 64

Internally developed computer software includes software under development of Rs. 327 million and Rs. 530 million as of March 31, 2008 and 2009 respectively.

Amortizations during fiscals 2007, 2008 and 2009 was Rs. 628 million, Rs. 694 million and Rs. 750 million respectively. The aggregate amortization expense for intangible assets is estimated to be:

	(In millions)	
	Rs.	US\$
Year ending March 31, 2010	792	16
Year ending March 31, 2011	790	16
Year ending March 31, 2012	680	13
Year ending March 31, 2013	329	6
Year ending March 31, 2014	17	—
Thereafter	99	2

12. Goodwill

The following table presents the movement in carrying value of goodwill:

	As of March 31,		
	2008	2009	
	(In millions)		
Beginning balance	Rs. 5,821	Rs. 5,469	US \$107
Reduction in goodwill due to adjustment of past NOLs (See note 18)	(52)	(80)	(2)
Foreign currency translation adjustment	(300)	898	18
Ending balance	Rs. 5,469	Rs. 6,287	US \$123

The Company's goodwill is in respect of the following reporting units:

	As of March 31,		
Reporting Unit	2008	2009	
	(In millions)		
International Voice	Rs. 3,354	Rs. 4,172	US\$ 82
Broadband internet through optical fiber	629	629	12
Broadband and Dial-up internet	1,486	1,486	29
Total	Rs. 5,469	Rs. 6,287	US\$ 123

The Company performed its annual impairment test as of March 31, 2009. The Company estimated the fair values of the reporting units using an income-based approach and estimated future cash flows after considering current economic conditions and trends, estimated future operating results and growth rates, anticipated future economic and regulatory conditions and availability of necessary technology and network infrastructure.

The estimated cash flows were developed using internal forecasts. The discount rates used for the reporting units were based on historical market returns for similar industries of the reporting units.

As of March 31, 2009, the fair values of all the reporting units exceeded the carrying amounts and no impairment loss was recognized in fiscal 2009.

Notes to Consolidated Financial Statements—(Continued)

13. Other non-current assets

Other non-current assets consist of the following:

	As of March 31,		
	2008	2009	
	(In millions)		
Prepaid rent	Rs. 1,893	Rs. 1,922	US\$ 38
Deferred income taxes (see note 18)	782	649	13
Prepaid pension asset	1,372	2,363	46
Loans to equity method investee	126	2,965	58
Others	409	991	20
Total	Rs. 4,582	Rs. 8,890	US\$ 175

Prepaid pension assets represents the excess of fair value of plan assets over the benefit obligations in respect of overseas contributory and non-contributory pension plans as disclosed in note 22(b) to the financial statements.

Convertible promissory notes and warrants included in Others.

In fiscal 2009, the Company subscribed to a convertible promissory note (referred to as the “notes”) and warrants issued by Bit Gravity Inc., a nonpublic company, for a cash consideration of Rs. 585 million (US \$11 million). The convertible notes carry interest at 5% per annum. The notes are convertible to Bit Gravity’s common stock at the same price as that issued to other investors 30 days before the Company’s exercise of the conversion option. In the event that no common stocks have been issued 30 days before conversion, preferred stocks will be issued at fair values.

The warrants can be exercised to obtain Bit Gravity’s common stock at the same price as that issued to other investors 30 days prior to the date of Company’s exercise. In the event no common stock has been issued 30 days before the exercise of warrants, preferred stocks will be issued at fair value.

14. Accounts payable

Accounts payable consists of the following:

	As of March 31,		
	2008	2009	
	(In millions)		
Interconnect charges payable	Rs. 15,301	Rs. 24,817	US\$ 488
Payables for capital and other supplies	6,944	9,246	182
Total	Rs. 22,245	Rs. 34,063	US\$ 670

15. Short-term debt and current portion of long-term debt

Short-term debt comprises :

	As of March 31,		
	2008	2009	
	(In millions)		
Buyers credit	Rs. 570	Rs. 1,729	US\$ 34
Post-shipment loans	195	138	3
Other bank loans*	9,200	8,114	159
Current portion of long-term debt	71	1,647	32
Total	Rs. 10,036	Rs. 11,628	US\$ 228
Maximum amount of bank debt outstanding during the year	Rs. 13,047	Rs. 17,814	US\$ 350
Weighted average interest rate	7.62%	9.67%	

* Other bank loans as of March 31, 2008 and 2009 represents loans obtained from a bank Rs.3,500 million and Rs.4,000 million, respectively. The loans have a maturity period of 7 years. These loans have embedded call and put options, exercisable by the bank and the Company, respectively. These options can accelerate payment of the principal at par and any unpaid accrued interest. The options have not been bifurcated as these are clearly and closely related to the loans, as the payoff on exercise of the option is not adjusted based on changes in any index and the loan at inception did not involve any discount or premium. Additionally, the Company does not have contractual right to make settlement such that the lender will not recover substantially all of the loan balance and any unpaid accrued interest. In accordance with the loan agreement the lender does not have right to receive any higher rate of return, that will at least double the initial rate of return on the loan and which will result in a rate of return i.e. twice than current market return for a similar loan which involves debtor with credit quality similar to the Company. The contractual interest rate is the market rate.

16. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities comprise the following:

	As of 31st March		
	2008	2009	
	(In millions)		
	Rs.	Rs.	US\$
Unearned revenues	1,681	4,743	93
License fees	2,457	2,637	52
Book overdraft	593	1,054	21
Deposits from customers and contractors	4,992	4,977	98
Accrued payroll	1,511	2,221	44
Accrued expenses	3,428	4,098	80
Other current liabilities	1,472	1,569	31
Total	Rs. 16,134	Rs. 21,299	US\$ 419

Other current liabilities include current deferred tax liability of Rs. 132 million and Rs. 22 million for the fiscals 2008 and 2009 respectively. [See note 18]

Notes to Consolidated Financial Statements—(Continued)

17. Long-term debt, net of current portion

Long-term debt comprises the following:

	<u>Interest Rates %</u>	<u>Maturities</u>	<u>As of March 31,</u>		
			<u>2008</u>	<u>2009</u>	
			<u>(In millions)</u>		
Foreign currency loans from banks	LIBOR + 3.0%	August 2009- January 2014	Rs. 19,610	Rs. 28,978	US\$ 570
Foreign currency loans from banks (refer note a)	LIBOR + 4.70%	October 2011- October 2013	—	5,084	100
Foreign currency loans from banks	JIBAR + 1.26%	May 2011	—	560	11
Foreign currency loans from banks	JIBAR + 0.48%	May 2010	386	560	11
Foreign currency loans from banks (refer note b)	JIBAR + 4.4%	August 2012 - August 2014	—	1,678	33
Non Convertible Debentures to Financial Institutions (refer note c)	11% - 11.70%	November 2011- January 2019	—	12,500	246
Term loan from bank	10.70% - 11.75%	June 2014 - December 2015	459	888	17
Total			Rs. 20,455	Rs. 50,248	US\$ 988
Less: Current portion of long-term debt			Rs. 71	Rs. 1,647	US\$ 32
Long-term debt, net of current portion			Rs. 20,384	Rs. 48,601	US\$ 956

The scheduled maturity of long-term debt as of March 31, 2009 is set out as below:

	<u>As at March 31, 2009</u>	
	<u>in millions</u>	
Due in the years ending March 31,		
2010	Rs. 1,647	US\$ 32
2011	13,035	256
2012	5,393	106
2013	11,694	230
2014	9,721	191
2015	4,519	89
2016	2,495	49
2017	1,694	34
Thereafter	50	1

