

A NEW WORLD OF COMMUNICATIONS™

ANNUAL REPORT 2017



OUR VISION

To deliver a New World of Communications™
to enhance the reach and leadership of our
customers and partners.



Tata Communications Limited

THIRTY FIRST ANNUAL REPORT 2016-17

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To support the 'Green Initiative', the Members who have not registered their email addresses are requested to register the same with their Depository Participants / TSR Darashaw Limited.

CORPORATE DETAILS**BOARD OF DIRECTORS**

Ms. Renuka Ramnath (Chairperson) (Independent)
 Mr. Vinod Kumar (Managing Director and Group CEO)
 Mr. N. Srinath
 Mr. Kishor A. Chaukar
 Dr. Uday B. Desai (Independent)
 Mr. Saurabh Kumar Tiwari
 Mr. Bharat Vasani
 Dr. Gopichand Katragadda
 Mr. G. Narendra Nath

Mr. Manish Sansi
 Ms. Pratibha K Advani

Company Secretary & General Counsel (India)
 Chief Financial Officer

REGISTERED OFFICE

VSB, Mahatma Gandhi Road, Fort, Mumbai – 400 001
 Tel: +91 22 6657 8765, Fax: +9122 6725 1962
 Email: investor.relations@tatacommunications.com
 Website: www.tatacommunications.com

CORPORATE OFFICE

Plot No. C21& C36, 'G' Block, Bandra Kurla Complex, Mumbai – 400 098.

BANKERS

ANZ Bank
 Axis Bank
 Bank of America
 Bank of Baroda
 BNP Paribas Bank
 Citibank Inc.
 Deutsche Bank
 Development Bank of Singapore (DBS)
 Federal Bank
 HDFC Bank Ltd.
 Hongkong & Shanghai Banking Corporation (HSBC)

ICICI Bank Ltd.
 Indian Bank
 Indian Overseas Bank
 Indusind Bank Ltd.
 Kotak Mahindra Bank Ltd.
 Scotia Bank
 Standard Chartered Bank
 State Bank of India
 Syndicate Bank
 Yes Bank Ltd

FINANCIAL INSTITUTIONS

Cisco Capital
 COFACE, France
 Export Development Canada (EDC)
 US EXIM

LEGAL ADVISORS

Cyril Amarchand Mangaldas
 Shardul Amarchand Mangaldas & Co.
 S & R Associates
 Trilegal

STATUTORY AUDITORS

S.B. Billimoria & Co., Chartered Accountants

**REGISTRAR &
 TRANSFER AGENTS**

TSR Darashaw Limited
 6/10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road,
 Near Famous Studio, Mahalaxmi, Mumbai – 400 011
 Tel: (022) 6656 8484, Fax: (022) 6656 8494
 E-mail: csg-unit@tsrdarashaw.com, Website: www.tsrdarashaw.com

NOTICE

NOTICE is hereby given that the 31st Annual General Meeting of Tata Communications Limited ("Company") will be held at 11:00 hours on Tuesday, June 27, 2017, at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Road, Kalaghoda, Mumbai – 400001 to transact the following business:

Ordinary Business

1. To receive, consider and adopt:
 - a. the audited standalone financial statements of the Company for the financial year ended March 31, 2017, together with the reports of the board of directors and the auditors thereon; and
 - b. the audited consolidated financial statements of the Company for the financial year ended March 31, 2017 along with the report of the auditors thereon.
2. To declare a final dividend on equity shares for the financial year 2016-17.
3. To appoint a director in place of Mr. Bharat Vasani (DIN: 00040243), who retires by rotation at this annual general meeting and, being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. N Srinath (DIN: 00058133), who retires by rotation at this annual general meeting and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modifications the following as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 139,142 and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder as amended from time to time (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s. S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W / E300004) be and are hereby appointed as statutory auditors of the Company, in place of the retiring Statutory Auditors M/s. S.B. Billimoria & Co., Chartered Accountants (Firm Registration No. 101496W), to hold office for a term of five years from the conclusion of the thirty-first annual general meeting (AGM) until the conclusion of the thirty-sixth AGM of the Company, subject to ratification of the appointment by the members at every AGM held after this thirty-first AGM, on such remuneration as may be mutually agreed upon between the board of directors and the auditors."

Special Business

6. To consider and, if thought fit, to pass with or without modifications the following as an **Ordinary Resolution**:

"RESOLVED THAT Mr. G. Narendra Nath (DIN: 07440439) who was appointed by the board of directors as an additional director of the Company with effect from October 18, 2016 and who holds office upto the date of this annual general meeting in terms of Section 161 of the Companies Act, 2013 ("Act"), and in respect of whom a notice under Section 160 of the Act has been received by the Company from a member signifying his intention to propose Mr. G. Narendra Nath as a candidate for the office of director, be and is hereby appointed as a director not liable to retire by rotation."

"RESOLVED FURTHER THAT the company secretary be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."
7. To consider and, if thought fit, to pass with or without modifications the following as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), cost auditor, Mr. Jugal Kishor Puri, Cost Accountant, appointed by

the board of directors of the Company to conduct the audit of the cost records of the Company for the financial year ending March 31, 2018, be paid the remuneration as set out in the statement annexed to this Notice convening the annual general meeting."

"RESOLVED FURTHER THAT the company secretary be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board of Directors
Manish Sansi
Company Secretary
ACS-10985

Mumbai, May 4, 2017
CIN: L64200MH1986PLC039266

Registered Office:

VSB, M.G. Road,
Fort, Mumbai - 400 001.

NOTES:

1. The Explanatory Statement pursuant to section 102 of the Companies Act, 2013 ("Act") in respect of the business under Item Nos. 5, 6 and 7 of the Notice, is annexed hereto. The relevant details as required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, of persons seeking appointment/re-appointment as directors under Item Nos. 3, 4 and 6 of the Notice, are also annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE "MEETING") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than FORTY-EIGHT hours before the commencement of the meeting. A person can act as a proxy on behalf of not more than fifty members and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy but then such person shall not act as a proxy for any other person or shareholder.
3. Corporate members, intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the board resolution to the Company, authorizing such representative to attend and vote on their behalf at the meeting.
4. During the period beginning twenty-four hours before the time fixed for commencement of the meeting and ending with the conclusion of the meeting, a member entitled to vote at the meeting is entitled to inspect the proxies lodged, at any time during the business hours of the Company, provided that not less than three days of notice of such intention to inspect is given in writing to the Company.
5. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 and the Register of Contracts or Arrangements in which directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
6. Registers of members and transfer books of the Company shall remain closed from Tuesday, June 20, 2017 till Tuesday, June 27, 2017 (both days inclusive) for the purpose of ascertaining eligibility for dividend.
7. The final dividend, as recommended by the Board of Directors, if approved at the annual general meeting, shall be paid not later than Tuesday, July 4, 2017 as under:

- i) To all Members in respect of shares held in physical form whose names appear on the Company's Register of Members after giving effect to all valid share transfer requests lodged with the Registrar & Transfer Agents (R&T Agents) as of the close of business hours on Monday, June 19, 2017;
 - ii) To all Beneficial Owners in respect of shares held in dematerialized form as per the data as made available by the National Securities Depository Limited and Central Depository Services (India) Limited as of the close of business hours on Monday, June 19, 2017.
8. Members, proxies and authorized representatives are requested to bring to the meeting, the Attendance Slip enclosed herewith, duly completed and signed, mentioning therein details of their DP ID and Client ID / Folio.
9. This may be taken as notice of declaration of dividend for 2016-17 in accordance with Article 93 of the Articles of Association of the Company in respect of dividend for that year when declared.
10. Members holding shares in electronic (dematerialized) form are requested to intimate all changes pertaining to their bank details including bank account number, name of the bank and branch details, MICR Code and IFSC Code, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers etc. to their Depository Participant (DP). Members holding shares in physical form are requested to intimate such changes to the Company's Registrar and Transfer Agents – M/s. TSR Darashaw Limited ("TSRDL") at 6-10, Haji Moosa Patrawala Industrial Estate, Near Famous Studio, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400 011.

The Securities and Exchange Board of India ("SEBI") has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore requested to submit their PAN to their depository participant(s). Members holding shares in physical form are requested to submit their PAN details to TSRDL.

11. As per Section 72 of the Companies Act, 2013, members are entitled to make nomination in respect of shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13 which is available on the website of TSRDL <http://www.tsrdarashaw.com> (under "Downloads" section). Members holding shares in physical form may submit the same to TSRDL. Members holding shares in electronic form may submit the same to their respective depository participant.
12. Members seeking any information with regard to the accounts, are requested to write to the Company at an early date, so as to enable the Management to keep the information ready at the AGM.
13. Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013, dividends which remain unclaimed in the unpaid dividend account for a period of seven years from the date of transfer of the same, will be transferred to the Investor Education and Protection Fund established by the Central Government. The Members who have not encashed their dividend warrant(s) so far for the financial year ended 2010-2011 (no dividend was declared for 2009-10) or any subsequent financial years are requested to lodge their claims with TSRDL. According to the provisions of the Act, no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.

The Ministry of Corporate Affairs notified the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, on September 5, 2016 and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2016 on 28 February, 2017 ("IEPF Rules") which are applicable to the Company. The objective of the IEPF Rules is to help shareholders ascertain the status of unclaimed amounts. In terms of the IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends as on the date of the last AGM i.e. August 1, 2016, on the website of IEPF viz. www.iepf.gov.in and under "Investor Relations" section on the website of the Company.

The summary of the unpaid dividend for the past years and the dates on which the outstanding amount shall be transferred to Investor Education and Protection Fund are given in the table below.

| Date of AGM | Balance as on March 31, 2017 (₹) | Dividend for the year | Date of Transfer to Investor Education & Protection Fund |
|--------------------|----------------------------------|-----------------------|--|
| August 6, 2010 | Not Applicable | 2009-10 | Not Applicable |
| October 11, 2011 | 405,104.00 | 2010-11 | November 12, 2018 |
| July 27, 2012 | 444,202.00 | 2011-12 | August 28, 2019 |
| July 26, 2013 | 652,077.00 | 2012-13 | August 27, 2020 |
| August 4, 2014 | 783,801.00 | 2013-14 | September 5, 2021 |
| September 29, 2015 | 1,104,323.00 | 2014-15 | October 30, 2022 |
| August 1, 2016 | 1,142,424.00 | 2015-16 | September 2, 2023 |

As per the provisions of Section 124 of the Companies Act, 2013, shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred to the Investor Education and Protection Fund (IEPF) Authority. In accordance with the IEPF Rules, the Company has transferred unpaid / unclaimed dividend for the financial year 2008-09 to the IEPF.

The Company has sent out individual communication to 978 shareholders whose dividend remains unclaimed for seven years, and published an advertisement in newspapers, inviting such shareholders to claim their dividend.

14. The Notice of the AGM along with the Annual Report 2016-17 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company / Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode. Members may note that this Notice and the Annual Report 2016-17 will also be available on the Company's website viz. www.tatacommunications.com.
15. **To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with their Depository Participants / TSRDL.**
16. **The route map showing directions to reach the venue of the 31st AGM is annexed.**
17. **Voting through electronic means:**

In compliance with the provisions of Section 108 of the Companies Act, 2013 and the Rules framed thereunder and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, Members are provided with the facility to cast their vote electronically, through e-voting services, on all resolutions set forth in this Notice. The facility of casting votes by members using an electronic voting system from a place other than the venue of the AGM ("remote e-voting") will be provided by NSDL.

The facility for voting electronically or through ballot paper will also be made available at the AGM and members attending the AGM, who have not already cast their votes by remote e-voting shall be able to exercise their right at the AGM. Members who have cast their votes by remote e-voting prior to the AGM may attend the AGM but shall not be entitled to cast their votes again.

The instructions for e-voting are as under:

- A. In case a Member receives an e-mail from NSDL (for Members whose e-mail addresses are registered with the Company/Depositories):
 - i. Open the e-mail and also open PDF file namely "TCL e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password / PIN for remote e-voting. Please note that the password is an initial password.

- ii. Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>.
 - iii. Click on Shareholder – Login.
 - iv. If you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password / PIN for casting your vote.
 - v. If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password. The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential. If you forget your password, you can reset your password by using the “Forgot User Details/Password” option available on www.evoting.nsdl.com.
 - vi. Once the e-voting home page opens, click on: e-voting : Active Voting Cycles.
 - vii. Select “EVEN” (E-Voting Event Number) of Tata Communications Limited which is 106178. Now you are ready for e-voting as “Cast Vote” page opens.
 - viii. Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when prompted.
 - ix. Upon confirmation, the message “Vote cast successfully” will be displayed.
 - x. Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
 - xi. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution / Authority letter, etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to preetighiya@hotmail.com, with a copy marked to evoting@nsdl.co.in.
 - xii. In case of any queries, you may refer to the Frequently Asked Questions (FAQs) - for members and e-voting user manual - for members, available at the downloads section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990.
- B. In case a Member receives physical copy of the Notice of AGM (for members whose email IDs are not registered with the Company / Depositories or members who request for a physical copy):
- i. Initial password is provided in the enclosed attendance slip: EVEN (E-voting Event Number) + USER ID and PASSWORD
 - ii. Please follow all steps from Sl. No. 17. A (i) to (xii) above, to cast vote.
- C. Other Instructions
- i. The e-voting period commences on Thursday, June 22, 2017 (9.00 a.m. IST) and ends on Monday, June 26, 2017 (5.00 p.m. IST). During this period, Members holding shares either in physical form or in dematerialized form, as on Tuesday June 20, 2017 i.e. cut-off date, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, he / she shall not be allowed to change it subsequently or cast vote again.
 - ii. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date. Only a person whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date shall be entitled to avail the facility of remote e-Voting as well as voting at the meeting through electronic voting system or ballot.
 - iii. Any person, who acquires shares of the Company and becomes a member of the Company after dispatch of the Notice and holding shares as of the cut-off date, may obtain the login ID and password

by sending a request at evoting@nsdl.co.in. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote.

- iv. Ms. Preeti Ghiya, Practising Company Secretary (Membership No.: 10077), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- v. The Scrutinizer shall, immediately after the conclusion of voting at the general meeting, count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make, not later than three days of conclusion of the meeting, a consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairperson or a person authorized by the Chairperson in writing who shall countersign the same.
- vi. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.tatacommunications.com and on the website of NSDL www.evoting.nsdl.com immediately after declaration. The Company shall simultaneously forward the results to BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), where the shares of the Company are listed.

Annexure to the Notice dated May 04, 2017

The Statement of Material Facts pursuant to Section 102(1) of the Companies Act, 2013 ("Act").

In respect of Item No. 5

This statement is provided though strictly not required as per Section 102 of the Act.

Section 139 of the Companies Act, 2013 prescribes the maximum term for which Statutory Auditors may be appointed. The term of the existing Statutory Auditors – M/s. S.B. Billimoria & Co. is due to end at the conclusion of the Thirty-First Annual General Meeting (AGM). Hence, in compliance with the provisions of the Companies Act, 2013, it is proposed to appoint M/s. S.R. Batliboi & Associates LLP (Firm Registration No. 101049W/ E300004) as the new Statutory Auditors of the Company.

M/s. S.R. Batliboi & Associates LLP, being eligible for appointment, shall hold office for a period of five years from the conclusion of the Thirty-First Annual General Meeting till the conclusion of the Thirty-Sixth Annual General Meeting to be held in the year 2022. As per provisions of Section 139(1) of the Act, their appointment for the above tenure is subject to ratification by Members at every AGM.

The Board recommends the Resolution at Item No. 5 for approval by the Members.

None of the Directors and Key Managerial Personnel (KMP) or relatives of directors and KMPs are concerned or interested in the Resolution at Item No. 5 of the accompanying Notice.

In respect of Item No. 6

Under the Shareholders Agreement of February 2002, the Government of India, vide its letter dated 18 December, 2015 indicated the appointment of Mr. G. Narendra Nath, Deputy Director General (Security), Department of Telecommunications, Government of India, as a Government nominated Director on the Board of Directors of the Company.

After obtaining the requisite security clearance under the Company's TV uplinking license from the Ministry of Information and Broadcasting, Government of India, Mr. G. Narendra Nath was appointed as an Additional Director on the Board with effect from 18 October, 2016 pursuant to the provisions of Section 161 of the Companies Act, 2013 read with Article 66B of the Articles of Association of the Company. Under Section 161 of the Companies Act 2013 and under the said Article, Mr. G. Narendra Nath holds office up to the date of the forthcoming Annual General Meeting. Mr. G. Narendra Nath is eligible for appointment as a director of the Company and the Company has, pursuant to Section 160 of the Companies Act, 2013 received a notice in writing proposing his candidature for appointment.

In the opinion of the Board, Mr. G. Narendra Nath is a person of integrity and possesses relevant expertise and experience and fulfils the conditions for appointment as a director as specified in the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

If appointed, Mr. G. Narendra Nath will act as a non-executive, government nominee director, not liable to retire by rotation.

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

Except for Mr. G. Narendra Nath, none of the Directors and Key Managerial Personnel (KMP) or relatives of directors and KMPs are concerned or interested in the Resolution at Item No. 6 of the accompanying Notice.

Brief profile of Mr. G. Narendra Nath is given below:

Mr. G. Narendra Nath, is working as Deputy Director General (Security), Department of Telecommunications, Government of India since July 2, 2014 with overall responsibilities for the policy formulation and implementation and matters pertaining to Telecom network security of India. Responsibilities include coordination on matters of national security with other wings. Prior to this he was Deputy Director General (Security Audit), Department of Telecommunications, Government of India, for a year responsible for the finalization of the processes and procedures to conduct of security audit of the networks of Telecom Service Providers.

He has over 27 years of experience in telecom including 17 years of senior management experience in the areas of telecom network planning, installation, operation and maintenance, marketing & business development and training.

He started his professional career with Oil and Natural Gas Commission in maintenance of Real Time Geophysical Data Acquisition, and UHF and VHF communication systems. In 1987 he joined the Indian Telecommunication Service, Department of Telecommunications (DoT), Government of India. He was instrumental in the planning, engineering, deployment and operation and maintenance of 2G GSM network for 500 thousand lines and planning of the 3G network in the Indian state of Jharkhand. He was a faculty at Advanced Level Telecommunication Training Centre an ITU, UNDP and Government of India established training facility for a period of nine years in the areas of CCS#7, GSM Network planning, Intelligent Networks and Marketing of Telecom Services and was head of the Faculty of Management Courses. He was deputed to Nairobi, Kenya as an expert to conduct a four day Commonwealth Telecommunication Organization Course on Management of Universal Service Funds. He was awarded a certificate of 'Sanchar Shiromani' by the Department of Telecommunications for the services in the telecom sector.

He holds a Masters in Technology from Indian Institute of Technology, Delhi with specialization in VLSI design. He is trained as a Lead Auditor for ISO 9001:2008. He is a member of the National Working Group for ITU-T SG-17 on Security.

In respect of Item No. 7

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of Mr. Jugal Kishor Puri, Cost Accountant, as Cost Auditor to conduct the audit of the cost records of the Company for the financial year ending March 31, 2018. Accordingly, under the authority from the Board of Directors, the remuneration of the Cost Auditor was fixed at ₹600,000/- plus out of pocket expenses on actual basis subject to a maximum of ₹ 60,000/-. In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor has to be ratified by the shareholders of the Company. Accordingly, the resolution at Item No. 7 is placed before the shareholders for ratification.

None of the Directors and Key Managerial Personnel (KMP) or relatives of directors and KMPs are concerned or interested in the Resolution at Item No. 7 of the accompanying Notice.

The Board recommends the Ordinary Resolution set out at Item No. 7 of the Notice for approval by the members.

By Order of the Board of Directors
Manish Sansi
Company Secretary
ACS-10985

Mumbai, May 4, 2017
CIN: L64200MH1986PLC039266

Registered Office:

VSB, M.G. Road,
Fort, Mumbai - 400 001.

Details of Directors Seeking Appointment / Re-Appointment at the 31st Annual General Meeting

| Particulars | Mr. Bharat Vasani | Mr. N. Srinath | Mr. G. Narendra Nath |
|--|--|--|---|
| Date of Birth | 24-08-1958 | 08-07-1962 | 07-10-1960 |
| Age | 58 | 54 | 56 |
| Date of Appointment | 16-12-2013 | 13-02-2002 | 18-10-2016 |
| Qualifications | B.Com., LL.B, A.C.S. | Degrees in Mechanical Engineering from IIT Madras, Management degree from IIM Calcutta | Masters in Technology from IIT, Delhi (specialization in VLSI design) |
| Expertise in Specific Functional Area | Law | Marketing and Systems | Technology |
| Directorships held in other Public Companies (excluding foreign, private companies and Section 8 companies) | 1. Rallis India Limited 2. Tata Sky Limited | 1. Tata Business Support Services Limited 2. Tata Teleservices Limited 3. Tata Teleservices (Maharashtra) Limited 4. Tata Industries Limited 5. Honeywell Automation India Limited | Nil |
| Memberships/ Chairmanships of Committees in other Public Companies (includes only Audit Committee and Stakeholders Relationship Committee) | Nil | 1. Tata Teleservices (Maharashtra) Limited - Stakeholders Relationship Committee 2. Honeywell Automation India Limited – Audit Committee | Nil |
| Shareholding in Tata Communications Limited | Nil | Nil | Nil |
| DIN number | 00040243 | 00058133 | 07440439 |

Notes:

1. Detailed résumé of each Director is appended at the end of the Annual Report.
2. Other details such as number of meetings of the board attended during the year, remuneration drawn and relationship with other directors and key managerial personnel are provided in the Report on Corporate Governance.

Route Map to the AGM Venue

MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Road, Kalaghoda, Mumbai – 400001.



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DIRECTORS' REPORT

Dear Shareholders,

The directors present the 31st Annual Report and audited financial statements of Tata Communications Limited ("Company") for the financial year ended March 31, 2017. The Company along with its subsidiaries wherever required is referred as "we", "us", "our", "Tata Communications" or 'Tata Communications Group'.

PERFORMANCE

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

(₹ in Crores)

| | Standalone | | Consolidated | |
|---|-------------------|----------------|---------------------|-----------------|
| | 2016-17 | 2015-16 | 2016-17 | 2015-16 |
| Continuing operations | | | | |
| Income from operations | 5068.15 | 4790.32 | 17619.73 | 18148.58 |
| Other Income | (16.91) | 209.77 | 360.29 | 396.64 |
| Total Revenue | 5051.24 | 5000.09 | 17980.02 | 18545.22 |
| Total Expenses | 4670.22 | 4372.52 | 17446.79 | 17980.21 |
| Profit from ordinary activities before exceptional items, tax and share of profit of associate | 381.02 | 627.57 | 533.23 | 565.01 |
| Exceptional Items | 823.82 | (22.63) | (1063.33) | (102.79) |
| Profit / (Loss) before tax and share of profit of associate | 1204.84 | 604.94 | (530.10) | 462.22 |
| Tax expense/(benefit) | | | | |
| Current Tax | 602.50 | 150.32 | 270.30 | 203.95 |
| Deferred Tax | (87.49) | 61.94 | (33.92) | 28.90 |
| Profit / (Loss) for the period | 689.83 | 392.68 | (766.48) | 229.37 |
| Share in Profit of Associates | - | - | 5.08 | - |
| Profit/ (Loss) for the period from continuing operations | - | - | (761.40) | 229.37 |
| | | | | |
| Discontinued operations | | | | |
| Profit/(Loss) before tax from discontinued operations | - | - | 123.31 | (109.66) |
| Gain on sale of business and subsidiaries (including impairment of goodwill) | - | - | 2420.51 | (90.00) |
| Profit /(Loss) from Discontinued operations (before tax) | - | - | 2543.82 | (199.66) |
| Tax expense on Discontinued operations | - | - | 546.96 | 19.25 |
| Profit /(Loss) from discontinued operations after tax | - | - | 1996.86 | (218.91) |
| Net Profit/ (Loss) from total operations | - | - | 1235.46 | 10.46 |
| | | | | |
| Other Comprehensive Income (net of tax) | (188.02) | (334.37) | 864.64 | (608.82) |
| Total Comprehensive Income / (Loss) | 501.81 | 58.31 | 2100.10 | (598.36) |

Dividend

The directors are pleased to recommend a dividend of ₹6.00 per share [Normal dividend of ₹4.50 per share of face value ₹10/- each plus a one-time special dividend ₹1.50 per share of face value ₹10/- each] for the financial year ended March 31, 2017 (₹4.30 per share dividend in FY 15-16), subject to the approval of the shareholders at the ensuing annual general meeting.

Transfer to Reserves

On a standalone basis, the Company does not propose to transfer any amount to the general reserve out of the amount available for appropriation and the balance in the surplus in the statement of profit and loss stood at ₹ 3105.08 crores as on March 31, 2017.

OPERATIONS**Segment Distribution**

We have been successful in our goal of diversifying revenues, to tap new opportunities and reduce any risks of an overtly concentrated portfolio. Our revenues are broadly diversified across our voice and data services businesses. Taking advantage of the growing data services market the Tata Communications Group has been focusing on segments such as mobility, Internet of Things (IoT), media and entertainment, financial services, and health care. During the year under review, consolidated continuing business revenue from our voice services business contributed 38% (45% in FY15-16) of total revenue and our data services business contributed 62% (55% in FY15-16) of total revenue. This is discussed in detail in the Management Discussion & Analysis, which forms a part of this report.

Voice

We continue to be one of the largest players worldwide in wholesale voice business. The volumes in this business continued to decline due to a continued shift in traffic to voice over internet protocol (VoIP) based calling. During the year under review, total voice traffic declined by 0.6% over the previous year, EBITDA margins increased by 0.13% and EBITDA declined by 14.9%. Developing innovative commercial offerings and optimizing costs to maintain free cash flow generation remains the focus for this business.

Data

In the data services business, we are the industry leaders in India and an emerging challenger globally. We have made significant capital expenditure in our data business to create a global infrastructure and a suite of growth products and services. Our ongoing focus and investment in brand, sales and marketing to scale up our global enterprise data business have increased recognition for the Tata Communications Group in the market place.

Over the years, we have moved from being a traditional connectivity services provider, largely in India, to a truly global services provider - offering a broad range of managed communication and collaboration services as well as IT infrastructure services. With our current portfolio of data services, Tata Communications is no longer seen as a mere provider of raw bandwidth. Our customers see us as an essential provider of technologies that help them make the shifts to digital business models, in addition to being a globalization enabler.

Our investments and innovations are enabling us to be viewed more as an Over-The-Top (OTT) player than as a telecom operator. Our data business has continued its robust momentum with revenues growing 6.8% during 2016-17. During the year, Tata Communications Group launched the latest addition to its IZO Cloud Enablement Platform called IZO™ SDWAN, SDWAN standing for Software Defined Wide Area Networking. This will strengthen the Company's data services offerings with new capabilities that allow enterprises to take advantage of greater service agility and automated provisioning.

The Tata Communications Group has a strong set of offerings across the gamut of unified communications and collaboration (UCC) services, hosting services, security services and continues to see further growth in its data services portfolio. Our strategy of expanding into managed services continues to pay off, as these services now contribute 37% to the data services segment.

HUMAN RESOURCES

Tata Communications Group offers a dynamic work environment where our employees benefit from working with other innovators from around the globe who are driving meaningful change to our customers and the planet. We have a multicultural workforce, with people of more than 36 nationalities on our rolls, out of

which women constitute 20% of our employees. Tata Communications Group's compensation and employee benefit practices are designed to be competitive in the respective geographies where it operates. Employee relations continue to be harmonious at all our locations. The number of training person days provided to employees increased by 17% over the previous year.

The Tata Communications Group has zero tolerance for sexual harassment and the Company has adopted a charter on prevention, prohibition and redressal of sexual harassment in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules made thereunder. During the financial year 2016-17, the Company received five complaints on sexual harassment. As on March 31, 2017, all complaints were disposed off with appropriate action and no complaint remained pending.

BUSINESS EXCELLENCE

The Tata Communications Group has adopted the Tata Business Excellence Model (TBEM), which is formulated on the Baldrige Excellence Framework, to enable the Tata Communications Group to improve performance and attain higher levels of efficiency in its businesses. Tata Communications was classified as an "Emerging Industry Leader" following a rigorous assessment conducted by the Tata Business Excellence Group (a division of Tata Sons) and continues to use this assessment as a framework as part of its business excellence journey. We have taken actions on the findings of the assessment which have considerably improved our processes and TBEM score in the current year.

ENTERPRISE RISK MANAGEMENT

The Company has established an enterprise-wide risk management (ERM) framework to optimize the identification and management of risks globally and to comply with provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In line with the Company's commitment to delivering sustainable value, this framework aims to provide an integrated and organized approach for evaluating and managing risks.

There are no elements of risk, which in the opinion of the

Board may threaten the existence of the Company.

RISK-BASED INTERNAL AUDIT

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

CORPORATE MATTERS

Subsidiary Companies

- a) The Company had 47 subsidiaries as on March 31, 2017 and 5 associate companies within the meaning of Section 2(6) of the Companies Act, 2013 ("Act"). Except for the transfer of the Singapore data centre business described below, there has been no material change in the nature of business of the subsidiaries and associate companies.

Pursuant to the provisions of Section 129(3) of the Act, a statement containing salient features of the financial statements of the Company's subsidiaries in Form AOC-1 is attached to the financial statements.

Pursuant to the provisions of section 136 of the Act and General Circular No. 11/ 2015 dated July 21, 2015 issued by Ministry of Corporate Affairs, the financial statements of the Company, consolidated financial statements along with relevant documents and separate accounts in respect of subsidiaries, are available on the website of the Company.

- b) On February 10, 2017, the Company and Nexus Connexion successfully completed the sale of its entire shareholding in Neotel Pty. Ltd. ("Neotel") to Liquid Telecom, a privately owned, pan-African telecoms group, majority owned by Econet Wireless Global, who partnered with Royal Bafokeng Holdings (RBH), a South African empowerment investment group, in the transaction. The deal has created the largest pan-African broadband network and B2B telecom provider, enabling African companies to connect with each other and internationally on a single fibre network. Thus, Neotel ceased to be our subsidiary from February 10, 2017.

- c) As reported last year in May 2016, Tata Communications and Singapore Technologies Telemedia (ST Telemedia), a strategic global investor focused on the communications, media and technology sectors, had entered into definitive agreements whereby ST Telemedia, through ST Telemedia Global Data Centres (STT GDC), would, upon closing of the transaction acquire a 74% majority stake in Tata Communications' data centre business in India and Singapore, with Tata Communications holding the remaining stake as a minority shareholder.

The India data centre transaction was successfully completed on October 19, 2016 and Tata Communications Data Centres Private Limited ceased to be our subsidiary from that date, while the Singapore data centre joint venture transaction was successfully completed on February 13, 2017.

The completion of both India and Singapore transactions reinforces the strategic partnership between the two dynamic companies, working closely and drawing on each other's complementary capabilities and experience to accelerate growth in the vibrant data centre markets in India and Singapore.

- d) On January 20, 2017, Tata Communications (Netherlands) B. V., a wholly owned indirect subsidiary of the Company, acquired a 35% stake in Teleena Holding B.V. ("Teleena"), a mobile virtual network enabler headquartered in the Netherlands, thus becoming its single largest shareholder. Thus, Teleena has become an Associate of the Company from January 20, 2017.

Investment in Tata Teleservices Limited

In 2008-09, NTT DoCoMo Inc (Docomo) entered into an agreement with Tata Teleservices Limited (TTSL) and Tata Sons Limited (Tata Sons) to acquire 20% of the equity share capital under the primary issue and 6% under the secondary sale from Tata Sons. In terms of the agreements with Docomo, Tata Sons, *inter alia*, agreed to provide various indemnities and a Put Option entitling Docomo to sell its entire shareholding at a minimum pre-determined price of ₹ 58.05 per share if certain performance parameters were not met by TTSL. The

minimum pre-determined price represented 50% of the acquisition price paid by Docomo in 2008-09.

An Inter-se agreement dated March 25, 2009, was executed by the Company with Tata Sons and other TTSL shareholders to give effect to the Docomo/Tata Sons' sale and purchase agreement. In accordance with the terms of the Inter-se agreement, the Company sold 36,542,378 equity shares of TTSL to Docomo at ₹ 116.09 per share, resulting in a profit of ₹ 346.65 crores.

In or around July 2014, Docomo exercised its Put Option and called upon Tata Sons to acquire Docomo's entire shareholding in TTSL at the pre-determined price of ₹ 58.05 per share. The Reserve Bank of India did not permit acquisition of the shares at the pre-determined price and had advised the parties that the acquisition can only be made at Fair Market Value (FMV) prevailing at the time of the proposed acquisition. Tata Sons conveyed to Docomo its willingness to acquire the shares at the FMV, however, Docomo reiterated its position that the shares had to be acquired at ₹ 58.05 per share. Thereafter, Docomo had initiated Arbitration in the matter before the London Court of International Arbitration (LCIA), the evidentiary hearing of which was completed on May 06, 2016.

The Arbitral Tribunal appointed by the LCIA to arbitrate the dispute between Tata Sons and Docomo, issued a final award (LCIA Award) on June 22, 2016, which required Tata Sons to pay to Docomo, damages of US\$1,172 million upon tender of shares held by Docomo in TTSL, together with interest, arbitration costs and legal costs.

Thereafter, Docomo filed a petition with the Delhi High Court for implementation of the LCIA Award. The Delhi High Court directed Tata Sons to deposit the damages including costs and interest in an escrow account. Under the terms of the Inter-Se agreement, and pursuant to the LCIA award, the Company was to acquire 158,350,304 equity shares of TTSL at a value of approximately ₹1058 crores. On August 2, 2016, the Company paid to Tata Sons approximately ₹1058 crores as a recoverable advance in anticipation of satisfaction of the LCIA Award and receipt of the TTSL Shares.

On April 28, 2017, the Delhi High Court, approved the consent terms between Tata Sons and Docomo for resolution of the LCIA Award (hereafter, the "Order").

Under the terms of the Order, the monies deposited by Tata Sons in the Court by way of Fixed Deposit Receipts, together with interest accrued thereon, shall be retained by the Registrar of the Delhi High Court until requisite clearance from the Competition Commission of India and the Withholding Tax Certificate as mentioned in the consent terms between the parties have been obtained, at which time the funds shall be returned to Tata Sons for onward payment to Docomo in satisfaction of the Award.

Based on the Delhi High Court Order dated April 28, 2017, the Company has made a provision of ₹ 872.01 crores towards the contractual obligation under the Inter-se agreement being difference between the fair value of equity shares to be repurchased (based on the valuation undertaken as at November 18, 2016) and the consideration paid for discharge of the Company's obligation under the Inter-se agreement and Put Option. The provision has been adjusted against the deposit of ₹ 1.058 crores which is included in Non-current – Other financial assets.

The Company's overall investment in the equity shares of TTSL is recognised at fair value through Other Comprehensive Income. During the current year, the Company reassessed the fair value of TTSL and accordingly recognised a loss of ₹ 166.71 crores (₹ 344.40 crores in FY15-16) in Other Comprehensive Income. Due to the continued volatility of market conditions, it was not possible to complete an updated valuation report to determine fair value as at March 31, 2017.

Compliance under the Companies Act, 2013 and additional SEBI stipulations

As on the date of this Report, the Board comprised of nine directors out of whom two were independent. As reported to stock exchanges, in February 2002, when the Government of India ("Gol") transferred 25% of its stake in the Company to Panatone Finvest Limited ("Panatone"), a shareholders' agreement and a share purchase agreement were signed. These agreements, *inter alia*, set forth the rights and obligations of Panatone and the Gol including appointment of directors on the Board of the Company. The relevant clauses from the agreements were incorporated in the Articles of Association of the Company which in part provide that the Board is to comprise of twelve directors, four of whom must be

independent. The Gol and Panatone are entitled to indicate the names of two independent directors each.

The two independent directors indicated by the Gol and appointed to the Board resigned in May 2011. Since the resignation of these two independent directors, the Gol has indicated only one independent director to replace them - Dr. Uday B. Desai, who has been duly appointed. Further, Mr. Subodh Bhargava, an independent director has ceased to be a director with effect from March 30, 2017. Ms. Renuka Ramnath, an independent director, has been elected as the Chairperson of the Board w.e.f. April 14, 2017.

The Company is pursuing with the Gol and Panatone for indication of candidates for appointment as independent directors so as to fill the vacancies on the Board. Until the recommendation is received enabling the Nomination and Remuneration Committee (NRC) and the Board to appoint two more independent directors, the Company will not be able to comply with provisions of Section 149 (4) of Companies Act, 2013 and Regulation 17 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

PENDING MATTERS OF SIGNIFICANCE

Inability to Raise Additional Equity Funding

In response to Company's request for consideration of additional equity funding, the Gol has informed the Company that it is neither willing to invest in any further equity of the Company nor will it accept dilution of its stake in the Company. This has resulted in the Company not being able to avail of any non-debt funding through issue of equity since 1997.

Surplus Land

Out of the total land acquired by the Company (then Videsh Sanchar Nigam Limited) in 1986 from the Gol as the successor to the Overseas Communications Service, 773.13 acres of land at five different locations was identified as 'surplus' (Surplus Land) for demerger under the terms of the share purchase and shareholders' agreements (SHA) signed between the Gol and Panatone at the time of disinvestment. Under the terms of the SHA it was agreed that this Surplus Land would be demerged into a separate entity. It was further provided that if, for any reason, the Company could not transfer or demerge

the Surplus Land into a separate entity, alternative solutions would be explored.

To accomplish the demerger of the Surplus Land in accordance with the SHA, Panatone incorporated Hemisphere Properties India Limited (HPIL) in 2005-06 to hold the Surplus Land as and when demerged. In March 2014, the Gol acquired ~51.12% of the shares in HPIL making it a Government company.

Additionally, with the objective to give effect to the terms of the SHA and to facilitate the demerger of Surplus Land in a tax neutral manner for the Company, the Gol has inserted an Explanation 5 to clause (19AA) of section 2 of the Income Tax Act, 1961 (Explanation 5) with effect from April 1, 2017 by a recent Taxation Laws (Amendment) Act, 2016. This Explanation 5 provides as follows:

“Explanation 5 – For the purposes of this clause, the reconstruction or splitting up of a company, which ceased to be a public sector company as a result of transfer of its shares by the Central Government, into separate companies, shall be deemed to be a demerger, if such reconstruction or splitting up has been made to give effect to any condition attached to the said transfer of shares and also fulfils such other conditions as may be notified by the Central Government in the Official Gazette”

Further, in exercise of the powers conferred by Explanation 5, the Gol pursuant to Central Board of Direct Taxes Notification 93/2016, No. 149/251/2015-TPL dated October 14, 2016, issued a notification (Notification) which states:

“that the reconstruction or splitting up of a company which ceased to be a public sector company as a result of transfer of its shares by the Central Government, into separate companies, shall be deemed to be a demerger, if the following conditions are fulfilled, namely:—

- i. *that such reconstruction or splitting up has been made to transfer any assets of the demerged company to the resulting company to give effect to the conditions mentioned in the Share Holders’ Agreement and Share Purchase Agreement; and*
- ii. *that the resulting company is a public sector company.”*

The Directors place on record their sincere appreciation for the Gol for affecting the above mentioned Explanation 5 and Notification. The Company has sought certain

clarifications on the said Explanation 5 and Notification and is pursuing the same with the Gol.

The Company is currently actively working with the Gol, Panatone and HPIL to finalize the scheme of demerger and expects that the same shall be finalized sometime in the near future.

Continuous efforts are being made by the Gol, Panatone, HPIL and the Company to measure the land, demarcate it between Surplus Land and non-Surplus Land and to resolve the issues of variance in the physical areas of land *vis a vis* the areas of land mentioned in the SHA. As reported earlier, 32.5 acres of land situated at Padianallur was transferred in July 2009 to the VSNL Employees Cooperative Housing Society, Chennai (society) as per the order of the Hon’ble Delhi High Court. As this land was part of the Surplus Land, Panatone has written to the Gol to exclude these 32.5 acres of land from the Surplus Land to be demerged.

Additionally, as mentioned below in this Report, Delhi Metro Rail Corporation Limited (DMRC) has acquired approximately 2.6 acres of Company land for the Delhi Metro work, out of which 0.55 acres constitutes Surplus Land.

Furthermore, as per the terms of the SHA, the Company owns 774 acres of land at Dighi, Kalas and other villages near Pune (Pune Land), of which 524 acres constituted Surplus Land. In 1940, approximately 94.7 acres of the Pune Land was leased to the Ministry of Defense (MoD) for the duration of the war which could form part of Surplus Land. The MoD continued to occupy this land and pay the agreed annual rent until March 31, 2006. Since this time, the Company has been seeking payment from the MoD for all rent due on the land. On July 31, 2010 the MoD informed the Company that the land in their possession had been transferred to the MoD in 2007 by the Collector of Pune and that no rent on this land was owed to the Company. The MoD further claims that the land was transferred to the MoD under a “Pune Package Deal” by the Gol and no compensation is payable by it to the Company for the land. The Company continues to pursue the matter for compensation for the unpaid rent and the value of the land.

In view of the above, the quantum of Surplus Land available for demerger has reduced. Significant progress

has been made in reconciliation of the Surplus Land and the Board is hopeful that the outstanding issues on the demarcation of land shall be resolved by the promoters of the Company very soon.

The book value of the Surplus Land is ~₹0.16 crores.

Delhi Metro Land Acquisition

In September 2013, the Delhi Metro Rail Corporation Limited ("DMRC") informed the Company that as part of its Delhi Metro work, it required a parcel of the Company's land at Greater Kailash-I, New Delhi. This land parcel measured 11622 square meters (2.6 acres). On January 2, 2014, the Company received an acquisition notice for this land pursuant to an award granted by the Land Acquisition Collector (LAC). The Company subsequently received a certified copy of the LAC award on February 6, 2014 stating the total compensation for the land determined by LAC as ₹ 18,880,168/- based on an indicative price fixed by the Government of Delhi for agricultural land. Aggrieved, the Company filed a Reference Petition with LAC for the proper determination of the compensation due on the land based on commercial and not agricultural usage of land. Simultaneously, the Company also filed a writ petition with the Delhi High Court. On April 24, 2014, the Delhi High Court directed DMRC to deposit a sum of ₹ 247 crores with the Court Registrar which has since been deposited by DMRC. This amount is approximately 80% of the estimated compensation valuation for the land based on commercial usage. In the meantime, DMRC has commenced construction for the Delhi Metro work on the land. The writ petition in the Delhi High Court is at the stage of final arguments between the parties.

Premature Termination of Monopoly and Compensation

As reported earlier, the Gol had allowed other players into the International Long Distance (ILD) business from April 1, 2002, terminating the Company's exclusivity in ILD two years ahead of schedule. The Gol agreed to give the Company a compensation package for this early termination by the terms of its communication to the Company dated September 7, 2000. The Gol also gave the Company an assurance that it would consider additional compensation, if found necessary, following a detailed review.

However, pursuant to its letter dated January 18, 2002, issued just before its disinvestment of the Company, the Gol issued a further dispensation to the Company and unilaterally declared that the conditions stated in its letter were to be treated as full and final settlement of every sort of claim against the early termination of the Company's rights in the ILD market. The Company filed a suit in the Bombay High Court in 2005. The Bombay High Court, on July 7, 2010, ruled that it did not have the jurisdiction to hear this suit, in view of the provisions of the Telecom Regulatory Authority of India Act, 1997 (TRAI). In response, the Company has instituted an appeal before a division bench of the Bombay High Court on various grounds. This appeal in the Bombay High Court is yet to come up for hearing.

STATUTORY INFORMATION AND DISCLOSURES

Material Events After Balance-Sheet Date

During the current year, NTT Docomo Inc. ("Docomo") had filed a petition with the Delhi High Court for implementation of the arbitration award (damages along with costs and interest) made by the London Court of International Arbitration. The Delhi High Court directed Tata Sons to deposit the damages, including costs and interest, in an escrow account. During the quarter ended September 30, 2016, the Company had remitted its share of ₹ 1058.00 crores, to Tata Sons. During the current year, based on the High Court Order dated April 28, 2017, the Company has made a provision of ₹ 872.01 crores towards the contractual obligation under the inter-se agreement being the difference between the fair value of the equity shares to be repurchased, based on the valuation undertaken as at November 18, 2016 and the consideration payable to the buyer for discharge of the Company's obligations under the Put Option. The provision has been adjusted against the deposit of ₹ 1058 crores which is included in Non-current – Other financial assets. The Company does not believe that there is any obligation of any further payment in this regard.

Deposits from Public

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

Non-convertible Debentures (NCDs)

The Company had ₹ 155 crores of outstanding NCDs (Secured NCDs – ₹ 5 crores and Unsecured NCDs ₹ 150 crores) as on March 31, 2017. The trust deed for the secured NCDs will be available for inspection by the members at the Company's registered office during normal working hours, 21 days before the date of the 31st Annual General Meeting i.e. June 27, 2017.

All debentures issued by the Company were rated AA+ by CARE.

Particulars of Employees

The provisions of Section 134 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, require the Company to provide certain details about the remuneration of its employees.

According to the provisions of section 136(1) of the Act, the Directors' Report being sent to the shareholders need not include this information as annexure. The annexure regarding the Particulars of Employees under section 134 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, will be available for inspection by any member at the registered office of the Company during working hours, for 21 days before the date of the AGM.

Conservation of Energy

To achieve optimal energy efficiency, we aim to employ continuous measurement of energy consumption, identify leakages and review our operating procedures. Our facilities / sites are designed to connect utilities such as chillers, Un-interrupted Power Supply (UPS) and Air Handling Units (AHUs) to a customer's Building Management System (BMS) for maximizing efficiency and sourcing Renewable Energy (RE) from third party sources. We implemented several energy efficiency projects in 2016-17 across our operations, which further reduced our global emissions by 69,000 metric tons.

We consume nearly 2 million gigajoules of energy mainly comprising of indirect power supply (97%) from the national grid whereas rest comes from conventional sources. There is an on-going move to use renewable

energy at key locations of Tata Communications. The Company has signed multiple agreements with wind power suppliers in Tamil Nadu, Karnataka and Hyderabad for 69 million kilowatt hours per annum for the facilities at Chennai, Bangalore & Hyderabad.

Technology Absorption

The Company continues to use the latest technologies for improving the productivity and quality of its services and products. The Company's operations do not require significant import of technology.

Foreign exchange earnings and outgoings

For the purpose of Form 'C' under the said rules, foreign exchange earnings were equivalent to ₹ 898.45 crores and foreign exchange outgo was equivalent to ₹ 623.11 crores.

Statutory Auditor's Report

The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

The standalone and consolidated financial statements of the Company have been prepared in accordance with the Indian Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder (Ind AS) and other accounting principles generally accepted in India.

The Auditors have given a qualified opinion on the standalone and consolidated financial statements of the Company, as described below:

Standalone Financial Statements:

"As described in Note No. 6(VI) to the standalone Ind AS Financial Statements, the fair value of the Company's investment in the unquoted equity shares of Tata Teleservices Limited (TTSL) has not been determined as at March 31, 2017. Accordingly, we are unable to comment whether the carrying value of the investment in TTSL of ₹ 515.53 crores represents the fair value as at March 31, 2017 and whether any consequent adjustment is required to be recognised in other comprehensive income, and whether the expense for provision for contractual obligation, as described in Note No. 29 to the standalone Ind AS Financial Statements, is adequate."

Board's Comment:

The equity investment in question is in an unlisted company where the Company is a minority shareholder holding less than 10 percent of the shares of the unlisted company. The Company was provided an external valuation report dated November 18, 2016 from the unlisted company.

As of the date of the issue of these financial statements, due to the continued volatility of market conditions, it was not possible to complete an updated valuation report to determine fair value as at March 31, 2017.

Consolidated Financial Statements:

1. *"As described in Note No. 8(i) to the Consolidated Ind AS Financial Statements, investment in the unquoted equity shares of Tata Teleservices Limited (TTSL) has not been determined as at March 31, 2017. Accordingly, we are unable to comment whether the carrying value of the investment in TTSL of ₹ 515.53 crores represents the fair value as at March 31, 2017 and whether any consequent adjustment is required to be recognised in other comprehensive income, and whether the expense for provision for contractual obligation, as described in Note No. 31 to the Consolidated Ind AS Financial Statements, is adequate."*

Board's Comment:

The equity investment in question is in an unlisted company where the Company is a minority shareholder holding less than 10 percent of the shares of the unlisted company. The Company was provided an external valuation report dated November 18, 2016 from the unlisted company.

As of the date of the issue of these financial statements, due to the continued volatility of market conditions, it was not possible to complete an updated valuation report to determine fair value as at March 31, 2017.

2. *"As described in Note No. 34(II)(a), the Consolidated Ind AS Financial Statements includes loss from discontinued operations of ₹ 69.98 crores for the year ended March 31, 2017, in respect of a subsidiary (disposed on February 10, 2017), whose financial statements have not been audited by us. These*

financial statements are unaudited and have been furnished to us by the Management and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary is based solely on such unaudited financial statements."

Board's Comment:

On February 10, 2017 the Company concluded sale of its entire shareholding in Neotel and the Company does not have any control over Neotel. Neotel is in the process of obtaining its audited Financial Statement and hence the Company has considered the management accounts of Neotel to prepare its consolidated financial statements. The Company believes that the numbers provided by the management will not differ significantly from the final audited financials. Further, this will not have any impact on the Consolidated Balance Sheet as on March 31, 2017.

Secretarial Auditors' Report

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. U. C. Shukla a Practising Company Secretary (FCS No. - 2727/CP No. - 1654) to undertake the Secretarial Audit of the Company. The report of the Secretarial Auditor in Form MR-3 for the Financial Year ended March 31, 2017 is annexed to this Report. The Secretarial Audit Report contains the following observation:

"During the year under review the Company has complied with the provisions of the Act, Rules Regulations, Guidelines, Standards, etc. mentioned above subject to the following observation:

The Company has complied with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013 except for appointment of Independent Directors to the extent of 1/3rd of the total strength of the Board."

Board's Comment:

In February 2002, when the Government of India (GoI) transferred 25% of its stake in the Company to Panatone Finvest Limited (Pantone), a shareholders' agreement

and a share purchase agreement were signed. These agreements, *inter alia*, set forth the rights and obligations of Panatone and the Gol including appointment of directors on the Board of the Company. The relevant clauses from the agreements were incorporated in the Articles of Association of the Company which in part provide that the Board is to comprise of twelve directors, four of whom must be independent. The Gol and Panatone are entitled to indicate the names of two independent directors each.

The two independent directors indicated by the Gol and appointed to the Board resigned in May 2011. Since the resignation of these two independent directors, the Gol has indicated only one independent director to replace them - Dr. Uday B. Desai, who has been duly appointed. Further, Mr. Subodh Bhargava, an independent director has ceased to be a director with effect from March 30, 2017. Ms. Renuka Ramnath, an independent director, has been elected as the Chairperson of the Board w.e.f. April 14, 2017.

The Company is pursuing with the Gol and Panatone for indication of candidates for appointment as independent directors so as to fill the vacancies on the Board. Until the recommendation is received enabling the Nomination and Remuneration Committee (NRC) and the Board to appoint two more independent directors, the Company will not be able to comply with provisions of Section 149 (4) of Companies Act, 2013 and Regulation 17 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Particulars of loans, guarantees or investments under Section 186

The particulars of loans, guarantees and investments have been disclosed in the Financial Statements which also form part of this report.

Significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future

During the year under review, there were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

Financial Controls

The Company has adequate internal financial controls with reference to the preparation and presentation of Financial Statements which are operating effectively.

Subsidiaries

A statement in Form AOC-I pursuant to first proviso to Section 129 of the Act read with rule 5 of Companies (Accounts) Rules, 2014 containing salient features of the financial statement of subsidiaries/ associate companies/ joint ventures forms a part of this report. The Company adopted Ind AS from April 1, 2016 and accordingly, the consolidated financial statements of the Company and its subsidiaries, are prepared in accordance with the recognition and measurement principles stated therein. The account statements of the subsidiaries will be provided on request to any shareholder wishing to have a copy, on receipt of such request addressed to the Company Secretary at the Company's registered office. These documents will also be available for inspection by any shareholder at the Company's registered office and will be available on the Company's website.

Changes in the Board of Directors & Key Managerial Personnel

Mr. Subodh Bhargava, independent director ceased to be a director on the Board with effect from March 30, 2017, as his term as independent director came to an end. The Board places on record its sincere gratitude for Mr. Bhargava's counsel and leadership which has been invaluable to the growth and development of the Company. Ms. Renuka Ramnath, independent director, has been elected as the Chairperson of the Board with effect from April 14, 2017.

Dr. Ashok Jhunjunwala stepped down from the Board with effect from January 27, 2017. The Board places on record its sincere appreciation for his contributions and guidance to the Company.

After obtaining the requisite security clearance under the Company's TV uplinking license from the Ministry of Information and Broadcasting, Gol, the Board, at its meeting held on October 18, 2016, appointed Mr. G. Narendra Nath, Deputy Director General (Security), Department of Telecommunications, Government of India, as an additional director of the Company, as per the nomination received from the Government of India.

The Board seeks approval of the shareholders at the 31st Annual General Meeting for confirmation of the appointment of Mr. G Narendra Nath.

In accordance with the provisions of the Act and the Company's Articles of Association, Mr. Bharat Vasani and Mr. N. Srinath retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

None of the Company's directors are disqualified from being appointed as a director as specified in Section 164 of the Act. For details about the directors, please refer to the report on Corporate Governance.

Declaration of Independent Directors

The independent directors have provided necessary disclosures to the Company that they comply with all the requirements stipulated in Section 149(6) of the Act for being appointed as an independent director which forms part of the Directors' Report.

Particulars of contracts or arrangements with related parties referred to in Section 188 of the Act

There have been no materially significant related party transactions between the Company and the directors, the management, the subsidiaries or the relatives except for those disclosed in the financial statements.

Accordingly, particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Act along with the justification for entering into such contract or arrangement in Form AOC-2 does not form part of the Directors' Report.

Number of meetings of the Board

Eleven meetings of the Board were held during the year. For details of the meetings of the Board, please refer to the report on Corporate Governance, which forms part of the Directors' Report.

Board evaluation

The Board of Directors of the Company carried out annual evaluation of its own performance, of committees of the Board and individual directors pursuant to the provisions of the Act and the corporate governance requirements as prescribed under SEBI (Listing Obligations and Disclosure

Requirements) Regulations, 2015.

Inputs were sought from all the directors on the basis of criteria such as the Board composition and structure, effectiveness of and contribution to Board processes, adequacy, appropriateness and timeliness of information and the Board's overall functioning, etc. In a meeting of independent directors held on March 1, 2017, the performance of the Board as a whole, its committees and the Chairperson was evaluated. The conclusions were discussed in a meeting of the NRC where the performance of the Board, its committees and individual directors were reviewed. Thereafter, the Board, based on the briefing by the Chairperson and the NRC discussed the assessment of the Board, its committees and the Chairperson.

Policy on directors' appointment and remuneration and other details

The Company's policy on directors' appointment and remuneration and other matters provided in Section 178(3) of the Act has been disclosed in the report on Corporate Governance, which forms part of the Directors' Report.

Audit committee

The details pertaining to composition of the Audit Committee are included in the report on Corporate Governance, which forms part of the Directors' Report.

Corporate Social Responsibility

The brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken on CSR activities during the year are set out in Annexure I of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. The policy is available on the Company's website.

Extract of annual return

As provided under Section 92(3) of the Act, the extract of annual return is given in the prescribed Form MGT-9 which forms part of the Directors' Report as Annexure II.

Particulars of employees

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is

given below:

- a. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year 2016-17:**

| Non-Executive Directors | Ratio to median remuneration * |
|---|--------------------------------|
| Mr. Subodh Bhargava (up to March 30, 2017) | 3.06 |
| Mr. N. Srinath | 0.68 |
| Mr. Kishor A. Chaukar | 1.51 |
| Dr. Ashok Jhunjhunwala (up to January 27, 2017) | 1.07 |
| Dr. Uday B. Desai | 2.48 |
| Mr. Saurabh Kumar Tiwari # | 1.10 |
| Mr. Bharat Vasani | 0.76 |
| Ms. Renuka Ramnath | 2.08 |
| Dr. Gopichand Katragadda | 0.87 |
| Mr. G. Narendra Nath # | 0.20 |
| Executive Director | |
| Mr. Vinod Kumar | 48.46 |

* While calculating the ratio for non-executive directors, both commission and sitting fees paid have been taken.

The Government directors have informed the Company that they shall not accept any sitting fees and commission as their directorships are considered to be part of their official duty.

- b. The percentage increase in remuneration of each director, chief executive officer, chief financial officer, company secretary in the financial year:**

| Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary* | % increase in remuneration in the financial year * |
|--|--|
| Mr. Subodh Bhargava @ (up to March 30, 2017) | NA |
| Mr. N. Srinath | (11.34) |
| Mr. Kishor A. Chaukar | (3.76) |

| Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary* | % increase in remuneration in the financial year * |
|--|--|
| Dr. Ashok Jhunjhunwala @ (up to January 27, 2017) | NA |
| Dr. Uday B. Desai | 12.01 |
| Mr. Saurabh Kumar Tiwari # | NA |
| Mr. Bharat Vasani | 28.34 |
| Ms. Renuka Ramnath | 19.85 |
| Dr. Gopichand Katragadda | 69.14 |
| Mr. G. Narendra Nath # | NA |
| Mr. Vinod Kumar, Managing Director & Group CEO | 17.60 |
| Ms. Pratibha K Advani, Chief Financial Officer @ | NA |
| Mr. Manish Sansi, Company Secretary @ | NA |

* While calculating the ratio for non-executive directors, both commission and sitting fees paid have been taken.

@ Directors and KMPs who have not been in the Company for the entire financial years 2015-16 and 2016-17 have not been considered for the calculations.

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

- c. The percentage increase in the median remuneration of employees in the financial year:** -3.33%
- d. The number of permanent employees on the rolls of Company:** 4064
- e. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional**

circumstances for increase in the managerial remuneration:

The average annual increase was around 8.4%. However, during the course of the year, the total increase is approximately 7.9%, after accounting for promotions and other event based compensation revisions. Increase in the managerial remuneration for the year was 14.3%.

f. Affirmation that the remuneration is as per the remuneration policy of the Company:

The Company affirms that the remuneration is as per the remuneration policy of the Company.

g. Particulars of Employees:

The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, including any statutory modifications and amendments thereto, is provided in a separate annexure forming part of this report. Further, the report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

Corporate Governance

Pursuant to Regulation 24 and Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Management Discussion and Analysis, Business Responsibility Report, Report on Corporate Governance and Auditors' Certificate regarding compliance with conditions of corporate governance form part of the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s), as applicable, including audit of internal financial controls over financial reporting by the statutory auditors and

the reviews performed by Management and the relevant Board committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2016-17.

Accordingly, pursuant to Section 134(5) of the Act, the Board of Directors, to the best of their knowledge and ability, confirm that:

- In the preparation of the annual accounts, the applicable accounting standards were followed and there were no material departures;
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the annual accounts on a going concern basis.
- the directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- the directors have reviewed and approved the Annual Operating Plan (including the strategy and resource plan) of the Company.
- the directors have overseen maintenance of high standards of Tata values and ethical conduct of business.
- the directors have reviewed TBEM (Tata Business Excellence Model) findings and monitored the action plan.
- the directors have protected and enhanced the

Company and Tata brand, where companies are using the same.

Awards & Recognitions

Gartner's Magic Quadrant for Network Services, Global

- Tata Communications has been positioned as a Leader in the Gartner Magic Quadrant for Network Services, Global for the fourth year in a row.

A 2017 Best Employer in India and Hong Kong by Aon Hewitt

- In 2017, for the second year in a row, Tata Communications has been recognized as one of the Best Employers in India. Only 18 other companies in India have received this recognition and it is a testament of the Company's commitment to its employees and progressive people practices, specifically in the area of Learning and Development. In addition, earlier this year we were also recognized as one of the Best Employers in Hong Kong.

Ranked 19th in the Top 25 companies in India (2017) – LinkedIn

- In 2017, Tata Communications was ranked 19th in the Top 25 companies to work for in India by LinkedIn.

Certified as Great Place to Work in India (2017) – Great Place to Work Institute

- In 2017, Tata Communications was also certified as a Great Place to Work in India by the Great Place to Work Institute, again a testament of the progressive people practices deployed by the Company.

ACKNOWLEDGMENTS

The directors would like to thank each one of our customers, business associates and suppliers located in different parts of the world for their valuable contribution to the Company's growth and success. The directors recognize and appreciate the passion and commitment of all the employees around the world.

The directors are grateful to the Company's other stakeholders and partners including its shareholders, promoters, bankers and others for their continued support.

On behalf of the Board of Directors

Chairperson

Dated: May 4, 2017
Registered Office:
VSB, MG Road, Fort,
Mumbai – 400001

Annexure I

ANNUAL REPORT ON CSR ACTIVITIES

1. A brief outline of the company's CSR policy, including overview of projects or programmes to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.

Tata Communications believes that the spread of technology and global interconnections has great potential to accelerate human progress. The United Nations recognizes Information and Communications Technology (ICT) as a 'means of implementation' for all the 17 Sustainable Development Goals (SDGs). In pursuit, Tata Communications' focused global CSR programme seeks to harness its expertise in digital enablement in the areas of education, healthcare as well as employability & sustainable livelihoods to address the fundamental concerns of the society and bring about development that is sustainable.

CSR at Tata Communications derives inspiration from Tata Group's philosophy 'to improve the quality of life of the communities served globally through long term stakeholder value creation based on leadership with trust'. Tata Communications aspires to continuously impact communities by differentiating itself as a unique ecosystem of connections. Its CSR programmes leverage the organization's core expertise, partnerships, infrastructure and other resources to create long term shared value for community it serves; focused primarily on inter alia underserved, socially and economically backward groups, especially women, children, youth, Scheduled Caste & Scheduled Tribes.

All efforts at Tata Communications are aligned to complement the following 5 SDGs in accordance with its vision and ambition:

- SDG 3 – Ensure healthy lives and promote well-being for all at all ages
- SDG 4 – Ensure inclusive and quality education for all and promote lifelong learning
- SDG 8 – Promote inclusive and sustainable economic growth, employment and decent work for all
- SDG 10 – Reduce inequality within and among countries
- SDG 17 - Revitalize the global partnership for sustainable development

Tata Communications synergizes with the programmes and initiatives of Tata Group wherever possible and provides support for disaster rescue, relief and rehabilitation in close co-ordination with the Tata group.

Tata Communications has formalized its CSR policy in accordance with the requirements of the Companies Act, 2013. This policy provides that the corpus of funds allocated for CSR activities would include 2% of the average net profits of preceding three years. The surplus arising out of the CSR projects or programmes or activities does not form part of the business profits Tata Communications.

2. The composition of the CSR Committee

The Company has constituted a CSR Committee of the Board with four Directors. The members of the CSR committee are mentioned below:

| Name | Designation |
|--------------------------|-------------|
| Mr. Kishor Chaukar | Chairperson |
| Mr. Saurabh Tiwari | Member |
| Ms. Renuka Ramnath | Member |
| Dr. Gopichand Katragadda | Member |

3. Average net profit of the company for last three financial years

| Financial Year (as per Section 198) | 2013-14 | 2014-15 | 2015-16 |
|--|-----------|-----------|-----------|
| Net profit for the year (INR in Lakhs) | 76,257.00 | 85,518.00 | 56,676.00 |

The average net profit for the last three financial years is INR (In lakhs) 72,817.00.

4. Prescribed CSR expenditure (two percent of the amount as in item 3 above)

- The prescribed CSR expenditure is INR (In lakhs) 1,456.00.

Details of CSR Spend during the financial year

- Total amount to be spent during the financial year: INR (In lakhs) 1,456.00.
- Amount unspent, if any: NIL
- Manner in which the amount, is spent during the financial year is detailed below:

| Sr. No. | CSR Project or Activity Identified | Sector (Schedule VII) | Project or programmes 1. Local area or others 2. State and district | Amount Outlay (project wise) (INR) | Amount spent (INR) 1. Direct expenditure 2.Overheads | Cumulative expenditure up to reporting period (INR) | Amount Spent: Direct or through Implementing Agency |
|---------|--|--|--|------------------------------------|--|---|---|
| 1 | Skill development programme for youth from underserved communities through robust curriculum, ICT based modules and physical infrastructure | Skill development | Pune, Mumbai, Chennai, Delhi | 5,85,71,607 | 5,85,71,607 0 | 5,85,71,607 | Implementing Agency |
| 2 | SAMARTH - Mentorship based rolling scholarship to enhance access to quality education to engineering students from socially disadvantaged communities | Promoting education | Pune, Maharashtra | 7,17,533 | 7,17,533 0 | 7,17,533 | Implementing Agency |
| 3 | M-Powered - Sustainable livelihoods programmes to empower 1800 ultra poor women in Orissa and Jharkhand, through smartphone based livelihoods training | Enhancing livelihood | Orissa and Jharkhand | 3,44,80,843 | 3,44,80,843 0 | 3,44,80,843 | Implementing Agency |
| 4 | Promoting entrepreneurship amongst individuals and self-help groups from affirmative action communities in Pune | Skill development | Pune, Maharashtra | 53,43,668 | 53,43,668 0 | 53,43,668 | Implementing Agency |
| 5 | Global Citizenship Education for 1700 students and 200 adult learners using Information & Communications Technology (ICT) | Promoting education, Skill development | Bengaluru, Karnataka | 1,04,36,851 | 1,04,36,851 0 | 1,04,36,851 | Implementing Agency |
| 6 | Kreeda aur Shiksha - Developing sports and educational infrastructure to benefit 1200 students and teachers for improved learning outcomes and school going experience. | Promoting education | Bengaluru, Karnataka | 47,19,794 | 47,19,794 0 | 47,19,794 | Implementing Agency |
| 7 | A New Education Worldview (ANEW)- To reform 110 government schools in the Gurgaon district and impact 36,000 school students, teachers, principals and community members through leadership development and youth engagement | Promoting education | Delhi NCR | 2,50,09,199 | 2,50,09,199 0 | 2,50,09,199 | Implementing Agency |
| 8 | School enrichment program (SEP)- an education initiative to improve academic performance of underserved children from BMC schools | Promoting education | Mumbai | 33,48,396 | 31,54,622 1,93,774 | 33,48,396 | Implementing Agency |
| 9 | Finishing School program to provide soft skills coaching to the pre-final & final year students from SC/ST communities for various courses such as Engineering, Law, MBA | Promoting education | Pune | 3,13,106 | 3,13,106 0 | 3,13,106 | Implementing Agency |

| Sr. No. | CSR Project or Activity Identified | Sector (Schedule VII) | Project or programmes 1. Local area or others 2. State and district | Amount Outlay (project wise) (INR) | Amount spent (INR) 1. Direct expenditure 2.Overheads | Cumulative expenditure up to reporting period (INR) | Amount Spent: Direct or through Implementing Agency |
|---------|--|----------------------------------|--|------------------------------------|--|---|---|
| 10 | Scholarship to meritorious students from underserved SC/ST communities | Promoting education | Delhi | 7,30,580 | 7,30,580 0 | 7,30,580 | Implementing Agency |
| 11 | Atmadarpan - Adolescents' Reproductive and Sexual Health Education Project for 9 to 19 years of adolescent girls and boys and women of reproductive age (up to 44 years) | Promoting preventive health care | Mumbai | 10,95,869 | 10,95,869 0 | 10,95,869 | Implementing Agency |
| 12 | SAAKAR: Skill development of youth in hygiene assistant, retail sales, BPO and domestic electrical wiring | Skill development | Mumbai, Delhi, Chennai and Pune | 5,74,795 | 5,74,795 0 | 5,74,795 | Implementing Agency |
| 13 | Capacity building | - | - | 8,87,213 | 8,87,213 | 8,87,213 | Direct |
| 14 | Administrative expenditure | - | - | 4,47,885 | 4,47,885 | 4,47,885 | Direct |
| | Total | | | 14,66,77,339 | | 14,66,77,339 | |

Note – Cumulative expenditure includes amounts allocated and disbursed towards monitoring and evaluation of the project.

5. Reasons for not spending the 2% of average net profits of preceding three years towards CSR

Tata Communications has spent more than 100% of its prescribed CSR Budget for the Financial Year 2016-17.

6. Responsibility statement of the CSR committee

The Company's Board of Directors is responsible for ensuring that the company carries out its CSR obligations as per the Section 135 of the Companies Act, 2013. The CSR Committee of the board of directors have formulated and recommended a CSR Policy, approved by the board and adopted by the company. The Board of Directors and the CSR Committee have approved the integrity and the objectivity of the information provided in the disclosure above.

Vinod Kumar
Managing Director & Group CEO

Kishor A. Chaukar
Chairman, Corporate Social Responsibility Committee

ANNEXURE II
**Form No. MGT-9
EXTRACT OF ANNUAL RETURN**

as on the financial year ended on March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

| | | |
|------|---|--|
| i. | CIN | L64200MH1986PLC039266 |
| ii. | Registration Date | 19 March 1986 |
| iii. | Name of the Company | Tata Communications Limited |
| iv. | Category / Sub-Category of the Company | Telecommunications |
| v. | Address of the Registered office and contact details | VSB, Mahatma Gandhi Road, Fort, Mumbai - 400 001. Tel : +91 22 6657 8765 Fax : +9122 6639 5162 Email : investor.relations@tatacommunications.com Website : www.tatacommunications.com |
| vi. | Whether listed company | Yes |
| vii. | Name, Address and Contact details of Registrar and Transfer Agent, if any | M/s. TSR Darashaw Limited (Unit: Tata Communications Limited) 6/10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E Moses Road, Near Famous Studio, Mahalaxmi, Mumbai – 400 011 Tel: (022) 6656 8484 Fax: (022) 6656 8494 Email: csg-unit@tsrdarashaw.com Website: www.tsrdarashaw.com |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

| Sr. No. | Name and Description of main products / services | NIC Code of the Product/ service | % to total turnover of the company |
|---------|--|----------------------------------|------------------------------------|
| 1 | Telecommunications: | | 100 |
| | a. Activities of providing internet access by the operator of the wired infrastructure | 61104 | |
| | b. Other satellite telecommunications activities | 61309 | |
| | c. Other telecommunications activities | 61900 | |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sr. No. | Name And Address Of The Company | CIN/GLN | Holding/ Subsidiary /Associate | % of shares held | Applicable Section |
|---------|--|-----------------------|--------------------------------|------------------|--------------------|
| 1. | STT Global Data Centres India Private Limited (formerly know as Tata Communications Data Centres Private Limited) C-21/C 36, 'G' Block, Bandra Kurla Complex, Mumbai – 400098 | U74999MH2007PTC176737 | Associate | 26 | 2(6) |
| 2. | Tata Communications Transformation Services Limited C-21/C 36, 'G' Block, Bandra Kurla Complex, Mumbai – 400098 | U93090MH2006PLC165083 | Subsidiary | 100 | 2(87) |
| 3. | Tata Communications Payment Solutions Limited C-21/C 36, 'G' Block, Bandra Kurla Complex, Mumbai – 400098 | U72900MH2008PLC179551 | Subsidiary | 100 | 2(87) |
| 4. | Tata Communications Lanka Limited Garden view room, Mezzanine Floor, Taj Samudra Hotel, #25, Galle Face Centre Road, Colombo 3. | Not Applicable | Subsidiary | 90 | 2(87) |
| 5. | Tata Communications (Australia) Pty Limited Suite 306, 15 Lime Street, Sydney NSW2000, Australia | Not Applicable | Subsidiary | 100 | 2(87) |
| 6. | TCPOP Communication GmbH Teinfaltstrasse 8, 1010 Wien, Austria | Not Applicable | Subsidiary | 100 | 2(87) |
| 7. | Tata Communications (Belgium) SPRL Avenue du Port 86C box 204, 1000 Brussels, Belgium | Not Applicable | Subsidiary | 100 | 2(87) |
| 8. | Tata Communications (Bermuda) Limited Clarendon House, 2 Church Street, Hamilton HM11, Bermuda | Not Applicable | Subsidiary | 100 | 2(87) |
| 9. | Tata Communications Services (Bermuda) Limited Clarendon House, 2 Church Street, Hamilton HM11, Bermuda | Not Applicable | Subsidiary | 100 | 2(87) |
| 10. | Tata Communications (Canada) Limited Suite 900, 1959 Upper Water Street, Halifax, Nova Scotia, B3J, 3N2 | Not Applicable | Subsidiary | 100 | 2(87) |
| 11. | Tata Communications (Beijing) Technology Limited Room 1173, Gateway Building, No. 18, Chaoyang District, Beijing | Not Applicable | Subsidiary | 100 | 2(87) |
| 12. | Tata Communications (France) SAS 66 Avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France | Not Applicable | Subsidiary | 100 | 2(87) |
| 13. | Tata Communications Deutschland GMBH Hamburger Allee 2-4, Suite 15B, 60486, Frankfurt am Main, Germany | Not Applicable | Subsidiary | 100 | 2(87) |
| 14. | Tata Communications (Guam) L.L.C. Suite 1008 DNA Building 238 Archbishop F.C. Flores Street 96910 Hagatna, Guam | Not Applicable | Subsidiary | 100 | 2(87) |

| Sr. No. | Name And Address Of The Company | CIN/GLN | Holding/ Subsidiary /Associate | % of shares held | Applicable Section |
|---------|---|----------------|--------------------------------|------------------|--------------------|
| 15. | Tata Communications (Hong Kong) Limited 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong | Not Applicable | Subsidiary | 100 | 2(87) |
| 16. | Tata Communications (Hungary) LLC Wesselenyi u. 16 1077 Budapest | Not Applicable | Subsidiary | 100 | 2(87) |
| 17. | Tata Communications (Ireland) Limited 3rd Floor, Kilmore House Park Lane, Spencer Dock, Dublin 1, Republic of Ireland | Not Applicable | Subsidiary | 100 | 2(87) |
| 18. | Tata Communications (Italy) S.R.L Milan, Foro Buonaparte N.70, 20121, Italy | Not Applicable | Subsidiary | 100 | 2(87) |
| 19. | Tata Communications (Japan) K.K. Asahi Seimei Ebisu Building 8F 1-3-1 Ebisu, Shibuya-ku, Tokyo 150-0013 Japan | Not Applicable | Subsidiary | 100 | 2(87) |
| 20. | ITXC IP Holdings S.A.R.L. 46A, Avenue J.F. Kennedy, L-1855, Luxembourg | Not Applicable | Subsidiary | 100 | 2(87) |
| 21. | Tata Communications (Malaysia) SDN. BHD. 5-2 Jalan 109E, Desa Business Park, Taman Desa, Off Jalan Klang Lama, 58100 Kuala Lumpur | Not Applicable | Subsidiary | 100 | 2(87) |
| 22. | Tata Communications (Netherlands) B.V. Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam, Zuidoost, The Netherlands | Not Applicable | Subsidiary | 100 | 2(87) |
| 23. | Tata Communications (New Zealand) Limited c/o Minter Ellison Rudd Watts, 88 Shortland Street, Auckland, Auckland, 1010 | Not Applicable | Subsidiary | 100 | 2(87) |
| 24. | Tata Communications (Nordic) AS c/o TMF Norway AS, Tollbugata 27, 0157 Oslo, Norway | Not Applicable | Subsidiary | 100 | 2(87) |
| 25. | Tata Communications (Poland) SP. Z O. O. ul Popularna 14, 02-473 Warsaw, Poland | Not Applicable | Subsidiary | 100 | 2(87) |
| 26. | Tata Communications (Portugal), Unipessoal LDA Avenida da Liberdade 224 - Edifício Eurolex, 1250-148 Lisboa Portugal | Not Applicable | Subsidiary | 100 | 2(87) |
| 27. | Tata Communications (Portugal) Instalação E Manutenção De Redes, LDA Rua Severino Falcao 14, Prior Velho, 2685 378, Loures, Lisbon | Not Applicable | Subsidiary | 100 | 2(87) |
| 28. | Tata Communications (Russia) LLC. 3 Smolenskaya Square, 121099 Moscow, Russian Federation | Not Applicable | Subsidiary | 99.90 | 2(87) |
| 29. | Tata Communications International Pte. Ltd. 35 Tai Seng Street #06-01 Tata Communications Exchange Singapore 534103 | Not Applicable | Subsidiary | 100 | 2(87) |
| 30. | VSNL SNO SPV Pte. Ltd. 35 Tai Seng Street #06-01 Tata Communications Exchange Singapore 534103 | Not Applicable | Subsidiary | 100 | 2(87) |

| Sr. No. | Name And Address Of The Company | CIN/GLN | Holding/ Subsidiary /Associate | % of shares held | Applicable Section |
|---------|---|-----------------------|--------------------------------|------------------|--------------------|
| 31. | Tata Communications Services (International) Pte. Ltd. 35 Tai Seng Street #06-01 Tata Communications Exchange Singapore 534103 | Not Applicable | Subsidiary | 100 | 2(87) |
| 32. | Tata Communications (Spain), S.L. Edificio Casablanca, Avenida Doctor Severo Ochoa number 51, 4th floor, Alcobendas (Madrid), Spain | Not Applicable | Subsidiary | 100 | 2(87) |
| 33. | Tata Communications (Sweden) AB Sergek Torg 12, 111 57, Stockholm, Sweden | Not Applicable | Subsidiary | 100 | 2(87) |
| 34. | Tata Communications (Switzerland) GMBH Zurich Branch, Gesnerallee 38, 3rd Floor 8001, Zurich, Switzerland | Not Applicable | Subsidiary | 100 | 2(87) |
| 35. | Tata Communications (Taiwan) Ltd 10F, No.155, Sec. 1, Keelung Rd., Taipei City, Taiwan | Not Applicable | Subsidiary | 100 | 2(87) |
| 36. | Tata Communications (Thailand) Limited TMF Thailand Limited, Unit 1604-6, Capital Tower, All Seasons Place, 16th Floor, 87/1 Wireless Road, Kwaeng Lumpini, Ket Pathumwan, Bangkok 10330, Thailand | Not Applicable | Subsidiary | 100 | 2(87) |
| 37. | Tata Communications (Middle East) FZ-LLC Office No. 302, Building No.12, Third Floor, Dubai, United Arab Emirates | Not Applicable | Subsidiary | 100 | 2(87) |
| 38. | Tata Communications (UK) Limited Vintners Place, 68 Upper Thames Street, London EC4V3.BJ, United Kingdom | Not Applicable | Subsidiary | 100 | 2(87) |
| 39. | Tata Communications (America) Inc. 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808 | Not Applicable | Subsidiary | 100 | 2(87) |
| 40. | United Telecom Limited 1st Floor, Triveni Complex, Putalisadak, Kathmandu, Nepal | Not Applicable | Associate | 26.66 | 2(6) |
| 41. | Tata Communications Collaboration Services Private Limited (formerly known as Wirefree Internet Services Private Limited) C-21/C 36, 4th Floor Tower - C, 'G' Block,, Bandra Kurla Complex, Vidhyanagari Post Office, Mumbai - 400098, | U72900MH2008PTC181502 | Subsidiary | 100 | 2 (87) |
| 42. | Tata Communications (South Korea) Limited 134, Teheran-ro, 16th and 17th floor, Gangnan-gu, Seoul (Yeoksam-dong, Posco P & C Tower) | Not Applicable | Subsidiary | 100 | 2(87) |
| 43. | Smart ICT Services Private Limited Block 48, Zone 4 Gyan Marg GIFT City Gandhinagar GJ 382355 | U72900GJ2013PTC073187 | Associate | 24 | 2(6) |
| 44. | Tata Communications Transformation Services Pte Limited 35 Tai Seng Street, #06-01, Tata Communications Exchange Singapore- 534103 | Not Applicable | Subsidiary | 100 | 2(87) |

| Sr. No. | Name And Address Of The Company | CIN/GLN | Holding/ Subsidiary /Associate | % of shares held | Applicable Section |
|---------|--|----------------|--------------------------------|------------------|--------------------|
| 45. | STT Tai Seng Pte Limited 35 Tai Seng Street, #06-01, Tata Communications Exchange, Singapore- 534103 | Not Applicable | Associate | 26 | 2(6) |
| 46. | Tata Communications Transformation Services (Hungary) Kft. 1077 Budapest, Wesslenyi utca 16.3. em., Hungary | Not Applicable | Subsidiary | 100 | 2(87) |
| 47. | Teleena Holding BV Zoomstede 19, 3431HK, Nieuwegein, the Netherlands | Not Applicable | Associate | 35.36 | 2(6) |
| 48. | Tata Communications (Brazil) Participacoes Limitada Av. Bernardino de Campos, No. 98, 7 floor, Room 28, Zip Code 04004-040 | Not Applicable | Subsidiary | 100 | 2(87) |
| 49. | Nexus Connexion (SA) Pty Limited 30 Waterford Office Park, Cr Witkoppen And Waterford Drive, Fourways, 2191, Gauteng | Not Applicable | Subsidiary | 100 | 2(87) |
| 50. | Tata Communications Transformation Services (US) Inc 3500 S DuPont Highway in the city of Dover, County of Kent, Zip Code 19901 | Not Applicable | Subsidiary | 100 | 2(87) |
| 51. | Tata Communications (Brazil) Comunicacoes Limitada São Paulo, State of São Paulo, at Rua Sergipe, nº 475, set 402, sala 04, CEP 01243-001 | Not Applicable | Subsidiary | 100 | 2(87) |
| 52. | Sepco Communications (Pty) Limited 269 Oxford Road, Illovo 2196 | Not Applicable | Subsidiary | 73.17 | 2(87) |