- On December 21, 2007, Tata Communications (Bermuda) Limited, a wholly owned subsidiary of Tata Communications International Pte Limited, entered into a short-term loan agreement with a bank for principal amount of Rs. 2,542 million (US\$ 50 million). The loan was obtained as a bridge for a long-term loan to fund the construction of an undersea cable in Asia. The initial maturity of the loan was June 21, 2008 which was subsequently extended to March 30, 2009. The loan was increased to Rs. 5,084 million (US\$ 100 million) on March 30, 2009 which was initially payable by May 31, 2009, which was extended by the lender up to July 29, 2009. The loan was converted into a long term loan by August 27, 2009 carrying interest at LIBOR + 470 basis points per annum.
- On January 16, 2009, VSNL SNOSPV Pte Ltd, a wholly owned subsidiary of Tata Communications Limited, entered into a short term loan agreement with a bank for a principal amount of Rs. 1,678 million (US\$ 33 million) with a variable interest rate of Johannesburg Interbank Agreed Rate (JIBAR) plus 1%. The loan was obtained as a bridge for a long- term loan to fund the acquisition of 27% ownership interest in Neotel. The initial maturity of the short- term loan was April 16, 2009, which was extended to June 19, 2009. On August 19, 2009 the short-term loan was replaced by the long term loan carrying interest ranging from JIBAR + 4.4% to 6.0%.
- The non-convertible debentures of Rs. 12,500 million (US\$ 246 million) are secured against the Company's property, plant and equipment with carrying amount of Rs. 15,051 million (US\$ 296 million).

Notes to Consolidated Financial Statements—(Continued)

18. Income taxes

The income tax expense (benefit) consists of the following:

	For the year ended March 31,			
	2007	2008	2009	
	(In millions)			
Income / (loss) before income taxes				
Domestic	Rs. 5,741	Rs. 1,794	Rs. 7,481	US\$ 147
Foreign	(1,219)	(876)	195	4
	4,522	918	7,676	151
Current income tax expense:				
Domestic	2,301	1,404	1,503	30
Foreign	245	184	277	5
Deferred income tax:				
Domestic	29	(255)	684	13
Foreign	232	(53)	(34)	0
Total	Rs. 2,807	Rs. 1,280	Rs. 2,430	US\$ 48

Tax effects of significant timing differences on the income tax expense (benefit) are as follows:

	For the year ended March 31,			
	2007	2008	2009	
	(In millions)			
Differences in carrying amounts of property, plant and equipment for accounting and income tax purposes	Rs. 883	Rs. 195	Rs. 742	US\$ 15
Unearned revenues	(578)	40	(219)	(4)
Allowances for uncollectible receivables and other current assets	(76)	(232)	56	1
Expense on account of arbitration settlement		(293)	293	5
Others	32	(18)	(222)	(4)
Total	Rs. 261	Rs. (308)	Rs. 650	US\$ 13

The following is the reconciliation of estimated income taxes at the Indian statutory income tax rate to income tax expense as reported:

	For the year ended March 31,			
	2007	2008	2009	
	(In millions)			
Income (loss) before income tax	Rs. 4,522	Rs. 918	Rs. 7,676	US\$ 151
Statutory income tax rate	33.66%	33.99%	33.99%	
Expected income tax expense at statutory rate	1,522	312	2,609	51
<i>Adjustments to reconcile expected income tax expense to reported income tax expense:</i>				
State taxes, net of federal tax benefits	55	102	24	—
Differences arising from different tax rates in other tax jurisdictions	458	241	40	1
Changes in enacted tax rate for subsidiaries in other tax jurisdictions	(221)	173	97	2
Changes in valuation allowance	1,424	1,415	(38)	(0)
Non deductible interest expense	—	61	471	9
Tax rate difference on gains on sale of investments	—	(40)	(766)	(15)
Others, net	(431)	(984)	(7)	0
	Rs. 2,807	Rs. 1,280	Rs. 2,430	US\$ 48

Changes in valuation allowance



No tes to Consolidated Financial Statements—(Continued)

	Year ended March 31,		
	2008	2009	
	(In millions)		
Beginning Balance	Rs. (8,346)	Rs. (6,007)	US\$ (118)
Change during the year	(1,415)	38	0
Reduction in deferred tax asset and corresponding valuation allowance on net operating loss carry forwards in US due to Section 382 evaluation	2,605	—	—
Reduction in deferred tax asset and corresponding valuation allowance on net operating loss carry forwards due to liquidation of a subsidiary	420	—	—
Tax benefit allocated to reduce goodwill	52	80	2
Effect of foreign currency translation	677	(1,327)	(25)
Ending Balance	Rs. (6,007)	Rs. (7,216)	US\$ (141)

Significant components of deferred tax assets and liabilities are as follows:

	As of March 31,		
	2008	2009	
	(In millions)		
Tax effect of:			
Deferred tax assets:			
Net operating losses carry-forwards	Rs. 2,991	Rs. 3,944	US\$ 77
Losses of Equity Method investee	172	553	11
Differences in carrying amounts of property, plant and equipment for accounting and income tax purposes	2,483	2,166	42
Allowances for uncollectible receivables and other current assets	861	857	17
Unearned revenues	1,930	2,234	44
Employee severance costs	49	32	1
National long distance license fees	233	215	4
Expense on account of arbitration settlement	293	—	—
Others	1,104	1,536	30
Gross deferred tax assets	10,116	11,537	226
Less : Valuation allowance	(6,007)	(7,216)	(141)
Net deferred tax assets	4,109	4,321	85
Deferred tax liabilities:			
Differences in carrying amounts of property, plant and equipment for accounting and income tax purposes	3,977	4,873	96
Prepaid pension asset	305	525	10
Others	259	150	3
Total	4,541	5,548	109
Net deferred tax liability	Rs. 432	Rs. 1,227	US\$ 24
Current deferred tax asset, net	Rs. 1,809	Rs. 1,776	US\$ 35
Non-current deferred tax asset, net	782	649	13
Current deferred tax liability, net	132	22	1
Non-current deferred tax liability, net	2,891	3,630	71

Deferred tax assets and liabilities in respect of the same tax paying component and jurisdiction have been offset.

Business loss carry forwards expire unutilized based on the year of origination as follows:

Jurisdiction	Million Rs. Fiscal 2009	Million US \$Fiscal 2009	Expiration of operating losses
US	1,131	22	Between 2010 and 2021
Canada	772	15	Between 2012 and 2027
India	478	9	2014 to 2017
Others	50	1	5 years and higher

In fiscal 2007, the Company commenced its analysis under Section 382 of the US Internal Revenue Code to ascertain the amount of operating loss in respect of a subsidiary of TIHL that will be available for future utilization consequent to the acquisition of TIHL by the Company in fiscal 2006. In fiscal 2008, deferred tax assets and corresponding valuation allowance of Rs. 2,605 million were written off as the Company concluded that these deferred tax assets were not available for future utilization.

Effective April 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation 48, Accounting for Uncertainty in Income Taxes — An Interpretation of Statement of Financial Accounting Standards No. 109 (FIN 48).