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i. Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year (April 1, 2016) | | | | No. of Shares held at the end of the year (March 31, 2017) | | | | % Change during the year |
|--|--|----------|------------------|-------------------|---|----------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| 1) Indian | | | | | | | | | |
| a) Individual/ HUF | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b) Central Govt | 74446885 | 0 | 74446885 | 26.12 | 74446885 | 0 | 74446885 | 26.12 | 0.00 |
| c) State Govt(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) Bodies Corp | 139286330 | | 139286330 | 48.87 | 139286330 | | 139286330 | 48.87 | 0.00 |
| e) Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| f) Any Other | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Sub-total(A)(1):- | 213733215 | 0 | 213733215 | 74.99 | 213733215 | 0 | 213733215 | 74.99 | 0.00 |
| 2) Foreign | | | | | | | | | 0.00 |
| a) NRIs-Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| b) Other-Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| c) Bodies Corp. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| d) Banks / FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| e) Any Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| Sub-total (A)(2):- | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Shareholding of Promoter and Promoter Group (A) | 213733215 | 0 | 213733215 | 74.99 | 213733215 | 0 | 213733215 | 74.99 | 0.00 |

| Category of Shareholders | No. of Shares held at the beginning of the year (April 1, 2016) | | | | No. of Shares held at the end of the year (March 31, 2017) | | | | % Change during the year |
|---|--|---------------|------------------|-------------------|---|---------------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | 17771751 | 300 | 17772051 | 6.24 | 10772636 | 300 | 10772936 | 3.78 | -2.46 |
| b) Banks / FI | 867634 | 0 | 867334 | 0.30 | 77581 | 0 | 77581 | 0.30 | -4.96 |
| c) Central Govt | 0 | 0 | 0 | 0.00 | 525000 | 0 | 525000 | 0.18 | 0.18 |
| d) State Govt(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| f) Insurance Companies | 13789057 | 0 | 13789057 | 4.84 | 11318727 | 0 | 11318727 | 3.97 | -0.87 |
| g) FIs | 9480951 | 0 | 9480951 | 3.33 | 7362806 | 0 | 7362806 | 2.58 | -0.74 |
| h) Foreign Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| i) Others (specify)- Foreign Portfolio Investors | 9469962 | 0 | 9469962 | 3.32 | 25216480 | 0 | 25216480 | 8.85 | 5.53 |
| Sub-total (B)(1) | 51379355 | 300 | 51379655 | 18.03 | 55273230 | 300 | 55273530 | 19.39 | 1.37 |
| 2. Non Institutions | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| (i) Indian | 7332624 | 841 | 7333465 | 2.57 | 3206196 | 841 | 3207037 | 1.13 | -1.45 |
| (ii) Overseas | 7250 | 0 | 7250 | 0.00 | 7250 | 0 | 7250 | 0.00 | 0.00 |
| b) Individuals | | | | | | | | | |
| (i) Individual shareholders holding nominal share capital upto ₹1 lakh | 7388159 | 158134 | 7546293 | 2.65 | 6569322 | 156260 | 6725582 | 2.36 | -0.29 |
| (ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh | 4493268 | 0 | 4493268 | 1.58 | 5192300 | 0 | 5192300 | 1.82 | 0.25 |
| c) Others (Specify) | | | | | | | | | |
| i. Non-Resident Indian | 498696 | 982 | 499678 | 0.18 | 676742 | 982 | 677724 | 0.24 | 0.06 |
| ii. Foreign Nationals | 530 | 0 | 530 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| iii. Trust | 6646 | 0 | 6646 | 0.00 | 5766 | 0 | 5766 | 0.00 | 0.00 |
| iv. BC-NBFC | 0 | 0 | 0 | 0.00 | 7576 | 0 | 7576 | 0.00 | 0.00 |
| v. Foreign Bodies - DR | 0 | 0 | 0 | 0.00 | 170020 | 0 | 170020 | 0.06 | 0.06 |
| Sub-total (B)(2) | 19727173 | 159957 | 19887130 | 6.98 | 15835172 | 158083 | 15993255 | 5.61 | -1.37 |
| Total Public Shareholding (B)=(B)(1)+ (B)(2) | 71106528 | 160257 | 71266785 | 25.01 | 71108402 | 158383 | 71266785 | 25.01 | 0.00 |
| C. Shares held by Custodians for GDRs & ADRs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grand Total (A+B+C) | 284839743 | 160257 | 285000000 | 100.00 | 284841617 | 158383 | 285000000 | 100.00 | 0.00 |

ii. Shareholding of Promoters

| Sr. No | Shareholder's Name | Shareholding at the beginning of the year (April 1, 2016) | | | Shareholding at the end of the year (March 31, 2017) | | | % change in shareholding during the year |
|--------|--------------------------------|---|----------------------------------|--|--|----------------------------------|--|--|
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | |
| 1. | Panatone Finvest Limited | 8,57,76,654 | 30.10 | 0.00 | 8,57,76,654 | 30.10 | 0.00 | 0.00 |
| 2. | Tata Sons Limited | 4,00,87,639 | 14.07 | 3.51 | 4,00,87,639 | 14.07 | 2.39 | 0.00 |
| 3. | The Tata Power Company Limited | 1,34,22,037 | 4.71 | 0.00 | 1,34,22,037 | 4.71 | 0.00 | 0.00 |
| 4. | President of India | 7,44,46,885 | 26.12 | 0.00 | 7,44,46,885 | 26.12 | 0.00 | 0.00 |
| | Total | 21,37,33,215 | 74.99 | 3.51 | 21,37,33,215 | 74.99 | 2.39 | 0.00 |

iii. Change in Promoters' Shareholding (please specify, if there is no change)

| Sr. no | Name of Shareholder | Shareholding at the beginning of the year (April 1, 2016) | | Date | Reason | Increase / (Decrease) in Shareholding | | Cumulative Shareholding during the year (March 31, 2017) | |
|--------|---------------------|--|----------------------------------|------|--------|--|----------------------------------|--|----------------------------------|
| | | No. of shares | % of total shares of the company | | | No. of Shares | % of total shares of the company | No. of shares | % of total shares of the company |
| NIL | | | | | | | | | |

iv. Shareholding Pattern of Top Ten Shareholders (Other than Directors, Promoters and holders of GDRs and ADRs)

| Sr. No. | Name of the Share holders* | Shareholding at the beginning of the year (April 1, 2016) | | Cumulative Shareholding at the end of the year (March 31, 2017) | |
|---------|--|---|-------------------|---|-------------------|
| | | No. of shares | % of shareholding | No. of shares | % of shareholding |
| 1. | LIC of India | 1,21,92,848 | 4.28 | 71,69,428 | 2.52 |
| 2. | Amansa Holdings Private Limited | 0 | 0.00 | 55,26,068 | 1.94 |
| 3. | Government Pension Fund Global | 38,74,604 | 1.36 | 32,88,255 | 1.15 |
| 4. | Baron Emerging Markets Fund | 0 | 0.00 | 27,20,000 | 0.95 |
| 5. | Fil Investments (Mauritius) Ltd | 14,52,214 | 0.51 | 24,26,171 | 0.85 |
| 6. | Hdfc Trustee Company Limited | 18,67,176 | 0.66 | 23,56,776 | 0.83 |
| 7. | Birla sun life insurance company limited | 26,30,626 | 0.92 | 21,99,400 | 0.77 |
| 8. | Morgan Stanley Mauritius Company Limited | 4,59,342 | 0.16 | 20,03,381 | 0.70 |
| 9. | Jhunjhunwala Rekha Rakesh | 20,00,000 | 0.70 | 20,00,000 | 0.70 |
| 10. | Abu Dhabi Investment Authority - Behave | 0 | 0.00 | 19,69,657 | 0.69 |

* The shares of the Company are traded on a daily basis and hence the date wise increase/decrease in shareholding is not indicated. Shareholding given is consolidated based on permanent account number (PAN) of the shareholder.

v. Shareholding of Directors and Key Managerial Personnel

| Sr. No. | Folio/Beneficiary Account no. | Name of the Shareholder | Shareholding at the beginning of the Year (April 1, 2016) | | Cumulative Shareholding at the end of the Year (March 31, 2017) | |
|---------|-------------------------------|-------------------------|---|----------------------------------|---|----------------------------------|
| | | | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company |
| 1. | 1301930000124662 | Dr. Ashok Jhunjunwala* | 500 | 0.000175 | 500 | 0.000175 |
| | | Total | 500 | 0.000175 | 500 | 0.000175 |

* Ceased to be a director with effect from January 27, 2017

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ In Crores)

| | Secured Loans excluding deposits ¹ | Unsecured Loans ² | Deposits ³ | Total |
|---|---|------------------------------|-----------------------|---------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 5.00 | 678.79 | - | 683.79 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 0.10 | 11.59 | - | 11.69 |
| Total (i+ii+iii) | 5.10 | 690.39 | - | 695.49 |
| Change in Indebtedness during the financial year | | | | |
| - Addition | - | 53.46 | - | 53.46 |
| - Reduction | - | - | - | - |
| Net Change | - | 53.46 | - | 53.46 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 5.00 | 732.25 | - | 737.25 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 0.10 | 11.72 | - | 11.82 |
| Total (i+ii+iii) | 5.10 | 743.97 | - | 749.07 |

Notes:

1. Secured Loans represent non-convertible debentures issued by the Company.
2. Unsecured Loans represent short term borrowings of the Company. Bank overdrafts availed in the ordinary course of business have not been included here.
3. The Company has not accepted any deposits from the public. Any advance taken from customers or other parties related to provisioning of services in the ordinary course of business has not been included here.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A. Remuneration to Managing Director, Whole-time Directors and/or Manager

(₹ Lakh)

| Sr. No. | Particulars of Remuneration | Name of MD/WT/ Manager | Total Amount |
|---------|--|--|--------------|
| | | Mr. Vinod Kumar * Managing Director & Group CEO | |
| 1. | Gross salary | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 509.32 | 509.32 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | --- | --- |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | --- | --- |
| 2. | Stock Option | --- | --- |
| 3. | Sweat Equity | --- | --- |
| 4. | Commission - as % of profit - others, specify... | --- | --- |
| 5. | Others, please specify | --- | --- |
| 6. | Total (A) | 509.32 | 509.32 |
| | Ceiling as per the Act (@10% of profits calculated under Section 198 of the Companies Act, 2013) | | 5729.38 |

* Mr. Vinod Kumar as a Chief Executive Officer of one of the Company's wholly owned foreign subsidiary, Tata Communications Services (International) Pte. Ltd., has also received a remuneration of ₹1177.61 lakhs during the year from that subsidiary.

B. Remuneration to other directors:

(₹ Lakh)

| Sr. No. | Particulars of Remuneration | Fee for attending board/ committee meetings | Commission | Others, please specify | Total Amount |
|----------|--------------------------------------|---|--------------|------------------------|--------------|
| 1 | Independent Directors | | | | |
| | Mr. Subodh Bhargava* | 12.00 | 20.20 | --- | 32.20 |
| | Dr. Uday B Desai | 13.25 | 12.86 | --- | 26.11 |
| | Ms. Renuka Ramnath | 9.00 | 12.86 | --- | 21.86 |
| | Total (1) | 34.25 | 45.92 | --- | 80.17 |
| 2 | Other Non-Executive Directors | | | | |
| | Mr. N. Srinath | 2.20 | 4.99 | --- | 7.19 |
| | Mr. Kishor A. Chaukar | 8.25 | 7.61 | --- | 15.86 |
| | Dr. Ashok Jhunjunwala** | 5.50 | 5.77 | --- | 11.27 |
| | Mr. Saurabh Kumar Tiwari *** | --- | 11.55 | --- | 11.55 |

| Sr. No. | Particulars of Remuneration | Fee for attending board/ committee meetings | Commission | Others, please specify | Total Amount |
|---------|---|---|---------------|------------------------|---------------|
| | Mr. Bharat Vasani | 2.20 | 5.77 | --- | 7.97 |
| | Dr. Gopichand Katragadda | 2.80 | 6.30 | --- | 9.10 |
| | Mr. G. Narendra Nath*** | --- | 2.10 | --- | 2.10 |
| | Total (2) | 20.95 | 44.09 | --- | 65.04 |
| | Total (B)=(1+2) | 55.20 | 90.01 | --- | 145.21 |
| | Total Managerial Remuneration | | | | |
| | Ceiling as per the Act (@1% of profits calculated under Section 198 of the Companies Act, 2013) | | 689.83 | | |

* Ceased to be a director with effect from March 30, 2017.

** Ceased to be a director with effect from January 27, 2017.

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

C. Remuneration to Key Managerial Personnel Other Than MD /Manager /WTD

(₹ Lakh)

| Sr. No. | Particulars of Remuneration | Key Managerial Personnel | | |
|---------|---|---------------------------------------|-------------------------------|---------------|
| | | Mr. Manish Sansi Company Secretary | Ms. Pratibha K. Advani CFO | Total |
| 1. | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 120.30 | 270.70 | 391.00 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | --- | --- | --- |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | --- | --- | --- |
| 2. | Stock Option | --- | --- | --- |
| 3. | Sweat Equity | --- | --- | --- |
| 4. | Commission - as % of profit - others, specify... | --- | --- | --- |
| 5. | Others, please specify | -- | --- | --- |
| 6. | Total | 120.30 | 270.70 | 391.00 |

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalties/punishments/compounding of offences under the Companies Act 2013 for the year ended 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS**EXECUTIVE SUMMARY**

Key highlights for Tata Communications during the year 2016-17:

- We continue to deliver industry leading growth in our data services, with traditional connectivity services (excluding data centre services) posting 7.4% year on year growth and new services posting 21% year on year growth.
- The Wholesale Voice business continues to face technology disruption and price erosion.
- We continue to make significant investments in new services to expand the size of our addressable market and create new avenues for growth. The following were key services launched in 2016-17:
 - IZO SDWAN, which supports hybrid Virtual Private Networks that leverage traditional MPLS networks public Internet based solutions, based on a software defined architecture. This provides more flexibility and better value to customers shifting their application workloads to a Cloud-based environment.
 - 'MOVE' platform to enable cross border mobility for humans and machines. It positions Tata Communications well for serving the Internet of Things (IOT) and Machine to Machine (M2M) requirements of large multinational companies.
 - LORA based network to meet the needs of IOT solutions in India, with an emphasis on the Industrial and Manufacturing sectors.
 - Wi-Fi+, a new Wi-Fi® cloud communication solution, which enables mobile network operators' customers to access the internet for calling, messaging, and data applications.
- Tata Communications has completed an internal restructuring of its sales organizations into an integrated single customer facing organization to bring consistency and improved support to the customers.
- Tata Communications' emphasis on working with Partners for co-creation of services and expanding market coverage gained momentum in 2016-17.

Strategic Transactions:

- Tata Communications successfully closed its

divestment in Neotel Pty Ltd. as well as sale of a majority stake in Tata Communications Data Centres Private Limited and its Singapore data centre business.

- We acquired 35% stake in Teleena Holding B.V., a mobile virtual network enabler headquartered in the Netherlands.
- We continue to work with our Promoters and the Government of India (GoI) in respect of the demerger of the Surplus Land in accordance with the terms of the Shareholders Agreement.

Technology Trends:

Tata Communications has identified the following as key technology trends that it needs to invest in from both an offensive and defensive perspective:

- Software Defined Networking;
- Use of Application Program Interfaces (APIs) for Partners and Customers;
- IOT and M2M;
- Analytics and Artificial Intelligence;
- Network and Device related cyber-security services.

Capital Expenditure and Allocation Strategy:

We maintain a disciplined approach to capital allocation with the intention of creating a sustainable long term growth and a keen focus on Return on Capital Employed (ROCE). The Capital Expenditure of USD224 million in 2016-17 can be classified as follows:

- Growth including Volumes: USD149 million (66.6%)
- Sustenance: USD12 million (5.1%)
- Strategic and Innovation: USD30 million (13.4%)
- IT and Other: USD33 million (14.9%)

Employees and Talent:

The total headcount for Tata Communications as of March 31, 2017 was 10,418 full time employees. The attrition level during the year was 13.9% in India and 7.5% outside India.

Significant emphasis is being placed on reskilling the employees with technical knowledge in the areas of Unified Communications, Advanced Mobility, Software Defined Networking and Cloud Services.

Tata Communications maintained its ranking for Employee Engagement amongst the top 10 percentile of Telecom Companies globally.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Macro-Economic Situation

The Indian economy achieved a GDP growth of 7.0% in 2016-17 against 7.6% in 2015-16. The most significant macroeconomic event of the year in India was the decision by the Government of India ("GoI") to demonetize the high denomination currencies in circulation. This event had a major impact on the Indian economy but any related decline in GDP growth was offset by a combination of a good harvest, a downward revision in base numbers, an increase in pay from the 7th Pay Commission and the short-term benefits from demonetization. Additional economic stabilizing factors during the reporting period included the continued slowdown in core CPI inflation and two RBI reductions in repo rates. Additionally, the passing of the GST bill has also been seen as a positive policy reform to provide for a simpler and more competitive tax regime.

Globally, economic growth generally stagnated during the year and the economic outlook remains uncertain. In the U.S., despite two interest rate increases, positive employment figures and a sustained bull market in the equity markets during the reporting period, U.S. GDP growth estimates remained lethargic. In Europe, economies continued to struggle with deflationary pressures and increasing unemployment. In Asia, growth in the Chinese economy continued to slow, despite its stimulus policy, Japan showed marginal improvement, while other Asian economies witnessed a slight uptick in inflation mostly as a reflection of tightening of crude import prices. Russia's economy appeared to bounce back following a strengthening of oil prices. Meanwhile Latin American countries continued to struggle with currency deflation.

Indian Telecom Market

India's telecom sector and subscriber base have grown steadily over the past decade, on the back of rising fixed and mobile network coverage and competition-induced tariff declines. These factors have had a positive impact on demand, as has growing broadband Internet access, the accelerating spread of smart mobile devices and

higher video traffic on consumer and business networks. The key factors which are likely to fuel future growth are a still-growing subscriber base, new and improved mobile applications and improved end-user devices that will drive exponential growth in data usage and ancillary services such as data centre colocation services. However, traffic growth will remain counter-balanced by severe price erosion, especially for basic voice and connectivity services, further exacerbated by competition from next-generation service providers. This competition has resulted in, and is likely to continue to result in, industry consolidation particularly in the consumer mobile space. In addition, with the disruptive impact of several new telecom operators in the Indian marketplace, operators in the industry have had to reassess their investment strategies while the network transforms from 2G to 4G.

In the business-to-business (B2B) space, data and video traffic continue to grow rapidly, due to increased adoption of information technology and network services to drive business productivity and innovation. During the period of 2017-22, the Indian enterprise telecom market is expected to grow at a compounded annual growth rate (CAGR) of 13%, on the back of a mid-teens growth forecast in the mobile services and managed services space.

Other significant developments in the Indian telecom sector include the reduction in access charges and tariffs, the increasing use of and demand for cloud services, and the increasing deployment of software-defined networking (SDN) and network functions virtualization (NFV) in the network domain which will continue to shape the network of the future.

With the accelerated growth in mobile data, Mobile Network Operators (MNOs) are looking for ways to generate increased revenue, reduce customer turnover and ensure service continuity even as they migrate to 4G.

Global Telecom Market

In 2016-17, the global communications services market stood at ₹ 93.91 trillion (USD 1.4 trillion). Fixed line services accounted for 35% of the total market while mobile services accounted for approximately 65%.

Moving forward the global market is expected to grow annually at a CAGR of 1.3% to ₹ 100.62 trillion (USD 1.5 trillion) by 2020. During 2016-17, the global market for the Company's voice services witnessed a decline because of declining call rates, while the market for its data services showed healthy growth. The Company expects the market for voice services will continue to decline, however, the market for its data services will continue to grow at an attractive pace, due to the growth of data and video services in both the consumer and business space.

Technology Disruption & Trends in the Industry

We expect our operating environment in 2017 to be highly competitive, as companies and end-users continue to demand instant connectivity, higher speeds and an integrated experience across their devices for both video and data. Technology continues to evolve rapidly with connectivity and mobility becoming firmly entrenched in our lives. The progress towards software defined networking (SDN), network function virtualization (NFV), self-organizing network (SON) and cloud based solutions is expected to accelerate and we continue to transform our network architecture to bring agility, flexibility and lower operational costs to take advantage of these changes.

The Internet of Things (IoT) is becoming increasingly a reality and analysts forecast more than 20 billion IoT units to be operational by 2020. IoT offers a unique avenue to companies like ours to enable connectivity and related services, such as analytics and applications to end-users.

Furthermore, enterprise customers continue to invest in cloud and cloud-related services forming approximately one-third of their information technology (IT) budget spends. This has fueled an explosion of application programming interfaces (APIs) and inter-connected software based platforms.

With the ever increasing inter-connectivity of networks, systems and devices, the security of an enterprises' networks and IT systems have become paramount. Service providers, such as Tata Communications, will play a vital role in fighting network threats and cyber-attacks for their enterprise customers.

COMPANY OVERVIEW, STRATEGY AND BUSINESS OUTLOOK

Company Overview

Tata Communications operates the world's largest wholly owned, and one of the most advanced, subsea fibre cable networks. We provide differentiated network, collaboration and cloud infrastructure services to service providers and to large enterprise customers, in both established and emerging markets. Today, over 28% of the world's internet routes travel over our network, making us the fifth largest global Internet backbone service provider. Tata Communications' customers can access 99.7% of the world's GDP using our network and services. Further, through our signaling services we connect 4 out of 5 global mobile subscribers. This global reach, combined with our strong Pan-India presence allows us to be a market leader in many of the services we offer.

Business Vision and Strategy

Tata Communications' vision is to deliver a new world of communications to advance the reach and leadership of our customers and partners.

Our strategy is to build leading-edge B2B solutions, based on advancing the reach and scalability of our extensive infrastructure, deploying hybrid public-private solutions, leveraging partner infrastructure wherever possible and supporting a mobile-first services model, all underpinned by an unparalleled customer and user experience.

By investing in services and innovation and continuing to use and improve the efficiencies of our existing assets, we expect that the demand for our services will increase and remain strong in the face of increased competition and downward pressure on pricing. To execute our strategy, we are focused on the following key strategic areas:

Innovation in Network and Service Solutions

Tata Communications is focused on:

- continuing to provide the network and platform components to deliver the solutions for the largest service providers and enterprises to meet their technical and strategic goals.
- continuing to develop and introduce new products and services catering to the needs of enterprise customers, such as cross border mobile connectivity,

Internet of Things (IoT) solutions, data and security services, and enabling infrastructure for Big Data and Augmented Reality.

- continuing to progressively invest in innovation and R&D to enable the shift to a software defined network, provide integrated network, compute and storage services, and enable the mobile-first approach by our customers.

Creating New Commercial Models and Optimizing our Existing Assets

Tata Communications is focused on:

- developing and introducing new commercial models while optimising operating costs and driving the utilization of its existing assets.
- offering hybrid network and cloud infrastructure solutions that leverage public and private infrastructure, to accommodate the changing enterprise IT landscape.

Strategic Partnerships

Tata Communications is focused on:

- working with our partners in service creation, expanding geographical coverage and accessing customers. Tata Communications looks to partner with its solution partners, network partners, resellers and system integrators. The partnership programme is designed to help all parties meet their business goals while playing an integral part of the customer solution in delivering end-to-end services.
- leveraging its extensive network partner and customer relationships by offering industry specific solutions for the Media & Entertainment, Banking & Financial Services and Healthcare sectors.

Capital Expenditure Allocation and Strategy

During the financial year 2016-17, the Company's capital expenditure (CAPEX) was ₹1607.06 crores, which was lower than the previous year (₹2340.79 crores). The Company expects to maintain a similar level of CAPEX spend for FY17-18 considering its continued investment in its existing and new services portfolio. The Company continues to make substantial investments in its growth services

portfolio which includes hosting, security services, unified communications, media management and software defined wide area networking services (SDWAN). Furthermore, the Company will continue to invest in its innovation services including mobility and its IoT platform. The Company does not report capital expenditures at the segment level.

Employee Engagement & Development

The Company continues to make progress in equipping its employees with the right skills for the future through its Skills Transformation Initiative. This initiative enables our employees to enhance or build the required future skills as the pace of technological changes continues to accelerate. We are using innovative training and building profiles of future job requirements to help our employees pivot their skills from hardware to software, from legacy wireline to mobile and the digital economy, and from data recorders to data analysts and scientists.

To further streamline collaboration and build future skills across our organization, the Company recently launched its internal "Project Marketplace" platform which helps business units and teams internally crowdsource talent from our global set of employees. The platform gives employees the opportunity to work on projects that may span different regions and disciplines than which they may currently work in, providing them with the opportunity to grow their personal networks within the Company as well as their areas of expertise.

During the year 2016-17, some of the key employee based recognitions were:

- **Best Employer 2017 (India and Hong Kong) – Aon Hewitt**

In 2017, for the second year in a row, Tata Communications has been recognized as one of the Best Employers in India. Only 18 other companies in India have received this recognition and it is a testament of the Company's commitment to its employees and progressive people practices, specifically in the area of Learning and Development. In addition,

earlier this year we were also recognized as one of the Best Employers in Hong Kong.

- **Ranked 19th in the Top 25 companies in India (2017) - LinkedIn**

In 2017, Tata Communications was ranked 19th in the Top 25 companies to work for in India by LinkedIn.

- **Certified as Great Place to Work in India (2017) – Great Place to Work Institute**

In 2017, Tata Communications was also certified as a Great Place to Work in India by the Great Place to Work Institute, again a testament of the progressive people practices deployed by the Company.

SEGMENT WISE PERFORMANCE

Global Structure

Tata Communications has structured itself into global business units and shared service functions, to operate optimally in its different customer segments and markets spread across the world. Several initiatives are being implemented within this structure to improve customer experience, define and create a common culture, tighten corporate identity and branding and implement the next-generation network architecture for converged services, and enhance operating efficiency in other respects.

Company Segmentation

Tata Communications' business and revenues are well-diversified across business segments, customer profiles and geographies. Being a global B2B (business-to-business) player, Tata Communications serves two customer segments: service providers and enterprise customers.

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

In the enterprise segment, our main offering comprises of a comprehensive suite of connectivity, IT infrastructure and managed communication and collaboration solutions for businesses seeking voice, data and video connectivity between their distributed offices, within

India or globally. These services improve the operational efficiencies of business through the adoption of the latest networking and IT technologies, on a managed solutions basis. Tata Communications also continues to design, build and deliver industry specific solutions, with a current focus on Banking & Financial Services and Media & Entertainment.

We classify our operations into two main business segments – voice solutions and data managed services.

Voice Solutions

International Long Distance (ILD)

Tata Communications is the world's largest carrier of international wholesale voice traffic, with the most advanced intelligent routing platform to provide quality voice services. We have over 300 direct routes with leading international voice telecommunication providers. The wholesale international voice business is a mature and increasingly commoditized one, and our strategy is to grow our leadership position while optimizing traffic volumes and maximizing margins and cash flows.

During 2016-17, Tata Communications handled approximately 38.4 billion minutes of international voice traffic globally, a decrease of 4.1% over the previous year. During the year, traffic to and from India decreased to approximately 13.9 billion minutes, from approximately 14.2 billion minutes in 2015-16.

National Long Distance (NLD)

NLD traffic within India is still growing, however, the rate of growth has slowed down. Tata Communications holds a 1% market share of the market in this business. Our NLD traffic has increased from 3.1 billion minutes in 2015-16 to 4.1 billion minutes in 2016-17. Mobile Network Operators (MNOs), however, continue to expand and roll out their domestic networks shrinking the market for our NLD services. Greater competition and regulatory initiatives have resulted in falling NLD tariffs over the years but tariffs appear to have now stabilized during the end of this reporting period.

Data Managed Services

Carrier Data

Tata Communications is one of the world's leading wholesale providers of data, Internet protocol (IP) and

mobile signaling services. We own and operate the world's only wholly-owned global fibre optic sub-sea network ring, known as the Tata Communications' Global Network (TGN). We also have investments in multiple consortium submarine cables, which complements our TGN network and enables Tata Communications to provide seamless connectivity services across all the major business hubs globally.

TGN, combined with our other investments, consists of approximately 700,000 kilometers of terrestrial and subsea network fibre and reaches countries representing ~98% of the world's GDP. Tata Communications leverages this unparalleled network to provide high-speed bandwidth connectivity to other telecom operators, content providers and Internet Service Providers (ISPs) worldwide. Tata Communications also has the world's largest mobile signaling inter-provider network. Through this network, Tata Communications supports MNOs around the globe with one of the industry's widest reaching service offerings for mobile broadband enablement. Tata Communications has an extensive portfolio of mobile services, including IPX+ connectivity, voice, messaging, roaming, value added services and 3G/LTE signaling. During the past year, we have introduced several innovations to our mobile services, such as Data Roaming Boost services.

Enterprise Data

Tata Communications' enterprise data business is growing and continues to have a high potential for growth. Over the past several years, Tata Communications has increased its capabilities and extended its service offerings to become a leading player in this space globally. We offer a full range of managed communication solutions tailored to the needs of our enterprise customers.

Network Services

Tata Communications provides services to address four broad categories of connectivity needs of enterprise customers in India and globally. These connectivity needs are: Ethernet, dedicated point to point connectivity (IPL or NPL); Internet (IP based) connectivity (IAS within India and IP Transit globally); and multi-location connectivity through Global Virtual Private Networks (GVPN), IZO Internet WAN, or Hybrid WAN (which combines both GVPN & IZO services).

Tata Communications has been an aggressive early-

mover in the Ethernet space and has completed the extension of its low latency network in Asia. This low latency network extends Tata Communications' global financial connectivity network supporting mission critical real-time trading applications.

Tata Communications' IP services rank among the top 5 providers globally in terms of customer routes. Tata Communications continues to expand the reach of its network services by directly entering select new markets, partnering with regional and local operators, and using indirect channels catering to small and medium enterprises. We have enhanced our network with an express route connecting East Africa directly to the Middle-East, a redesigned Middle East network architecture for enhanced Intra-region connectivity, and by adding new nodes in major cities in Africa, Middle East and Europe.

In addition, Tata Communications continues to expand its network presence and increasing network capillarity into Tier 3 & Tier 4 towns in India to cater to emerging enterprise business requirements. In this regard, using voice over IP (VoIP) to facilitate the connection of a private branch exchange (PBX) to the Internet, our white-label Session Initiation Protocol (SIP) trunking solution empowers service providers to expand their voice services to customers. By leveraging our global network with connectivity to over 240 countries and territories our white-label SIP solution empowers service providers to meet their demand through faster time to market and a reliable, high quality user experience for their global customers.

Tata Communications continues to strengthen its MPLS VPN portfolio by introducing flexible service variants, enhancing our network capability and reach. Tata Communications' usage based VPN services allows our service provider customers the flexibility to scale up bandwidth and adopt 'pay as you use' billing for unseen peak loads across their global network.

Data Centre and Cloud Services

Tata Communications' cloud enablement and services platform IZO™ is the most comprehensive enterprise WAN and cloud enablement platform available today. IZO™ combines an ecosystem of internet partners (IZO™ Internet WAN), private (IZO™ Private Connect) and public (IZO™ Public Connect) cloud connectivity

and interconnected data centres to deliver a total cloud solution to our enterprise customers. IZO™ consists of Tata Communications' global Tier-1 IP network, Global MPLS and Ethernet Network spanning across 190+ countries, an ecosystem consisting of 20+ network providers covering 34 countries, the three largest private cloud platforms – Amazon Web Services (AWS), Microsoft® Azure™ and Google Cloud Platform – and over 50 data centres across the globe.

In 2016, Tata Communications expanded the IZO™ Platform by launching its IZO™ Private Cloud service to provide enterprise customers unprecedented control over their public and private cloud platforms and entire data centre estate. This service adds to the IZO™ cloud platform by empowering enterprises to connect to the world's biggest clouds, and to build a truly hybrid, high-performance IT infrastructure, where different cloud, colocation and managed hosting environments work together as one. IZO™ Private Cloud is available in 12 locations worldwide, enables enterprises to combine the flexibility of public cloud with enterprise-grade security, and gives the enterprise CIOs unparalleled visibility and control through single-pane-of-glass management. With our IZO™ Private Cloud service, Tata Communications has created a high-performance, reliable, adaptable and open application environment that can keep up with the rapid pace of technology innovation and satisfy our enterprise customers' and their employees' demands for mobile, collaborative and social ways of working.

During the financial year 2016-17, Tata Communications successfully completed a joint venture with ST Telemedia (STT) whereby it sold a majority stake in Tata Communications' data centre business in India and Singapore to STT. In accordance with the terms of the joint venture, STT acquired a 74% stake in the India and Singapore data centre business, with Tata Communications owning a 26% stake. The completion of both India and Singapore transactions reinforces the strategic partnership between the two dynamic companies, working closely and drawing on each other's complementary capabilities and experience to accelerate growth in the vibrant data centre markets within India and Singapore.

Global Managed Services

Tata Communications provides collaboration and unified communication solutions to enterprises as well as to

service providers, which includes: Calling services (Enterprise voice, ITFS, IPT), SIP trunking services, Conferencing services (voice, data, web, video), and Hosted Contact Centre services. These services enable service providers and enterprises to leverage Tata Communications' global network reach and unified communications portfolio without major up-front investment in building their own solution. Our service provider customers benefit from a new way to transform their voice network with a potential 55% network cost saving. The conferencing services provide "virtual meetings" using simple desktop based and life-like telepresence endpoints, which enable enhanced collaboration across global companies and markets, reducing travel and raising productivity. Further, growth of mobility makes Unified Communication and Collaboration (UCC) critical to the large businesses we serve who operate across multiple geographies and across multiple time zones. This is driving growth in video usage, which is driving Tata Communications' IP traffic and overall network usage. Our Hosted Contact Center services enable businesses and outsourced service providers to manage contact centre requirements worldwide, across multiple delivery centres, with consistent customer experience and the uptime, performance, scalability, and resiliency needed for business critical applications.

Media and Entertainment Services

Tata Communications also offers customised network solutions and managed services to the media and entertainment industry. Global media and entertainment companies are actively pursuing next generation architectures that are IP/cloud centric and provide efficient global work flows, distribution, flexible scaling, and readiness for alternative Over-The-Top (OTT) services. Our strategy in this space is to create the world's richest, connected, open video ecosystem providing business-to-business video services, cloud based services and flexible, modular, managed services. We have also partnered with major media service providers like Harmonics Inc. and Formula One Management to provide end-to-end managed media services for sporting events. Partnerships like these will enable broadcasters to have access to a provider with knowledge and experience in the infrastructure capability to provide specific media

management and movement services that go above and beyond the core technology.

SUSTAINABILITY AND RESPONSIBILITY

We believe that Tata Communications should grow in a sustainable manner and conserve natural resources to leave a positive impact on the world. Our approach to achieving our long-term business goals places utmost importance on safeguarding the welfare of our employees by upholding safety as a core value in our operations to building a zero-harm culture, and engaging transparently with our communities in a way that fairly shares the value we create.

Safety

We regret to report three fatal incidents in India during the reporting period wherein each fatality was investigated and reported to the Management and the Board of Directors. The Company has introduced mandatory safety standards on certain key operational activities in India and to assess adherence to these standards, regular audits were carried out and results were regularly updated to the Management. Further, various behavioral based awareness campaigns, training sessions and a Health & Safety mobile app for reporting of safety observations were launched this year which resulted in an increase of reportable events and observations.

Environment Sustainability Initiatives

Tata Communications has deployed an Environmental Management System to manage adverse impact due to energy use, carbon emissions as well as a range of other environmental impacts, such as electronic waste from network equipment, office waste, emissions of ozone-depleting substances and water use. Our dedicated Sustainability Team has also proactively responded to queries related to environmental compliance and reporting from suppliers and customers, and is working with cross functional teams within the Company to reduce our environmental footprint. The Company's three immediate priorities in this regard are to reduce its carbon footprint, reduce its water consumption, and optimize its energy consumption.

The Company's sustainability journey has evolved over the years and in order to further strengthen its sustainability program, we undertook a comprehensive review of our sustainability practices and approach via a third-party assessment. As a part of this assessment,

we have formalized and strengthened our Sustainability Team and road map.

During the current year, the Company has implemented several energy efficiency projects across its operations, which further reduced its global emissions by 69,000 metric tons. Tata Communications has arrangements / installation capacity of 73.6 Megawatt (Offsite and Onsite) Renewable Energy sources out of which 0.75 Megawatt was commissioned this year at our Pune, Dighi campus. For 2016-17, the total Greenhouse Gas saving amounts to approximately 75,000 tons of carbon dioxide equivalent.

Our Telepresence Exchange Service provides companies with a virtual meeting space that is both cost-effective and an environmentally responsible alternative to business travel. A growing number of enterprises leverage our Telepresence Exchange Service to conduct virtual business meetings that help reduce company costs and decrease carbon dioxide emission rates.

Corporate Social Responsibility (CSR)

Tata Communications believes that the spread of technology and global interconnections have great potential to accelerate human progress. Additionally, the United Nations recognizes Information and Communications Technology (ICT) as a 'means of implementation' for all of its 17 Sustainable Development Goals (SDGs). Being a key enabler of ICT, Tata Communications considers itself to be ideally positioned to bridge the digital divide and improve the quality of life of the communities it serves. We aspire to harness our global networks and expertise in digital enablement to support SDGs 3 (health and well-being), 4 (quality education), 8 (work and economic growth), 10 (reduced inequalities) and 17 (partnerships for the goals).

The CSR ambition of the Company is to leverage its core expertise, infrastructure and resources to create long term shared value for communities, primarily the underserved, socially and economically marginalized groups such as Scheduled Caste & Scheduled Tribes as well as women, children and youth.

In 2016-17, Tata Communications identified the following themes under each of the priority areas:

- **Education** - Transforming the public education system through digital enablement; educators' empowerment through leadership development

programs; youth engagement to create exponential social, economic and environmental impact.

- **Employability & Sustainable Livelihoods** - Empowering youth and women with relevant skills and enabling them to be industry ready by equipping them with the right attitude and values to enhance their life conditions and contribute actively to the economy.
- **Healthcare** - Ensuring access to healthcare to underserved communities especially adolescents, women, children and the elderly. Facilitating collaborative basic, translational and research in healthcare and promoting mobile health services.

Tata Communications co-ordinates its programs with those of the Tata Group wherever possible and provides support for disaster rescue, relief and rehabilitation as and when required.

In 2016-17, the Company worked with 15 not-for-profit organizations and partners with impeccable track record in their respective domains and a strong sense

of ethics and integrity to deliver sustainable impact. We also actively engage our employees in skills-based volunteering to enrich these projects and engender a spirit of community action in these employees.

These projects are reviewed quarterly as per a well-defined monitoring and evaluation framework. Monitoring is done through a cloud based technological tool that enables partners to upload real time data along with 'geo-tagged' photographs for precision. Additionally, regular interactions and site visits have been conducted by our dedicated CSR Team to assess the progress of the project and extend support, in terms of expertise, to the partner. Third party impact assessment is incorporated in the design of these projects.

The minimum funds allocated for CSR is as per the Indian Companies Act 2013 which provides that the funds allocated for CSR activities would equal 2% of the average net profits of the preceding three-year period. Any surplus arising out of the CSR activities is funnelled back into the respective projects and does not form part of the business profits of the relevant Tata Communications entity.

The key deliverables achieved from the CSR and affirmative action programs during 2016-17 are as follows:

| PRIORITY AREAS | KEY DELIVERABLES/IMPACT |
|---|---|
| Education | We reached out to approximately 46975 students through 8 projects implemented by 8 different NGOs in Delhi NCR, Bengaluru, Pune, Yavatmal (rural Maharashtra) and Mumbai. These projects are multi-disciplinary and focused on a range of themes within the education domain like leadership development of principals, teachers and students; digital enablement of institutions; scholarship and academic assistance to youth from disadvantaged backgrounds especially Scheduled caste and Scheduled tribes; sports infrastructure to promote 'right to play' in underserved schools; youth engagement and health and nutrition. Tata Communications was also awarded the '2016 Skoch Blue Economy Award' for the Integrated Development Program for Children through Sports, Education and Internet Connectivity being implemented in collaboration with Parikrma Humanity Foundation since 2012. |
| Employability & Sustainable Livelihoods | Approximately 6732 women and youth have been trained in specialized skills like geriatric caregiving, IT, BPO and retail as well as low income trades like plumbing, electrical repair, beautician and motor repairing. 307 beneficiaries have already been placed with organizations like Axis Securities, Star Bazaar, TBSS, Kotak Mahindra, Intelenet and TCS (PSK). 13 beneficiaries from sustainable livelihoods projects have already set up their own small scale enterprises. Approximately 900 ultra-poor women have been imparted smartphone-based livelihood enhancement training as part of M-Powered, a project launched by Tata Communications in Orissa and Jharkhand. |
| Healthcare | We reached out to 8293 adolescent girls and women through reproductive and sexual healthcare interventions in the community. |
| Employee Volunteering | Tata Communications promoted skill based volunteering as well as community action to support causes that are locally urgent and relevant. A total of 3884 volunteers clocked 11,697 hours of community work through 82 volunteering opportunities. Employees from Mumbai, Pune, Delhi, Ahmedabad, Chennai, Kolkata, Bangalore and Hyderabad took action on a wide range of issues namely education, healthcare, sustainable consumption, water conservation, art appreciation, disability, cancer/AIDS, youth and women empowerment and digital literacy. |

REGULATORY DEVELOPMENTS

Indian Telecom Regulatory Developments

The GoI, on May 31, 2012, approved a new Telecom Policy aiming to boost transparency and revive growth in the Indian telecom industry. Tata Communications expects that when implemented, the new telecom policy will help telecom operators serve their customers better. The regulatory scenario in other geographies across the world, where the Company's subsidiaries operate did not see any major policy changes impacting the business.

The 'National Telecom Machine to Machine (M2M) Roadmap' was released on May 12, 2015 by the GoI. Anticipating the promising potential of M2M, the Department of Telecommunications (DoT) has issued this roadmap which will serve as a single reference document for all M2M stakeholders in India. This roadmap is aimed to provide guidance to all the stakeholders to nurture M2M Communications.

The DoT issued Guidelines for grant of Unified License for Virtual Network Operators (VNOs) on May 31, 2016. VNOs are treated as extensions of Network Service Operators (NSOs) or Telecom Service Providers (TSPs), where NSOs or TSPs own the core network. The VNOs may establish, operate and maintain telecommunication networks parented to NSO(s) or TSP(s) network and telecommunication services using any technology as per prescribed standards in the service area authorized under VNO License. VNOs would not be allowed to install equipment interconnecting with the network of other NSOs or TSPs.

Goods and Services Tax (GST) Implementation

Goods and Services Tax (GST), the biggest reform in India's indirect tax structure is now set to become reality. Tata Communications is looking at GST in an optimistic manner. In light of expected rationalisation of the taxation regime in India through the introduction of GST, our endeavour is to ensure that our products and services offerings turn out to be more tax efficient.

Tata Communications had begun its preparations for GST implementation much ahead of time and has partnered with a well reputed consulting firm in relation to GST implementation project. GST registrations have been completed in approximately 25 states in India and our review of the GST impact on our operations,

processes, and IT systems has almost been completed. Necessary action plans are in place for implementing the modifications in our various systems and processes with a view to make them GST compliant. We are in the process of sending out communications to our customers and vendors with an objective to get our stakeholders up to pace on GST readiness. Tata Communications expects a smooth and compliant transition into the new GST regime.

International Regulatory Developments

Internationally, telecommunications regulators around the world have shown a keen interest in adopting regulations to codify "net neutrality" or "open Internet" principles. A broad array of Internet service providers have challenged the United States FCC's rules in court, and judicial proceedings are likely to continue. We expect debates about net neutrality issues to remain active in many jurisdictions, including in the USA under the new administration, and calls for increased regulation may expand into adjacent areas, including the potential regulation of transit and CDN services, over-the-top video services, and other aspects of the Internet ecosystem.

Most of the countries in which the Tata Communications Group operates have adopted data protection and internet privacy laws and regulations, to protect an individual's personal data and private information. Often these laws and regulations require that this protected information remain within a specific jurisdiction for sovereignty and regulatory requirements. While Tata Communications has appropriate policies and procedures to comply with its obligations under these laws, any changes to these laws will likely present new challenges related to certification and compliance with these laws. In Europe, currently the Data Protection Directive (95/46/EC) obliges data controllers to implement appropriate technical and organizational measures to protect personal data. A new General Data Protection Regulation has been proposed and is currently being debated before the European Parliament. It includes new obligations, such as the obligation to appoint a data representative in the EU and to notify personal data breaches. These regulations may require Tata Communications to adopt new policies and procedures to ensure it complies with any new requirements.

RISKS AND CONCERNS

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

Price Reductions

Reductions in prices for communications and managed services, both voice and data, in India and worldwide, have had and are expected to continue to have an adverse effect on our business. It is likely that the prices for communications and managed services will generally continue to decrease as competition increases, as capacity is augmented, and as disruptive technologies are introduced. The recent economic downturn globally has led to a slowdown in customer uptake and put increasing downward pressure on prices as customers seek to reduce costs.

Key Customers – Service Providers

Business with other carriers and service providers represents a large proportion of our total business. Several carriers that we do business with have in the recent past suffered from reduced profit margins and other significant financial pressures. Market restructuring through acquisitions and mergers or through carriers exiting the international wholesale business continues. This could lead to realignment among the various players in the industry. Some of these changes could negatively impact our business.

Key Customers – Enterprises for Managed Hosting & Security

Business with other enterprises represents a large proportion of our managed hosting and security business. Many of the enterprise customers are facing challenges with their profit margins and hence seek to reduce their technology infrastructure and services budget. This leads to enterprise customers looking at newer technology or financial models (CAPEX or OPEX) to fulfill the requirement. Most of the large public cloud service providers see this as an opportunity and are realigning to focus on enterprise customer. Some of these changes could negatively impact our business.

Technology Risk

Technology is continuously changing in the telecommunications industry, and service providers need to ensure that they are constantly bringing new services

and technologies to market to compete effectively. We continuously introduce new communications services so that we can compete for new customers and in new segments of the communications business. If we are not able to successfully complete the development and introduction of new services, including new managed services, in a timely manner, our business could be adversely affected. We rely on a combination of in-house development and third-party technology licensing and/or acquisition to bring these new communications services and technology to market. In either case, it is important that we are able to obtain any necessary third party intellectual property rights covering the new communications services on a cost-effective basis. If another person holds the technology that is necessary for us to provide our services, under a patent or other intellectual property right, a license for the use of that technology may have to be negotiated. The negotiations may not arrive at a price that is acceptable. The existence of such patents or other intellectual property rights, or the inability to negotiate a license at an acceptable cost, for any such technology, could prevent our ability to provide services and offer products using that particular technology. Since it is not cost effective to perform comprehensive patent searches for the technologies used by all our products and services, it is often not possible to determine what relevant patents are held by others until a third party levies a patent infringement claim against us. Furthermore, even if we are able to identify a relevant third party patent but we have developed strong bases for our product or service not infringing that patent, the patent owner may still sue us.

To the extent that we are subject to litigation or other claims regarding alleged use of third party intellectual property rights, this litigation could:

- Be time consuming and expensive;
- Divert attention and resources away from daily business;
- Impede or prevent delivery of products and services (through injunctive or other equitable relief); and
- Require payment of significant royalties, licensing fees and damages.

In addition, Tata Communications must be vigilant in protecting its own intellectual property rights through appropriate government filings and other actions under

patent, copyright, trademark and trade secret laws in various jurisdictions worldwide. Any impediment in this process could harm the business.

Operating Risks

We must be able to continuously operate our global network to serve our existing customers and increase the traffic of voice, Internet, data, and video transmissions on our global network, in each case in order to realize the anticipated cash flow, operating efficiencies and cost benefits of this network, particularly since certain of the costs (such as repairs and maintenance) are fixed. Any one of several factors could adversely impact our ongoing business operations, including these:

- The technical infrastructure is vulnerable to damage, interruptions or failures that may result in reduced traffic and consequently reduced revenues and cause harm to our reputation because of failure in fulfilling commitments under significant contracts.
- Inability to hire and retain an adequate number of qualified personnel or to source the right equipment and technology.
- With the advent of SDN evolution, software based skillsets and competencies and DevOps model will be key catalysts. Although we have taken appropriate measures in incubating diverse skillsets cutting across multiple domains such as network, security, systems and software and working towards adoption of the DevOps model, the loss of these skills and competencies through employee attrition could have an adverse impact on our ability to operate our business.
- Acquisitions have been key to our growth and successful integration of acquired businesses is important to realise the full value of investments made.
- Our operations are global and any terrorist activities or other acts of violence or war that impact business continuity, would adversely affect its results.

Lack of End-Customer Ownership

In the ILD voice business in India, Tata Communications is a wholesale operator and does not have an access license. Although regulations have been recently issued by the Indian regulator providing the choice for the end consumer to choose its long distance carrier, we

continue to be dependent on access providers to route our customers' NLD and ILD calls through the Company's networks. This nature of the India ILD and NLD business poses risk to our business and our ability to provide these services to our customers. Several of these access operators in India have taken NLD and ILD licenses and started operations as our competitors in the long distance and other markets, thus shrinking Tata Communications' addressable market.

The international wholesale voice business also depends heavily on third parties who own organic traffic. While we have taken actions to mitigate the risks of losing traffic, by building traffic from retail service providers such as MNOs and OTT players, our business will continue to be at risk of dilution due to third party competition.

Regulatory Matters

Tata Communications Group has interests in a large number of countries worldwide and must comply with an extensive range of laws, regulations and licenses applicable to the operation of its business, including all tax laws, rules and regulations. These requirements are likely to increase with the expansion of our operations and services portfolio, particularly with the expansion of voice services to enterprise customers. Changes in the laws, regulations or licenses applicable to our business, for example changes by the Telecommunications Regulatory Authority of India (TRAI) in regulations governing the tariffs charged by telecommunication service providers in India could have adverse effects on our business. In addition, the uncertainty surrounding the "net neutrality" and data protection and privacy laws constitutes a risk to how we operate our business.

Environmental Matters

Our core values of environmental protection are integrated with our business strategy to add value to the business, manage risk and enhance our reputation. As we expand our network and infrastructure to cater to the growing demand for our services, there is a need to ensure that Tata Communications operates as efficiently as possible to minimize its impact on the environment. Tata Communications is subject to laws and regulations concerning the environment where it sells its products and/or services or otherwise operates its business. In the normal course of business, Tata Communications is exposed to risks relating to (i) possible releases of

hazardous substances (such as oil from storage tanks or acid from battery accumulators) into the environment which could cause environmental or property damage or personal injuries and (ii) possible property damage due to the removal of certain decommissioned submarine fiber optic cables which could require remediation and/or rectification. Under certain laws, Tata Communications may be required to remediate contamination at third party sites, or at certain of its properties regardless of whether the contamination was caused by Tata Communications, or by previous occupants of the property.

Funding

We have made, and will continue to need, capital investments in new telecommunications and managed services projects, which may stretch liquidity and create execution risks. Operations and profitability may be adversely affected if the funding required for the plans is relatively more expensive or delayed.

As of March 31, 2017, the outstanding principal amount of debt was approximately ₹ 737.25 crores for the Company on a standalone basis and ₹ 9213.60 crores on a consolidated basis. Considering the current capital expenditure requirements and debt maturing in near future, the Company may need to resort to refinancing its maturing debt as the possibility of raising equity funding is limited at this juncture. This may increase the debt servicing obligations. In the long run, unless we are able to raise equity funding, our ability to raise additional debt funding may be restricted. This, in turn, could adversely affect the capital expenditure program in the long run. If the rupee weakens against the dollar in the coming year, it will have an adverse effect on the cost of foreign currency indebtedness in India. We have reduced our consolidated debt obligation post divestiture of our stake in Neotel.

Changing Economic Conditions

Our operations and investments as well as rights to undersea cable capacity extending to other countries, exposes us to risks inherent in international operations. Downturns in the Indian, regional and global economies could have a material adverse effect on our business prospects.

Risks include:

- General economic, social and political conditions;

- The difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- Foreign currency exchange rate fluctuations, which could adversely affect the results of operations and the value of international assets and investments, although Tata Communications partially hedges its foreign exchange risk;
- Foreign earnings may be subject to withholding tax requirements or the imposition of tariffs, exchange controls or other restrictions;
- Difficulties in obtaining licenses or interconnection or other cooperation arrangements on acceptable terms.

Key Disputes and Litigation

Disputed Tax Matters

In past fiscal years, we have made certain tax holiday and expense claims based on our understanding of the tax laws, as reinforced by legal precedent and advice received from external tax counsel. In some cases, the Indian tax authorities have not accepted these claims and in a few instances have sought to levy penalties against us. The disallowances and penalties have been challenged by us under the applicable legal appeals processes. These appeals are at various stages of adjudication. Though no such appeal has been finally decided against us, in the unlikely event of all of the disputes culminating in judgments against us, this could have adverse financial implications for our business.

TDSAT Matters

In 2005, Tata Communications, along with several other service providers, challenged before the Telecom Disputes Settlement & Appellate Tribunal (TDSAT), the definition of "gross revenue" and "adjusted gross revenue" (AGR) as interpreted by the DoT for levying license fees. The final verdict was rendered by the TDSAT on August 30, 2007, broadly in line with several of our positions. However, Tata Communications and the other challengers were not satisfied on two issues, namely (i) the date of applicability of the TDSAT verdict, and (ii) the disallowance by the TDSAT of deducting certain charges passed on to other service providers. Tata Communications, along with several other service

providers, have challenged the TDSAT's order of August 30, 2007 on the above two issues in the Supreme Court of India. The Company also filed a separate appeal in the Supreme Court to separate its case from the other petitioners. The DoT has also filed an appeal against the judgment of the TDSAT. The Supreme Court in its judgment has set aside the TDSAT judgment dated August 30, 2007 in so far as the industry is concerned. The appeals of both, the Company and the DoT are pending before the Supreme Court.

Tata Communications has also separately filed a petition in the TDSAT regarding the applicability of penalty and penalty interest provisions under its international and national long distance license agreements. The TDSAT, by its judgment of February 11, 2010, allowed the petitions filed by the Company, striking down the penalty and interest provisions. As a consequence, Tata Communications became entitled to a refund of ₹115.73 crores, the penalty realized by the DoT in January 2008 and interest thereon. After the filing of the execution petition with the TDSAT in January 2012, TDSAT passed an order in May 2012 directing DoT to refund ₹115.73 crores along with interest to Tata Communications. Accordingly, the DoT refunded to Tata Communications an amount of ₹226.23 crores (₹115.73 crores plus interest) in June 2012. However, DoT has challenged the TDSAT order of May, 2012 for refund of penalty and interest thereon, in the Supreme Court of India, which is pending for hearing.

In 2013, the DoT introduced a new Unified License (UL) regime for internet service providers replacing the old service-specific license regime and imposing a new license fee of 8% of AGR on Internet services revenue under the new UL-ISP Licenses. This created an anomaly and non-level playing field amongst the ISP licensees of the old regime who were not required to pay any license fee and the new UL-ISP licensees on whom a license fee of 8% was imposed. In 2014, in connection with the expiration of its existing ISP license under the old regime, Tata Communications applied to the DoT for a new UL-ISP license with the condition that it would not pay the new license fee on Internet services revenue in order to maintain a level playing field with the ISP Licensees not yet subject to the new license fee. The Company also requested an extension of the old service-specific ISP license. The DoT extended the Company's ISP license, but

one of the terms of the extension letter was the imposition of the license fee on Internet services. The Company brought a legal challenge through the Internet Service Providers Association of India ("ISPAI") challenging the imposition of the license fee on Internet services in the DoT extension letter. In a hearing on March 25, 2014, TDSAT granted a stay on the payment of license fees on pure Internet services subject to an undertaking by the Company to the DoT that the Company would comply with the TDSAT orders in respect of the license fee and extended the Company's license for the pendency of the litigation. DoT applied for a vacation of the stay and for TDSAT to direct the Company to sign the new license agreement under the Unified License regime. After arguments, TDSAT dismissed DoT's request. Currently the stay continues and the case is likely to come up for final hearing soon. The other existing UL-ISP Licensees have also challenged the imposition of license fees on Internet Services revenue, and TDSAT has also granted a stay to these UL-ISP Licensees.

Access Costs on Cable Landing Stations

The TRAI issued the International Telecommunication Access to Essential Facilities at Cable Landing Stations Regulations, 2007 (Regulations) notification dated June 7, 2007. Under these Regulations, the owners of Cable Landing Stations (CLS) were free to fix their own cost-based charges for access to CLS and such charges were approved by TRAI to ensure that they were cost based. However, in an amendment of the 2007 Regulations, dated October 19, 2012 TRAI inserted a clause empowering itself to fix these charges. Thereafter, TRAI issued a third amending regulation whereby it prescribed a uniform charge in the form of a ceiling on the charges for providing access to a CLS facility. This ceiling prescribed by TRAI led to an almost 90% reduction in the charges. These amending regulations were challenged by Tata Communications in the Hon'ble High Court of Madras by Writ Petition in 2013. The High Court stayed the Regulations in January 2013 on the condition that in the event the Company's petition was not successful, the Company would make the payment of any applicable amount payable.

The judgment in the case was pronounced on November 11, 2016 dismissing the Writ Petition filed by the Company. The Company filed an appeal against the judgement in March 2017. This appeal came up for hearing on March

15, 2017. After a hearing, the matter was scheduled for a further hearing on April 17, 2017. The Company has also filed a Special Leave Petition (SLP) with the Supreme Court of India against the Order of Division Bench of the Hon'ble High Court of Madras, which was heard on April 3, 2017 wherein the Supreme Court, while dismissing the Company's SLP requested the Division Bench of Madras High Court to dispose of the matter at the earliest.

The Division Bench of the Madras High Court is hearing the arguments of the parties in the appeal filed before it.

International Operations

A large part of the Tata Communications Group's consolidated revenues are generated through our operations in international markets. Integrating acquisitions and managing operations in diverse international locations with varied legal, tax, regulatory landscapes, is very critical to the success of our business plans. As noted earlier, changes in foreign and international economic, social and political conditions and foreign currency exchange rate fluctuations could adversely affect the results of operations and the value of our international assets and investments, despite our actions to diversify our international economic exposure and hedge our foreign exchange risk.

Changing Technologies in Mobile Global Roaming and Wide Area Networking

The wireless mobile global roaming business provides roaming services for Global Systems for Mobile (GSM), Integrated Dispatch Enhanced Network (iDEN), Universal Mobile Telecommunications System (UMTS, 3G) and Enhanced Specialised Mobile Radio (ESMR) networks around the world. With increasing pressure on roaming margins, regulatory caps on inter-operator tariffs in some geographies and increased competition, strong price pressure may be expected in the international signaling transport and conversion businesses. Though this price erosion will be partially offset by the continued volume growth in emerging markets, a shift towards more sophisticated signaling and roaming outsourcing solutions targeted at Tier-1 mobile operators and groups will be necessary to sustain revenues and margins. We are also engaging in new segments and business associates like hub providers and Application-to-Person (A2P) service providers as both customers and channel partners to drive additional revenue growth.

The advent of next generation Long Term Evolution (LTE) standards also presents new opportunities for signaling and roaming connectivity and interoperability. We have already embarked on network modernization to collaborate with early-adopters on LTE/DIAMETER signaling interconnectivity and service enablement.

New technologies such as Software Defined Networks (SDN) and VNO players introducing SDN based disruptive WAN methods using the overlay approach over any-transport-media in the near future shall have a significant impact on the existing traditional telecom players.

Developing, Testing and Introducing New Services

We continuously develop, test and introduce new services so that we can compete for new customers and in new segments of the communications business. Sometimes the introduction of new services requires the successful upgrade of technology or development of new technology, which may be dependent on the conclusion of contract negotiations with vendors and vendors meeting their obligations in a timely manner. In addition, new service offerings may not be widely accepted by customers or may take greater time to ramp up towards expected adoption levels, and the business could be materially and adversely affected.

Technical Infrastructure

Our technical infrastructure is vulnerable to damage or interruptions caused by earthquakes, floods, storms, fires, power outages, war, riots, intentional misdeeds and other similar events. In particular, a major part of our international traffic is routed through undersea cable systems as well as through cable systems between different countries. These cables are prone to damage, including cable cuts. Any serious damage to major cables or simultaneous multiple cable failures could seriously disrupt traffic, which might lead to losses in revenue and adversely affect our reputation.

In addition, natural information technology system failures (hardware or software), human error or computer viruses may affect the quality of services and cause temporary interruptions. More rarely, software problems are hidden in vendors' equipment, undetectable through regular commissioning testing, but appear when specific traffic loading conditions are reached on the network which can severely impact several pieces of equipment

simultaneously. These types of events could result in customer dissatisfaction and reduced traffic and revenues.

The infrastructure may also be vulnerable to cyber security risks, which may result in service interruptions, gaining of unauthorized access, loss, theft or corruption of data, and theft of intellectual property or sensitive information, any of which could disrupt or have a material adverse effect on our business. Such negative consequences could include remedial costs, increased cyber security costs, lost revenues, litigation, reputational damage and regulatory penalties.

Successful Integration of Acquired Businesses

We have made significant acquisitions and investments in recent years, and will continue to explore the possibility of future acquisitions and investments in accordance with business needs. The integration of acquired businesses involves a number of risks, including:

- demands on management related to the significant increase in size after the acquisition;
- the diversion of management's attention from the management of daily operations to the integration of operations;
- higher integration costs than anticipated;
- failure to achieve expected synergies and costs savings;
- regulatory restrictions imposing a constraint on optimal designs for integration;
- difficulties in the assimilation of different cultures and practices, as well as in the assimilation and retention of geographically dispersed personnel and operations; and
- difficulties in the integration of departments, systems (including accounting systems) technologies, books and records and procedures, as well as in maintaining uniform standards, controls (including internal control over financial reporting), procedures and policies.

Fraud or Theft of Services

The industry in which we operate has incurred losses in the last several years due to fraud. Although we have implemented various measures in order to control losses

relating to fraudulent practices, we may not succeed in effectively controlling fraud when operating in the international or domestic Indian telecommunications markets.

Commitments under Significant Contracts

We have entered into a number of significant contracts with certain Voice Solutions (VS) and Data Managed Services (DMS) customers. Failure to meet commitments under these contracts could result in financial losses and damage our reputation. Information related to major customers is provided in Note 35 to the standalone Ind AS financial statements. If, due to any reason, we lose any major customer or they terminate their respective agreements, it could negatively impact revenues as well as profitability and generation of cash.

Emerging Markets

The development of business in emerging markets may be a critical factor in determining our future ability to sustain or increase our level of global revenues. Challenges that arise in relation to the development of the business in emerging markets include, but are not limited to, more volatile economic conditions, competition from companies that are already present in the market, the need to identify correctly and leverage appropriate opportunities for sales and marketing, poor protection of intellectual property, inadequate protection against crime (including counterfeiting, corruption and fraud), inadvertent breaches of local law/regulation and not being able to recruit sufficient personnel with appropriate skills and experience. The failure to exploit potential opportunities appropriately in emerging markets may have a materially adverse effect on the financial condition and results of operations.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Tata Communications has robust internal control mechanisms in place and it has implemented a SAP ERP (Enterprise Resource Planning) system. The financial authority at the Company is clearly defined at the appropriate management levels in our delegation of powers policies and procedures. Technical and financial operations are controlled by state-of-the-art technology and systems. The accounts of Tata Communications are subjected to internal and statutory audit.

Tata Communications has well-established risk management policies and procedures to identify and assess risks across its business units and operations. This process takes into consideration well-defined risk management principles which are based on experience, known best practices and principles of good corporate governance.

These risk management practices are focused on mitigating the potential adverse impact on our business from changes in the external and internal environment. Risk management and mitigation of key risks are considered as a vital exercise in order to achieve our corporate objectives and delivering long-term value to our stakeholders.

The Company's key risks are regularly discussed with the members of the Risk Management Committee and the Board of Directors. The responsibility for effective and efficient implementation and maintenance of the risk management system rests with the Global Management Committee, which comprises of the CEO, CFO and key business and operations heads. Tata Communications' risk management procedures are subject to a continual improvement process.

In order to manage risks, the Board of Directors has established an Enterprise Risk Management (ERM) process comprising the necessary organizational rules and procedures for identifying risks at an early stage, and taking proactive steps to manage the risks inherent to any commercial activity. The Board of Directors monitors and undertakes an assessment of risks critical to the Group's performance and strategic delivery. After identifying and assessing the risk under categories such as strategic, financial, operational and compliance, Tata

Communications then defines control measures aimed at reducing the likelihood of its occurrence and the potential impact.

The risk assessments performed under the ERM exercise are a key input for the annual internal audit program, and covers Tata Communications' various businesses and functions. In addition to its internal audit, Tata Communications also continues to conduct a detailed review and testing of the key internal controls related to financial reporting. This approach provides adequate assurance to the management and the Audit Committee regarding the effectiveness of the internal control procedures defined and implemented by the management.

CAUTIONARY STATEMENT

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

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2016-17

1. CORPORATE GOVERNANCE PHILOSOPHY AND PRACTICE

The Company as part of the Tata Group shares the set of five core values of the group – integrity, understanding, excellence, unity and responsibility. The Company is unequivocally committed to creating value for all its stakeholders – customers, employees, investors, partners, vendors and the community. Fairness in words, actions and deeds with all stakeholders form the base of the Company's Corporate Governance philosophy.

The Company has adopted a Code of Conduct based on the Tata Code of Conduct for its employees including the Managing Director, which is aligned with changing cultural and regulatory norms across the multiple jurisdictions in which the Company conducts its business. In addition, the Company has also adopted a Code of Conduct for its Non-Executive Directors. The Company's corporate governance philosophy is further strengthened by the adoption of the Tata Communications Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices. These Codes are available on the Company's website.

The Company believes that, though total business risk elimination is not possible, it can be minimized by consistently developing and following the best practices of Corporate Governance. To this end, the Company focuses on developing and implementing higher standards of accountability to enable optimum returns to all stakeholders.

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

The Company has adopted the requirements of Corporate Governance stipulated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI Listing Regulations").

2. BOARD OF DIRECTORS

As on March 31 2017, the Company had nine directors. Of the nine Directors, one is an executive

director and eight are non-executive directors. Two of the Company's directors are independent directors and two are nominees of the Government of India.

Mr. Subodh Bhargava, an independent director, was the Chairperson of the Company until March 30, 2017. Keeping in line with the Company's background of having a non-executive director as Chairperson, Ms. Renuka Ramnath, an independent director, was elected as the Chairperson of the Board with effect from April 14, 2017. The Chairperson of the Company is a non-executive director (Independent Director), therefore, as per Regulation 17(1)(b) of the SEBI Listing Regulations, at least one-third of the Board should be independent directors. As on the date of this Report, the Board comprised of nine (9) directors out of which two (2) were independent directors thus falling below the stipulated requirement of having one third of the directors as independent directors. As reported to stock exchanges, in February 2002, when the Government of India ("Gol") transferred 25% of its stake in the Company to Panatone Finvest Limited ("Panatone"), a shareholders' agreement and a share purchase agreement were signed. These agreements, *inter alia*, set forth the rights and obligations Panatone and the Gol including appointment of directors on the Board of the Company. The relevant clauses from the agreements were incorporated in the Articles of Association of the Company which in part provide that the Board is to comprise of twelve directors, four of whom must be independent. The Gol and Panatone are entitled to indicate the names of two independent directors each.

The two independent directors indicated by the Gol and appointed to the Board resigned in May 2011. Since the resignation of these two directors, the Gol has indicated only one independent director to replace them - Dr. Uday B. Desai, who has been duly appointed. Further, Mr. Subodh Bhargava, Chairperson of the Board and an independent director has ceased to be a director with effect from March 30, 2017. Ms. Renuka Ramnath, an independent director, has been elected as the Chairperson of the Board w.e.f. April 14, 2017.

The Company is pursuing with the Gol and Panatone for indication of candidates for appointment as independent directors so as to fill the vacancies on the Board. Until the recommendation is received enabling the Nomination and Remuneration Committee (NRC) and the Board to appoint two more independent directors, the Company will not be able to comply with provisions of Section 149 (4) of Companies Act, 2013 and Regulation 17 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

None of the directors on the board hold directorships in more than ten public companies. Further, none of them is a member of more than ten committees or chairperson of more than five committees (considering membership and chairmanship of Audit Committee and Stakeholders Relationship Committee) across all the public companies in which they are directors. None of the directors on the board serve as an Independent Director in more than seven listed entities. Necessary disclosures regarding committee positions in other public companies as on March 31, 2017 have been made by the directors.

The maximum tenure of the independent directors is in compliance with the Companies Act, 2013 ("Act"). All the Independent Directors have confirmed that they meet the criteria as mentioned under Regulation 16(1)(b) of SEBI Listing Regulations and Section 149 of the Act.

During the year under review, the following changes took place in the composition of the Board:

- i. Appointment of Mr. G. Narendra Nath as Non-executive, Non-Independent Director and nominee of the Gol with effect from October 18, 2016.
- ii. Cessation of Dr. Ashok Jhunjhunwala from directorship of the Company with effect from January 27, 2017.
- iii. Cessation of Mr. Subodh Bhargava from directorship and Chairmanship of the Company with effect from March 30, 2017.

The Board of directors elected Ms. Renuka Ramnath, an independent director, as the Chairperson of the Company with effect from April 14, 2017.

In accordance with the provisions of the Companies Act, 2013 and the Company's Articles of Association, Mr. Bharat Vasani and Mr. N. Srinath retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The names and categories of the directors on the board, their attendance at board meetings held during the year and at the last annual general meeting, the number of directorships and committee memberships/chairmanships held by them in other public companies and the number of shares held by them in the Company as on March 31, 2017 are given herein below. Other directorships do not include directorships of private limited companies, Section 8 companies and of companies incorporated outside India. Chairmanships / memberships of board committees include only Audit Committee and Stakeholders' Relationship

Committee.

| Name of the Director | Category | Number of Board Meetings during tenure from April 1, 2016 till March 31, 2017 | | Attendance at the last AGM (August 1, 2016) | Number of Directorships in Indian Public Companies including Tata Communications Limited | | Number of Committee Positions held in Public Companies including Tata Communications Ltd | | Number of Shares held |
|---|-----------------------------|---|----------|---|--|--------|--|--------|-----------------------|
| | | Held | Attended | | Chairperson | Member | Chairperson | Member | |
| Mr. Subodh Bhargava [Chairman] DIN : 00035672 (Ceased to be Chairman & Director w.e.f. March 30, 2017) | Independent Non - Executive | 11 | 11 | Yes | NA | NA | NA | NA | NA |
| Mr. Vinod Kumar Managing Director & Group CEO DIN : 01204665 | Non - Independent Executive | 11 | 11 | Yes | NIL | 1 | NIL | NIL | NIL |

| Name of the Director | Category | Number of Board Meetings during tenure from April 1, 2016 till March 31, 2017 | | Attendance at the last AGM (August 1, 2016) | Number of Directorships in Indian Public Companies including Tata Communications Limited | | Number of Committee Positions held in Public Companies including Tata Communications Ltd | | Number of Shares held |
|--|--------------------------------------|---|----------|---|--|--------|--|--------|-----------------------|
| | | Held | Attended | | Chairperson | Member | Chairperson | Member | |
| Mr. N. Srinath DIN : 00058133 | Non – Independent Non - Executive | 11 | 8 | Yes | NIL | 6 | NIL | 2 | NIL |
| Mr. Kishor A. Chaukar DIN : 00033830 | Non – Independent Non - Executive | 11 | 10 | Yes | 1 | 7 | 2 | 3 | NIL |
| Dr. Ashok Jhunjhunwala DIN : 00417944 (Resigned w.e.f. January 27, 2017) | Non – Independent Non - Executive | 10 | 10 | Yes | NA | NA | NA | NA | NA |
| Dr. Uday B Desai DIN : 01735464 | Independent Non - Executive | 11 | 11 | Yes | NIL | 2 | NIL | 2 | NIL |
| Mr. Saurabh Kumar Tiwari ¹ DIN : 03606497 | Non – Independent Non - Executive | 11 | 11 | Yes | 1 | 1 | NIL | 1 | NIL |
| Mr. Bharat Vasani DIN : 00040243 | Non – Independent Non - Executive | 11 | 11 | Yes | NIL | 3 | NIL | NIL | NIL |
| Ms. Renuka Ramnath DIN : 00147182 (Chairperson w.e.f. April 14, 2017) | Independent Non -Executive | 11 | 8 | Yes | NIL | 9 | 2 | 3 | NIL |
| Dr. Gopichand Katragadda DIN : 02475721 | Non - Independent Non -Executive | 11 | 10 | Yes | NIL | 4 | NIL | 3 | NIL |
| Mr. G. Narendra Nath ¹ DIN : 07440439 (Appointed w.e.f. October 18, 2016) | Non – Independent Non - Executive | 5 | 3 | No | NIL | 1 | NIL | 1 | NIL |

¹Nominee director of the Government of India.

Notes:

- None of the directors is related to any other director.
- None of the directors has any business relationship with the Company.
- None of the directors received any loans and advances from the Company during the year.
- The information as required under Regulation 17 (7) read with Schedule II of the SEBI Listing

- Regulations has been placed before the Board for its consideration. The Company has an effective mechanism of communicating important decisions taken by the Board to respective divisions.
- Apart from directors' remuneration and sitting fees, the Company did not have any pecuniary relationship or transactions with non-executive directors during financial year 2016-17.
- The terms and conditions of appointment of the independent directors are disclosed on the

website of the Company at the link <http://www.tatacommunications.com/investor-relations/governance>.

During the year two separate meetings of the Independent Directors were held on January 23, 2017 and March 1, 2017. In their meeting held on March 1, 2017, the independent directors *inter alia* reviewed the performance of non-independent directors, the Chairperson of the Company and the Board as a whole. The Board of Directors has evaluated the performance of the Independent Directors.

- g. As required under Regulation 25(7) of the SEBI Listing Regulations, the Company has a familiarization programme for the independent directors. The details of the familiarization programme are available on the Company's website at the link <http://www.tatacommunications.com/investor-relations/governance>.
- h. The Board periodically reviews compliance reports of all laws applicable to the Company, as presented by the Management.
- i. The detailed résumé of each director and the details of the directors proposed to be appointed / re-appointed at the 31st Annual General Meeting are published elsewhere in the annual report.
- j. The necessary quorum was present for all the meetings and the gap between two board meetings did not exceed one hundred and twenty days. The dates on which the 11 board meetings were held are as follows:

| | | |
|-------------------|--------------------|------------------|
| May 18, 2016 | May 27, 2016 | August 1, 2016 |
| September 8, 2016 | September 29, 2016 | October 18, 2016 |
| November 8, 2016 | December 5, 2016 | December 6, 2016 |
| January 23, 2017 | March 1, 2017 | |

3. AUDIT COMMITTEE

The constitution of the Audit Committee is in compliance with the provisions of Regulation 18 of the SEBI Listing Regulations read with Section 177 of the Companies Act 2013.

The terms of reference of the audit committee are broadly as under:

- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Review of inter-corporate loans and investments;
- Review the process of Valuation of undertakings or assets of the company, wherever it is necessary;
- Evaluation of internal financial controls relating to financial reporting and risk management systems in conjunction with Internal and Statutory Auditors;
- Calling for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.
- Review of vigil mechanism for directors, employees or any other person to report genuine concerns in such manner as may be prescribed.
- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement are correct, sufficient and credible;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of

clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;

- Changes, if any, in accounting policies and practices and reasons for the same;
- Major accounting entries involving estimates based on the exercise of judgment by management;
- Significant adjustments made in the financial statements arising out of audit findings;
- Compliance with listing and other legal requirements relating to financial statements;
- Disclosure of any related party transactions;
- Qualifications in the draft audit report;
- The going-concern assumption;
- Compliance with accounting standards;
- Contingent liabilities;
- Status of litigation by or against the Company;
- Claims against the Company and their effect on the financial statements;
- Review the financial statements of its subsidiary companies, in particular, inter-corporate loans and investments made by unlisted subsidiary companies.

The term “financial statement” shall have the meaning ascribed to such term under Section 2(40) of the Companies Act, 2013.

- Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds

of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the outsourced internal auditors and/or internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with internal auditors of any significant findings and follow up there on;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- To look into the reasons, in conjunction with the management, for any substantial default in any payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower mechanism;
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- To seek information from any employee.
- To select, appoint and obtain professional advice from external sources including for forensic or other investigation, if necessary.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

- If the Company is required under the Companies Act, 2013 or other legal provision to appoint a cost auditor to have a cost audit conducted, the Committee shall taking into consideration the qualifications and experience of the person proposed for appointment as the cost auditor recommend such appointment to the Board, together with the remuneration to be paid to the cost auditor. If a cost auditor is appointed, the Committee shall review and recommend the cost audit report to the Board.
- To provide advice to the Compliance Officer in setting forth policies in relation to the implementation of the Code of Conduct for Prevention of Insider Trading & the Code of Corporate Disclosure Practices (Code) and the SEBI (Prohibition of Insider Trading) Regulations, 2015 (Regulations).
- To oversee the implementation of the Code by the Compliance Officer under the overall supervision of the Board of the Company.
- The Chairman of the Audit Committee shall review the status reports placed before him by the Compliance Officer, detailing Trading in the Securities by the Designated Persons along with the documents that such persons had executed in accordance with the pre-trading procedure prescribed under the Code on a quarterly basis.
- To receive from the Compliance Officer complete information about any violations of the Code and to give suitable directions to the Compliance Officer for initiation of penal action in cases of violation.
- Perform other activities related to this Charter as requested by the Board.

The Audit Committee shall mandatorily review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Committee), submitted by the management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;

- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the internal auditors shall be subject to review by the Committee.

Additionally, the Committee may also oversee:

- Financial statements for material subsidiaries.
- Compliance with legal and regulatory requirements including the Tata Code of Conduct ("TCoC") for the Company and its material subsidiaries.

The Audit Committee invites such of the Company executives, as it considers appropriate, representatives of the statutory auditors and representatives of the internal auditors to be present at its meetings. The previous Annual General Meeting (AGM) of the Company was held on August 1, 2016 and was attended by Ms. Renuka Ramnath, the Chairperson of the Audit Committee.

The Audit Committee currently consists of three members. Mr. Subodh Bhargava was a member of the Committee up to the date of his cessation as Director of the Company i.e. March 30, 2017.

The composition of the Audit Committee and details of meetings attended by its members are given below:

| Name | Category | No. of Meetings during 2016-17 | |
|---|-----------------------------------|--------------------------------|----------|
| | | Held during tenure | Attended |
| Ms. Renuka Ramnath [Chairperson] | Independent, Non-Executive | 8 | 7 |
| Mr. Subodh Bhargava [Ceased to be a member w.e.f. March 30, 2017] | Independent, Non-Executive | 8 | 8 |
| Dr. Uday B. Desai | Independent, Non-Executive | 8 | 7 |
| Mr. Saurabh Kumar Tiwari | Government Nominee, Non-Executive | 8 | 8 |

Mr. Manish Sansi, Company Secretary & General Counsel (India) is the Compliance Officer and ensures compliance and effective implementation of the Insider Trading Code.

During the financial year 2016-17, the Audit Committee held eight meetings and not more than one hundred and twenty days had elapsed between any two meetings. The necessary quorum was present for all the meetings. The dates of meetings of the Audit Committee are as follows:

| | | |
|-------------------|------------------|------------------|
| May 18, 2016 | May 27, 2016 | August 1, 2016 |
| September 8, 2016 | October 18, 2016 | November 8, 2016 |
| January 23, 2017 | March 1, 2017 | |

Notes:

1. All members are financially literate and bring in expertise in the fields of finance, economics, development, strategy and management.
2. The management is responsible for the Company's internal controls and the financial reporting process while the statutory auditors are responsible for performing the independent audits of the Company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audits.
3. The Board of Directors has entrusted the Audit Committee with the responsibility of supervising these processes and thus ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

4. **NOMINATION AND REMUNERATION COMMITTEE (NRC)**

a) **Constitution and Terms of Reference**

The Nomination and Remuneration Committee of the Company is constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and the SEBI Listing Regulations.