Notes to Consolidated Financial Statements—(Continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Year ended March 31,			
	2008		2009	
	(In millions)			
Beginning Balance	Rs. 6,879	Rs. 7,681	US\$ 151	
Increases related to current year tax positions	802	384	7	
Decreases related to prior year tax positions		(12)		0
Ending Balance	Rs. 7,681	Rs. 8,053	US\$ 158	

The Companies' unrecognized tax benefits of Rs. 8,053 million, if recognized, would affect the effective tax rate. Liabilities for unrecognized tax benefits amounting to Rs. 8,053 million as of March 31, 2009 have been reduced from advance taxes classified as non-current assets on the balance sheet. The Company's major tax jurisdictions are India, U.S and Canada. In India, the assessment is not yet completed from fiscals 2006 through 2009. No tax returns have been subjected to examination in any other jurisdiction, since those companies were acquired/formed.

The Company has recognized tax benefits amounting to Rs.6,275 million relating to tax holidays on earth stations under Section 80-IA of the Indian Income Tax Act, and Rs. 1,077 million relating to capital loss on sale of investment in ICO Global, an available-for-sale investment. The tax officer and subsequently the tax appellate authorities have denied the claim. The Company has appealed these denials to higher appellate authorities and based on its evaluation of the technical merits it is more likely than not, the tax benefit claims will be sustained upon examination by the Bombay High Court or the Supreme Court.

In the event of an unfavourable outcome in the future on the tax holiday and capital loss claims, recognized tax benefits of Rs.6,275 million and Rs.1,077 million, respectively, may be expensed in earnings. Additionally, penalties of Rs.8,175 million against these and other claims may be recognized as expense.

The Company does not expect change in uncertain tax positions that will increase or decrease within 12 months as the dispute resolution by the High Court and Supreme Court is not expected to occur within 12 months and is not within the Company's control.

19. Other non-current liabilities

Other non-current liabilities include the following:

	As of March 31,			
	2008		2009	
	(In millions)			
Deferred income taxes (See note 18)	Rs. 2,891	Rs. 3,630	US\$ 71	
Unearned revenues	11,445	18,386	361	
Employee retirement benefits	815	617	12	
Others	1,556	1,592	32	
Total	Rs. 16,707	Rs. 24,225	US\$ 476	

20. Accumulated other comprehensive income

The cumulative balances included in accumulated other comprehensive income are:

	As of March 31,			
	2008		2009	
	(In millions)			
Net unrealized gain on available-for-sale securities, net of taxes	Rs. 229	Rs. 10	US\$ —	
Foreign currency translation adjustment	438	(499)	(9)	
Effective portion of net loss on derivative instrument designated as cash flow hedge	(252)	(280)	(6)	
Unamortized actuarial gains and (losses)/ prior service cost (net of deferred tax)	332	595	11	
Total	Rs. 747	Rs. (174)	US\$ (4)	

21. Other non-operating income, net

Other non-operating income consists of the following:

As of March 31,

	<u>2007</u>	<u>2008</u>	<u>2009</u>	
	(In millions)			
Dividend income	Rs. 578	Rs. 317	Rs. 225	US\$ 4
Foreign exchange gain (loss), net	36	3	(76)	(1)
Liabilities no longer required to be settled that have been written back	578	229	228	4
Rent received	123	149	148	3
License Fee reimbursement from DoT	—	278	—	—
Liabilities written back on dispute settlement	—	162	—	—
Interest income on income tax refunds	63	167	—	—
Other	1,002	629	446	9
Total	<u>Rs. 2,380</u>	<u>Rs. 1,934</u>	<u>Rs. 971</u>	<u>US\$ 19</u>

22. Retirement benefits

The Company in fiscals 2007, 2008 and 2009 has used March 31 as the measurement date of the funded status of the plans, which is the same date as the year end consolidated financial statements.

Notes to Consolidated Financial Statements—(Continued)

(a) Tata Communications India and its wholly owned subsidiaries in India

Gratuity

In accordance with Indian law, the Company provides for gratuity, a defined benefit plan 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 in 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. The Company makes annual contributions to a fund administered by trustees, based on an annual external actuarial valuation.

The following table sets out the status of the gratuity plans and the amounts recognized in the Company's consolidated financial statements.

	As of March 31,				
	2008		2009		
	(In millions)				
Change in benefit obligation:					
Benefit obligation, beginning of the year	Rs.	298	Rs.	287	US\$ 6
Service cost		26		29	1
Interest cost		20		21	—
Liabilities transferred (to) from other companies		(14)		5	—
Actuarial (gain) loss on obligation		(33)		21	—
Benefits paid		(13)		(16)	—
Others		3			—
Benefit obligation, end of the year	Rs.	287	Rs.	347	US\$ 7
Change in plan assets:					
Fair value of plan assets, beginning of the year		302		308	6
Actual return on plan assets		33		4	—
Employer contributions		—		2	—
Transfer to other company (to) from		(14)		5	—
Benefits paid		(13)		(16)	—
Fair value of plan assets, end of the year	Rs.	308	Rs.	303	US\$ 6
Prepaid pension asset (accrued liability included in other non- current liabilities)	Rs.	21**	Rs.	(44)	US\$ (1)
Actuarial (gain) loss recognized as a component of accumulated other comprehensive income		*(43)		*41	—

* This amount includes actuarial loss of Rs. 10 million and Rs. 20 million on plan assets for fiscal year 2008 and 2009 respectively.

** This amount is net of Rs. 33 million prepaid pension asset and Rs. 12 million of accrued liability.

Net gratuity cost in fiscals 2007, 2008 and 2009 consist of the following:

	As of March 31,				
	2007		2008		
	(In millions)				
Service cost	Rs.	28	Rs.	26	Rs. 29 US\$ 1
Interest cost		22		20	21
Net actuarial (gain) loss recognized		(13)		—	—
Expected Return on plan assets		(21)		(23)	(24)
Net gratuity cost	Rs.	16	Rs.	23	Rs. 26 US\$ 1

The assumptions used in accounting for the gratuity plans are set out below:

	Years ended March 31,		
	2007	2008	2009
	(%)		
Discount rate	8.0	8.0	7.5
Rate of increase in compensation levels of covered employees	6.0	5.0-7.0	5.0-7.0

Rate of return on plan assets	8.0	8.0	8.0
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Expected discount rate is based on return on securities issued by Government of India.

The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and Tata Communications policy for plan asset management.

The estimates of the future compensation increases have been made after taking into account inflation, seniority, promotion and other relevant factors.

Notes to Consolidated Financial Statements—(Continued)

Tata Communications plan asset allocation for fiscals 2008 and 2009 are as follows:

Category of Assets	Years ended March 31,	
	2008	2009
Equity Securities	7%	5%
Debt securities	87%	95%
Others	6%	—
Total	100%	100%

The Company's policy and objective for plan asset 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 investment criteria approved under the Indian Income Tax Act, 1961, and is also subject to other exposure limitations. Tata Communications evaluates the risks, transaction costs and liquidity for potential investments. To measure plan asset performance, the Company compares actual returns for each asset category with published benchmarks.

Accumulated benefit obligation was Rs. 163 million and Rs. 174 million, for fiscals 2008 and 2009, respectively.

The expected benefit payments to be paid for future service are based on the same assumptions used to measure Tata Communications gratuity obligation as of March 31, 2009 and are as follows:

Year ending March 31,	(In millions)
2010	Rs. 19
2011	31
2012	21
2013	12
2014	14
2015-2019	89

The Company expects to contribute Rs.38 million to gratuity fund in fiscal 2010

Medical Benefits

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

The following table sets out the amounts recognized in the Company's consolidated financial statements.

	As of March 31,		
	2008	2009	
	(In millions)		
Change in benefit obligation:			
Benefit obligation, beginning of the year	Rs. 285	Rs. 315	US\$ 6
Service cost	42	40	1
Interest cost	23	25	1
Actuarial loss	6	67	1
Benefits paid	(41)	(91)	(2)
Benefit obligation, end of the year (included in other non current liabilities)	Rs. 315	Rs. 356	US\$ 7
Actuarial loss recognized as a component of accumulated other comprehensive income	6	67	1

The amounts recognized in the statement of operations for the year ended March 31, 2009:

	2007	2008	2009	
	(In millions)			
Current Service cost	Rs. 40	Rs. 42	40	US\$ 1
Interest cost	18	23	25	—
Net Medical cost	Rs. 58	Rs. 65	65	US\$ 1

The health care cost trend rate has a significant effect on the amounts reported. The assumed health care cost trend rate used to determine the accumulated post-retirement benefit obligation calculated as at March 31, 2008 and 2009 is 20 %. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	Years ended March 31,			
	2008		2009	
	1-Percentage-Point			
	(Rs. millions)			
	Increase	Decrease	Increase	Decrease
Effect on Service Cost	5	(5)	4	(4)
Effect on Interest Cost	3	(3)	3	(4)
Effect on post-retirement benefit obligation	34	(34)	39	(38)

Notes to Consolidated Financial Statements—(Continued)

The assumptions used in accounting for the medical benefit plan are set out below:

	2008	2009
	(%)	(%)
Discount rate	8.0	7.5
Rate of increase in compensation levels of covered employees	6.0	6.0

Accumulated benefit obligation was Rs. 288 million and Rs. 356 million for fiscal 2008 and 2009 respectively.

The expected benefit payments to be paid for future service are based on the same assumptions used to measure Tata Communications medical obligation as on March 31, 2009 and are as follows:

Year ending March 31,	(In millions)
	Rs.
2010	77
2011	79
2012	80
2013	83
2014	92
2015-2019	321

Pension

In fiscal 2007, the Company purchased participating annuity contracts in respect of its obligation in India relating to employees transferred from the erstwhile Overseas Communication Services (“OCS”). The cost of participation is recognized as an asset and has been stated at fair value of Rs. 126 million and Rs. 150 million as of March 31, 2008 and 2009. Additionally in fiscals 2008 and 2009, the Company purchased additional annuity contracts for Rs. 35 million and Rs. 144 million in respect of increase in benefits to OCS employees resulting from cost of living increase. The cost of living increase in pension benefits is at the discretion of Government of India. The cost of purchase of the additional annuity contracts of Rs. 35 million and Rs 144 million has been recognized as expense in fiscal 2008 and 2009 respectively.

Provident Fund

In accordance with Indian law, eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and employer make monthly contributions to the plan at 12% of the employee’s salary (basic plus cost of living allowances). These contributions are made to a fund set up as an irrevocable trust and are expensed as incurred. The Company is generally liable for future provident fund benefits to the extent of its annual contribution and any shortfall in fund assets based on government specified minimum rates of return, and recognizes such contributions and shortfall, if any, as an expense in the year incurred.

The Company contributed Rs. 91 million, Rs. 115 million and Rs.145 million to provident fund in fiscals 2007 , 2008 and ,2009 respectively.

b) Overseas plans:

Defined benefit Pension Plans

The Company has both a contributory and non-contributory defined benefit pension plans that covers certain of its employees in Canada. The Company also has an unfunded Supplemental Employee Retirement Plan (“SERP”) for certain of its senior executives in Canada. The plan provides for defined benefit based on years of service and final average salary.

The following table summarizes changes in benefit obligations and in the plan assets for the contributory and non-contributory defined benefit pension plans:

	Pension Plans					
	Contributory			Non-contributory		
	2008	2009	US\$	2008	2009	US\$
	(In millions)					
Benefit obligation, beginning of period	Rs. 3,557	Rs. 3,513	US\$ 69	3,276	Rs 2,975	US\$ 58
Service cost	29	20	—	100	81	2
Interest cost	190	205	4	172	177	3
Benefits paid	(175)	(219)	(4)	(413)	(212)	(4)
Actuarial loss (gain)	(223)	(814)	(16)	(282)	(751)	(15)
Effect of foreign exchange rate changes	135	133	3	122	110	2
Benefit obligation, end of period	3,513	2,838	56	2,975	2,380	46
Fair value of plan assets, beginning of period	4,468	4,609	91	3,217	3,218	63
Actual return on plan assets	260	258	5	185	183	4

Contributions	—	—	—	191	154	3
Benefits paid	(175)	(219)	(4)	(413)	(212)	(4)
Actuarial gain (loss)	(114)	(407)	(8)	(83)	(289)	(6)
Effect of foreign exchange rate changes	170	169	3	121	117	2
Fair value of plan assets, end of period	4,609	4,410	87	3,218	3,171	62
Funded status	1,096	1,574	31	243	791	16
Prepaid pension asset (Accrued liability included in Other non-current liabilities)	1,096	1,572	31	243	791	16
Actuarial (gain) loss recognized as a component of accumulated other comprehensive income	(109)	(407)	(8)	(199)	(462)	(9)

Notes to Consolidated Financial Statements—(Continued)

The following table summarizes changes in benefit obligations for the Companies Supplemental Employee Retirement Plan:

	Supplemental Employee Retirement Plan					
	2008		2009			
	(In. millions)					
Benefit obligation, beginning of period	Rs.	87	Rs.	112	US\$	2
Service Cost		3		5		—
Interest Cost		5		7		—
Benefits paid		—		(2)		—
Actuarial (gain) loss		13		(52)		(1)
Effect of foreign exchange rate changes		4		4		—
Benefit obligation, end of period		112		74		1
Funded Status		(112)		(74)		(1)
Unamortized actuarial differences		—		—		—
Prepaid pension assets / (Accrued liability included in Other non-current liabilities)		(112)		(74)		(1)
Actuarial (gain) loss recognized as a component of accumulated other comprehensive income		13		(52)		—

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 March 31, 2008 and 2009 is 9.38% and 9.32 % respectively. The ultimate weighted-average health care trend is 4.91% and is expected to be attained in the year 2024. A one-percentage-point change in assumed health care cost trend rates would not have any material impact on service cost components and interest cost components. Effect on post-retirement benefit obligation is as follows:

	Years ended March 31,			
	2008		2009	
	1-Percentage-Point			
	(Rs. millions)			
	Increase	Decrease	Increase	Decrease
Effect on post-retirement benefit obligation	6	(6)	5	(4)

	Years ended March 31,	
	2008	2009
	(%)	(%)
The assumptions used in accounting for the pension plans and the other benefit plans on a weighted-average basis are as follows:		
Discount rate used for benefit costs	5.25	5.75
Discount rate used for benefit obligations	5.75	8.00
Expected long-term return on plan assets	5.75	5.50
Inflation	2.50	2.50
Rate of compensation increase	3.50	3.50

The discount rate is based on rate of return on the portfolio of high quality corporate bonds. The long-term rate of return on plan assets was determined as the weighted-average of expected return of each of the asset classes in the target allocation of plan assets. The expected return of each asset class is the investment managers' assessment of future returns. These expectations were compared to historical market returns to ensure that the expected return for each class was a conservative estimate. The estimates of the future compensation increases have been made after taking into account inflation, seniority, promotion and other relevant factors.