The broad terms of reference of the Nomination and Remuneration Committee are as under:

- Recommend to the Board the setup and composition of the Board and its committees. This shall include "Formulation of the criteria for determining qualifications, positive attributes and independence of a director". The committee will consider periodically reviewing the composition of the Board with the objective of achieving an optimum balance of size, skills, independence, knowledge, age, gender and experience.
- Recommend to the Board the appointment or reappointment of directors.
- Devise a policy on Board diversity.
- Recommend to the Board appointment of Key Managerial Personnel ("KMP" as defined by the Act) and executive team members of the Company (as defined by this committee).
- Support the Board and IDs in evaluation of the performance of the Board, its committees and individual directors. This shall include "Formulation of criteria for evaluation of Independent Directors and the Board." Additionally, the committee may also oversee the performance review process of the KMP and the executive team of the company.
- Recommend to the Board the remuneration policy for directors, executive team/ KMP as well as the rest of the employees.
- On an annual basis, recommend to the Board the remuneration payable to directors and executive team/ KMP of the company.
- Oversee familiarisation programmes for directors.

- Oversee the HR philosophy, HR and People strategy and HR practices including those for leadership development, rewards and recognition, talent management and succession planning (specifically for Board, KMP and executive team).
- To be informed prior to any change in composition of the boards of Indian Subsidiaries, Associates and Joint Ventures and to receive annually report on composition of those boards.
- Provide guidelines for remuneration of directors on material subsidiaries.
- The NRC of a parent/ holding company shall recommend to its Board how the company will vote on resolutions for appointment and remuneration of directors on the Boards of its material subsidiary companies.
- Performing such other duties and responsibilities as may be consistent with the provisions of the committee charter.

The Nomination and Remuneration Committee currently consists of four members. Mr. Subodh Bhargava, independent director, was a member of the Committee up to the date of his cessation as Director of the Company i.e. March 30, 2017. Post his cessation, the NRC consisted of three members, out of which one was independent, thus falling below the requisite number of independent directors under Regulation 19 of the SEBI Listing Regulations. Ms. Renuka Ramnath, independent director and Chairperson of the Board, was appointed as a member of the NRC with effect from April 14, 2017, pursuant to which the composition of the NRC is in compliance with statutory requirements.

The composition of the Nomination and Remuneration Committee and details of meetings attended by its members are given below:

| Name | Category | No. of Meetings during 2016-17 | |
|---|-----------------------------------|--------------------------------|----------|
| | | Held during tenure | Attended |
| Dr. Uday B. Desai [Chairman] | Independent, Non-Executive | 4 | 4 |
| Mr. Subodh Bhargava [Ceased to be a Director w.e.f. March 30, 2017] | Independent, Non-Executive | 4 | 4 |
| Mr. Kishor A. Chaukar | Non-Independent, Non-Executive | 4 | 4 |
| Mr. G. Narendra Nath (Appointed on Committee w.e.f. November 8, 2016) | Government Nominee, Non-Executive | 1 | 1 |
| Ms. Renuka Ramnath (Appointed on Committee w.e.f. April 14, 2017) | Independent, Non-Executive | - | - |

During the financial year 2016-17, the Nomination and Remuneration Committee held four meetings. The necessary quorum was present for all the meetings. The dates of meetings of the Nomination and Remuneration Committee are as follows:

| | | | |
|--------------|--------------|------------------|---------------|
| May 18, 2016 | May 27, 2016 | October 18, 2016 | March 1, 2017 |
|--------------|--------------|------------------|---------------|

b) Remuneration Policy

Remuneration policy in the Company is designed to create a high-performance culture. It enables the Company to attract, retain and motivate employees to achieve results. Our business model promotes customer centricity and requires employee mobility to address project needs. The remuneration policy supports such mobility through pay models that are compliant to local regulations. In each country where the Company operates, the remuneration structure is tailored to the regulations, practices and benchmarks prevalent in the IT industry.

The Company pays remuneration by way of salary, benefits, perquisites, incentives and allowances (fixed component) and commission (variable component) to its Managing Director. Annual increments of the Managing Director are decided by the Nomination and Remuneration Committee within the salary scale approved by the members of the Company and are effective April 1 each year. NRC decides on the commission payable to the managing director out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 2013 based on the performance of the Company as well as that of the managing director and each executive director.

During the financial year 2016-17, the Company paid sitting fees as per the below matrix recommended by NRC and approved by the Board:

- ₹ 50,000/- per meeting for the Board/ Audit Committee /Nomination and Remuneration Committee, to those Non-Executive Directors who are not employees of any Tata Company.
- ₹ 25,000/- per meeting for the meetings of the other committees to Non-Executive Directors who are not employees of any Tata Company.
- ₹ 25,000/- per meeting convened for any other purpose in the interest of business.
- ₹ 20,000/- per meeting of the Board, any Committee or meeting convened for any other purpose in the interest of business to those Non-Executive Directors who are employees of any Tata Company excluding the employees of the Company or its subsidiaries.

The members have at the AGM of the Company on September 29, 2015, approved payment of commission to the Non-Executive Directors

for each year for the period of five years commencing from April 1, 2015, within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Act. The said commission is decided each year by the board of directors and distributed amongst the non-executive directors based on their attendance and contribution at the board and certain committee meetings, as well as the time spent on operational matters other than at meetings. The Company also reimburses the out-of-pocket expenses incurred by the directors for attending the meetings.

c) Table of commission and sitting fees to the non-executive directors for the year 2016-17 is as follows:

Amount (₹ In Lakhs)

| Name of the Director | Commission | Sitting Fees |
|---|------------|--------------|
| Mr. Subodh Bhargava [Chairman till March 30, 2017] | 20.20 | 12.00 |
| Mr. N. Srinath | 4.99 | 2.20# |
| Mr. Kishor A. Chaukar | 7.61 | 8.25 |
| Dr. Ashok Jhunjunwala (Ceased to be a Director w.e.f. January 27, 2017) | 5.77 | 5.50# |
| Dr. Uday B. Desai | 12.86 | 13.25 |
| Mr. Saurabh Kumar Tiwari* | 11.55 | - |
| Mr. Bharat Vasani | 5.77 | 2.20 |
| Ms. Renuka Ramnath | 12.86 | 9.00# |
| Dr. Gopichand Katragadda | 6.30 | 2.80# |
| Mr. G. Narendra Nath* | 2.10 | - |

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

Includes sitting fees paid for attending two informal meetings.

d) The details of remuneration to the whole-time director during the year 2016-17 are as follows:

(Amount in ₹)

| Name | Salary# | Perquisites & Allowances # | Commission# |
|--------------------------------|------------|----------------------------|-------------|
| Mr. Vinod Kumar MD & Group CEO | 60,430,202 | 14,321,658 | 93,941,608 |

Salary, perquisites and allowances and commission as stated above includes amount paid by a subsidiary company.

e) The Company does not have any employee stock option scheme.

f) Performance Evaluation Criteria for Independent Directors

The performance evaluation criteria for independent directors is determined by the Nomination and Remuneration Committee. An indicative list of factors that may be evaluated include participation and contribution by a director, commitment, effective deployment of knowledge and expertise, effective management of relationship with stakeholders, integrity and maintenance of confidentiality and independence of behavior and judgement.

5. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The Corporate Social Responsibility Committee of the Company is constituted in line with the provisions of Section 135 of the Act.

The broad terms of reference of the CSR committee are as follows:

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company;
- Recommend the amount of expenditure to be incurred on the activities referred to above;
- Monitor the Corporate Social Responsibility Policy of the company from time to time;
- Oversee the company's conduct with regard

to its corporate and societal obligations and its reputation as a responsible corporate citizen;

- Oversee activities impacting the quality of life of various stakeholders; and
- Monitor the CSR policy and expenditure of the material subsidiaries.

The composition of the Corporate Social Responsibility Committee is given below:

| Name | Category |
|----------------------------------|-----------------------------------|
| Mr. Kishor A. Chaukar [Chairman] | Non-Independent, Non-Executive |
| Mr. Saurabh Kumar Tiwari | Government Nominee, Non-Executive |
| Ms. Renuka Ramnath | Independent, Non-Executive |
| Dr. Gopichand Katragadda | Non-Independent, Non-Executive |

The CSR Committee did not have any meetings during the financial year 2016-17.

The CSR policy of the Company is available on its website at the following link: <http://www.tatacommunications.com/investor-relations/governance>

6. STAKEHOLDERS RELATIONSHIP COMMITTEE

The Company has a Stakeholders Relationship Committee duly constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI Listing Regulations.

The broad terms of reference of the Stakeholders Relationship Committee are as under:

- Review of statutory compliance relating to all security holders.
- Consider and resolve the grievances of security holders of the company including complaints related to transfer of securities, non-receipt of annual report/declared dividends/notices/balance sheet.
- Oversight of compliances in respect of dividend payments and transfer of unclaimed amounts to the Investor Education and Protection Fund.

- Oversight and review of all matters related to the transfer of securities of the company.
- Approval of issue of duplicate certificates of the company.
- Review of movements in shareholding and ownership structures of the company.
- Ensuring setting of proper controls and oversight of performance of the Registrar and Share Transfer Agent.
- Recommendation of measures for overall improvement of the quality of investor services.

The Stakeholders Relationship Committee currently consists of three members.

The composition of the Stakeholders Relationship Committee and details of meetings attended by its members are given below:

| Name | Category | No. of Meetings during 2016-17 | |
|---|-----------------------------------|--------------------------------|----------|
| | | Held during tenure | Attended |
| Mr. Kishor A. Chaukar [Chairman] | Non-Independent, Non-Executive | 4 | 4 |
| Dr. Uday B. Desai | Independent, Non-Executive | 4 | 4 |
| Mr. G. Narendra Nath (Appointed on Committee w.e.f. November 8, 2016) | Government Nominee, Non-Executive | 1 | 1 |

During the financial year 2016-17, the Stakeholders Relationship Committee held four meetings. The necessary quorum was present for all the meetings. The dates of meetings of the Stakeholders Relationship Committee are as follows:

| | | | |
|--------------|----------------|------------------|------------------|
| May 18, 2016 | August 1, 2016 | November 8, 2016 | January 23, 2017 |
|--------------|----------------|------------------|------------------|

The details of grievances received from the shareholders during the year and their status on March 31, 2017 is given below:

| Sr. No. | Nature of Complaints | No. of Complaints | | | |
|---------|--|--------------------------------------|----------|----------|------------|
| | | Pending from previous financial year | Received | Replied | Pending |
| 1. | SEBI/Stock Exchange Complaints | - | 3 | 3 | NIL |
| 2. | Direct Miscellaneous /Other Complaints | 1 | - | 1 | NIL |
| | TOTAL | 1 | 3 | 4 | NIL |

The Stakeholders Relationship Committee has been delegated the powers to approve the issue of Duplicate Share Certificates and approve transfer/transmission of shares. All the shares received for transfer till March 31, 2017 have been duly processed.

Mr. Manish Sansi, Company Secretary and General Counsel (India) has been designated as the Compliance Officer for shareholder grievance redressal.

7. RISK MANAGEMENT COMMITTEE (RMC)

The Risk Management Committee of the Company is duly constituted in accordance with SEBI Listing Regulations. The Board has defined the role and responsibilities of the RMC which include monitoring and reviewing of the risk management plan.

The Risk Management Committee currently consists of three directors and two senior officials of the Company as its members. Dr. Ashok Jhunjhunwala was a member of the committee upto the date of his resignation i.e. January 27, 2017.

During the financial year 2016-17, one meeting of RMC was held on March 1, 2017 and was attended by all its members.

The composition of the Risk Management Committee and details of meetings attended by its members are given below:

| Name | Category | No. of Meetings during 2016-17 | |
|---|--|--------------------------------|----------|
| | | Held during tenure | Attended |
| Mr. Kishor A. Chaukar [Chairman] | Non-Independent, Non-Executive | 1 | 1 |
| Mr. Vinod Kumar | Managing Director & Group CEO | 1 | 1 |
| Dr. Ashok Jhunjhunwala [Resigned w.e.f. January 27, 2017] | Non-Independent, Non-Executive | - | - |
| Mr. Tri Pham | Head – Corporate Strategy and Communications | 1 | 1 |
| Dr. Gopichand Katragadda | Non-Independent, Non-Executive | - | - |
| Ms. Pratibha K. Advani | Chief Financial Officer | - | - |

8. GENERAL BODY MEETINGS

Annual General Meetings (“AGM”): The location and time of the last three Annual General Meetings are as follows:

| Meeting Date | Location, Description and Type of Resolutions | Voting |
|----------------|---|---|
| August 1, 2016 | The 30 th Annual General Meeting was held at 1100 hours at NSE Auditorium, Ground Floor, National Stock Exchange of India Ltd., Exchange Plaza, Plot No.C/1, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400051. There were Seven resolutions (All ordinary resolutions). | All the resolutions were put to vote and carried with requisite majority. |

| Meeting Date | Location, Description and Type of Resolutions | Voting |
|--------------------|---|---|
| September 29, 2015 | The 29 th Annual General Meeting was held at 1100 hours at NSE Auditorium, Ground Floor, National Stock Exchange of India Ltd., Exchange Plaza, Plot No.C/1, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400051. There were Nine resolutions out of which one was a Special Resolution. The Special Resolution was relating to approval of Shareholders of the Company for the payment of commission not exceeding 1% per annum of the net profits of the Company for the period of five years commencing from April 1, 2015 subject to applicable provisions of Companies Act, 2013 read with Listing norms. | All the resolutions were put to vote and carried with requisite majority. |
| August 4, 2014 | The 28 th Annual General Meeting was held at 1100 hours at NSE Auditorium, Ground Floor, National Stock Exchange of India Ltd., Exchange Plaza, Plot No.C/1, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400051. There were Nine resolutions (All ordinary resolutions). | All the resolutions were put to vote and carried with requisite majority. |

Notes:

- During the year under review, no special resolution was passed through the exercise of postal ballot.
- No special resolution is proposed to be conducted through postal ballot at the Annual General Meeting to be held on June 27, 2017.
- No court convened meetings were held during the financial year 2016-17.

9. OTHER DISCLOSURES

- i) All material transactions entered into with related parties as defined under the Companies Act, 2013 and Regulation 23 of SEBI Listing Regulations during the financial year were in the ordinary course of business and on arm's length pricing. These have been approved by the Audit Committee. The Board has approved a policy for related party transactions which has been uploaded on the Company's website at the link: <http://www.tatacommunications.com/investor-relations/governance>. Note number 40 of the Notes forming part of the standalone Ind AS financial statements may also be referred to in this respect.
- ii) In accordance with Regulation 9 of the SEBI Listing Regulations, the Company has adopted a policy of archival and preservation of documents.
- iii) No non-compliance notice has been issued and no penalties or strictures have been imposed on the Company by SEBI, any stock exchange or any statutory authority on any matter related to capital markets, during the last three years i.e. 2014-15, 2015-16 and 2016-17.

However, in compliance with SEBI Circular No. CIR/MRD/DSA/21/2013 dated September 30, 2013, the Company has paid, during the financial year 2015-16 the specified fines imposed by the Stock Exchanges for the delay in filing of Annual Accounts for the financial year 2014-15 with the Stock Exchanges.

- iv) The Company has adopted a Whistle Blower Policy and has established necessary mechanisms for employees to report concerns about unethical behaviour. The said policy has also been put up on the website of the Company at the following link: <http://www.tatacommunications.com/investor-relations/governance>.

No person has been denied access to the Audit Committee.

v) Reconciliation of Share Capital Audit:

A qualified practising Company Secretary carried out quarterly audit to reconcile the total admitted equity share capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital.

The audits confirm that the total issued/paid-up equity share capital is in agreement with the total number of equity shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

- vi) The Company has fulfilled the following discretionary requirements as prescribed in Regulation 27(1) read with Schedule II Part E of the SEBI Listing Regulations:
 - a) Mr. Subodh Bhargava, Independent Director, was the Chairperson of the Company till March 30, 2017 and Mr. Vinod Kumar is the Managing Director & Group CEO of the Company. With effect from April 14, 2017 Ms. Renuka Ramnath, an Independent Director, has been elected as the Chairperson of the Company. Thus, the Company has complied with the requirement of having separate persons to the post of Chairperson and CEO / Managing Director.
 - b) Appointed an internal auditor who reports and makes the internal audit presentations to the audit committee.

vii) Code of Conduct

The members of the Board and senior management personnel have affirmed compliance with the Company's Code of Conduct applicable to them during the year ended March 31, 2017. The Annual Report of the Company contains a certificate by the Managing Director and Group CEO, in terms of the SEBI Listing Regulations on the compliance declarations received from Independent Directors, Non-Executive Directors and Senior Management Personnel.

- viii) In terms of Regulation 17(8) of the SEBI Listing Regulations, the Managing Director & Group CEO and the Chief Financial Officer have given a certificate to the Board of Directors in the format prescribed under Schedule II Part B for the year ended March 31, 2017.

ix) Subsidiary companies

The Audit Committee reviews the consolidated financial statements of the Company and the investments made by its unlisted subsidiary companies. The minutes of the board meetings along with a report on significant developments of the unlisted subsidiary companies are periodically placed before the Board of Directors of the Company.

During the year under review, Tata Communications Payment Solutions Limited (TCPSL) continues to be a material unlisted subsidiary of the Company as per the definition of Material Unlisted Subsidiary as per Regulation 16(1)(c) of the SEBI Listing Regulations. Accordingly, one Independent Director from the Board of the Company has been appointed as a Director on Board of TCPSL as per Regulation 24(1) of the SEBI

Listing Regulations. The Company has a policy for determining 'material subsidiaries' which is disclosed on its website at the link <http://www.tatacommunications.com/investor-relations/governance>.

10. MEANS OF COMMUNICATION

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

Presentations made to institutional investors and analysts, after declaration of quarterly, half-yearly and annual financial results are also displayed on the Company's website.

The Management Discussion and Analysis forms part of the Directors' Report and is included in the annual report for the financial year 2016-17. Segmental information may be referred to in Note number 35 of the Notes forming part of the standalone Ind AS financial statements.

11. SHAREHOLDER INFORMATION

i Annual General Meeting for the Financial Year 2016-2017

| | |
|-------|---|
| Date | : June 27, 2017 |
| Time | : 1100 hours IST |
| Venue | : MC Ghia Hall, Second Floor, Bhogilal Hargovindas Building, 18/20 Kaikhushru Dubash Road, Kalaghoda, Mumbai – 400 001 |

As required under Regulation 36(3) of the SEBI Listing Regulations, particulars of Directors seeking re-appointment at the forthcoming Annual General Meeting are given herein and in the Annexure to the Notice of the Annual General Meeting to be held on June 27, 2017.

ii Financial Calendar:

| | |
|------------------------|------------------|
| Year Ending | : March 31, 2017 |
| Annual General Meeting | : June 27, 2017 |

Key Financial Reporting Dates for the Financial Year 2017-18

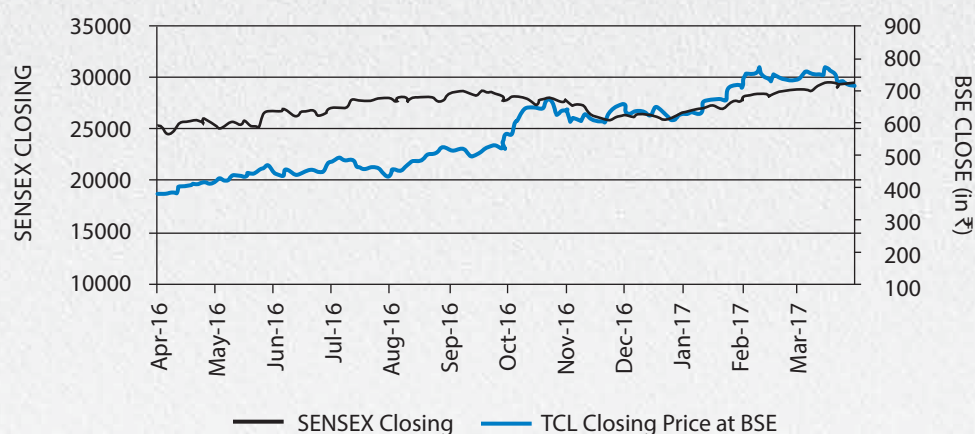
| | |
|--|----------------------------------|
| First quarter ending June 30, 2017 | : On or before August 14, 2017 |
| Second quarter ending September 30, 2017 | : On or before November 14, 2017 |
| Third quarter ending December 31, 2017 | : On or before February 14, 2018 |
| Fourth quarter ending March 31, 2018 | : On or before May 30, 2018 |

- iii Dividend Payment** : The Board has recommended a normal dividend of 45% (₹ 4.50 per share of the face value of ₹ 10 each) and a one-time special dividend of 15% (₹1.50 per share of the face value of ₹ 10 each), thus aggregating to a total dividend of 60% (₹ 6.00 per share of the face value of ₹ 10 each) for the Financial Year 2016-17. The final dividend, if declared, shall be paid on or after June 30, 2017.
- iv Date of Book Closure / Record Date** : The Company's register of members and share transfer books will remain closed from June 20, 2017 to June 27, 2017 (both days inclusive).
- v Listing on Stock Exchanges** : National Stock Exchange of India Limited ("NSE")
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051.
- : BSE Limited ("BSE")
25th Floor, P. J. Towers, Dalal Street,
Mumbai – 400 001.
- vi Corporate Identification Number (CIN)** : L64200MH1986PLC039266
- vii Stock Code / Symbol:**
- BSE : 500483
- NSE : TATACOMM
- ISIN for Equity Shares : INE151A01013
- The Annual Listing Fees due to each of the aforesaid Stock Exchanges for the financial year 2016-17 has been paid.
- viii Dividend Distribution Policy:**
- The Company believes in enhancing shareholders returns every year and in line with this, the Company has constantly endeavoured to maintain the Dividend Pay-out Ratio at broadly same levels every year. The Board retains the discretionary power to recommend dividend. The Board may consider various parameters including, but not limited to profits earned in the financial year, past performance of the Company, expansion plans, taxation and statutory regulations, and money market conditions, while making its decision on the dividend pay-out.
- In accordance with the Notification dated July 8, 2016 issued by the Securities and Exchange Board of India (SEBI) and pursuant to Regulation 43A of the SEBI Listing Regulations, the Board of Directors has laid down a broad framework for decisions to be made with regard to distribution of dividend to shareholders in the form of a Dividend Distribution Policy which is annexed as Annexure I to this Corporate Governance Report.
- The Dividend Distribution Policy enumerates the key factors that may impact the decision to pay-out earnings in the form of dividends.

ix Market Price Data:

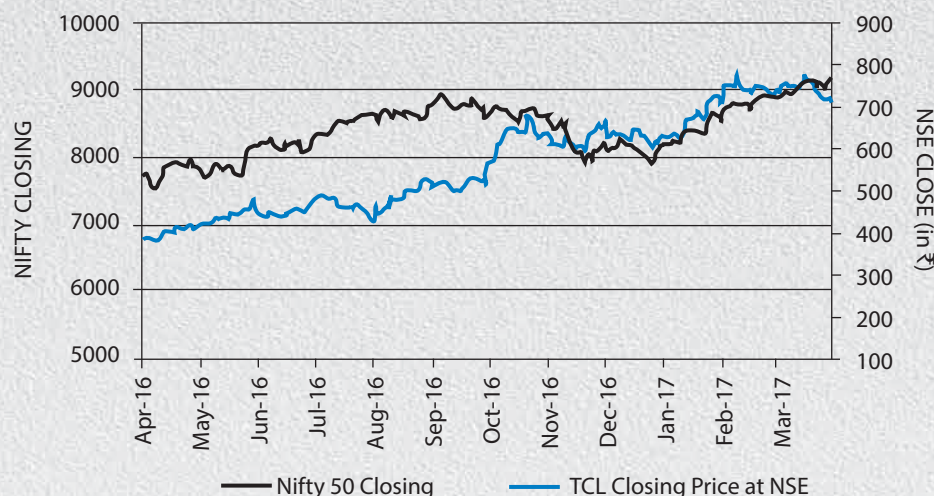
Monthly high and low quotations (based on daily closing prices) and number of equity shares traded during each month in the year 2016-17 on BSE and NSE:

| Month | BSE Share Price (In ₹) | | | NSE Share Price (In ₹) | | |
|--------|------------------------|--------|--------------------------------|------------------------|--------|--------------------------------|
| | High | Low | Number of Equity Shares Traded | High | Low | Number of Equity Shares Traded |
| Apr-16 | 425.50 | 373.30 | 530,538 | 425.40 | 372.80 | 5,372,887 |
| May-16 | 475.00 | 410.50 | 1,197,396 | 474.90 | 410.00 | 11,323,204 |
| Jun-16 | 488.00 | 426.70 | 1,287,521 | 488.80 | 425.05 | 12,285,983 |
| Jul-16 | 498.00 | 439.00 | 980,008 | 497.15 | 438.60 | 7,535,956 |
| Aug-16 | 536.00 | 430.00 | 3,132,858 | 536.50 | 430.25 | 24,461,826 |
| Sep-16 | 570.55 | 490.20 | 2,170,123 | 579.35 | 490.90 | 16,893,486 |
| Oct-16 | 687.45 | 555.50 | 4,226,943 | 687.90 | 554.55 | 32,152,623 |
| Nov-16 | 667.00 | 542.85 | 1,826,200 | 667.80 | 532.35 | 16,151,979 |
| Dec-16 | 673.40 | 596.00 | 1,050,549 | 673.95 | 595.25 | 11,204,051 |
| Jan-17 | 749.50 | 620.80 | 2,085,746 | 751.30 | 620.00 | 23,474,219 |
| Feb-17 | 782.00 | 707.70 | 1,327,327 | 782.50 | 706.70 | 18,049,123 |
| Mar-17 | 784.00 | 705.00 | 1,770,672 | 783.90 | 706.00 | 11,420,691 |

x. Performance of the share price of the Company in comparison to the BSE SENSEX:
TATA COMMUNICATIONS CLOSING PRICE AT BSE V/S SENSEX CLOSE


xi. Performance of the share price of the Company in comparison to the Nifty 50:

TATA COMMUNICATIONS CLOSING PRICE AT NSE V/S NIFTY 50 CLOSE



xii Registrar and Share Transfer Agent (R&T Agent)

(w.e.f. June 1, 2016)

Name and Address : TSR Darashaw Limited ("TSRDL")
6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Mahalaxmi,
Mumbai – 400 011

Telephone : 91 22 6656 8484

Fax : 91 22 6656 8494

E-mail : csg-unit@tsrdarashaw.com

Website : www.tsrdarashaw.com

As reported in the Corporate Governance Report for the financial year 2015-16, the Company has terminated the services of Sharepro Services India Pvt. Limited ("Sharepro") as the Registrar and Share Transfer Agents of the Company with effect from May 31, 2016 and appointed TSR Darashaw Limited ("TSRDL") as the Registrar and Share Transfer Agents with effect from June 1, 2016. Vide an Interim Order dated March 22, 2016, SEBI had cited serious irregularities in the conduct and activities of Sharepro with specific reference to payment of dividend and transfer of securities and directed all companies who were clients of Sharepro to conduct a thorough audit of their records and systems as maintained by Sharepro and to submit the audit report to SEBI.

In compliance with the directions issued by SEBI, the Company appointed an independent agency to conduct the audit and investigation of Sharepro's activities and submitted the report to SEBI and also filed a complaint with the Economic Offences Wing (EOW), Mumbai. EOW has filed a charge-sheet in the matter with the Chief Metropolitan Magistrate's Court, Esplanade Court at Mumbai.

xiii. SHARE TRANSFER SYSTEM

Share transfers in physical form can be lodged with the R&T agents of the Company. The transfers are normally processed within 15 days from the date of receipt if the documents are complete in all respects. The Stakeholders Relationship Committee is empowered to approve the share transfers.

xiv. Shareholding Pattern as on March 31, 2017:
a. Distribution of Shareholding

| Number of ordinary shares held | Number of Shareholders | |
|--------------------------------|------------------------|---------------|
| | 31. 03. 2017 | 31. 03. 2016 |
| 1 to 500 | 49,267 | 55,799 |
| 501 to 1000 | 1,208 | 1,316 |
| 1001 to 10000 | 1,414 | 1,478 |
| Over 10000 | 278 | 305 |
| Total | 52,167 | 58,898 |

b. Categories of Shareholders as on March 31, 2017:

| Category | Number of Equity Shares held | Percentage of holding |
|--|------------------------------|-----------------------|
| Promoters and Promoter Group | | |
| 1. Central Government | 74,446,885 | 26.12 |
| 2. Tata Group | | |
| i Panatone Finvest Limited | 85,776,654 | 30.10 |
| ii Tata Sons Limited | 40,087,639 | 14.06 |
| iii The Tata Power Company Limited | 13,422,037 | 4.71 |
| Public | | |
| 1. Institutions | | |
| i Mutual Funds | 10,772,936 | 3.78 |
| ii Banks and Financial Institutions | 77,581 | 0.03 |
| iii Insurance Companies | 11,318,727 | 3.97 |
| iv Foreign Institutional Investors | 7,362,806 | 2.58 |
| v Foreign Portfolio Investors | 25,216,480 | 8.85 |
| vi Overseas Corporate Bodies / Foreign Bodies Corporate | 177,270 | 0.06 |
| 2. Central Government/State Government/President of India | 525,000 | 0.18 |
| 3. Non-Institutions | | |
| i Indian Public | 11,917,882 | 4.18 |
| ii NRIs and Foreign Nationals | 677,724 | 0.24 |
| iii Any other (Bodies Corporate/NBFC/Trust/LLP) | 3,220,379 | 1.13 |
| Grand Total | 285,000,000 | 100.00 |

xv Dematerialization of Shares and Liquidity:

The Company's shares are compulsorily traded in dematerialized form on NSE and BSE. Equity shares representing approximately 99.94% of the Company's share capital are dematerialized as on March 31, 2017.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's Equity Shares is INE151A01013.

xvi The Company has not issued any GDRs / ADRs / Warrants or any convertible instruments and hence, as on March 31, 2017, the Company does not have any outstanding GDRs / ADRs / Warrants or convertible instruments.

xvii The details regarding foreign exchange risks form part of the Management Discussion and Analysis report.

xviii **The Company does not have any Equity Shares in suspense account.**

xix **Transfer of unclaimed / unpaid amounts to Investor Education and Protection Fund ("IEPF"):**

As per Sections 205A and 205C of the Companies Act, 1956, all dividends which remain unclaimed and unpaid for a period of seven years from the date they became due for payment were required to be transferred to the Investor Education and Protection Fund established by the Central Government. Sections 124 and 125 of the Companies Act, 2013, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, (notified on September 5, 2016) and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2016 (notified on February 28, 2017) ("IEPF Rules") contain similar provisions for transfer of unclaimed dividends to the IEPF.

In terms of the IEPF Rules, the Company has transferred unpaid / unclaimed dividend for the financial year 2008-09 to the IEPF and uploaded the information in respect of unclaimed dividends as on the date of the last AGM i.e. August 1, 2016, on the website of IEPF viz. www.iepf.gov.in and under the "Investor Relations" section on the website of the Company.

As per the provisions of Section 124 of the Companies Act, 2013, shares in respect of which dividend has not been paid or claimed for seven consecutive years or more are also required to be transferred to the Investor Education and Protection Fund (IEPF) Authority.

The Company has sent out individual communication to 978 shareholders whose dividend remains unclaimed for seven years, and published an advertisement in newspapers, inviting such shareholders to claim their dividend.

The Members who have not encashed their dividend warrant(s) so far for the financial year ended 2010-2011 (no dividend was declared for 2009-10) or any subsequent financial years are requested to lodge their claims with TSRDL. No claims shall lie against the Company for the amounts of dividend so transferred.

xx Details of Non-Convertible Debentures (NCD) issued and outstanding as on March 31, 2017

| Sr. No. | NCD Series / ISIN | Principal Amount Outstanding as on March 31, 2017 (₹) |
|---------|--|---|
| i. | 11.25% Secured Non-Convertible Redeemable Debentures (INE151A07044) | 50,000,000 |
| ii. | 9.85% Unsecured Non-Convertible Redeemable Debentures (INE151A08059) | 1,500,000,000 |

SHARE CAPITAL HISTORY

Details of share capital history since incorporation are as follows:

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

| Dates | Particulars of Issue | Number of Shares | Total Number of Shares | Nominal Value of Shares (₹) |
|------------|--|------------------|------------------------|-----------------------------|
| 21.02.2002 | 5264555 shares Divested by GOI by way of offer of shares to employees @ ₹47.85 per share locked in for a period of 1 year. | NIL | 285,000,000 | 2,850,000,000 |
| 10.04.2002 | Open Offer by Panatone Finvest Limited in accordance with SEBI guidelines to acquire upto 57 million shares @ ₹202/- per share | NIL | 285,000,000 | 2,850,000,000 |
| 08.06.2002 | Open offer complete with Panatone holding total of 128249910 shares including 57 million shares as above. | NIL | 285,000,000 | 2,850,000,000 |
| 13.08.2013 | Delisting of ADRs from NYSE | NIL | 285,000,000 | 2,850,000,000 |

Plant Locations

In view of the nature of the Company's business viz. telecommunications services and other value added services, the Company operates from various offices in India. The Company has no manufacturing facility.

Registered Office

VSB, Mahatma Gandhi Road,
Fort, Mumbai - 400 001.
Tel: +91 22 6657 8765
Fax: +9122 6725 1962
Email: investor.relations@tatacommunications.com
Website: www.tatacommunications.com

Corporate Office

Plot No. C-21 and C-36, G Block,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400 098.
Tel: +91 22 6657 8765
Fax: +9122 6725 1962
Email: investor.relations@tatacommunications.com
Website : www.tatacommunications.com

Compliance Officer

Mr. Manish Sansi
Company Secretary & General Counsel (India)
Plot No. C-21 and C-36, G Block,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400 098.
Tel : +91 22 6659 1966
Fax : +91 22 6725 1962
Email : manish.sansi@tatacommunications.com

Any shareholder complaints/queries may be addressed to:

Registrar and Share Transfer Agent

TSR Darashaw Ltd.
6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Near Famous Studio,
Mahalaxmi,
Mumbai – 400 011
Telephone: +91 22 6656 8484
Fax: +91 22 6656 8494
Email: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

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

Corporate Finance

Tata Communications Limited
Plot No. C-21 and C-36, G Block,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400 098.
Tel : +91 22 6657 8765
Fax : +91 22 6725 1962
Email: investor@tatacommunications.com

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

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

I confirm that the Company has in respect of the financial year ended March 31, 2017, received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

Place: Mumbai
Date: May 4, 2017

Manish Sansi
Company Secretary &
General Counsel (India)

Vinod Kumar
Managing Director
& Group CEO

INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF TATA COMMUNICATIONS LIMITED

1. We, S.B. Billimoria & Co., Chartered Accountants, the Statutory Auditors of Tata Communications Limited ("the Company"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on March 31, 2017, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

Management's Responsibility

2. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations.

Auditor's Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
4. We have examined the books of accounts and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
5. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

7. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations during the year ended March 31, 2017 except that:
 - The number of independent directors of the Company for the year ended March 31, 2017 was less than one third of the number of Board of Directors of the Company, as required by Regulation no. 17(1)(b) of the Listing Regulations, for the reasons explained in Note 2 to the Company's 'REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2016-17'
 - The number of independent directors on the Nomination and Remuneration Committee as constituted by the Board of Directors was less than fifty percent of the total number of members of the Nomination and Remuneration Committee for the period March 30, 2017 to March 31, 2017, as required by Regulation no 19(1)(c) of the Listing Regulations for the reasons explained in Note 4 of the Company's 'REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2016-17'
8. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For S.B. BILLIMORIA & CO.
Chartered Accountants
(Firm's Registration No. 101496W)
Gurvinder Singh
Partner
(Membership No. 110128)

**FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule no.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Tata Communications Limited,

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate governance practices by Tata Communications Limited (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has during the audit period covering the financial year ended on March 31, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board process and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Tata Communications Limited for the financial year ended on March 31, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (ii) The Depositories Act, 1996 and the Regulations and Bye laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial borrowing;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

I report that during the year under review, there was no action/event in pursuance of –

- (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (b) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and/or SEBI (Share Based Employee Benefits) Regulations, 2014;
- (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (d) The Securities and Exchange Board of India (Delisting of Equity shares) Regulations, 2009;
- (e) The Securities and Exchange Board of India (Buyback of securities) Regulations, 1998; and
- (f) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with the client.

- (vi) The following Acts / Guidelines specifically applicable to the Company:

- (a) Telecommunication Regulatory Authority of India Act, 1997
- (b) Information Technology Act, 2000
- (c) Indian Wireless Telegraphy Act, 1933
- (d) Indian Telegraph Act, 1885.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards with respect to Meetings of the Board of Directors (SS-1) and General

Meetings (SS-2) issued by the Institute of Company Secretaries of India; and

- (ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the year under review, the Company has complied with the provisions of the Act, Rules Regulations, Guidelines, Standards, etc. mentioned above subject to the following observation:

The Company has complied with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013 *except with regard to appointment of Independent Directors to the extent of 1/3rd of the total strength of the Board.*

It is clarified by the Company that the matter is being pursued with the Government of India and the Strategic Partner for indicating suitable names for the Company to consider for appointment as Independent Directors on the Board.

I further report that the compliance by the Company of applicable financial laws like direct and indirect tax laws has not been reviewed in this audit since the same has been subject to review by statutory financial audit and other designated professionals.

I further report that –

- The Board of Directors of the Company is constituted as per the Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with balance of Executive Director and Non-Executive Directors with the *exception of appointment of Independent Directors to the extent of 1/3rd of the total strength of the Board.*

It is clarified by the Company that the matter is being pursued with the Government of India and the Strategic Partner for indicating suitable names for the Company to consider

for appointment as Independent Directors on the Board.

- The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- As per the minutes of the meeting duly recorded and signed by the chairperson, decisions of the Board were unanimous and no dissenting views have been recorded.

I further report that there are adequate systems and processes in the company commensurate with the size and operation of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the Company had no specific events/actions having a major bearing on the Company's affairs in pursuance to the laws, rules, regulations, guidelines, standards, etc. referred to above.

(U.C. SHUKLA)

COMPANY SECRETARY

FCS: 2727/CP: 1654

Date: May 4, 2017

Place: Mumbai

BUSINESS RESPONSIBILITY REPORT

Section A: General Information about the Company

1. **Corporate Identity Number (CIN) of the Company:**
L64200MH1986PLC039266
2. **Name of the Company:** Tata Communications Limited
3. **Registered address:** VSB, Mahatma Gandhi Road, Fort, Mumbai – 400001.
4. **Website:** www.tatacommunications.com
5. **E-mail id:** manish.sansi@tatacommunications.com
6. **Financial Year reported:** April 1, 2016 to March 31, 2017
7. **Sector(s) that the Company is engaged in (industrial activity code-wise):**

| Name & Description of services | NIC Code |
|--|--------------|
| Telecommunications: | |
| a. Activities of providing internet access by the operator of the wired infrastructure | 61104 |
| b. Other satellite telecommunications activities | 61309 |
| c. Other telecommunications activities | 61900 |

8. **List three key products/services that the Company manufactures/provides (as in balance sheet):**
 - a) Voice Solutions (VS) and
 - b) Data Managed Services (DMS)
9. **Total number of locations where business activity is undertaken by the Company**
 - i. **Number of International Locations (Provide details of major 5):** As on March 31, 2017, the Company has 47 subsidiaries in 36 countries.
 - ii. **Number of National Locations:** The Company has offices in all major cities in India.
10. **Markets served by the Company - Local/State/ National/International**

The Company along with its subsidiaries provides telecommunications services across the globe.

Section B: Financial Details of the Company

1. **Paid up Capital (INR):** ₹285 crores

2. **Total Turnover (INR):**

| | Standalone ₹ in Crores | Consolidated ₹ in Crores |
|-----------------------|---------------------------|-----------------------------|
| Total Turnover | 5051.24 | 17980.02 |

3. **Total profit after taxes (INR):**

| | Standalone ₹ in Crores | Consolidated ₹ in Crores |
|-----------------------------|---------------------------|-----------------------------|
| Profit / (loss) after taxes | 689.83 | 1235.46 |

4. **Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%).**

During the year 2016-17, ₹ 146,677,339 was spent on CSR and affirmative action (2.01%).

5. **List of activities in which expenditure in 4 above has been incurred: -**

- a. Education
- b. Employability & Sustainable Livelihoods
- c. Healthcare

Section C: Other Details

1. **Does the Company have any Subsidiary Company/ Companies?**

Yes

2. **Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)**

The BR initiatives are driven by the parent company and all the subsidiaries contribute towards such initiatives as and when required.

3. **Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**

The Company does not make it mandatory for its suppliers/distributors to participate in its BR initiatives.