Other Post Retirement Plan

The Company also assumed a post-retirement health care and life insurance plan ("OPEB") for its current retirees and future retirees on the purchase of Teleglobe. The benefit obligation associated with this plan, included in other non-current liabilities, were approximately Rs. 84 million and Rs 73. million as of March 31, 2008 and 2009 respectively.

The following table summarizes changes in benefit obligations for the Companies post retirement benefit obligations:

	Other Postretirement Plans(OPEB)		
	2008	2009	
	(In millions)		
	Rs. 91	Rs. 84	US\$ 2
Accumulated benefit obligation, beginning of period	Rs. 91	Rs. 84	US\$ 2
Acquired accumulated benefit obligation	—	—	—
Service Cost	1	1	—
Interest Cost	5	5	—
Benefits paid	(7)	(10)	—
Actuarial loss (gain)	(8)	(11)	—
Effect of foreign exchange rate changes	2	4	—
Accumulated benefit obligation, end of period	84	73	2
Prepaid pension asset / (Accrued liability included in other long term liabilities)	(84)	(73)	(2)
Actuarial (gain) loss recognized as a component of accumulated other comprehensive income	(8)	(11)	—

Notes to Consolidated Financial Statements—(Continued)

The components of pension expense are as follows:

	Year ended March 31,			
	2007	2008		2009
	(In millions)			
Service cost	Rs. 159	Rs. 133	Rs. 107	US\$ 2
Interest cost	381	372	394	8
Return on assets	(492)	(445)	(441)	(9)
Amortization of actuarial loss (gain)	—	—	1	—
Net pension cost	Rs. 48	Rs. 60	Rs. 61	1

The accumulated benefit obligation for all overseas plans at March 31, 2008 and 2009 is Rs. 6,295 million and Rs. 5,087 million respectively.

The estimated amounts of actuarial gain that will be amortized from accumulated other comprehensive income over the next fiscal year ending March 31, 2010 is Rs. 36 million.

Employee benefit plan investment components and investment strategy

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.

The benchmark portfolio percentages presented below take into account the plans' financial position and the relationship between the assets and liabilities. To minimize the volatility of the returns, the Company selected the passive management approach for its asset mix. As a result, the market value of each asset class is rebalanced, on a quarterly basis, to the benchmark portfolio if the weighting of either the overall fixed-income securities or that of equities weight deviates from the benchmark portfolio by more than plus / minus 3%. In such a case, the fund asset mix is brought back to the benchmark portfolio within 30 days.

The pension plan's weighted-average asset allocations as at March 31, 2008 and 2009 by asset category are as follows:

<u>Asset Category</u>	Plan Assets as of March 31			
	2008		2009	
	Actual	Target	Actual	Target
Debt Securities	76%	75%	76%	75%
Equity securities	19%	20%	19%	20%
Short term investments	5%	5%	5%	5%
Total	100%	100%	100%	100%

Equity securities do not include Tata Communications common stock at either March 31, 2009 or 2008.

Cash flows

Contributions

In Canada, an actuarial valuation is required every three years by the Pension Benefits Standards Act, 1985 for the purpose of contribution. The Company commissioned an independent actuarial consultant for both defined benefit plans.

The Company expects to contribute Rs.163 million to the non contributory pension plan in fiscal 2010 based on valuation as at December 31, 2007.

The Company does not expects to contribute to the contributory pension plan in fiscal 2010 based on the valuation as at December 31, 2008 which showed a surplus.

The overseas subsidiaries post-retirement benefit plans other than contributory and non contributory pension plans were unfunded and funded on a pay-as-you-go basis. The Company funds on a cash basis as benefits are paid and Company expects to pay Rs. 8 million in fiscal 2010.

Estimate future benefit payments for overseas plans

The following benefit payments table provides expected benefit payments based on past and future services.

Years ending March 31,	Pension Benefits (Contributory and Non Contributory)		Other Benefits					
	(In millions)							
2010	Rs	402	US\$	8	Rs.	8	US\$	—
2011		411		8		8		—
2012		421		8		8		—
2013		432		8		9		—
2014		444		9		9		—
2015-2019		2,429		48		39		1

Notes to Consolidated Financial Statements—(Continued)

Defined contribution Plans

In addition to these pension plans, there are defined contribution plans qualifying under the provisions of Section 401(k) of the Internal Revenue Code for U.S. employees, a Registered Retirement Savings Plan (“RRSP”) for Canadian employees, enabling qualified employees to contribute on a tax-deferred basis and a Group Stakeholder Pension Plan (“GSPP”) for UK employees, enabling qualified employees to contribute on a tax-deferred basis. Employer contributions to the 401(k) plan, RRSP and GSPP in aggregate were approximately Rs 78 million, Rs 81 million and Rs.115 million (US \$ 2 million) for the year ended March 31, 2007, 2008 and 2009 respectively.

23. Leases

As Lessee:

The Company has leased buildings, satellite channels, office equipments, computer equipments and certain circuit capacities under operating lease arrangements. Operating lease rent expense was Rs.6,439 million, Rs.6,682 million and Rs 8,606 million in fiscals 2007, 2008 and 2009 respectively. Operating lease rentals includes Rs.4,524 million, Rs. 4,845 million and Rs. 6,393 million in fiscals 2007, 2008 and 2009 respectively under capacity purchased agreements on specified cables for a stated period of time

The future minimum non-cancelable lease rental payments are as follows:

Years ending March 31,	(In millions)		
2010	Rs.	2,225	US\$ 44
2011		1,914	37
2012		1,662	33
2013		1,467	29
2014		1,429	28
Thereafter		4,671	92
Total minimum lease commitments	Rs.	13,368	US\$ 263

The minimum future lease payments have not been reduced by minimum operating sublease rentals of Rs.222 million due in the future under non-cancellable subleases for certain buildings which extend until July 31, 2011. Rs 77 million and Rs.86 million in fiscal 2008 and fiscal 2009 respectively was recognized as sublease rental income.

As Lessor:

IRUs with costs of Rs.505 million and accumulated depreciation of Rs.149 million have been leased under operating lease arrangements. Depreciation expense of Rs. 34 million in respect of these assets has been recognized in the fiscal 2009.

Cost and accumulated depreciation of IRUs in which only a portion of capacity has been leased under operating lease arrangements are not readily determinable as these are not allocable to the leased capacity. In fiscal 2009, lease rental income of Rs. 291 million included Rs. 251 million relating to leases of capacities under operating lease arrangements related to such IRUs.

In respect of these IRUs, lease rental income of Rs.110 million, Rs.221million and Rs 291 million has been recognized in earnings in fiscals 2007, 2008 and 2009 respectively.

Future non-cancelable lease rent receipts will be recognized in earnings as follows:

Years ending March 31,	(In millions)		
2010	Rs.	278	US\$ 5.4
2011		278	5.4
2012		278	5.4
2013		278	5.4
2014		278	5.4
Thereafter		1,468	29
Total minimum lease receipts	Rs.	2,858	US\$ 56

In respect of certain lease premises under operating lease arrangement, rental income of Rs. 41 million, Rs. 18 million and Rs. nil has been recognized in earnings in fiscals 2007, 2008 and 2009 respectively.

Notes to Consolidated Financial Statements—(Continued)

24. Fair values measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including investment securities and derivatives. The fair value measurements of these derivative instruments and investment securities using the following inputs as of March 31, 2009:

Particulars	Fair Value measurements as at Reporting date			
	Level 1	Level 2	Level 3	Total
	In Rs. million			
Assets				
Available-for-sale investments	7,089		—	7,089
Derivative financial instruments	—	12	—	12
Total	7,089	12	—	7,101
Liabilities				
Derivative financial instruments	—	521	—	521
Total	—	521	—	521

Derivatives: The fair value is determined based on observable market inputs including currency spot and forward rates, yield curves, currency volatility, LIBOR rates, swap rates.

Investments: Investments in liquid & short-term mutual funds which are classified as available-for-sale are measured using quoted market prices at the reporting date multiplied by the quantity held.

Fair Value disclosure of Financial Instruments:

The carrying amounts of cash and cash equivalents, short-term bank deposits, accounts receivable, other current assets, accounts payable, accrued expenses and other current liabilities, short term borrowings, approximate their fair values due to the short-term nature of these instruments. The fair value of loan given to equity method investee cannot be reasonably estimated.

Available-for-sale securities are carried at their fair values, which are generally based on market price quotations. The fair values of securities without readily determinable market values cannot be reasonably estimated.

The fair value of the foreign currency long term bank loans of Rs. 35,285 million (US\$ 694 million) is approximately Rs. 36,268 million (US\$ 713 million) based on quoted market prices of similar instruments and based on recently negotiated terms at market rates. The term loan and NCD totaling Rs. 13,317 million (US\$ 262 million) has an estimated fair value of approximately Rs. 13,991 million (US \$ 275 million) based on the discounted future cash flows at market interest rate prevailing as of balance sheet date.

Estimation of fair value of financial instrument relies on management judgment; however there are inherent uncertainties in any estimation technique. Therefore, for substantially all financial instruments, the fair value are not necessarily indicative of all the amounts the Company could have realized in a sales transaction as of March 31, 2009. The estimated fair value amounts as of March 31, 2009 have been measured as of this date, and have not been re-evaluated or updated for purposes of these consolidated financial statements.

25. Derivative financial instruments

a) Interest Rate Swap Agreements (“Swaps”)

The Company’s overall risk management objective is to mitigate the negative impact of volatile global markets on its cash flow and earnings. The Company uses interest rate swaps to manage the market risks associated to interest rate movements relating to its Rs. 11,191 million (US \$220 million) variable-rate long-term debt. During the first quarter of the year ended March 31, 2007, Tata Communications (Netherlands) B.V, wholly-owned subsidiary of the Company entered into interest rate swaps to convert the variable interest rate of its long-term debt to a fixed rate. The total notional amount of the swaps is Rs. 5,596 million (US \$110 million), which is related to 50% of the variable rate long-term debt. Under the terms of the swaps, the Company will pay an interest rate of 5.52% in exchange for a variable interest rate equal to U.S. LIBOR and will expire in 2011. The difference paid or received on swaps are recognized as adjustments to interest expense.

The fair values of the swaps are recorded as other non-current liabilities in the balance sheet. The effective portion of the changes in the fair value of the swaps are deferred in accumulated other comprehensive loss and are recognized as interest expense when the hedged item affects earnings. The impact to earnings associated with hedge ineffectiveness is recorded in interest expense. During the years ending March 31, 2007, 2008 and 2009 there was no ineffectiveness related to the change in the fair value of the swaps.

Derivative Impacts

The following table summarizes the activity in accumulated other comprehensive income related to interest rate swap designated as cash flow hedges during the years ended March 31, 2008 and 2009;

	(In millions)			
	Year ended		Year ended	
	March 31, 2008		March 31, 2009	
Beginning balance	Rs.	4	Rs.	252 US\$ 5
Net unrealized loss / (gains)		238		(11) —
Realized loss reclassified into earnings		10		39 1
Ending balance	Rs.	252	Rs.	280 US\$ 6

Based on the terms of the derivative instruments designated as cash flow hedges, Rs. 157 million of unrealized losses currently in accumulated other comprehensive income/(loss) will be transferred into earnings during the fiscal year ended March 31, 2010.

Notes to Consolidated Financial Statements—(Continued)

b) Foreign Exchange Forward Contracts

The Company uses foreign currency forward and option contracts to manage the exchange risks associated with movements in United States dollars, Canadian Dollars, Euros and other currencies. Although these contracts are effective as hedges from an economic perspective they do not qualify for hedge accounting.

Foreign exchange forward and option contracts held by the Company as of fiscals 2008 and 2009 were Rs.2,235 million and Rs. 4,421 million (US\$ 87 million) respectively for fiscal 2009. These contracts are for a period between one and nine months.

An exchange gain (loss) of Rs. 30 million in fiscal 2007, Rs. (2) million in fiscal 2008 and Rs. (521) million in fiscal 2009 on foreign currency forward and option contracts have been recognized in earnings.

26. Segment Information

The Board of Directors and the Managing Director of the Company together as a group constitute the “Chief Operating Decision Makers” (CODM) and allocates resources to and assess the performance of the segments of the Company.

The Company had identified the following operating segments based on the organizational structure and for which discrete financial information including segment results is available:

Wholesale Voice	: Global voice services
Enterprise and Carrier Data	: Corporate Data Transmission services
Others	: Primarily comprises national voice services, retail internet, data centers, signaling and roaming services and television

International and national voice services are managed by the Global Voice business group, corporate data transmission services and other services are managed by the Global Data business group, retail internet services are managed by the Retail business group.

Segment information for fiscals 2007, 2008 and 2009 is as follows:

	Year ended March 31, 2007			
	Wholesale Voice	Enterprise and Carrier Data	Others	Total
	(In millions)			
Revenues	Rs. 53,047	Rs. 19,550	Rs. 13,380	Rs. 85,977
Interconnection Charges	45,274	1,716	2,102	49,092
Net revenues	Rs. 7,773	Rs. 17,834	Rs. 11,278	Rs. 36,885
Other network and telecommunication costs	334	377	1,642	2,353
License fees	205	521	236	962
Segment results	Rs. 7,234	Rs. 16,936	Rs. 9,400	Rs. 33,570
Unallocable costs:				
License fees				125
Depreciation and amortization				6,966
Other operating costs				23,037
Operating Income				3,442
Non operating income, net				1,080
Income before income tax				4,522
Income tax expense				(2,807)
Dividend tax				(180)
Equity in net loss of equity method investees				(96)
Net income				Rs. 1,439

Year ended March 31, 2008			
Wholesale Voice	Enterprise and Carrier Data	Others	Total

(In millions)

Revenues	Rs. 46,687	Rs. 18,809	Rs. 16,835	Rs. 82,331
Interconnection Charges	<u>38,925</u>	<u>2,083</u>	<u>3,076</u>	<u>44,084</u>
Net revenues	Rs. 7,762	Rs. 16,726	Rs. 13,759	Rs. 38,247
Other network and telecommunication costs	166	330	2,137	2,633
License fees	<u>57</u>	<u>419</u>	<u>263</u>	<u>739</u>
Segment results	<u>Rs. 7,539</u>	<u>Rs. 15,977</u>	<u>Rs. 11,359</u>	<u>Rs. 34,875</u>
Unallocable costs:				
License fees				109
Depreciation and amortization				7,358
Other operating costs				<u>27,200</u>
Operating Income				208
Non operating income, net				<u>710</u>
Income before income tax				918
Income tax expense				(1,280)
Dividend tax				(218)
Equity in net loss of equity method investees				(393)
Minority Interest				<u>(1)</u>
Net loss				<u>Rs. (974)</u>

Notes to Consolidated Financial Statements—(Continued)