Section D: BR Information

1. Details of Director/Directors responsible for BR

a) Details of the Director/Director responsible for implementation of the BR policy/policies

- **DIN Number:** 01204665
- **Name:** Vinod Kumar
- **Designation:** Managing Director & Group CEO

b) Details of the BR head

| S.No. | Particulars | Details |
|-------|-----------------------------------|---|
| 1. | DIN Number (if applicable) | NA |
| 2. | Name | Aadesh Goyal |
| 3. | Designation | Chief Human Resource Officer & Global HR Head |
| 4. | Telephone number | +91 11 66505060 |
| 5. | e-mail id | aadesh.goyal@tatacommunications.com |

2. Principle-wise Business Responsibility Policy/Policies:

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business responsibility. Briefly, they are as follows:

| | |
|----|--|
| P1 | Business should conduct and govern themselves with ethics, transparency and accountability. |
| P2 | Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle. |
| P3 | Business should promote the wellbeing of all employees. |
| P4 | Business should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised. |
| P5 | Business should respect and promote human rights. |
| P6 | Business should respect, protect and make efforts to restore environment. |
| P7 | Business, when engaged in influencing public and regulatory policy, should do so in a responsible manner. |
| P8 | Business should support inclusive growth and equitable development. |
| P9 | Business should engage with and provide value to their customers and consumers in a responsible manner. |

a. Details of Compliance (Reply in Y/N)

| No. | Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|-----|--|----|----|----|----|----|----|----|----|----|
| 1. | Do you have a policy/policies for.... | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 2. | Has the policy being formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 3. | Does the policy conform to any national /international standards? If yes, specify? (50 words) | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 4. | Has the policy being approved by the Board? Is yes, has it been signed by MD/owner/CEO/appropriate Board Director? | Y | Y | Y | Y | Y | Y | Y | Y | Y |

| No. | Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|-----|--|---|----|----|----|----|----|----|----|----|
| 5. | Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 6. | Indicate the link for the policy to be viewed online? | http://www.tatacommunications.com/sites/default/files/Business_Responsibility_Policies.pdf | | | | | | | | |
| 7. | Has the policy been formally communicated to all relevant internal and external stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 8. | Does the company have in-house structure to implement the policy/policies. | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 9. | Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 10. | Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency? | N | N | N | N | N | N | N | N | N |

b. If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

| No. | Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|-----|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 1. | The company has not understood the Principles | | | | | | | | | |
| 2. | The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles | | | | | | | | | |
| 3. | The company does not have financial or manpower resources available for the task | | | | | | | | | |
| 4. | It is planned to be done within next 6 months | | | | | | | | | |
| 5. | It is planned to be done within the next 1 year | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| 6. | Any other reason (please specify) | | | | | | | | | |

3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO meet to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year
Yearly
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?
No

Section E: Principle-wise performance

Principle 1

- Does the policy relating to ethics, bribery and corruption cover only the company? Yes/No.**

No

Does it extend to the Group/Joint entries/ Suppliers/Contractors/NGOs/Others?

Tata Code of Conduct and Tata Communications' Anti-corruption Policy are applicable to Tata Communications Limited and its subsidiaries ("Company"). The Company takes a risk based approach to cascade the obligation to comply with

the aforementioned policies to third parties such as vendors, partners, NGOs, etc. The Company may waive this requirement for selected vendors; however, such waiver is granted only when the company has reviewed similar policies of the vendor and is satisfied that the vendor's policies have principles/conditions no less stringent than those set forth in the Tata Code of Conduct and Tata Communications' Anti-corruption Policy. Furthermore, in these instances, a copy of the vendor's code of conduct and/or anti-corruption policy is attached as an exhibit to the governing agreement.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

Given below are the statistics of the Whistle Blower cases received and actioned during financial year 2016-17:

| Financial Year | Complaints reported, investigated and closed | Complaints found to be valid and actioned |
|----------------|--|---|
| 2016-17 | 18 (includes 6 complaints which are under investigation) | 6 |

Principle 2

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

Tata Communications is a leading global provider of telecommunications solutions serving voice, data and next-generation service needs of carriers, enterprises and consumers across the world. The Company does not deal in any physical products. However, the Company believes in the principles of Environmental and Social Stewardship at the forefront, and is moving ahead with the following objective:

- Reducing its own footprint

- Influencing its customers and suppliers to encourage them to reduce their footprints
- Engaging with its employees to help reduce their personal footprints

In consonance with the Tata initiatives on the Greening front, the Company has imbibed the Tata vision and strives to:

- be the benchmark in their segment of industry on the carbon footprint, for their plants and operations.
- engage actively in climate change advocacy and the shaping of regulations in different business sectors.

The Company, accordingly, has been incorporating 'green' perspective in all key organizational processes.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

- Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain?**
- Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

At Tata Communications, we understand that our main impact on carbon or other greenhouse gas emissions comes using indirect energy. We consume nearly 2 million gigajoules (GJ) of energy mainly comprising of indirect power supply (97%) from the national grid whereas rest comes from the conventional sources. Our primary focus area is to reduce these indirect emissions and hence there is an on-going move to use renewable energy at key locations of Tata Communications. The Company has signed multiple agreements with wind power suppliers in Tamil Nadu, Karnataka and Hyderabad for 69 million kilowatt hour per annum for the facilities at Chennai, Bangalore & Hyderabad.

The company has made a noteworthy progress and is progressing further to reduce its carbon footprint over the years-

- In FY 2012 ~15 Million units of wind power and achieved reduction of 12600 MT of carbon.
- In FY 2013 ~24 Million units of wind power and achieved ~20160 MT of carbon reduction.
- In FY 2015, more than 50 Million units were procured and consumed from wind and solar power plants resulting in 42000 Tons of carbon reduction.
- In FY 2016, we reduced our global emissions by 50,223 metric tons (India: 49,705; International: 517 metric tons).
- In FY 2017 we implemented several energy efficiency projects across our operations, which further reduced our global emissions by 69,000 metric tons (~ 0.30 million GJ).

The company actively drives the energy efficiency projects and continuously updates its Power Usage Effectiveness (PUE) data which is an indication of efficiency of its data centres. The PUE for FY 2016-17 has improved to 1.85 from 1.87 (FY 2015-16).

The Company is also an ISO 14001 compliant organization with regular audits and all processes are aligned with respect to the safe disposal of wastes and all emission are within the limits prescribed by the Central Pollution Control Board (CPCB) and State Pollution Control Board (SPCB).

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

i. If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

The Company is engaged in the business of providing international telecommunications services. The criteria for procurement of goods and services are reliability, quality and price.

Tata Communications believes in developing and delivering green solutions to its customers to help them enhance their competitiveness and to allow their supply chains to be environmentally friendly. Telepresence is one such offering by Tata Communications that

is helping customers decrease their reliance on business travel, thereby reducing carbon dioxide emission rates. Tata Communications' Telepresence Exchange Service provides companies with a virtual meeting space that is both cost-effective and an environmentally responsible alternative to business travel. A growing number of enterprises leverage our Telepresence exchange service to conduct virtual business meetings that help reduce company costs and decrease carbon dioxide emission rates.

The Company has strategies and green initiatives to address the global environment issues. The Company has already published Carbon Foot Print (CFP) for its operations and is in public domain with CDP - Carbon Disclosure Project. The Company's efforts to restore the environment cover the Company and also extend to the group and associates like suppliers and contractors.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Company is engaged in the business of providing international telecommunications services. The criteria for procurement of goods and services are reliability, quality and price.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Tata Communications is engaged in telecom service provisioning. Therefore, the Company's nature of business is such that it does not result in significant emissions or creation of significant process wastes. The Company's products and initiatives are also aimed to enable customers worldwide to leverage communications solutions to reduce their own company's carbon footprint. As

a responsible corporate the Company is committed to bringing efficiencies in its Greening efforts. The Company's efforts to restore the environment cover the Company and also extend to the group and associates like suppliers and contractors.

Principle 3

1. Please indicate the Total number of employees.

Tata Communications Limited along with its subsidiaries employs 10,418 on-roll employees as on March 31 2017.

2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.

On-roll Employees – 10,418

Off-roll Employees – 245

Total Employees – 10,663

3. Please indicate the Number of permanent women employees.

2,084 permanent women employees (20% of total on-roll employees)

4. Please indicate the Number of permanent employees with disabilities

Tata Communications Limited provides equal opportunities to all its employees and all qualified applicants for employment without regard to their race, caste, religion, colour, ancestry, marital status, sex, age, nationality and different ability status.

5. Do you have an employee association that is recognised by management?

Yes

6. What percentage of your permanent employees is members of this recognised employee association?

2.97% employees. (India NM Employees: 310)

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of

the financial year.

| S. No. | Category | No of complaints filed during the financial year | No of complaints pending as on end of the financial year |
|--------|---|--|--|
| 1. | Child labour/ forced labour/ involuntary labour | NIL | NIL |
| 2. | Sexual harassment | 5 | NIL |
| 3. | Discriminatory employment | NIL | NIL |

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

- Permanent Employees
- Permanent Women Employees
- Casual/Temporary/Contractual Employees
- Employees with Disabilities

The Company conducts safety training such as fire drills for all its employees periodically. The Company has in place a structured training program for its employees.

Principle 4

1. Has the company mapped its internal and external stakeholders? Yes/No

Yes. The Company considers communities in the areas of its larger operations as key stakeholders.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalised stakeholders?

Yes.

The Company focuses on youth, women and children from socially and economically underserved and vulnerable backgrounds. An emphasis on affirmative action enables the Company to live up to its commitment of resolving the fundamental concerns of the communities.

- 3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalised stakeholders. If so, provide details thereof, in about 50 words or so.**

Yes.

Tata Communications is committed to creating empowered and connected societies for sustainable development through innovative practices. We have three priority areas - healthcare, education, and employability & sustainable livelihoods. In line with our business, digital enablement is the cornerstone of all our initiatives, which are also aligned to the Sustainable Development Goals (SDGs).

Principle 5

- 1. Does the policy of the company on human rights cover only the company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?** The Company's policy on human rights covers the Company and its subsidiaries.
- 2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

None

Principle 6

- 1. Does the policy related to Principle 6 cover only the company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / others.**

Yes, it covers the Company and also extends to its subsidiaries and associates like suppliers and contractors subject to it being limited to the Company's contracts and arrangements.

- 2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

At Tata Communications, we recognise that we have both social and economic responsibility to act to reduce our footprint and to engage constructively on climate change issues. By understanding the risks and opportunities of climate change, and how

these affect the organisation, we can reduce our own impact on the environment and make a positive contribution to the debate. Our innovation efforts are focused on enhancing our energy efficiency, finding more carbon-neutral solutions for network operations including data centres. The approach on Energy and Climate Change management is governed by the company's Environmental policy, the group's Tata Code of Conduct (TCOC) and Tata Group Climate Change Steering Committee.

In the Company's environmental policy, Tata Communications commits to prevent pollution, conserve resources, comply with applicable legal & other requirements relating to environment, and to continually improve its environmental performance. The policy includes a commitment to continual improvement and prevention of pollution, as well as a commitment to comply with applicable legal and other environmental legislation.

Tata Communications has also adopted the Tata Group Climate Change Policy. As per this policy, Tata Communications shall engage actively in climate change advocacy and incorporate 'green' perspectives in all key organisational processes. At a Group level, the Climate Change Steering Committee provides a common framework and governance mechanism for all Tata companies to implement climate change policies.

The Company has filed CDP reports in 2014 and 2015 with a score of 87 and 98 respectively. CDP submissions are available on <https://www.cdp.net/en>.

- 3. Does the company identify and assess potential environmental risks? Y/N**

Yes. The environment risk and consequential issues arising out of it are part of risk assessment and mitigation process.

- 4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

No, the Company does not have any current project on Clean Development Mechanism.

5. **Has the company undertaken any other initiatives on - clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

Yes. The company is concerned about the energy efficiency and continuously updates its Power Usage Effectiveness (PUE) data which is an indication of efficiency of its data centres. The same is reviewed and monitored as Carbon Foot Print reduction plan. The Company is actively engaged in securing and investing in renewable energy resources and as of FY 2017, the total quantum of energy procured from renewable sources is more than 84 million units kilowatt hour.

6. **Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Yes, the Company is ISO 14001 compliant with regular audits and all processes are aligned with respect to the safe disposal of wastes and all emissions are within the limits prescribed by the Central Pollution Control Board (CPCB) and State Pollution Control Board (SPCB).

7. **Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

There are no show cause notices issued by any statutory authorities for non-compliances from CPCB/ SPCB.

Principle 7

1. **Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

The Company participates in the stakeholder consultations with the Department of Telecommunications, Government of India, Telecom Regulatory Authority of India including interactions between industry associations like FICCI, ISPAI and relevant Ministries (Department of Telecommunications, Department of Information Technology, Ministry of Home Affairs) to support long term policy formulation in the Telecom sector as well as to deal with the critical operational

/ business issues being consulted upon by the relevant Authorities.

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

In order to bring transparency in its decision-making process, the Telecom Regulatory Authority of India has evolved a consultative process wherein on important issues pertaining to Telecom sector, Consultation Papers are issued by it eliciting response from the stakeholders including Tata Communications Limited. The Consultation Paper, post the response from all the stakeholders, is followed by an Open House discussion wherein all the stakeholders put forward their views on the issued involved in the consultation. Tata Communications Limited participates in all such consultation processes which are relevant to its line of business and puts forth its views in a fair and transparent manner.

The Company also gives its inputs to the Government / Regulator as and when the same is called for.

The Company performs the function of policy advocacy in a transparent and responsible manner while engaging with all the Authorities and while doing so it takes into account both its Corporate as well as the larger national interest.

Principle 8

1. **Does the company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

Yes the company has specified programmes/ initiatives/ projects in pursuit of Principle – 8.

Information and Communications Technology (ICT), a core business expertise of Tata Communications, is widely recognized to enable innovations at multiple levels. The United Nations recognizes ICT as a 'means of implementation' for the 17 Sustainable Development Goals (SDGs). Tata Communications

- believes that it is ideally positioned to support the realization of the Global Goals and has therefore adopted the SDG framework for its companywide Corporate Social Responsibility (CSR) programs. We collaborate with NGOs to implement long term projects in the areas of healthcare, education and employability & sustainable livelihoods.
2. **Are the programmes/projects undertaken through in-house team/own foundation/ external NGO/government structures/any other organization?**
The entire CSR portfolio is managed by a dedicated team of in-house CSR professionals. We collaborate with NGOs/trusts and agencies to implement projects. Additionally, through an Employee Volunteering Program, we utilise the skills of our employees to support different projects.
 3. **Have you done any impact assessment of your initiative?**
Yes.
Impact assessment is key to the CSR initiatives of the company and is integrated into the design of the projects. It is done through:
 - (1) Social impact study – The assessments are carried out by third parties through primary (field-based) and secondary research.
 - (2) Rapid assessment – Usually conducted by the CSR function of the company from time to time to address specific questions pertaining to a project.
 4. **What is your company's direct contribution to community development projects - Amount in INR and the details of the projects undertaken?**
Tata Communications' direct contribution to community development projects for the FY17 was INR 17.27 crores. Details of the projects are provided in Annexure I to the Directors' Report - Annual Report on CSR Activities.
 5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

Our community development initiatives are undertaken in a project mode with specific targets, outcome, activities, milestones and responsibilities. As a practice, Tata Communications establishes long term multi-year partnerships, to provide ample time for creating an impact. All projects undergo quarterly monitoring with a defined, project specific Monitoring and Evaluation framework. Monitoring is done through a cloud based technological tool that enables partners to upload real time data. Additionally, regular interactions and site visits are conducted by the company's CSR team to assess the progress of the projects. Third party impact assessment is incorporated in the design of the project.

Principle 9

1. **What percentage of customer complaints/ consumer cases are pending as on the end of financial year.**
The Company is engaged in the business of providing national and international telecommunications services; hence this is not applicable.
2. **Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. / Remarks(additional information)**
The Company being in the business of providing telecommunications services; the same is not applicable.
3. **Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so**
There are no cases pending against the Company regarding unfair trade practices, abuse of dominant position or anti-competitive practices.
4. **Did your company carry out any consumer survey/ consumer satisfaction trends?**
Customer satisfaction surveys are conducted once every year and improvement actions are taken on the basis of the surveys.

DIVIDEND DISTRIBUTION POLICY OF TATA COMMUNICATIONS LIMITED

Annexure I

SCOPE, PURPOSE AND OBJECTIVE OF THE POLICY

The Securities and Exchange Board of India (SEBI), vide its Notification dated July 8, 2016 has amended the Listing Regulations by inserting Regulation 43A thereby mandating the top five hundred listed entities (based on their market capitalization as on the 31st day of March of every year) to formulate a Dividend Distribution Policy and to disclose such policy in the Annual Report of the Company and on the Company's website.

In accordance with the aforesaid amendment, the Board of Directors (the Board) of Tata Communications Limited (the Company) lay down a broad framework for decisions to be made with regard to distribution of dividend to shareholders and retaining of profits in this Dividend Distribution Policy (Policy), so as to maintain a consistent approach to dividend pay-out plans.

This Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall, in line with this Policy, pay dividend which shall be consistent with the performance of the Company over the years.

The power to recommend dividend rests with the Board of Directors of the Company. The Board may recommend dividend based on considerations enumerated hereunder or other factors as the Board considers appropriate. This Policy shall not be a substitute for the decision of the Board for recommending dividend. The Board retains complete discretion for recommending of dividend as it may consider appropriate.

DIVIDEND GUIDELINE

The Company shall pay dividend in accordance with the provisions of the Companies Act, 2013 and the rules made thereunder. The Companies Act, 2013 provides for two forms of dividend – Final and Interim. The process for pay-out of dividend shall be as follows:

a. Final Dividend

- The Board of Directors shall have the power to recommend the final dividend in line with this Policy and based on the profits as per the annual financial statements.
- The dividend recommended by the Board shall be approved / declared by the shareholders at the Annual General Meeting.

- The dividend declared at the Annual general meeting shall be paid within 30 days from date of declaration to the shareholders entitled to receive the same.

b. Interim Dividend

- The Board of Directors shall have the absolute power to declare interim dividend at any time during the financial year.
- The Board shall declare interim dividend on the basis of the financial position of the Company and in line with the considerations of this Policy.
- The dividend so declared shall be paid within 30 days from date of declaration to the shareholders entitled to receive the same.

KEY PARAMETERS TO BE CONSIDERED WHILE DECLARING DIVIDEND

A. FINANCIAL PARAMETERS

Dividend shall always be declared and paid in accordance with the Companies Act, 2013 and the rules made thereunder.

In computing the aforesaid, the Board may consider inter-alia the following parameters:

- i. Capital requirements including proposals for major capital expenditures
- ii. Profits earned during the financial year
- iii. Overall financial condition
- iv. Cost of raising funds from alternate sources
- v. Liquidity and cash flow position
- vi. Obligations to creditors
- vii. Post dividend EPS

The Board may, at its discretion, declare a Special Dividend under certain circumstances such as extraordinary profits from sale of investments etc.

B. INTERNAL & EXTERNAL FACTORS

The dividend pay-out decision depends on several internal and external factors and inter-alia includes the following:

1. INTERNAL FACTORS

- i. Past performance of the Company
- ii. Expansion plans for existing business
- iii. Plans for additional investments in subsidiaries / associates
- iv. Strategy for investments into additional businesses
- v. Any other factor as may be deemed fit by the Board

2. EXTERNAL FACTORS

- i. Macroeconomic conditions
- ii. Money market conditions
- iii. Taxation and other statutory and regulatory considerations
- iv. Providing for unforeseen events and contingencies with financial implications

C. MANNER OF UTILISATION OF RETAINED EARNINGS

The profits earned by the Company can either be retained in business or distributed to shareholders. The Board may also strike a balance by retaining part of the profits and distribute the balance among shareholders in the form of dividend. The Board may also retain earnings so as to make better use of available funds to increase the value of the business for the stakeholders in the long run. The Board may consider various factors to determine the utilisation of retained earnings including, but not limited

to: strategic expansion plans, diversification of business, cost of raising capital from other sources and other factors as the Board may deem fit.

CIRCUMSTANCES UNDER WHICH DIVIDEND PAY-OUT MAY BE EXPECTED

The Board shall inter-alia consider the factors provided in this Policy at the time of determination of dividend pay-out. Dividend shall be paid in compliance with the relevant provisions of the Companies Act, 2013 and the rules made thereunder. The Board shall make its decision on Dividend pay-out after taking into consideration the prospective opportunities for expansion and shall endeavour to arrive at a decision which balances the interests of the shareholders and the Company alike.

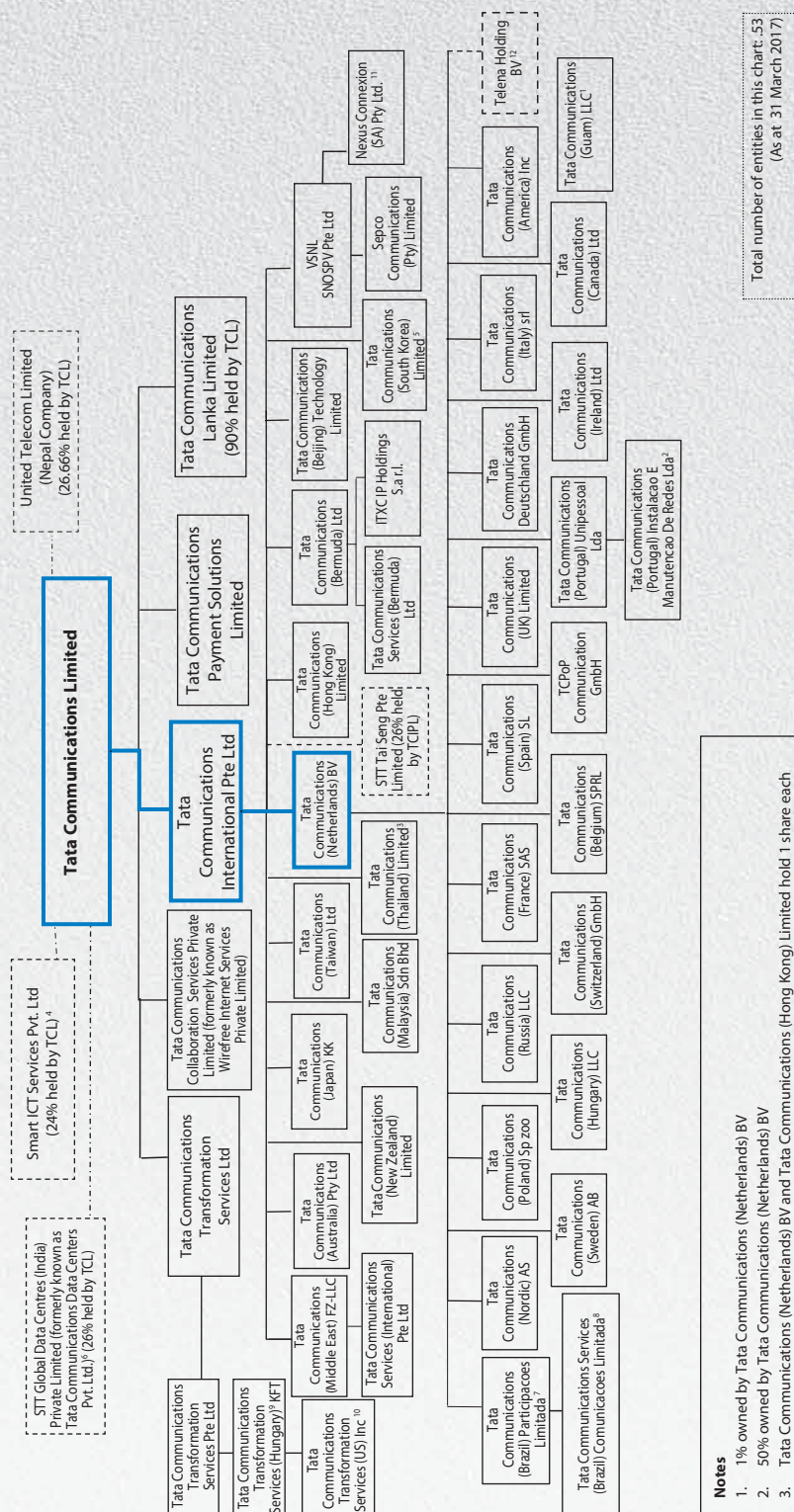
PROVISIONS FOR DIVIDEND WITH REGARD TO VARIOUS CLASSES OF SHARES

The Equity Shares of the Company are listed on the National Stock Exchange of India Limited (NSE) and BSE Limited. The Company shall pay all dividend on such equity shares in line with this policy.

Dividend on Preference Shares and shares of other classes, if and when issued by the Company, shall be determined in accordance with the terms and conditions of issue of such shares.

REVIEW AND AMENDMENT

The Board of Directors of Tata Communications Limited has approved and adopted this 'Dividend Distribution Policy'. The Board of Directors may, if thought fit, review and amend the Policy, as and when required.



Notes

1. 1% owned by Tata Communications (Netherlands) BV
 2. 50% owned by Tata Communications (Netherlands) BV
 3. Tata Communications (Netherlands) BV and Tata Communications (Hong Kong) Limited hold 1 share each
 4. Smart ICT Services Pvt. Limited became an Associate of Tata Communications Limited w.e.f. April 22, 2016
 5. Tata Communications (South Korea) Limited : Date of Incorporation July 28, 2016
 6. STI Global Data Centres (India) Private Limited is an Associate w.e.f. October 19, 2016
 7. TC (Brazil) Participacoes Limitada : 90% shares held by TC (Netherlands) & 10% by TC (UK)
 8. TC (Brazil) Participacoes Limitada : 90% shares held by TC (Brazil) Participacoes & 10% by TC (Netherlands)
 9. TCTS Hungary : Date of Incorporation December 19, 2016
 10. TCTS US : Date of Incorporation February 16, 2017
 11. Nexus Connexion is a subsidiary w.e.f. February 10, 2017
 12. Telexna Holding BV is an associate: Tata Communications (Netherlands) BV holds 35.36% shares
- NOTE: ----- Dotted lines indicate 'ASSOCIATES'(i.e. entities in which TC India holds between 20% to 50% equity)

NOTE: ----- Dotted lines indicate 'ASSOCIATES' (i.e. entities in which TC India holds between 20% to 50% equity)

Total number of entities in this chart: 53
(As at 31 March 2017)

STANDALONE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TATA COMMUNICATIONS LIMITED

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Tata Communications Limited ("the Company"), which comprise the Balance Sheet as at 31 March, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan

and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone Ind AS financial statements.

Basis for Qualified Opinion

As described in Note No 6(VI) to the standalone Ind AS financial statements, the fair value of the Company's investment in the unquoted equity shares of Tata Teleservices Limited (TTSL) has not been determined as at 31 March, 2017. Accordingly, we are unable to comment whether the carrying value of the investment in TTSL of Rs 515.53 crore represents the fair value as at 31 March, 2017 and whether any consequent adjustment is required to be recognised in Other Comprehensive Income, and whether the expense for provision for contractual obligation, as described in Note No 29 to the standalone Ind AS financial statements, is adequate.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31 March, 2017, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act:

- a) We have sought and except for the matters described in the Basis for Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) Except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and the reports of the other auditors.
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- d) Except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
- e) On the basis of the written representations received from the directors as on 31 March, 2017, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2017, from being appointed as a director in terms of Section 164(2) of the Act.
- f) The qualification relating to the maintenance of accounts and other matters connected there with are as stated in the Basis for Qualified Opinion paragraph above.
- g) With respect to the adequacy of the internal financial controls over financial reporting of the Company, refer to our separate Report in "Annexure A". Our report expresses a qualified opinion on the operating effectiveness of the Company's internal financial controls over financial reporting.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules,

2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements;
 - ii. Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - iv. The Company has provided requisite disclosures in the standalone Ind AS financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures performed and the representations provided to us by the management, we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraph 3 and 4 of the Order.

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

Chartered Accountants
(Firm's Registration No. 101496W)

Gurvinder Singh
Partner

(Membership No.110128)

Mumbai, 4 May, 2017

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1 (g) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Tata Communications Limited (“the Company”) as of 31 March, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial

controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed 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 financial 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 authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future

periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for Qualified Opinion

According to the information and explanations given to us and based on our audit, and as described in note No 6(VI) to the standalone Ind AS financial statements in the absence of a valuation report to determine the fair value as at 31 March, 2017 of an unquoted investment, a material weakness has been identified as in the Company relating to inadequate internal financial controls over financial reporting in respect of the carrying amount of this investment.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial 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.

Qualified opinion

In our opinion, to the best of our information and according to the explanations given to us, except for the possible

effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31 March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the said Guidance Note.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone Ind AS financial statements of the Company for the year ended 31 March, 2017.

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

Chartered Accountants
(Firm's Registration No. 101496W)

Gurvinder Singh

Partner

(Membership No.110128)

Mumbai, 4 May, 2017

ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Report on Companies (Auditor’s Report) Order, 2016 (‘the Order’) issued by the Central Government in terms of Section 143(11) of the Companies Act, 2013 (‘the Act’) of Tata Communications Limited (‘the Company’)

- (i) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed, conveyance deed and transfer deed of the Government of India vide its letter no –G-25015/6/86OC dated 23 October, 2001 provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company, except the following :

| Particulars of land and building | Carrying amount as on 31 March, 2017 ₹ in crores | Remarks |
|---|---|---|
| Building located at Gandhinagar GIDC admeasuring 840 Sq. meter | Nil | The title deed is not registered in the name of the Company. |
| Buildings located at Oshiwara Jogeshwari Ground floor Plus 7 floor in building 31, 32 and 33. | 22.10 | The title deeds are not registered in the name of the Company and matter is pending in Honorable Bombay High Court. |

- In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us, the Company has granted loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013, in respect of which:
- a. The terms and conditions of the grant of such loans are, in our opinion, prima facie, not prejudicial to the Company’s interest.
- b. The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations.
- c. There is no overdue amount remaining outstanding as at the year-end.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and does not have unclaimed deposits as at 31 March, 2017 and therefore reporting under clause 3(v) of the Order is not applicable to the Company.
- (vi) The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. Specified activities include International long distance services, Cable landing station, national long distance services, internet service

provider services and certain other services. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

- (vii) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including provident fund,

employees' state insurance, income-tax, sales tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it with the appropriate authorities.

- (b) There were no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues in arrears as at 31 March, 2017 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, and Value Added Tax which have not been deposited as on 31 March, 2017 on account of disputes are given below:

| Name of the Statute | Nature of the Dues | Amount (₹ In crores) | Period to which the Amount Relates | Forum where dispute is pending |
|------------------------|--------------------|-----------------------|------------------------------------|---|
| Income Tax Laws | Income Tax | 855.84 | AY 2007-08 to AY 2011-12 | Appellate Authority -Tribunal Level |
| Income Tax Laws | Income Tax | 1.02 | AY 1997-1998 | Appellate Authority - Income Tax Officer |
| Income Tax Laws | Income Tax | 91.26 | AY 2012-13 | Appellate Authority - Income Tax Officer |
| Income Tax Laws | Income Tax - TDS | 15.99 | AY 2006-07 to 2015-16 | Appellate Authority -Commissioner (Appeal)(TDS) |
| Income Tax Laws | Income Tax - TDS | 1.33 | AY 2008-09 to 2010-11 | Appellate Authority - Income Tax Officer TDS |
| Sales Tax laws | Sales Tax | 1.86 | FY 2006-08 | West Bengal Commercial Tax Appellate and Revision Board |
| Central Sales Tax laws | Central sales Tax | 0.06 | FY 2011-12 | West Bengal Commercial Tax Appellate and Revision Board |
| Central Sales Tax laws | Central sales Tax | 0.03 | FY 2011-12 to FY 2014-15 | Asst. Comm Commercial Tax, Bihar, Patliputra |

Out of the total disputed dues aggregating Rs 967.39 crores as above, Rs 869.51 crores has been stayed for recovery by the respective authority.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and government and dues to debenture holders.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments). The term loans have been applied by the Company for the purpose for which they were raised.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by

the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

- (xi) In our opinion and according to the information and explanations given to us, the Company has paid/ provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance

with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of the Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence

provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Gurvinder Singh
Partner
(Membership No.110128)

Mumbai, 4 May, 2017

BALANCE SHEET AS AT 31 MARCH 2017

| Particulars | Note No. | As at 31 March 2017 ₹ in crores | As at 31 March 2016 ₹ in crores | As at 31 March 2015 ₹ in crores |
|--|----------|---------------------------------------|---------------------------------------|---------------------------------------|
| A ASSETS | | | | |
| (1) Non-current assets | | | | |
| (a) Property, plant and equipment | 3 | 3,392.51 | 3,442.99 | 3,474.61 |
| (b) Capital work-in-progress | | 431.19 | 285.02 | 185.78 |
| (c) Investment property | 4 | 243.33 | 200.13 | 169.27 |
| (d) Other Intangible assets | 5 | 361.10 | 366.66 | 354.29 |
| (e) Intangible assets under development | | 65.29 | 72.76 | 50.17 |
| (f) Financial assets | | | | |
| (i) Investments | 6A | 4,566.92 | 3,685.54 | 3,921.39 |
| (ii) Loans | 7A | 0.12 | 343.36 | 320.25 |
| (iii) Other financial assets | 8A | 298.31 | 113.91 | 190.89 |
| (g) Deferred tax assets (net) | 9 | 92.50 | - | 39.27 |
| (h) Non-current advance tax (net) | | 1,406.31 | 1,445.45 | 1,332.14 |
| (i) Other non-current assets | 10A | 250.44 | 249.69 | 245.95 |
| Total non-current assets | | 11,108.02 | 10,205.51 | 10,284.01 |
| (2) Current assets | | | | |
| (a) Inventories | | 14.83 | 6.39 | 3.95 |
| (b) Financial assets | | | | |
| (i) Other investments | 6B | 799.30 | 801.84 | 857.55 |
| (ii) Trade receivables | 11 | 806.98 | 846.33 | 708.08 |
| (iii) Cash and cash equivalents | 12 | 86.93 | 70.86 | 140.13 |
| (iv) Bank balance other than (iii) above | 13 | 14.86 | 13.78 | 12.73 |
| (v) Loans | 7B | - | 324.00 | 94.00 |
| (vi) Other financial assets | 8B | 118.61 | 115.97 | 168.80 |
| (c) Other current assets | 10B | 192.43 | 137.27 | 147.57 |
| | | 2,033.94 | 2,316.44 | 2,132.81 |
| Assets classified as held for sale | 14 | 3.32 | - | - |
| Total current assets | | 2,037.26 | 2,316.44 | 2,132.81 |
| Total assets | | 13,145.28 | 12,521.95 | 12,416.82 |
| B EQUITY AND LIABILITIES | | | | |
| (1) Equity | | | | |
| (a) Equity share capital | 15 | 285.00 | 285.00 | 285.00 |
| (b) Other equity | 16 | 8,970.21 | 8,610.74 | 8,739.76 |
| Total equity | | 9,255.21 | 8,895.74 | 9,024.76 |
| (2) Non-current liabilities | | | | |
| (a) Financial liabilities | | | | |
| (i) Borrowings | 17A | 155.00 | 155.00 | 155.00 |
| (ii) Other financial liabilities | 18A | 42.70 | 63.99 | 147.49 |
| (b) Provisions | 19A | 228.74 | 211.21 | 170.95 |
| (c) Deferred tax liabilities (net) | 9 | - | 0.51 | - |
| (d) Other non-current liabilities | 20A | 439.97 | 424.69 | 446.49 |
| Total non-current liabilities | | 866.41 | 855.40 | 919.93 |
| (3) Current liabilities | | | | |
| (a) Financial liabilities | | | | |
| (i) Borrowings | 17B | 582.25 | 528.79 | 370.64 |
| (ii) Trade payables | | | | |
| (A) Total outstanding dues of micro enterprises and small enterprises | 21A | 1.05 | 1.38 | 0.47 |
| (B) Total outstanding dues of creditors other than micro enterprises and small enterprises | 21B | 1,173.10 | 965.05 | 895.58 |
| (iii) Other financial liabilities | 18B | 506.95 | 465.22 | 464.79 |
| (b) Provisions | 19B | 32.15 | 33.73 | 6.94 |
| (c) Current tax liability (net) | | 255.47 | 348.01 | 400.35 |
| (d) Other current liabilities | 20B | 472.69 | 428.63 | 333.36 |
| Total current liabilities | | 3,023.66 | 2,770.81 | 2,472.13 |
| Total equity and liabilities | | 13,145.28 | 12,521.95 | 12,416.82 |
| See accompanying notes forming part of the standalone financial statements | | | | |

In terms of our report attached

For S. B. BILLIMORIA & CO.
Chartered Accountants

GURVINDER SINGH
Partner

 MUMBAI
DATED: 4 May 2017

For and on behalf of the Board of Directors
RENUKA RAMNATH
Chairperson

PRATIBHA K. ADVANI
Chief Financial Officer

 MUMBAI
DATED: 4 May 2017

VINOD KUMAR
Managing Director & Group CEO

MANISH SANSE
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

| Particulars | Note No. | Year ended 31 March 2017 ₹ in crores | Year ended 31 March 2016 ₹ in crores |
|--|----------|--|--|
| INCOME | | | |
| I Revenue from telecommunications services | | 5,068.15 | 4,790.32 |
| II Other income | 22 | (16.91) | 209.77 |
| III Total Income (I + II) | | 5,051.24 | 5,000.09 |
| IV EXPENSES | | | |
| Network and transmission | 23 | 1,923.39 | 1,828.73 |
| Employee benefits | 24 | 757.09 | 763.93 |
| Operating and other expenses | 25 | 1,194.48 | 1,005.57 |
| Finance cost | 27 | 30.68 | 31.30 |
| Depreciation and amortisation | 26 | 764.58 | 742.99 |
| Total Expenses | | 4,670.22 | 4,372.52 |
| V Profit before exceptional items and taxes (III-IV) | | 381.02 | 627.57 |
| VI Exceptional items: | | | |
| Net gain on sale of partial interest in subsidiary | 28 | 1,696.22 | - |
| Provision for contractual obligation | 29 | (872.01) | - |
| Staff cost optimisation | 30 | (0.39) | (22.63) |
| VII Profit before tax (V+VI) | | 1,204.84 | 604.94 |
| VIII Tax expense: | 31 | | |
| (a) Current tax | | 602.50 | 150.32 |
| (b) Deferred tax | | (87.49) | 61.94 |
| IX Profit for the year (VII - VIII) | | 689.83 | 392.68 |
| X Other Comprehensive Income | | | |
| a. Items that will not be reclassified to profit or loss: | | | |
| (i) Remeasurements of the defined benefit plans | 32.ii | (33.15) | (13.72) |
| (ii) Equity Instruments through Other Comprehensive Income | | (166.23) | (347.56) |
| b. Income tax relating to items that will not be reclassified to profit or loss | 31 | 11.36 | 26.91 |
| Total other comprehensive income (a+b) | | (188.02) | (334.37) |
| XI Total comprehensive income for the year (IX+X) | | 501.81 | 58.31 |
| XII Earnings per equity share: | | | |
| Basic/ Diluted (of ₹ 10 each) | 34 | 24.20 | 13.78 |

See accompanying notes forming part of the standalone financial statements

In terms of our report attached

For S. B. BILLIMORIA & CO.
Chartered Accountants

GURVINDER SINGH
Partner

MUMBAI
DATED: 4 May 2017

For and on behalf of the Board of Directors

RENUKA RAMNATH
Chairperson

PRATIBHA K. ADVANI
Chief Financial Officer

MUMBAI
DATED: 4 May 2017

VINOD KUMAR
Managing Director & Group CEO

MANISH SANSI
Company Secretary

STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 MARCH 17
A. Equity Share Capital

₹ in crores

| Particulars | No. of Shares | Amount |
|---|---------------|--------|
| Balance at 1 April 2015 | 285,000,000 | 285.00 |
| Changes in equity share capital during the year | - | - |
| Balance at 31 March 2016 | 285,000,000 | 285.00 |
| Changes in equity share capital during the year | - | - |
| Balance at 31 March 2017 | 285,000,000 | 285.00 |