	Year ended March 31, 2009				
	Wholesale Voice	Enterprise and Carrier Data	Others	Total	
	(In millions)				
Revenues	Rs. 50,207	Rs. 25,184	Rs. 21,904	Rs. 97,295	US\$ 1,913
Interconnection Charges	41,231	2,014	5,630	48,875	961
Net revenues	Rs. 8,976	Rs. 23,170	Rs. 16,274	Rs. 48,420	US\$ 952
Other network and telecommunication costs	120	207	1,999	2,326	45
License fees	85	463	315	863	17
Segment results	Rs. 8,771	Rs. 22,500	Rs. 13,960	Rs. 45,231	US\$ 890
Unallocable costs:					
Depreciation and amortization				10,180	200
Other operating costs				30,394	598
Operating Income				4,657	92
Non operating income, net				3,019	59
Income before income tax				7,676	151
Income tax expense				(2,430)	(48)
Dividend tax				(218)	(5)
Equity in net loss of equity method investees				(1,120)	(22)
Minority Interest				(22)	—
Net income (loss)				Rs. 3,886	US\$ 76

Revenues and interconnect charges are directly attributable to the segments. Space segment utilization charges, rent of landlines and other network and transmission costs are allocated based on utilization of satellite and landlines. License fee for international voice and corporate data transmission services have been allocated based on net revenues from these services.

Telecommunication services are provided utilizing the Company's property plant and equipments which do not generally make a distinction between the types of service. As a result, assets and expenses relating to those assets are not allocated to segments.

Revenues have been allocated to countries based on location of the customers and are as follows:

	As of March 31, 2007		As of March 31, 2008		As of March 31, 2009	
	(In millions)					
India	Rs.	23,820	Rs.	35,448	Rs. 31,984	US\$ 629
United States Of America		18,714		17,817	16,683	328
United Kingdom		7,296		5,306	6,791	134
Canada		4,307		4,349	3,976	78
Rest of the world		31,840		19,411	37,861	744
Total	Rs.	85,977	Rs.	82,331	Rs. 97,295	US\$ 1,913

No single customer contributed more than 10% of the revenues of the Company.

Substantially all of Tata Communications India's property, plant and equipment, other than undersea cables are located in India. The overseas subsidiaries own approximately 43% of the Company's property, plant and equipment.

27. Related party transactions

The related parties of the Company are Panatone Finvest Limited and the Government of India (Principal Owners), Tata Sons Limited (Beneficial Owner), subsidiaries of Tata Sons Limited, equity method investees and the Company's principal officers and directors. The

Company routinely enters into transactions with some of its related parties, such as providing and receiving telecommunication services, incurring network and transmission costs, and paying license fees. Transactions and balances with its own subsidiaries are eliminated on consolidation.

Million, Rs. 11 Million and Rs. 5 Million for fiscals 2007, 2008 and 2009 respectively from Tata Teleservices Ltd)	31	20	10	—	—	—	—	—	—	31	20	10	0
Others (including Rs. 777 Million, Rs. 728 Million and Rs. 254 Million for fiscals 2007, 2008 and 2009 respectively from Tata Teleservices Ltd.)	1,015	1,121	713	—	—	—	—	—	—	1,015	1,121	713	14
Total	1,134	1,268	878	—	—	—	205	342	566	1,339	1,610	1,444	28
License fees	—	—	—	1,087	848	863	—	—	—	1,087	848	863	17
Loans given	—	—	—	—	—	—	136	245	3,179	136	245	3,179	62
Advances given	—	—	—	—	—	—	30	1	—	30	1	—	—
Advances repaid	—	—	—	—	—	—	—	42	—	—	42	—	—
Dividends paid	47	109	109	856	857	857	—	—	—	903	966	966	19
Other non-operating income	85	123	100	—	—	—	—	—	—	85	123	100	2
Other operating costs	674	698	1,028	—	—	—	—	—	—	674	698	1,028	20
Purchase of property, plant & equipment	1,028	50	436	—	—	—	—	—	—	1,028	50	436	9
Sale of property, plant & equipment	948	8	—	—	—	—	—	—	—	948	8	—	—

Notes to Consolidated Financial Statements—(Continued)

Year End Balances	As of March 31								
	Beneficial Owner and Subsidiaries		Principal Owners		Equity Method Investees		Total		
	2008	2009	2008	2009	2008	2009	2008	2009	2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	(US\$)
	(In millions)								
Accounts receivables (including Rs. 644 million and Rs. 500 million for fiscals 2008 and 2009 respectively from Tata Teleservices Ltd)	1,176	1,192	—	—	342	242	1,518	1,434	28
Accounts payables (including Rs. 390 million and Rs. 237 million for fiscals 2008 and 2009 respectively from Tata Teleservices Ltd)	654	1,199	—	—	125	142	779	1,341	26
Advances given	31	30	—	—	23	23	54	53	1
License Fees recoverable			820	6			820	6	—
Loans provided (net of adjusted loss in equity method investee of Rs. 580 million as at fiscal 2009)	—	—	—	—	126	2,965	126	2,965	58
Interest receivable	—	—	—	—	37	413	37	413	8
Accrued Expenses and Other Current Liabilities:									
Advances received	2	60	—	—	—	—	2	60	1
License Fees payable	—	—	2,457	2,637	—	—	2,457	2,637	52
Deferred revenues	234	476	—	—	—	55	234	531	10
Total	236	536	2,457	2,637	—	55	2,693	3,228	63

Loans to employees comprises of loans to acquire assets such as computers and vehicles and for purchase of equity shares of the Company. The annual rate of interest at which the loans have been made to employees is at 4%. The loans are secured by assets acquired by the employees. As of fiscals 2008 and 2009 amounts receivable from employees aggregated to Rs. 33 million and Rs 18 million respectively. Interest free short-term advances made to employees aggregated to Rs. 2 million and Rs 1 million for fiscals 2008 and 2009, respectively.

The Company also grants interest subsidy in excess of 4% of the interest rate for loans to employees for purchases of property. The cost of interest subsidy of Rs. 17 million , Rs. 14 million and Rs. 12 million for fiscals 2007 , 2008 and 2009 , respectively, is included in staff costs.

28. Commitments and contingencies

Commitments

Bank Guarantees

Bank guarantees outstanding for fiscal years 2008 and 2009 are Rs. 2,154 million and Rs. 2,206 million (US\$ 43.37 million) respectively. Bank guarantees are generally provided to government agencies, excise and customs authorities for business licenses and for import activities. These guarantees may be enforced by the governmental agencies and customs authorities if they suffer any losses or damage through the breach of any of the covenants contained in the agreements.

Capital commitments

Capital commitments represent expenditures, principally relating to the construction of new buildings, undersea cables and expansion of transmission equipment, which had been committed under contractual arrangements with the majority of payments due within a period of one year. The amount of these commitments totaled Rs. 24,382 million (US\$ 479 million) as of March 31, 2009. Out of this total amount Rs. 20,798 million (US\$ 409 million) is expected to be purchased in 2010.

The Company also has an obligation to contribute Rs. 1,756 million in SEPCO over a three year period. Out of this Rs. 844 million is expected to be contributed in 2010.

The Company also has an obligation to contribute Rs. 2,153 million in Neotel over a three year period. Out of this Rs. 1,036 million is expected to be contributed in 2010.