B. Other Equity

₹ in crores

| Particulars | Reserve and surplus | | | | | Items of other comprehensive income | | Total Other Equity |
|---|---------------------|--------------------|-----------------|-------------------------|-------------------|---|--|--------------------|
| | Capital reserve | Securities premium | General reserve | Debt redemption reserve | Retained earnings | Remeasurements of the defined benefit plans | Equity instrument through other comprehensive income | |
| Balance at 01 April 2015 | 206.06 | 725.01 | 5,215.35 | 97.94 | 2,495.40 | - | - | 8,739.76 |
| Profit for the year | | | | | 392.68 | | | 392.68 |
| Other comprehensive income/(loss) | | | | | - | (13.72) | (347.56) | (361.28) |
| Tax impact on Other comprehensive income/(loss) | | | | | - | 4.75 | 22.16 | 26.91 |
| Total comprehensive income/(loss) | - | - | - | - | 392.68 | (8.97) | (325.40) | 58.31 |
| Dividend paid (including dividend tax) | | | | | (199.11) | | | (199.11) |
| Dividend tax credit in respect of earlier year | | | | | 11.78 | | | 11.78 |
| Transfer from debt redemption reserve | | | 59.19 | (59.19) | | | | - |
| Transfer to general reserve | | | 67.46 | | (67.46) | | | - |
| Balance at 31 March 2016 | 206.06 | 725.01 | 5,342.00 | 38.75 | 2,633.29 | (8.97) | (325.40) | 8,610.74 |
| Profit for the year | | | | | 689.83 | | | 689.83 |
| Other comprehensive income/(loss) | | | | | | (33.15) | (166.23) | (199.38) |
| Tax impact on Other comprehensive income/(loss) | | | | | | 11.47 | (0.11) | 11.36 |
| Total comprehensive income/(loss) | - | - | - | - | 689.83 | (21.68) | (166.34) | 501.81 |
| Dividend paid (including dividend tax) | | | | | (147.50) | | | (147.50) |
| Dividend tax credit in respect of earlier year | | | | | 5.16 | | | 5.16 |
| Balance at 31 March 2017 | 206.06 | 725.01 | 5,342.00 | 38.75 | 3,180.78 | (30.65) | (491.74) | 8,970.21 |

See accompanying notes forming part of the standalone financial statements

In terms of our report attached

For S. B. BILLIMORIA & CO.
Chartered Accountants

GURVINDER SINGH
Partner
MUMBAI
DATED: 4 May 2017

For and on behalf of the Board of Directors
RENUKA RAMNATH
Chairperson

PRATIBHA K. ADVANI
Chief Financial Officer
MUMBAI
DATED: 4 May 2017

VINOD KUMAR
Managing Director & Group CEO

MANISH SANSI
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

| Particulars | Year ended 31 March 2017 ₹ in crores | Year ended 31 March 2016 ₹ in crores |
|---|--|--|
| 1 CASH FLOWS FROM OPERATING ACTIVITIES | | |
| PROFIT BEFORE TAX | 1,204.84 | 604.94 |
| Adjustments for: | | |
| Depreciation and amortisation expense | 764.58 | 742.99 |
| Gain on disposal of property, plant and equipment (net) | 0.18 | (2.49) |
| Interest income on financial assets carried at amortised cost | (72.27) | (72.52) |
| Finance cost | 30.68 | 31.30 |
| Fair value gain on investments in subsidiary (net) | 446.47 | (25.94) |
| Net gain on sale of partial interest in subsidiary | (1,696.22) | - |
| Gain on investments carried at fair value through profit or loss (net) | (61.73) | (71.24) |
| Dividend income from investment designated at fair value through other comprehensive income | (25.27) | (6.53) |
| Forex fluctuation on loans to related parties/ short term borrowings | 53.21 | 2.51 |
| Allowance for doubtful trade receivables | 7.51 | (45.71) |
| Provision for contractual obligations | 872.01 | - |
| Provisions for diminution in value of inventories | (2.76) | 0.29 |
| Allowance for doubtful advances | (0.08) | 1.10 |
| Bad debts | - | 54.58 |
| Loss on transfer of loan to subsidiary (refer note 7(ii)) | 13.38 | - |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 1,534.53 | 1,213.28 |
| Changes in working capital: | | |
| <i>Adjustments for (increase) / decrease in operating assets:</i> | | |
| Inventories | (5.68) | (2.73) |
| Trade receivables | 31.83 | (147.12) |
| Other assets | (124.60) | (28.49) |
| <i>Adjustments for increase / (decrease) in operating liabilities:</i> | | |
| Trade payables | 161.05 | 70.39 |
| Other liabilities | 55.72 | 72.80 |
| Provisions | (31.88) | 41.33 |
| Cash generated from operations before tax | 1,620.97 | 1,219.46 |
| Income tax paid (net) | (650.04) | (311.23) |
| NET CASH FROM OPERATING ACTIVITIES | 970.93 | 908.23 |
| 2 CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payment for property, plant and equipment and intangible assets | (841.76) | (756.14) |
| Proceeds from disposal of property, plant and equipment and intangible assets | 2.36 | 18.18 |
| Purchase of non-current investments | (0.04) | (85.75) |
| Proceeds from non-current investments | 2,092.88 | - |
| Purchase of current investments | (9,854.09) | (10,682.60) |
| Proceeds from sale of current investments | 9,918.36 | 10,809.55 |
| Amount paid under protest under litigation | (1,058.00) | - |
| Loans given to subsidiaries during the year | (1,692.11) | (230.00) |
| Loans repaid by subsidiaries during the year | 432.18 | - |
| Dividend income from subsidiaries | 25.27 | 6.53 |
| Interest received | 111.52 | 71.05 |
| Earmarked funds | (1.08) | (1.07) |
| NET CASH USED IN INVESTING ACTIVITIES | (864.51) | (850.25) |
| 3 CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 592.73 | 454.53 |
| Repayment of short-term borrowings | (524.74) | (313.44) |
| Repayment of long-term borrowings | - | (55.00) |
| Dividends paid including dividend tax | (142.34) | (187.33) |
| Interest paid | (16.00) | (21.25) |
| Net increase/ (decrease) in working capital borrowings | - | (4.76) |
| NET CASH FLOW USED IN FINANCING ACTIVITIES | (90.35) | (127.25) |
| NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS | 16.07 | (69.27) |
| CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR | 70.86 | 140.13 |
| CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (Refer note 12) | 86.93 | 70.86 |

During the year, the Company has entered in to non - cash investing activities which are not reflected in Statement of Cash Flow. For details refer note no 6 (III).
See accompanying notes forming part of the standalone financial statements

In terms of our report attached

For S. B. BILLIMORIA & CO.
Chartered Accountants

GURVINDER SINGH
Partner
MUMBAI
DATED: 4 May 2017

For and on behalf of the Board of Directors

RENUKA RAMNATH
Chairperson

PRATIBHA K. ADVANI
Chief Financial Officer
MUMBAI
DATED: 4 May 2017

VINOD KUMAR
Managing Director & Group CEO

MANISH SANSI
Company Secretary

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**1. Corporate information:**

TATA Communications Limited ("the Company") was incorporated on 19 March 1986. The Government of India vide its letter No. G-25015/6/86OC dated 27 March 1986, transferred all assets and liabilities of the Overseas Communications Service ("OCS") (part of the Department of Telecommunications, Ministry of Communications) as appearing in the Balance Sheet as at 31 March 1986 to the Company with effect from 1 April 1986. During the financial year 2007-08, the Company changed its name from Videsh Sanchar Nigam Limited to Tata Communications Limited and the fresh certificate of incorporation consequent upon the change of name was issued by the Registrar of Companies, Maharashtra on 28 January 2008.

The Company is domiciled in India and its registered office is at VSB, Mahatma Gandhi Road, Fort, Mumbai – 400 001.

The Company offers international and national voice and data transmission services, selling and leasing of bandwidth on undersea cable systems, internet connectivity services and other value-added services comprising unified conferencing and collaboration services, managed hosting, mobile global roaming and signalling services, transponder lease, television uplinking and other services.

2. Significant accounting policies**a. Statement of compliance**

In accordance with the notification issued by the Ministry of Corporate Affairs ("MCA"), the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from 1 April 2016. Previous periods have been restated to Ind AS. In accordance with Ind AS 101 - First time Adoption of Indian Accounting Standards, the Company has presented a reconciliation from the presentation of the financial statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS of shareholders equity as at 31 March 2016 and 1 April 2015 and of the comprehensive net income for the year ended 31 March 2016.

These financial statements have been prepared in accordance with Ind AS as notified under the Companies (Indian Accounting Standards) Rules, 2015 read with section 133 of the Companies Act, 2013.

b. Basis of preparation of financial statements

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

- Derivative financial instruments,
- Certain financial assets and liabilities measured at fair value (refer note 2 (s)).

The financial statements are presented in Indian Rupees ("INR") and all values are rounded to the nearest crores (INR 0,000,000), except when otherwise indicated.

c. Significant accounting judgements, estimates and assumptions

The preparation of these financial statements in conformity with recognition and measurement principles of Ind AS requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities, disclosures relating to contingent liability as at the date of the financial statement and the reported amounts of income and expense for the period presented.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate are revised and future periods are affected.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments – Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company

has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the standalone financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Defined benefit plans

The cost of the defined benefit plan and other post-employment benefits and the present value of such obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Useful lives of assets

The Company reviews the useful life of assets at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made. Contingent liabilities are disclosed in the notes. Contingent assets are not recognised in the financial statements.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions and contingent liabilities are reviewed at each balance sheet date.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
d. Cash and cash equivalents

Cash comprises cash on hand. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

e. Property, plant and equipment

- i. Property, plant and equipment are stated at cost of acquisition or construction, less accumulated depreciation / amortisation and impairment loss, if any. Cost includes inward freight, duties, taxes and all incidental expenses incurred to bring the assets ready for their intended use.
- ii. Jointly owned assets are capitalised in proportion to the Company's ownership interest in such assets.
- iii. Capital work-in-progress includes cost of property, plant and equipment under installation/ under development as at the balance sheet date and are carried at cost, comprising of direct cost, directly attributable cost and attributable interest.

The depreciable amount for property, plant and equipment is the cost of the property, plant and equipment or other amount substituted for cost, less its estimated residual value (wherever applicable). Depreciation on property, plant and equipment has been provided on the straight-line method as per the estimated useful lives. The asset's residual values, estimated useful lives and methods of depreciation are reviewed at each financial year end and any change in estimate is accounted for on a prospective basis.

Estimated useful lives of the assets are as follows:

| Property, plant and equipment | Useful lives of Assets |
|--|--|
| i. Plant and Machinery | |
| Network Equipment and Component (Refer 1 below) | 3 to 8 years |
| Sea cable (Refer 1 below) | 20 years or Contract period whichever is earlier |
| Land cable (Refer 1 below) | 15 years or Contract period whichever is earlier |
| Electrical Equipment and Installations* | 10 years |
| Earth station and Switch* | 13 years |
| General Plant and Machinery* | 15 years |
| ii. Office equipments | |
| Integrated Building Management Systems (Refer 1 below) | 8 years |
| Others* | 5 years |
| iii. Leasehold Land | Over the lease period |
| iv. Leasehold improvements | Asset life or lease period whichever is less |
| v. Buildings* | 30 to 60 years |
| vi. Roads* | 3 to 10 years |
| vii. Fences, Tubes and Well* | 5 years |
| viii. Temporary structures* | 3 years |
| ix. Furniture & Fixtures* | 10 years |
| x. Computers, server and network* | 3 to 6 years |

* On the above categories of assets, the depreciation has been provided as per useful life prescribed in Schedule II to the Companies Act, 2013.

1. In these cases, the lives of the assets are other than the prescribed lives in Schedule II to the Companies Act, 2013. The lives of the assets have been assessed based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

2. Property, plant and equipment are eliminated from financial statement, either on disposal or when retired from active use. Losses arising in the case of retirement of property, plant and equipment and gains or losses arising from disposal of property, plant and equipment are recognised in the Statement of Profit and Loss in the year of occurrence.

f. Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.

Indefeasible Right to Use ("IRU") taken for optical fibres are capitalised as intangible assets at the amounts paid for acquiring such rights. These are amortised on straight line basis, over the period of agreement.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets are amortised as follows:

| Intangible asset | Useful lives |
|--------------------------|--------------------------|
| Software and Application | 3 to 6 years |
| IRU | Over the contract period |

An intangible assets is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is de-recognised.

g. Investment Properties

Investment properties comprise of land and buildings that are held for long term lease rental yields and/ or for capital appreciation. Investment properties are initially recognised at cost including transaction costs. Subsequently investment property comprising of building is carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation on building is provided over the estimated useful lives as specified in Schedule II to the Companies Act, 2013. The residual values, estimated useful lives and depreciation method of investment properties are reviewed, and adjusted on prospective basis as appropriate, at each financial year end. The effects of any revision are included in the Statement of Profit and Loss when the changes arise.

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes.

Investment properties are de-recognised when either they have been disposed of or doesn't meet the criteria of investment property when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit and Loss in the period of de-recognition.

h. Impairment of non-financial asset

The carrying values of assets / cash generating units ("CGU") at each balance sheet date are reviewed for impairment, if any indication of impairment exists. The following intangible assets are tested for impairment at the end of each financial year even if there is no indication that the asset is impaired:

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

- i. an intangible asset that is not yet available for use; and
- ii. an intangible asset with indefinite useful lives.

If the carrying amount of the assets exceed the estimated recoverable amount, impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Statement of Profit and Loss, unless the asset is carried at a revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and the value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, to the extent the amount was previously charged to the Statement of Profit and Loss. In case of revalued assets such reversal is not recognised.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for the Company as a CGU. These budgets and forecast calculations generally cover a significant period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the significant period.

i. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Company enters into agreements for granting IRU of dark fibre capacities to third parties. These arrangements are classified as operating leases as the title to the assets and significant risk associated with the operation and maintenance of these assets remains with the Company. Upfront revenue is received for these arrangements and the same is deferred over the tenure of the IRU agreement. Unearned IRU revenue net of the amount recognisable within one year is disclosed as deferred revenue in non-current liabilities and the amount recognisable within one year is disclosed as deferred revenue in current liabilities.

Lessee

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term since the payment to the lessor are structured in a manner that the increase is not expected to be in line with expected general inflation.

Lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease.

Leases are classified as finance leases when substantially all of the risks and rewards incidental to ownership of an asset are transferred from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

j. Inventories

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

k. Employee benefits

Employee benefits include contributions to provident fund, employee state insurance scheme, gratuity fund, compensated absences, pension and post-employment medical benefits.

i. Short term employee benefits

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

ii. Post-employment benefits

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

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable), excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the Statement of Profit and Loss in subsequent periods. Past service cost is recognised in the Statement of Profit and Loss in the period of plan amendment.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Company recognises changes in service costs comprising of current service costs, past-service costs, gains and losses on curtailments and non-routine settlements under employee benefit expenses in the Statement of Profit and Loss. The net interest expense or income is recognised as part of finance cost in the Statement of Profit and Loss.

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

iii. Other long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date.

l. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable and is reduced for estimated customer credit notes and other similar allowances.

- i. Revenues from Voice Solutions (VS) are recognised at the end of each month based upon minutes of traffic carried during the month.
- ii. Revenues from Data Managed Services (DMS) are recognised over the period of the respective arrangements based on contracted fee schedules.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

- iii. Revenues from IRU of fibre capacity provided as operating lease are recognised on a straight line basis over the term of the relevant IRU.
- iv. Exchange/ swaps with service providers of telecommunication services are accounted for as non-monetary transactions depending on the terms of the agreements entered into with such telecommunication service provider.
- v. Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same and there is a reasonable assurance that the Company will comply with the conditions attached to them.

m. Other income

- i. Dividends from investments are recognised when the right to receive payment is established and no significant uncertainty as to collectability exists.
- ii. Interest income - For all financial instruments measured at amortised cost, interest income is recorded on accrual basis. Interest income is included in Other income in the Statement of Profit and Loss.

n. Taxation**Current income tax**

- i. Current tax expense is determined in accordance with the provisions of the Income Tax Act, 1961.
- ii. Provision for current income taxes and advance taxes paid in respect of the same jurisdiction are presented in the balance sheet after offsetting them on an assessment year basis.

Deferred tax

Deferred tax is provided using the balance sheet approach on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit and Loss is recognised outside the Statement of Profit and Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o. Fair value measurement

The Company measures financial instruments such as derivatives and certain investments, at fair value at each balance sheet date.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

The fair value of a financial asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 — Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

For assets and liabilities that are recognised in the balance sheet on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair valuation for assets and liabilities has been performed by an independent actuary.

p. Foreign currencies

The Company's financial statements are presented in INR, which is also the Company's functional currency.

Foreign currency transactions are converted into INR at rates of exchange approximating those prevailing at the transaction dates or at the average exchange rate for the month in which the transaction occurs. Foreign currency monetary assets and liabilities are outstanding as at the balance sheet date are translated to INR at the closing rates prevailing on the balance sheet date. Exchange differences on foreign currency transactions are recognised in the Statement of Profit and Loss.

q. Borrowing costs

Borrowing costs include interest, amortisation of any fee paid to the lender at the time of availing the borrowing. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

r. Earnings per share

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

s. Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)**A. Financial assets****i. Financial assets at amortised cost**

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows that give rise on specified dates to solely payments of principal and interest on the principal amount outstanding and by selling financial assets.

The Company has made an irrevocable election to present in Other Comprehensive Income subsequent changes in the fair value of equity investments not held for trading.

iii. Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in Statement of Profit and Loss.

iv. De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at lower of the original carrying amount of the asset and maximum amount of consideration that the Company could be required to repay.

v. Impairment of financial assets

The Company assesses impairment based on expected credit losses (ECL) model to the following:

- Financial assets measured at amortised cost;
- Financial assets measured at Fair Value through Other Comprehensive Income;

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables

Under the simplified approach, the Company does not track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECL at reporting date.

The Company uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, the

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

historical observed default rates are updated and changes in the forward-looking estimates are analysed. For assessing ECL on a collective basis, financial assets have been grouped on the basis of shared risk characteristics and basis of estimation may change during the course of time due to change in risk characteristics.

B. Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

i. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

I. **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost on accrual basis.

II. **De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

ii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

iii. Derivative financial instruments – Initial and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

t. **Recent accounting pronouncements**

Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows'. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows'. The amendments are applicable to the Company from 1 April 2017.

Amendment to Ind AS 7

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| 3. Property, plant and equipment | | | | | | | | | | | (₹ in crores) |
|---|----------------|----------------|------------------------|----------|---------------------|------------------------|------------------|-----------|----------------|----------|---------------|
| Particulars | Free hold Land | Leasehold Land | Leasehold Improvements | Building | Plant and Machinery | Furniture and Fixtures | Office Equipment | Computers | Motor Vehicles | Total | |
| Cost | | | | | | | | | | | |
| Balance at 1 April 2015 | 13.57 | 1.42 | 0.72 | 407.45 | 7,727.67 | 131.97 | 61.56 | 349.01 | 0.43 | 8,693.80 | |
| Additions | - | - | - | 2.20 | 620.05 | 4.98 | 6.89 | 35.56 | - | 669.68 | |
| Disposals / write off | - | - | - | - | (35.88) | (0.50) | (0.01) | (1.14) | (0.09) | (37.62) | |
| Transferred to investment property | - | - | - | (36.91) | - | - | - | - | - | (36.91) | |
| Balance at 31 March 2016 | 13.57 | 1.42 | 0.72 | 372.74 | 8,311.84 | 136.45 | 68.44 | 383.43 | 0.34 | 9,288.95 | |
| Additions | - | - | 0.29 | 1.15 | 622.59 | 3.58 | 11.93 | 16.23 | 0.56 | 656.33 | |
| Disposals / write off | - | - | - | (0.03) | (8.33) | (0.59) | (0.03) | (5.98) | - | (14.96) | |
| Reclassified as held for sale | (0.44) | - | - | (4.56) | - | - | - | - | - | (5.00) | |
| Transferred to investment property | - | - | - | (52.77) | - | - | - | - | - | (52.77) | |
| Balance at 31 March 2017 | 13.13 | 1.42 | 1.01 | 316.53 | 8,926.10 | 139.44 | 80.34 | 393.68 | 0.90 | 9,872.55 | |
| Accumulated Depreciation and impairment | | | | | | | | | | | |
| Balance at 1 April 2015 | - | 0.02 | 0.72 | 75.90 | 4,717.53 | 82.54 | 44.86 | 297.19 | 0.43 | 5,219.19 | |
| Depreciation | - | - | - | 6.68 | 607.20 | 9.30 | 5.20 | 22.76 | - | 651.14 | |
| Disposals / write off | - | - | - | - | (20.44) | (0.34) | (0.02) | (1.05) | (0.09) | (21.94) | |
| Transferred to investment property | - | - | - | (2.43) | - | - | - | - | - | (2.43) | |
| Balance at 31 March 2016 | - | 0.02 | 0.72 | 80.15 | 5,304.29 | 91.50 | 50.04 | 318.90 | 0.34 | 5,845.96 | |
| Depreciation | - | - | 0.04 | 6.51 | 609.07 | 9.32 | 6.55 | 23.41 | 0.06 | 654.96 | |
| Disposals / write off | - | - | - | (0.03) | (7.04) | (0.55) | (0.03) | (5.95) | - | (13.60) | |
| Eliminated on reclassification as held for sale | - | - | - | (1.69) | - | - | - | - | - | (1.69) | |
| Transferred to investment property | - | - | - | (5.59) | - | - | - | - | - | (5.59) | |
| Balance at 31 March 2017 | - | 0.02 | 0.76 | 79.35 | 5,906.32 | 100.27 | 56.56 | 336.36 | 0.40 | 6,480.04 | |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

| Particulars | (₹ in crores) | | | | | | | | | |
|--------------------------|----------------|----------------|------------------------|----------|---------------------|------------------------|------------------|-----------|----------------|----------|
| | Free hold Land | Leasehold Land | Leasehold Improvements | Building | Plant and Machinery | Furniture and Fixtures | Office Equipment | Computers | Motor Vehicles | Total |
| Carrying amount | | | | | | | | | | |
| Balance at 1 April 2015 | 13.57 | 1.40 | - | 331.55 | 3,010.14 | 49.43 | 16.70 | 51.82 | - | 3,474.61 |
| Balance at 31 March 2016 | 13.57 | 1.40 | - | 292.59 | 3,007.55 | 44.95 | 18.40 | 64.53 | - | 3,442.99 |
| Balance at 31 March 2017 | 13.13 | 1.40 | 0.25 | 237.18 | 3,019.78 | 39.17 | 23.78 | 57.32 | 0.50 | 3,392.51 |

Note:

- Freehold land includes ₹ 0.16 crores (2016: ₹ 0.16 crores and 2015: ₹ 0.16 crores) identified as surplus land.
- Gross block of buildings includes:
 - ₹ 32.75 crores (2016: ₹ 32.75 crores and 2015: ₹ 32.75 crores) for flats at Mumbai in respect of which agreements have not been executed.
 - ₹ 0.38 crores (2016: ₹ 0.38 crores and 2015: ₹ 0.38 crores) for sheds at GIDC, Gandhinagar in respect of which agreements have not been executed.
- Finance cost capitalised during the year is ₹ 9.06 crores (2016: ₹ 3.07 crores) in respect of capital expenditure.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
4. Investment property

| | (₹ in crores) | | |
|---|---------------|---------------|---------------|
| Particulars | Land | Building | Total |
| Cost | | | |
| Balance at 1 April 2015 | 0.54 | 194.59 | 195.13 |
| Transferred from property, plant and equipment | - | 36.91 | 36.91 |
| Balance at 31 March 2016 | 0.54 | 231.50 | 232.04 |
| Transferred from property, plant and equipment | - | 52.77 | 52.77 |
| Eliminated on reclassification as held for sale | (0.01) | - | (0.01) |
| Balance at 31 March 2017 | 0.53 | 284.27 | 284.80 |
| Accumulated Depreciation and impairment | | | |
| Balance at 1 April 2015 | - | 25.86 | 25.86 |
| Depreciation | - | 3.62 | 3.62 |
| Transferred from property, plant and equipment | - | 2.43 | 2.43 |
| Balance at 31 March 2016 | - | 31.91 | 31.91 |
| Depreciation | - | 3.97 | 3.97 |
| Transferred from property, plant and equipment | - | 5.59 | 5.59 |
| Balance at 31 March 2017 | - | 41.47 | 41.47 |
| Carrying amount | | | |
| Balance at 1 April 2015 | 0.54 | 168.73 | 169.27 |
| Balance at 31 March 2016 | 0.54 | 199.59 | 200.13 |
| Balance at 31 March 2017 | 0.53 | 242.80 | 243.33 |

Note:
a. Information regarding income and expenditure of Investment property :

| | Year ended 31 March 2017 | Year ended 31 March 2016 |
|--|-----------------------------|-----------------------------|
| Particulars | | |
| Rental income derived from investment properties (A) | 95.68 | 80.08 |
| Direct operating expenses (including repairs and maintenance) generating rental income: | | |
| Rates and taxes | 6.76 | 9.29 |
| Other operating expenses | 9.03 | 6.17 |
| Repairs and maintenance | 16.54 | 13.14 |
| Total (B) | 32.33 | 28.60 |
| Direct operating expenses (including repairs and maintenance) that did not generate rental income: | | |
| Rates and taxes | 0.11 | 0.14 |
| Other operating expenses | 0.63 | 0.84 |
| Repairs and maintenance | 0.31 | 0.53 |
| Total (C) | 1.05 | 1.51 |
| Total (D) (B+C) | 33.38 | 30.11 |
| Profit arising from investment properties before depreciation and indirect expenses (E) (A-D) | 62.30 | 49.97 |
| Less: Depreciation | 3.97 | 3.62 |
| Profit arising from investment properties before indirect expenses | 58.33 | 46.35 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

b. Fair value of Investment property:

| | | | (₹ in crores) |
|---------------------|-------------|-------------|---------------|
| Particulars | 31 March 17 | 31 March 16 | 1 April 15 |
| Investment Property | 1,051.12 | 883.84 | 761.44 |

Estimation of Fair value:

The fair value of investment property has been determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The best evidence of fair value is current price in an active market for similar properties. Where such information is not available, the Company considers information from a variety of sources including:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

5. Intangible assets

| | (₹ in crores) | | |
|---------------------------------|--------------------------|----------------------------------|-----------------|
| | Software and Application | Indefeasible Right to Use Assets | Total |
| Cost | | | |
| Balance at 1 April 2015 | 456.11 | 421.01 | 877.12 |
| Additions | 98.95 | 1.67 | 100.62 |
| Disposals/write off | (0.04) | - | (0.04) |
| Balance at 31 March 2016 | 555.02 | 422.68 | 977.70 |
| Additions | 100.88 | 0.19 | 101.07 |
| Disposals/write off | (5.03) | - | (5.03) |
| Balance at 31 March 2017 | 650.87 | 422.87 | 1,073.74 |
| Accumulated Amortisation | | | |
| Balance At 1 April 2015 | 266.13 | 256.70 | 522.83 |
| Amortisation | 66.00 | 22.23 | 88.23 |
| Disposals/write off | (0.02) | - | (0.02) |
| Balance at 31 March 2016 | 332.11 | 278.93 | 611.04 |
| Amortisation | 83.38 | 22.27 | 105.65 |
| Disposals/write off | (4.04) | (0.01) | (4.05) |
| Balance at 31 March 2017 | 411.45 | 301.19 | 712.64 |
| Carrying amount | | | |
| Balance at 1 April 2015 | 189.98 | 164.31 | 354.29 |
| Balance at 31 March 2016 | 222.91 | 143.75 | 366.66 |
| Balance at 31 March 2017 | 239.42 | 121.68 | 361.10 |

- Finance cost capitalised during the year is ₹ 2.98 crores (2016: ₹ 2.06 crores) in respect of capital expenditure.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
6. Investments

| | | As at 31 March 2017 | | As at 31 March 2016 | | As at 1 April 2015 | |
|-------------|--|----------------------------|--------------------|----------------------------|--------------------|---------------------------|--------------------|
| | | No of shares | ₹ in crores | No of shares | ₹ in crores | No of shares | ₹ in crores |
| | | <i>(₹ in crores)</i> | | | | | |
| A. | Non-current investments | | | | | | |
| a. | Investment at cost | | | | | | |
| i. | In subsidiaries fully paid equity shares - Unquoted | | | | | | |
| | Tata Communications Lanka Limited | 13,661,422 | 7.41 | 13,661,422 | 7.41 | 13,661,422 | 7.41 |
| | Tata Communications International Pte. Ltd.* (Refer III (c and d) below) | 191,102,862 | 2,521.15 | 110,810,000 | 474.23 | 110,810,000 | 474.23 |
| | Tata Communications Transformation Services Limited | 500,000 | 0.50 | 500,000 | 0.50 | 500,000 | 0.50 |
| | STT Global Data Centres India Private Limited (Refer IV below) | - | - | 10,000 | 0.01 | 50,000 | 0.05 |
| | Tata Communications Collaboration Services Private Limited | 20,000 | 0.02 | 20,000 | 0.02 | - | - |
| | Tata Communications Payment Solutions Limited (Refer II and III (a and b) below) | 754,457,415 | 1,398.06 | 662,714,284 | 1,352.71 | 372,714,284 | 1,153.18 |
| | VSNL SNOSPV Pte. Ltd. (Refer I below) (net of impairment) | - | - | 769,333 | - | 769,333 | - |
| | Subtotal (a) (i) | | 3,927.14 | | 1,834.88 | | 1,635.37 |
| ii. | In subsidiaries fully paid preference shares - Unquoted | | | | | | |
| | Tata Communications Payment Solutions Limited (Refer III (a and b) below) | 355,000,000 | 114.99 | - | - | - | - |
| | Subtotal (a) (ii) | | 114.99 | | - | | - |
| iii. | In an Associate | | | | | | |
| | STT Global Data Centres India Private Limited (Equity shares) (Refer IV below) | 2,600 | @ | - | - | - | - |
| | United Telecom Limited (Equity shares) (net of impairment) | 5,731,900 | - | 5,731,900 | - | 5,731,900 | - |
| | Smart ICT Services Private Limited (GIFT) | | | | | | |
| | Preference shares (Refer V below) | 232,874 | 0.23 | 189,728 | 0.19 | 54,208 | 0.05 |
| | Equity shares (Refer V below) | 12,000 | 0.01 | 9,500 | 0.01 | 9,500 | 0.01 |
| | Subtotal (a) (iii) | | 0.24 | | 0.20 | | 0.06 |
| | Subtotal (a) (i)+(ii)+(iii) | | 4,042.37 | | 1,835.08 | | 1,635.43 |

@ represent amount less than ₹ 50,000/-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

| | | As at 31 March 2017 | | As at 31 March 2016 | | As at 1 April 2015 | |
|------------|---|---------------------|-----------------|---------------------|-----------------|--------------------|-----------------|
| | | No of shares | ₹ in crores | No of shares | ₹ in crores | No of shares | ₹ in crores |
| b. | Investment at amortised cost | | | | | | |
| | Non-Convertible | | | | | | |
| | Debentures In subsidiaries | | | | | | |
| | (Unquoted) | | | | | | |
| | STT Global Data Centres India Private Limited (Refer IV below) | - | - | 3,500 | 350.00 | 3,500 | 350.00 |
| | Subtotal (b) | - | - | | 350.00 | | 350.00 |
| c. | Investment at FVTOCI | | | | | | |
| i. | Investment in others (fully paid equity shares) - Unquoted | | | | | | |
| | Tata Teleservices Ltd.* (Refer VI below) | 439,863,622 | 515.53 | 439,863,622 | 682.24 | 439,863,622 | 1,026.64 |
| | Other investments | 297,134 | 6.16 | 297,134 | 6.16 | 237,370 | 0.52 |
| | Subtotal (c) (i) | | 521.69 | | 688.40 | | 1,027.16 |
| ii. | Investment in others (Fully Paid Equity Shares) - quoted | | | | | | |
| | Pendrell Corporation | 680,373 | 2.86 | 680,373 | 2.38 | 680,373 | 5.53 |
| | Subtotal c (ii) | | 2.86 | | 2.38 | | 5.53 |
| | Subtotal (c) (i)+(ii) | | 524.55 | | 690.78 | | 1,032.69 |
| d. | Investment at FVTPL In subsidiaries, fully paid preference shares Unquoted | | | | | | |
| | Tata Communications International Pte. Ltd.* | - | - | 30,955,250 | 656.10 | 30,955,250 | 671.85 |
| | VSNL SNOSPV Pte. Ltd (Refer I below) | - | - | 24,680,000 | - | 24,680,000 | - |
| | Tata Communications Payment Solutions Limited (Refer III (a and b) below) | - | - | 495,000,000 | 153.58 | 850,000,000 | 231.42 |
| | Subtotal (d) | - | - | | 809.68 | | 903.27 |
| | Total Non-current investments (a)+(b)+(c)+(d) | | 4,566.92 | | 3,685.54 | | 3,921.39 |
| | Aggregate Market value of quoted investments | | 2.86 | | 2.38 | | 5.53 |
| | Aggregate carrying value of unquoted investments (net of impairments) | | 4,564.06 | | 3,683.16 | | 3,915.86 |
| | Total Non-Current investments | | 4,566.92 | | 3,685.54 | | 3,921.39 |
| B. | Current investments | | | | | | |
| | Investments at Fair Value through Profit or Loss (Mutual Funds) | | 799.30 | | 801.84 | | 857.55 |
| | Market value of investments is equal to carrying value | | | | | | |

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

- I. During the current year, the Company has transferred its entire shareholding in VSNL SNOSPV Pte Ltd to Tata Communications International Pte Ltd. ("TCIPL") for a nominal cash consideration of ₹ @ (USD 2).
- II. The Company has an investment of ₹1,398.06 crores (2016: ₹1,352.71 crores, 2015: ₹1,153.18 crores) in equity shares of Tata Communications Payment Solutions Limited ("TCPSP"). In the opinion of the management, having regard to the nature of the subsidiary business and future business projections, there is no diminution, other than temporary in the value of investment despite significant accumulated losses.
- III.
 - a. During the previous year, terms of preference shares of TCPSP aggregating ₹ 930.00 crores (including ₹80.00 crores new investment made in that year) were changed from 12% cumulative redeemable preference shares to 12% convertible preference shares and thereafter 435,000,000, 12% convertible preference shares of TCPSP of ₹ 10 each were converted to 290,000,000 equity shares of ₹ 10 each at a premium of ₹ 5.00 per share.
 - b. During the current year, the terms of issue of 495,000,000, 12% convertible preference shares of TCPSP have been changed so as to make them convertible into a fixed number of 324,377,500 equity shares having face value of ₹ 10 each and convertible at a premium of ₹ 5.26 per share.

As per modified terms of conversion, the investment in preference shares in substance is equity instrument and hence carried at cost.

Subsequent to modification in terms, on 22 December 2016, 140,000,000, 12% convertible preference shares converted into 91,743,131 equity shares of ₹ 10 each at premium of ₹ 5.26 per share.
 - c. During the current year, consequent to modification of terms of conversion, the Company converted its investment in TCIPL of 30,955,250 preference shares of USD 1 each into equity shares at a fair value of USD 3.89 per share resulting in a loss of ₹ 453.23 crores on account of reduction in the fair value of preference shares. The original terms of conversion was one equity share in exchange of one preference share.
 - d. During the current year, loan given by the Company to TCIPL, amounting to USD 281,383,984 was converted into 72,335,214 equity shares of USD 1 each at a fair value of USD 3.89 per share.
- IV. During the current year, the Company has completed sale of 74% shareholding in Tata Communications Data Centers Private Limited ("TCDC") to Singapore Technologies Telemedia (ST Telemedia) for a cash consideration of ₹ 1,796.78 crores resulting into a gain on sale of ₹ 1,696.22 crores. The Company has considered this investment to be an investment in associate as it retains an equity share exceeding 20% with a right to appoint two director's on their Board. In April 2017, name of TCDC was changed to STT Global Data Centres India Private Limited.
- V. During the current year, the Company acquired an additional 5% of the equity share capital of Smart ICT Services Private Limited (Smart ICT), taking the Company's total shareholding in the equity share capital of Smart ICT to 24%, pursuant to which, Smart ICT became an associate of the Company, whereas earlier the same was considered as investment in others.
- VI. The Company has investment in the equity shares of Tata Teleservices Limited ("TTSL") which is recognised at fair value through Other Comprehensive Income. During the quarter ended 31 December 2016, the Company reassessed the fair value of TTSL and accordingly recognised a loss of ₹ 166.71 crores (2016: ₹ 344.40 crores) in Other Comprehensive Income. As of the date of issue of these financial statements, due to the continued volatility of market conditions, it was not possible to complete an updated valuation report to determine fair value as at 31 March 2017.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

• Category-wise other investments

| | (₹ in crores) | | |
|---|-----------------|-----------------|-----------------|
| | As at | As at | As at |
| Particulars | 31 March 2017 | 31 March 2016 | 1 April 2015 |
| Financial assets carried at Cost | | | |
| Unquoted investment in equity shares | 3,927.15 | 1,834.89 | 1,635.38 |
| Unquoted investment in preference shares | 115.22 | 0.19 | 0.05 |
| Financial assets carried at amortised cost | | | |
| Unquoted investment in debentures | - | 350.00 | 350.00 |
| Financial assets carried at fair value through other comprehensive income (FVTOCI) | | | |
| Unquoted investment in equity shares | 521.69 | 688.40 | 1,027.16 |
| Quoted investment in equity shares | 2.86 | 2.38 | 5.53 |
| Financial assets carried at fair value through profit or loss (FVTPL) | | | |
| Unquoted investment in preference shares | - | 809.68 | 903.27 |
| Investment in mutual funds | 799.30 | 801.84 | 857.55 |
| Total investments | 5,366.22 | 4,487.38 | 4,778.94 |

7. Loans

| | (₹ in crores) | | |
|--|---------------|---------------|---------------|
| | As at | As at | As at |
| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
| A. Non – Current financial assets | | | |
| Loans to related parties: (Refer i below) | | | |
| i. Unsecured, Considered good | 0.12 | 343.36 | 320.25 |
| ii. Unsecured, Considered doubtful | - | 12.29 | 12.29 |
| Less: allowance for doubtful loans (Refer ii below) | - | (12.29) | (12.29) |
| Total (A) | 0.12 | 343.36 | 320.25 |
| B. Current financial assets | | | |
| Loan to related party - Unsecured, Considered good (Refer iii below) | - | 324.00 | 94.00 |
| Total (B) | - | 324.00 | 94.00 |
| Loans (A) + (B) | 0.12 | 667.36 | 414.25 |

i. Loans to related parties comprises loans given to subsidiaries for general Corporate purposes as follows:

| | (₹ in crores) | | |
|---|---------------|---------------|---------------|
| | As at | As at | As at |
| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
| 1. VSNL SNOSPV Pte. Ltd. | - | 12.29 | 12.29 |
| 2. Tata Communications Collaboration Services Private Limited | 0.12 | 0.12 | - |
| 3. Tata Communications International Pte. Ltd. | - | 343.24 | 320.25 |
| | 0.12 | 355.65 | 332.54 |

ii. During the current year, the Company assigned a loan given to VSNL SNOSPV Pte Ltd to TC IPL amounting to ₹15.56 crores (net of allowances of ₹ 12.29 crores) for a cash consideration of ₹ 2.18 crores resulting in a loss of ₹ 13.38 crores.

iii. Loan given to STT Global Data Centres India Private Limited for general corporate purposes.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
8. Other Financial Assets

| | (₹ in crores) | | |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| A. Non – Current | | | |
| a. <u>Security deposits:</u> | | | |
| i. Unsecured, Considered good | 61.81 | 42.33 | 35.60 |
| ii. Unsecured, Considered doubtful | 2.80 | 2.69 | 1.83 |
| Less: allowance for doubtful security deposits | (2.80) | (2.69) | (1.83) |
| | 61.81 | 42.33 | 35.60 |
| b. <u>Advance for Litigations (refer note 29)</u> | | | |
| Unsecured | 1,058.00 | - | - |
| Less: provision for contractual obligation | (872.01) | - | - |
| | 185.99 | - | - |
| c. Guarantee fees receivables from subsidiaries (Refer i below) | 42.70 | 63.99 | 147.49 |
| d. Pension contributions recoverable from Government of India (net) (Refer ii below) | 7.44 | 7.44 | 7.44 |
| e. Other advances / receivables - Unsecured, Considered good | 0.37 | 0.15 | 0.36 |
| Total (A) | 298.31 | 113.91 | 190.89 |
| B. Current | | | |
| a. Security Deposits - Unsecured, Considered good | 6.76 | 4.33 | 4.62 |
| b. Guarantee fees receivable from subsidiaries (Refer iii below) | 24.20 | 31.79 | 113.15 |
| c. <u>Others:</u> | | | |
| Unsecured, Considered good | 4.54 | 5.02 | 3.55 |
| Unsecured, Considered doubtful | 0.85 | 0.87 | 0.83 |
| Less: allowance for doubtful advances | (0.85) | (0.87) | (0.83) |
| | 4.54 | 5.02 | 3.55 |
| d. Advances to related parties - Unsecured, Considered good | 82.24 | 34.70 | 39.69 |
| e. Advances to employees - Unsecured, Considered good | 0.05 | 0.11 | 0.11 |
| f. Interest receivable-Unsecured, Considered good (Refer iv below) | 0.82 | 40.02 | 7.68 |
| Total (B) | 118.61 | 115.97 | 168.80 |
| Other Financial Assets (A) + (B) | 416.92 | 229.88 | 359.69 |

i. Guarantee fees receivables from subsidiaries is as follows:

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
|---|------------------------|------------------------|-----------------------|
| 1. Tata Communications Netherlands B.V. | 39.34 | 60.22 | 118.25 |
| 2. Tata Communications International Pte Ltd. | 3.36 | 3.77 | 29.24 |
| | 42.70 | 63.99 | 147.49 |

The Company has issued corporate guarantees for the loans and credit facility arrangements in respect of various subsidiaries.