Notes to Consolidated Financial Statements—(Continued)

Other Commercial Commitments

	As of March 31, 2009			
	(In millions)			
Standby Letters of Credit				
Less than 1 year	Rs.	1,986	US\$	39
1 to 3 years		3,154		62
More than 3 years		2		—
Total amount committed	Rs.	5,142	US\$	101

Contingencies

The Company is involved in a variety of proceedings, claims and litigation arising in the ordinary course of business. The Company periodically assesses its liabilities and contingencies in connection with these matters based upon the latest information available (with the assistance of external legal counsel wherever necessary). The Company accrues a loss contingency when it is probable that an asset has been impaired or a liability has been incurred as of the balance sheet date, and the amount of loss can be reasonably estimated. In respect of loss contingencies where the reliable estimate of loss is a range, the amount accrued is the better estimate of the loss within the range and when no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued. Loss contingencies that are reasonably possible but not probable as of the balance sheet date, have been disclosed as contingencies with a range of possible loss, whenever it can be estimated.

The following is a description of material claims and losses where a potential loss is reasonably possible but not probable.

a) Business related claims

Teleglobe related matters

In August, 2004, Teleglobe initiated investigations into potential instances of non-compliance with the United States Foreign Corrupt Practices Act (“FCPA”) by ITXC Corp. (“ITXC”), which it had acquired. Those instances related to ITXC’s operations in certain African countries prior to its acquisition by Teleglobe. Teleglobe also voluntarily notified the SEC and the U.S. Department of Justice (the “DOJ”) of the matter, and the Company has been cooperating fully with the SEC and the DOJ. In February 2005, ITXC was also made the subject of a formal order of investigation by the SEC in connection with possible violations of the FCPA and related violations of US securities laws. Resulting from complaints filed by the SEC and DOJ in the federal court in New Jersey, ITXC’s former regional director for Africa was charged with and sentenced for both civil and criminal violations of the FCPA. On September 7, 2006, the SEC filed a civil action in U.S. District Court in New Jersey against two former ITXC employees, charging them with FCPA bribery and books and records violations. Both these former employees pleaded guilty to the charges and were sentenced in July and September 2008. The Company intends to continue to cooperate fully with the SEC and DOJ in the investigation. The Company cannot predict the extent to which the SEC, the DOJ or any other governmental authorities will pursue administrative, civil or criminal proceedings, the imposition of fines or penalties or other remedies or sanctions. The Company has not identified, and does not believe it is likely that, any material adjustment to its consolidated financial statements is or will be required in connection with the results of this investigation, although it is possible that a monetary penalty, if any, may be material to its results of operations in the period in which it is imposed.

The Company is 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 investigation noted above is subject to inherent uncertainties and management’s view of this matter may change in the future. If an unfavorable final outcome to occurs, 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. Claims against the Company of Rs 666 million (US\$ 13.1 million) are disputed by the Company of which an amount of Rs 330 million (US\$ 6.5 million) has been provided for. If the dispute goes against the Company, Rs. 336 million (US\$ 6.6 million) will be charged to statement of operations.

Others

The Company in various geographies is routinely party to law 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 the Company and/or its subsidiaries 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 Tata Communications’ consolidated financial position, the FCPA investigation above is subject to inherent uncertainties and management’s view of this matter may change in the future. If an unfavorable final outcome were to occur, such an outcome could have a material adverse impact on Tata Communications’ consolidated financial position and results of operations for the period in which the effect can be reasonably estimated.

Telecom Regulatory Authority of India (“TRAI”) reduced the Access Deficit Charge (“ADC”) rates effective April 1 2007. All telecom services providers including NLD and ILD Operators in India are bound by the TRAI regulations; accordingly Tata Communications recorded the cost relating to ADC at revised rates as directed by TRAI. However, BSNL continued to bill at the ADC rate applicable prior to 1st April 2007. BSNL had filed an appeal against the TRAI directive of reduction in ADC. The appeal is pending with TDSAT and in case the appeal is upheld, the possible liability on Company is Rs. 3,120 million (US\$ 61 million).

As of March 31, 2009, there were other claims of Rs. 1,795 million (US\$ 35 million) which includes claims of Rs. 720 million (US\$ 14 million) by DoT – WPC wing towards licence fees and Rs. 317 million (US\$ 6 million) by a customer for loss of business on account of interruption of private leased circuits.

29. Post Balance Sheet Events

a. Dividends

Any dividends declared by the Company are based on the profit available for distribution as reported in the statutory financial statements of Tata Communications India prepared in accordance with Indian GAAP. As of fiscals 2008 and 2009, the amounts available for distribution, net of dividend tax, are Rs. 17,456 million, and Rs 19,227 million, respectively. Subsequent to March 31, 2009, the Board of Directors recommended a dividend of Rs. 4.5 per equity share, which has been approved by the shareholders in the Annual General Meeting, held on August 7, 2009.

30. Reclassification of advance income taxes (net)

As of March 31, 2008 and 2009, advance income taxes (net) of Rs.12,183 million and Rs.14,205 million, respectively, were classified as current assets in the previously issued consolidated financial statements included in the Company’s 2009 Form 20-F filed on October 15, 2009. The advance income taxes (net) mainly related to tax disputes under appeal. Advance income taxes (net) were classified as current assets because examinations by the tax appeal authority (referred to as the “Income Tax Appellate Authority” or “ITAT”) were scheduled within one year of the balance sheet dates, and on the basis of the Company’s expectation of a favorable resolution by the ITAT and subsequent tax refund, which the Company had anticipated would occur within one year of the balance sheet dates.

Subsequent to the issuance of the Company’s 2009 Consolidated financial statements, the Company’s management reassessed its basis of classification and determined that it was prudent to classify these advance income taxes as non-current assets because of the Company’s experience with recurring delays in hearings and rescheduled examinations by the ITAT. As a result, advance income taxes (net) previously classified as current assets as of March 31, 2008 and 2009 have been reclassified as non-current assets, and previously reported amounts of current and non-current assets have been restated as follows:

	March 31, 2008		March 31, 2009	
	As previously reported	As restated	As previously reported	As restated
	Rs. millions	Rs. millions	Rs. millions	Rs. millions
Current assets	40,615	28,432	65,271	51,066
Non-current assets	95,708	107,891	127,062	141,267

The change in classification of advance income tax (net) within the balance sheet did not affect total assets as of March 31, 2008 or 2009. The reclassification did not have any effect on the consolidated statements of operations, changes in shareholders’ equity and cash flows for any of the periods presented.

CERTIFICATION

I, NARASIMHAN SRINATH, CERTIFY THAT:

1. I have reviewed this annual report on Form 20-F, as amended by Amendment No. 1 on Form 20-F/A, of Tata Communications Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 20, 2010

/s/ Narasimhan Srinath

Narasimhan Srinath
Managing Director and CEO

CERTIFICATION

I, SANJAY BAWEJA, CERTIFY THAT:

1. I have reviewed this annual report on Form 20-F, as amended by Amendment No. 1 on Form 20-F/A, of Tata Communications Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 20, 2010

/s/ Sanjay Baweja

Sanjay Baweja
Chief Financial Officer

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F, as amended by Amendment No. 1 on Form 20-F/A, of Tata Communications Limited, a limited liability company incorporated in the Republic of India (the "Company") for the period ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to such officer's best knowledge, that:

1. the Report fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the report.

The foregoing certification is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act of 2002 and is not intended to be used or relied upon for any other purpose.

Date: August 20, 2010

/s/ Narasimhan Srinath

Narasimhan Srinath
Managing Director and CEO

/s/ Sanjay Baweja

Sanjay Baweja
Chief Financial Officer