- ii. As at 31 March 2017 the proportionate share of pension obligations and payments of ₹ 61.15 crores (2016: ₹ 61.15 crores, 2015: ₹ 61.15 crores) to the erstwhile Overseas Communications Service ("OCS") employees was recoverable from the Government of India ("the Government"). Pursuant to discussions with the Government, the Company had made a provision of ₹ 53.71 crores (2016: ₹ 53.71 crores, 2015: ₹ 53.71 crores) resulting in a net amount due from the Government towards its share of pension obligations of ₹ 7.44 crores (2016: ₹ 7.44 crores, 2015: ₹ 7.44 crores).
- iii. Guarantee fees receivables from subsidiaries is as follows:

| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
|---|------------------------|------------------------|-----------------------|
| 1. Tata Communications Netherlands B.V. | 21.44 | 27.88 | 91.36 |
| 2. Tata Communications International Pte Ltd. | 2.72 | 3.81 | 21.55 |
| 3. Tata Communications Canada Limited | 0.04 | - | - |
| 4. Tata Communications (UK) Limited | - | - | 0.02 |
| 5. VSNL SNOSPV Pte. Ltd | - | 0.10 | 0.22 |
| | 24.20 | 31.79 | 113.15 |

The Company has issued corporate guarantees for the loans and credit facility arrangements in respect of various subsidiaries.

- iv. Interest receivable includes interest due from subsidiaries of ₹ 0.04 crores (2016: ₹ 0.02 crores, 2015: ₹ 6.65 crores).

9. Deferred tax assets (net)

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

| | As at 1 April 2016 | Recognised in Statement of Profit and Loss | Recognised in Other Comprehensive Income | As at 31 March 2017 |
|--|-----------------------|--|---|------------------------|
| Deferred tax assets arising out of timing differences on: | | | | |
| Provision for doubtful trade receivables | 70.66 | 2.60 | - | 73.26 |
| Provision for employee benefits | 38.08 | 1.99 | 5.63 | 45.70 |
| Expenditure incurred on NLD licence fees | 9.11 | (1.82) | - | 7.29 |
| Expenditure disallowed u/s. 40 (a) (ia) | 83.22 | (15.48) | - | 67.74 |
| Unearned income and deferred revenues | 4.85 | (1.38) | - | 3.47 |
| Interest received on provisional income-tax assessment | 10.41 | - | - | 10.41 |
| Revaluation loss on buyers credit | 0.91 | (10.25) | - | (9.34) |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | As at 1 April 2016 | Recognised in Statement of Profit and Loss | Recognised in Other Comprehensive Income | (₹ in crores) As at 31 March 2017 |
|---|-------------------------------|--|---|---|
| Provision towards demand received from Employee State Insurance Corporation | 8.85 | 0.14 | - | 8.99 |
| Others | 36.72 | (36.00) | - | 0.72 |
| Total deferred tax assets (A) | 262.81 | (60.20) | 5.63 | 208.24 |
| Deferred tax liability arising out of timing differences on: | | | | |
| Difference between accounting and tax depreciation / amortisation | 128.70 | (29.91) | - | 98.79 |
| Long term Capital gain on fair value of Investments | 134.62 | (117.78) | 0.11 | 16.95 |
| Total deferred tax liabilities (B) | 263.32 | (147.69) | 0.11 | 115.74 |
| Deferred tax assets/ (liability) (A - B) | (0.51) | 87.49 | 5.52 | 92.50 |

| | As at 1 April 2015 | Recognised in Statement of Profit and Loss | Recognised in Other Comprehensive Income | As at 31 March 2016 |
|---|-------------------------------|--|---|--------------------------------|
| Deferred tax assets arising out of timing differences on: | | | | |
| Provision for doubtful trade receivables | 85.35 | (14.69) | - | 70.66 |
| Provision for employee benefits | 28.98 | 9.10 | - | 38.08 |
| Expenditure incurred on NLD licence fees | 10.93 | (1.82) | - | 9.11 |
| Expenditure disallowed u/s. 40 (a) (ia) | 163.93 | (80.71) | - | 83.22 |
| Unearned income and deferred revenues | 6.23 | (1.38) | - | 4.85 |
| Interest received on provisional income-tax assessment | 18.18 | (7.77) | - | 10.41 |
| Revaluation loss on buyers credit | 4.21 | (3.30) | - | 0.91 |
| Provision towards demand received from Employee State Insurance Corporation | - | 8.85 | - | 8.85 |
| Others | 33.64 | 3.08 | - | 36.72 |
| Total deferred tax assets (A) | 351.45 | (88.64) | - | 261.81 |
| Deferred tax liability arising out of timing differences on: | | | | |
| Difference between accounting and tax depreciation / amortisation | 161.39 | (32.69) | - | 128.70 |
| Long term Capital gain on fair value of Investments | 150.79 | 5.99 | (22.16) | 134.62 |
| Total deferred tax liabilities (B) | 312.18 | (26.70) | (22.16) | 263.32 |
| Deferred tax assets/ (liability) (A - B) | 39.27 | (61.94) | 22.16 | (0.51) |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

10. Other assets

| | As at 31 March 2017 | As at 31 March 2016 | (₹ in crores) As at 1 April 2015 |
|---|------------------------|------------------------|--|
| A. Non-current | | | |
| a. <u>Capital advances:</u> | | | |
| i. Unsecured, Considered good | 2.23 | 3.84 | 1.57 |
| ii. Unsecured, Considered doubtful | 6.01 | 6.01 | 6.01 |
| Less: allowance for doubtful advances | (6.01) | (6.01) | (6.01) |
| | 2.23 | 3.84 | 1.57 |
| b. <u>Other advances / receivables:</u> | | | |
| i. Unsecured, Considered good | 43.62 | 39.14 | 37.78 |
| ii. Unsecured, Considered doubtful | 0.09 | 0.08 | 0.05 |
| Less: allowance for doubtful advances | (0.09) | (0.08) | (0.05) |
| | 43.62 | 39.14 | 37.78 |
| c. Prepaid expenses – Unsecured, considered good | 178.37 | 180.49 | 180.38 |
| d. Amount paid under protest | 25.58 | 25.58 | 25.58 |
| e. NLD license fees reimbursement recoverable from Government of India | 0.64 | 0.64 | 0.64 |
| Total (A) | 250.44 | 249.69 | 245.95 |
| B. Current | | | |
| a. <u>Advances to employees:</u> | | | |
| Unsecured, Considered good | 1.88 | 1.62 | 1.91 |
| Unsecured, Considered doubtful | 0.62 | 0.80 | 0.76 |
| Less: allowance for doubtful advances | (0.62) | (0.80) | (0.76) |
| | 1.88 | 1.62 | 1.91 |
| b. Prepaid expenses - Unsecured, Considered good | 91.60 | 82.61 | 73.73 |
| c. <u>Balance with government authorities - Unsecured, Considered good:</u> | | | |
| Service tax recoverable (net) | 76.70 | 41.82 | 46.24 |
| Others | 0.01 | 0.01 | - |
| d. <u>Others:</u> | | | |
| <u>Advance to contractors and vendors</u> | | | |
| Unsecured, Considered good | 4.09 | 3.05 | 3.96 |
| Unsecured, Considered doubtful | 0.24 | 0.24 | 0.11 |
| Less: allowance for doubtful advances | (0.24) | (0.24) | (0.11) |
| | 4.09 | 3.05 | 3.96 |
| Other advances | 18.15 | 8.16 | 15.25 |
| Advance to Provident fund trust | - | - | 6.48 |
| Total (B) | 192.43 | 137.27 | 147.57 |
| Other assets (A) + (B) | 442.87 | 386.96 | 393.52 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
11. Trade receivables – Unsecured

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Trade receivables | | | |
| Considered good | 806.98 | 846.33 | 708.08 |
| Doubtful | 210.06 | 202.55 | 248.26 |
| | 1,017.04 | 1,048.88 | 956.34 |
| Less: Allowance for doubtful debts (expected credit loss allowance) (Refer note 38 (e)) | (210.06) | (202.55) | (248.26) |
| | 806.98 | 846.33 | 708.08 |

The Company's exposure to customers is diversified and no other single customer has more than 3% of outstanding accounts receivable as on 31 March 2017, 31 March 2016 and 1 April 2015.

12. Cash and Cash equivalents

| | (₹ in crores) | | |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Cash and Cash equivalents: | | | |
| a. Cash on hand | 0.05 | 0.05 | 0.05 |
| b. Cheques on hand | 0.04 | 3.05 | - |
| c. Remittances in transit | 4.23 | - | 0.91 |
| d. Current accounts with scheduled banks | 72.61 | 42.76 | 49.17 |
| e. Deposit accounts with scheduled banks | 10.00 | 25.00 | 90.00 |
| | 86.93 | 70.86 | 140.13 |

13. Bank balance other than note 12 above

| | (₹ in crores) | | |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Other Bank Balances: | | | |
| In earmarked accounts | | | |
| a. Unpaid dividend accounts | 0.45 | 0.40 | 0.40 |
| b. Restricted bank balance (Refer i below) | 14.41 | 13.38 | 12.33 |
| | 14.86 | 13.78 | 12.73 |
| i. ₹ 11.91 crores (2016: ₹ 11.05 crores, 2015: ₹ 10.17 crores) held towards legal arbitration process and ₹ 2.49 crores (2016: ₹ 2.33 crores, 2015: ₹ 2.16 crores) held towards sales consideration from Chennai land as per direction of Panatone Finvest Limited and ₹ 0.01 crore (2016: ₹ Nil, 2015: ₹ Nil) held towards other legal matters. | | | |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

14. Assets classified as held for sale

| | (₹ in crores) | | |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| a. Staff Quarters | 2.87 | - | - |
| b. Land at Guldhar Repeater Station | 0.45 | - | - |
| | 3.32 | - | - |
| i. The Management intends to dispose off a parcel of the Company's freehold land and staff quarter's. An active program to locate the buyer and to complete the sale has already been initiated, the sale is expected to be completed in the next 12 months. Accordingly, these assets have been classified as assets held for sale as on 31 March 2017. | | | |
| ii. Further the fair value of these assets is higher than its carrying value as on 31 March 2017 and hence no impairment loss has been recognised. | | | |

15. Equity Share Capital

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| a. Authorised: | | | |
| 400,000,000 (2016: 400,000,000; 2015: 400,000,000) | | | |
| Equity shares of ₹ 10 each | 400.00 | 400.00 | 400.00 |
| b. Issued, Subscribed and Paid up: | | | |
| 285,000,000 (2016: 285,000,000; 2015: 285,000,000) | | | |
| Equity shares of ₹ 10 each, fully paid up | 285.00 | 285.00 | 285.00 |
| a. Issued, Subscribed and Paid up: | | | |
| There was no change in the issued, subscribed and paid up share capital of the Company during the current and past five financial years. | | | |
| b. Terms / rights attached to equity shares: | | | |
| The Company has only one class of equity shares with a face value of ₹ 10 per share. Each shareholder of equity shares is entitled to one vote per share at any general meeting of shareholders. The Company declares and pays dividends in INR. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion to their shareholding. | | | |
| c. | | | |
| The Board of Directors have recommended a dividend of ₹ 4.50 (2016: ₹ 4.30) per share and a special dividend of ₹ 1.50 per share for the year ended 31 March 2017. | | | |
| d. Number of shares held by each shareholder holding more than 5% of the issued share capital: | | | |

| | As at 31 March 2017 | | As at 31 March 2016 | | As at 1 April 2015 | |
|--------------------------|---------------------|------------|---------------------|------------|--------------------|------------|
| | No. of shares | Percentage | No. of shares | Percentage | No. of shares | Percentage |
| Panatone Finvest Limited | 85,776,654 | 30.10% | 85,776,654 | 30.10% | 88,626,654 | 31.10% |
| Government of India | 74,446,885 | 26.12% | 74,446,885 | 26.12% | 74,446,885 | 26.12% |
| Tata Sons Limited | 40,087,639 | 14.07% | 40,087,639 | 14.07% | 37,237,639 | 13.07% |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
16. Other Equity

| | (₹ in crores) | | |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| a. Capital Reserve (Refer i below) | 206.06 | 206.06 | 206.06 |
| b. Debenture Redemption Reserve (Refer ii below) | 38.75 | 38.75 | 97.94 |
| c. Securities Premium (Refer iii below) | 725.01 | 725.01 | 725.01 |
| d. General Reserve (Refer iv below) | 5,342.00 | 5,342.00 | 5,215.35 |
| e. Retained earnings | 3,105.08 | 2,557.59 | 2,419.70 |
| f. Other Comprehensive Income (Refer v below) | (446.69) | (258.67) | 75.70 |
| Total | 8,970.21 | 8,610.74 | 8,739.76 |

- i. **Capital Reserve** includes ₹ 205.22 crores in respect of foreign exchange gains on unutilised proceeds from Global Depository Receipts in earlier years.
- ii. **Debenture redemption reserve (DRR):** The Company has issued redeemable non-convertible debentures, accordingly, the Companies (Share capital and Debenture) Rules, 2014 (as amended), requires that where a company issues debentures, it shall create a debenture redemption reserve out of profits of the company available for payment of dividend. The Company is required to maintain a DRR of 25% of the value of debentures issued, either by a public issue or on a private placement basis. The amounts credited to the DRR may not be utilised by the Company except to redeem debentures.
- iii. **Securities premium:** It is the additional amount which the shareholder had paid more than the face value of issued shares. This premium can be used to write off equity related expenses and issue of bonus shares.
- iv. **General reserve:** It can be utilised from time to time to transfer profit from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of Other Comprehensive Income, items included in the general reserve will not be reclassified subsequently to profit or loss.
- v. **Other Comprehensive Income:** This represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through Other Comprehensive Income, net of amounts reclassified to retained earnings when those assets have been disposed off and remeasurement of defined employee benefit plans (net of taxes).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

17. Borrowings

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| A. Non-current financial liabilities | | | |
| <u>Debentures</u> | | | |
| a. Secured | | | |
| Taxable Rated Secured Non-Convertible Redeemable Debentures (Refer i below) | | | |
| 50, 11.25% Rated Debentures of face value ₹ 10 lakhs each | 5.00 | 5.00 | 5.00 |
| 550, 11.20% Rated Debentures of face value ₹ 10 lakhs each | - | - | 55.00 |
| b. Unsecured | | | |
| Taxable Rated Unsecured Non-Convertible Redeemable Debentures (Refer ii below) | | | |
| 1,500, 9.85% Rated Debentures of face value ₹ 10 lakhs each | 150.00 | 150.00 | 150.00 |
| | 155.00 | 155.00 | 210.00 |
| Less: Current maturities of long term borrowings | - | - | 55.00 |
| Total (A) | 155.00 | 155.00 | 155.00 |
| B. Current financial liabilities | | | |
| <u>From banks</u> | | | |
| a. Buyers credit | 582.25 | 528.79 | 365.88 |
| (rate of interest per annum – 2017: 0.75% to 2.03%) (2016: 0.78% to 1.56%) (2015: 0.84% to 1.25%) | | | |
| b. Loan repayable on demand (bank overdraft) | - | - | 4.76 |
| Total (B) | 582.25 | 528.79 | 370.64 |
| Borrowings (A) + (B) | 737.25 | 683.79 | 525.64 |

i. Secured Debentures

The outstanding 50, 11.25% debentures amounting to ₹ 5.00 crores is due for redemption on 23 January 2019 and are secured by a first legal mortgage and charge on the Company's plant and machinery.

For facilitating the above redemption, the Company has created a debenture redemption reserve of ₹ 1.25 crores (2016: ₹ 1.25 crores, 2015: ₹ 1.25 crores).

ii. Unsecured Debentures

The outstanding 1,500, 9.85% debentures amounting to ₹ 150 crores are due for redemption on 2 July 2019.

For facilitating the above redemption, the Company has created a DRR of ₹ 37.50 crores (2016: ₹ 37.50 crores, 2015: ₹ 37.50 crores).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
18. Other financial liabilities (at amortised cost)

| | As at 31 March 2017 | As at 31 March 2016 | (₹ in crores) As at 1 April 2015 |
|---|------------------------|------------------------|--|
| A. Non-current | | | |
| a. Obligation for financial guarantee | 42.70 | 63.99 | 147.49 |
| Total (A) | 42.70 | 63.99 | 147.49 |
| B. Current | | | |
| a. Current maturities of long term borrowings (Refer note 17) | - | - | 55.00 |
| b. Interest accrued but not due on loans from banks | 11.82 | 11.74 | 12.58 |
| c. License fees payable | 57.69 | 60.61 | 61.66 |
| d. <u>Deposits from customers and contractors</u> | | | |
| Deposits from related parties | 5.12 | 4.76 | 4.75 |
| Others | 37.95 | 39.33 | 34.43 |
| e. Government of India account | 20.57 | 20.57 | 20.57 |
| f. Unpaid dividend (Refer i below) | 0.45 | 0.40 | 0.40 |
| g. <u>Capital creditors</u> | | | |
| Payables to related parties | 14.11 | 10.69 | 6.04 |
| Others | 330.24 | 280.79 | 147.16 |
| h. Fair value of foreign exchange forward contract (Refer note 37(i)) | 2.95 | 2.31 | - |
| i. Obligation for financial guarantee | 24.20 | 31.79 | 113.15 |
| j. Other liabilities | 1.85 | 2.23 | 9.05 |
| Total (B) | 506.95 | 465.22 | 464.79 |
| Other financial liabilities (A) + (B) | 549.65 | 529.21 | 612.28 |

i. There are no dividends due and outstanding for a period exceeding seven years.

19. Provisions

| | As at 31 March 2017 | As at 31 March 2016 | (₹ in crores) As at 1 April 2015 |
|---|------------------------|------------------------|--|
| A. Non-current | | | |
| a. Provision for employee benefits (Refer note 32): | | | |
| Provision for compensated absences | 67.46 | 64.40 | 59.63 |
| Provision for post-employment medical benefits | 113.72 | 101.17 | 91.28 |
| Provision for pension | 31.59 | 29.11 | 0.68 |
| Provision for gratuity | 6.45 | 7.00 | 10.31 |
| b. Provision for contingencies (Refer i below) | 9.52 | 9.53 | 9.05 |
| Total (A) | 228.74 | 211.21 | 170.95 |
| B. Current | | | |
| a. Provision for employee benefits (Refer note 32): | | | |
| Provision for compensated absences | 6.58 | 7.31 | 6.16 |
| b. Provision for others (Refer i below) | 25.57 | 26.42 | 0.78 |
| Total (B) | 32.15 | 33.73 | 6.94 |
| Total Provision (A) + (B) | 260.89 | 244.94 | 177.89 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

i. Movement of Provisions:

(₹ in crores)

| | As at 31 March 2017 | | | | As at 31 March 2016 | | | | As at 1 April 2015 | | | |
|-----------------------|---|--------|-------|--------------------------------------|---|--------|-------|--------------------------------------|---|--------|-------|--------------------------------------|
| | Provision for Contingencies (Refer a & b below) | | | Provision for others (Refer d below) | Provision for Contingencies (Refer a & b below) | | | Provision for others (Refer d below) | Provision for Contingencies (Refer a & b below) | | | Provision for others (Refer d below) |
| | ARO | Others | Total | | ARO | Others | Total | | ARO | Others | Total | |
| Opening Balance | 0.53 | 9.00 | 9.53 | 26.42 | 0.05 | 9.00 | 9.05 | 0.78 | 0.07 | 9.00 | 9.07 | 0.75 |
| Addition | - | - | - | - | 0.48 | - | 0.48 | 25.64 | - | - | - | 0.03 |
| Utilisation | 0.01 | - | 0.01 | 0.85 | - | - | - | - | 0.02 | - | 0.02 | - |
| Closing Balance | 0.52 | 9.00 | 9.52 | 25.57 | 0.53 | 9.00 | 9.53 | 26.42 | 0.05 | 9.00 | 9.05 | 0.78 |
| Non-current provision | - | - | 9.52 | - | - | - | 9.53 | - | - | - | 9.05 | - |
| Current provision | - | - | - | 25.57 | - | - | - | 26.42 | - | - | - | 0.78 |

- The provision for Asset Retirement Obligation (ARO) has been recorded in the books of the Company in respect of undersea cables.
- Other provision for contingencies include amounts provided towards claims made by a creditor of the Company.
- Utilisation includes foreign exchange gain / loss on revaluation.
- Provision for others is mainly towards demand received from Employee State Insurance Corporation.

20. Other liabilities

(₹ in crores)

| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
|--|------------------------|------------------------|-----------------------|
| A. Non-current | | | |
| a. <u>Deferred revenue</u> | | | |
| - Related parties | 42.42 | 0.13 | - |
| - Others | 370.31 | 414.20 | 426.04 |
| b. Accrued employee benefits | 27.24 | 10.36 | 20.45 |
| Total (A) | 439.97 | 424.69 | 446.49 |
| B. Current | | | |
| a. <u>Deferred revenues and advances received from customers</u> | | | |
| - Related parties | 20.45 | 5.85 | 1.60 |
| - Others | 296.05 | 250.46 | 193.39 |
| b. Network and transmission expenses payable | 7.40 | 5.38 | 1.79 |
| c. Accrued payroll | 121.24 | 153.19 | 118.61 |
| d. <u>Statutory liabilities:</u> | | | |
| TDS Payable | 13.65 | 11.69 | 15.44 |
| Others | - | 0.42 | 1.31 |
| e. Other liabilities | 13.90 | 1.64 | 1.22 |
| Total (B) | 472.69 | 428.63 | 333.36 |
| Other liabilities (A) + (B) | 912.66 | 853.32 | 779.85 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
21. Trade payables

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| A. Total Outstanding dues of micro enterprises and small enterprises (Refer note 44) | 1.05 | 1.38 | 0.47 |
| B. Total Outstanding dues of creditors other than micro enterprises and small enterprises | | | |
| - Payables to related parties | 241.89 | 74.47 | 70.14 |
| - Other creditors | 930.20 | 889.50 | 823.62 |
| - Other Payables | 1.01 | 1.08 | 1.82 |
| | 1,173.10 | 965.05 | 895.58 |
| Trade payables (A + B) | 1,174.15 | 966.43 | 896.05 |

22. Other income

| | (₹ in crores) | |
|--|-----------------------------|-----------------------------|
| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
| a. <u>Interest Income on financial assets carried at amortised cost</u> | | |
| i. Bank deposits | 1.42 | 2.21 |
| ii. Interest on non-convertible debentures from investment in subsidiary | 19.01 | 34.22 |
| iii. Others (Refer i below) | 51.84 | 36.09 |
| b. Dividend income from investment carried at cost | 25.27 | 6.53 |
| c. Gain on investments carried at fair value through profit or loss (net) | 61.73 | 71.24 |
| d. Gain on disposal of property, plant and equipment (net) | (0.18) | 2.49 |
| e. Fair value gain on investments in subsidiary (net) (Refer ii below) | (446.47) | 25.94 |
| f. Rent (Refer iii below and Refer note 4) | 111.18 | 95.89 |
| g. Foreign exchange (loss) (net) | (0.89) | (10.66) |
| h. Provisions / liabilities no longer required - written back | 11.43 | 5.20 |
| i. Interest on income tax refund | 16.11 | 45.10 |
| j. Guarantee income from subsidiaries (refer iv below) | 37.52 | (197.35) |
| k. Shared service fees from subsidiaries/ associate | 85.08 | 83.97 |
| l. Others | 10.04 | 8.90 |
| | (16.91) | 209.77 |
| i. Interest on others includes ₹ 51.84 crores (2016: ₹ 36.06 crores) from subsidiaries and associates. | | |
| ii. During the current year, consequent to modification of terms of conversion, the Company converted its investment in TCIPL of 30,955,250 preference shares of USD 1 each into equity shares at a fair value of USD 3.89 per share resulting in a loss of ₹ 453.23 crores on account of reduction in the fair value of preference shares. The original terms of conversion was one equity share in exchange of one preference share. | | |
| iii. Includes ₹ 104.45 crores (2016: ₹ 88.73 crores) from subsidiaries and associates. | | |
| iv. During the previous year, based on transfer pricing study and legal precedent, the Company and its subsidiaries have re-determined the arm's length price in respect of guarantee fees charged by the Company in earlier periods to its subsidiaries. Accordingly, guarantee income from subsidiaries for the year ended 31 March 2016 is net of guarantee fees of ₹ 233.90 crores pertaining to earlier years and has a corresponding tax impact of ₹ 79.50 crores. | | |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

23. Network and transmission

| | (₹ in crores) | |
|--|-----------------------------|-----------------------------|
| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
| a. Charges for use of transmission facilities | 1,693.78 | 1,627.92 |
| b. Royalty and licence fee to Department of Telecommunications | 195.50 | 177.61 |
| c. Rent of landlines and satellite channels | 34.11 | 23.20 |
| | 1,923.39 | 1,828.73 |

24. Employee benefits

| | (₹ in crores) | |
|---|-----------------------------|-----------------------------|
| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
| a. Salaries and related costs | 684.81 | 659.43 |
| b. Contributions to provident, gratuity and other funds (Refer note 32) | 30.65 | 29.40 |
| c. Staff welfare expenses | 41.63 | 75.10 |
| | 757.09 | 763.93 |

25. Operating and other expenses

| | (₹ in crores) | |
|---|-----------------------------|-----------------------------|
| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
| a. Consumption of stores | 0.09 | 0.06 |
| b. Light and power (net of recoveries of ₹ 234.84 crores (2016: ₹ 201.06 crores)) | 100.29 | 90.80 |
| c. Repairs and Maintenance: | | |
| i. Buildings | 32.91 | 24.79 |
| ii. Plant and machinery | 351.86 | 212.66 |
| iii. Others | 0.52 | 2.51 |
| d. Bad debts | - | 54.58 |
| e. Allowance for doubtful trade receivables | 7.51 | (45.71) |
| f. Allowance for doubtful advances | (0.08) | 1.10 |
| g. Rent | 60.50 | 43.25 |
| h. Rates and taxes | 9.42 | 21.11 |
| i. Travelling | 31.48 | 35.08 |
| j. Telephone | 15.34 | 15.56 |
| k. Printing, postage and stationery | 3.61 | 3.67 |
| l. Legal and professional fees | 110.87 | 69.98 |
| m. Advertising and publicity | 32.04 | 27.22 |
| n. Commissions | 23.48 | 21.02 |
| o. Services rendered by agencies | 270.66 | 268.77 |
| p. Insurance | 6.37 | 6.45 |
| q. Corporate social responsibility expenditure (Refer i below) | 14.66 | 13.47 |
| r. Other expenses (Refer note 33) | 122.95 | 139.20 |
| | 1,194.48 | 1,005.57 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

- i. As required by the Companies Act, 2013 and rules thereon, gross amount required to be spent by the Company during the year toward Corporate Social Responsibility (CSR) amount to ₹ 14.56 crores (2016: ₹ 13.85 crores). The Company has spent ₹ 14.66 crores (2016: ₹ 13.47 crores) during the year on CSR activities mainly for promotion of education, social business projects, etc. including ₹ 1.83 crore (2016 : ₹ 2.30 crores) on construction/ acquisition of assets.

26. Depreciation and amortisation

| | (₹ in crores) | |
|---|-------------------------------------|-------------------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Depreciation for the year on property, plant and equipment (Refer note 3) | 654.96 | 651.14 |
| Depreciation for the year on investments property (Refer note 4) | 3.97 | 3.62 |
| Amortisation for the year on intangible assets (Refer note 5) | 105.65 | 88.23 |
| | 764.58 | 742.99 |

27. Finance costs

| | (₹ in crores) | |
|---------------------------------|-------------------------------------|-------------------------------------|
| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
| a. Interest on loans from banks | 10.48 | 3.74 |
| b. Interest on debentures | 15.34 | 20.39 |
| c. Other interest | 16.90 | 12.30 |
| d. Less: Interest capitalised | (12.04) | (5.13) |
| | 30.68 | 31.30 |

The weighted average capitalisation on the funds borrowed generally is 3.53% per annum (2016: 3.93% per annum).

28. Net gain on sale of partial interest in subsidiary

As described in note 6 (IV), the Company has concluded the sale of 74% stake in TCDC with ST Telemedia. Accordingly, the Company has recorded a gain of ₹ 1,696.22 crores for the year ended 31 March 2017.

29. Provision for contractual obligation

During the current year, NTT Docomo Inc had filed a petition with the Delhi High Court for implementation of the arbitration award (damages along with cost and interest) by the London Court of International Arbitration. The Delhi High Court directed Tata Sons to deposit the damages including costs and interest in an escrow account. During the quarter ended 30 September 2016, the Company had remitted its share of ₹ 1,058.00 crores to Tata Sons. During the current year, based on the High Court Order dated 28 April 2017, the Company has made a provision of ₹ 872.01 crores towards the contractual obligation under the interse agreement being the difference between the fair value of equity shares to be repurchased, based on the valuation undertaken as at 18 November 2016 and the consideration payable to the buyer for discharge of the Company's obligation under the put option. The provision has been adjusted against the escrow deposit included in Non-current – Other financial assets.

30. Staff cost optimisation

As part of its initiative to enhance the long term efficiency of the business, during the year the Company undertook organisational changes to align to the Company's current and prospective business requirements. These changes involved certain positions in the Company becoming redundant and the Company incurred a one-time charge of ₹ 0.39 crores (2016: ₹ 22.63 crores).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

31. Income tax

i. Income tax recognised in Statement of Profit and Loss:

| Particulars | (₹ in crores) | |
|--------------------------------|-----------------------------|-----------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Current tax | | |
| In respect of current year | 631.81 | 290.87 |
| In respect of prior years | (29.31) | (140.55) |
| Total Current tax (a) | 602.50 | 150.32 |
| Deferred tax | | |
| In respect of the current year | (109.37) | (25.16) |
| In respect of prior years | 21.88 | 87.10 |
| Total deferred tax (b) | (87.49) | 61.94 |
| Total Income tax (a+b) | 515.01 | 212.26 |

ii. The Income tax expense for the year can be reconciled to the accounting profit as follows:

| Particulars | (₹ in crores) | |
|--|-----------------------------|-----------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Profit before tax | 1,204.84 | 604.94 |
| Income tax expense calculated at 34.608 % Tax rate (2016: 34.608 % Tax rate) | 416.97 | 209.36 |
| Reasoning | | |
| Effect of provision for contractual obligation | 301.79 | - |
| Effect of net income deductible on account of capital gains | (234.93) | - |
| Effect of transfer pricing adjustments | - | 86.98 |
| Effect of adjustments / expenses that are not deductible in determining taxable profit | 5.27 | (27.23) |
| Effect of prior period adjustments | (7.43) | (53.45) |
| Effect of Net income deductible at lower tax rate | 32.47 | (4.12) |
| Others | 0.87 | 0.72 |
| Total | 98.04 | 2.90 |
| Income tax expense recognised in Statement of Profit and Loss | 515.01 | 212.26 |

iii. Income tax recognised in Other Comprehensive Income

| Particulars | (₹ in crores) | |
|---|-----------------------------|-----------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Current tax | | |
| Total Current tax (a) | 5.84 | 4.75 |
| Deferred tax | | |
| Total deferred tax (b) | 5.52 | 22.16 |
| Total Income tax (a+b) | 11.36 | 26.91 |
| Bifurcation of income taxes recognised in Other Comprehensive Income into: | | |
| Items that will be reclassified to Statement of Profit and Loss | - | - |
| Items that will not be reclassified to Statement of Profit and Loss | 11.36 | 26.91 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

32. Employee Benefits**i. Defined Contribution Plan****Provident Fund:**

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

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

Provident fund contributions amounting to ₹ 25.03 crores (2016: ₹ 24.28 crores) have been charged to the Statement of Profit and Loss, under Contributions to provident, gratuity and other funds in note 24 "Employee benefits".

ii. Defined Benefit Plan**a. Gratuity:**

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

b. Medical Benefit:

The Company reimburses domiciliary and hospitalisation expenses not exceeding specified limits incurred by eligible and qualifying employees and their dependent family members under the Tata Communications Employee's Medical Reimbursement Scheme.

c. Pension Plan:

The Company's pension obligations relate to certain employees transferred to the Company from the Overseas Communications Service ("OCS") an erstwhile department of Ministry of Commerce, Government of India. The Company purchases life annuity policies from an insurance company to settle such pension obligations. During the year, the Company has incurred a charge of ₹ Nil (2016: ₹ 34.15 crores) to meet the additional pension obligation on account of increase in Pension and Dearness Allowance and has been included under Staff welfare expenses in note 24 "Employee benefits".

These plans typically expose the Company to actuarial risk such as investment risk, interest rate risk, salary risk and demographic risk:

| | |
|--------------------|---|
| Investment risk | The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. Currently, the plan has a relatively balanced mix of investments in government securities, high quality corporate bonds, equity and other debt instruments. |
| Interest rate risk | The defined benefit obligation is calculated using a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase. |
| Salary risk | Higher than expected increases in salary will increase the defined benefit obligation |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

| | |
|------------------|---|
| Demographic risk | This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee. |
|------------------|---|

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and defined benefit obligation were carried out as at 31 March 2017 by an independent actuary.

The details in respect of the status of funding and the amounts recognised in the Company's financial statements for the year ended 31 March 2017, 31 March 2016 and 1 April 2015 for these defined benefit schemes are as under:

(₹ in crores)

| Particulars | Gratuity (Funded) | | | Medical Benefits (Unfunded) | | | Pension(Unfunded) | | |
|---|-------------------|---------------|--------------|-----------------------------|---------------|--------------|-----------------------|---------------|--------------|
| | As at | | | As at | | | As at | | |
| | 31 March 2017 | 31 March 2016 | 1 April 2015 | 31 March 2017 | 31 March 2016 | 1 April 2015 | 31 March 2017 | 31 March 2016 | 1 April 2015 |
| I Principal Actuarial assumptions: | | | | | | | | | |
| Discount rate | 7.20% | 7.90% | 7.80% | 7.20% | 7.90% | 7.80% | 7.20% | 7.90% | - |
| Increase in compensation cost | 6% to 10% | | | 6% to 10% | | | - | - | - |
| Health care cost increase rate | - | - | - | 7.00% | 7.00% | 6.00% | - | - | - |
| Attrition rate | 3% to 15% | | | 3% to 15% | | | | | |
| Post retirement mortality | | | | | | | Annuitants mort 96-98 | | |
| Increase in dearness allowance | - | - | - | - | - | - | 5.00% | 5.00% | - |

The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations. The estimates of future compensation cost considered in the actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

| | Gratuity (Funded) | | Medical Benefits (Unfunded) | | Pension (Unfunded) | |
|--|-------------------|-------------|-----------------------------|-------------|--------------------|--------------|
| | Year ended March | | Year ended March | | Year ended March | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| II Components of defined benefit costs recognised in the Statement of Profit and Loss | | | | | | |
| Current service cost | 5.62 | 5.12 | 0.62 | 0.52 | - | 27.78 |
| Interest cost | 0.27 | 0.39 | 7.54 | 6.76 | 1.69 | 2.04 |
| Components of defined benefit costs recognised in the Statement of Profit and Loss (Refer note 24 and 27) | 5.89 | 5.51 | 8.16 | 7.28 | 1.69 | 29.82 |

(₹ in crores)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| (₹ in crores) | | | | | | |
|---|-------------------|-------------|-----------------------------|--------------|--------------------|------|
| | Gratuity (Funded) | | Medical Benefits (Unfunded) | | Pension (Unfunded) | |
| | Year ended March | | Year ended March | | Year ended March | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| III Components of defined benefit costs recognised in the Other Comprehensive Income | | | | | | |
| Actuarial (gain)/ loss due to defined benefit obligation experience | (0.12) | (1.11) | 7.79 | 5.66 | 13.73 | - |
| Actuarial (gain)/ loss due to defined benefit obligation assumptions changes | 3.59 | 1.67 | 8.18 | 6.17 | 2.53 | - |
| Actuarial (gain)/ loss arising during the year | 3.47 | 0.56 | 15.97 | 11.83 | 16.26 | - |
| Return on plan assets | (2.55) | 1.33 | - | - | - | - |
| Components of defined benefit costs recognised in Other Comprehensive Income | 0.92 | 1.89 | 15.97 | 11.83 | 16.26 | - |

| (₹ in crores) | | | | | | | | |
|--|-------------------|---------------|--------------|-----------------------------|---------------|--------------|--------------------|---------------|
| | Gratuity (Funded) | | | Medical Benefits (Unfunded) | | | Pension (Unfunded) | |
| | As at | | | As at | | | As at | |
| | 31 March 2017 | 31 March 2016 | 1 April 2015 | 31 March 2017 | 31 March 2016 | 1 April 2015 | 31 March 2017 | 31 March 2016 |
| IV Amount recognised in the balance sheet | | | | | | | | |
| Obligation at the end of the year | 74.65 | 71.27 | 66.36 | 113.72 | 101.17 | 91.28 | 31.59 | 29.11 |
| Fair value of plan assets at the end of the year | (68.20) | (64.27) | (56.05) | - | - | - | - | - |
| Net liability arising from defined benefit obligation | 6.45 | 7.00 | 10.31 | 113.72 | 101.17 | 91.28 | 31.59 | 29.11 |
| Non-current provision (Refer note 19A) | | | | | | | | |
| | | | | | | | | |

| (₹ in crores) | | | | | | |
|---|-------------------|---------------|-----------------------------|---------------|--------------------|---------------|
| | Gratuity (Funded) | | Medical Benefits (Unfunded) | | Pension (Unfunded) | |
| | As at | | As at | | As at | |
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| V Change in the defined benefit obligation | | | | | | |
| Opening defined benefit obligation | 71.27 | 66.36 | 101.17 | 91.28 | 29.11 | - |
| Current service cost | 5.62 | 5.12 | 0.62 | 0.52 | - | 27.78 |
| Interest cost | 5.21 | 4.96 | 7.54 | 6.76 | 1.69 | 2.04 |
| Obligation transferred to other companies | (0.23) | (0.07) | - | - | - | - |
| Actuarial (gain) / loss on experience adjustments | (0.12) | (1.11) | 7.79 | 5.66 | 13.73 | 4.67 |
| Actuarial (gain) / loss on change in financial assumption | 3.59 | 1.67 | 8.18 | 6.17 | 2.53 | (0.34) |
| Benefits paid | (10.69) | (5.66) | (11.58) | (9.22) | (15.47) | (5.04) |
| Closing defined benefit obligation | 74.65 | 71.27 | 113.72 | 101.17 | 31.59 | 29.11 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

| (₹ in crores) | | |
|--|--------------------------------|--------------------------------|
| Gratuity (Funded) | | |
| | As at 31 March 2017 | As at 31 March 2016 |
| VI Change in Fair Value of Assets | | |
| Opening fair value of plan assets | 64.27 | 56.05 |
| Expected return on plan assets | 4.94 | 4.58 |
| Employer's contribution | 7.36 | 10.70 |
| Transfer to other companies | (0.23) | (0.07) |
| Actuarial (loss)/ gain | 2.55 | (1.33) |
| Benefits paid | (10.69) | (5.66) |
| Closing fair value of plan assets | 68.20 | 64.27 |

| (₹ in crores) | | |
|---|--------------------------------|--------------------------------|
| Gratuity (Funded) | | |
| | As at 31 March 2017 | As at 31 March 2016 |
| VII Categories of plan assets as a percentage of total plan assets | | |
| Cash and bank | 6.97% | 5.00% |
| Government securities | 31.03% | 42.65% |
| Corporate bonds | 41.10% | 34.61% |
| Equity | 20.90% | 17.74% |
| Total | 100% | 100% |

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets. This policy has been implemented during the current and prior years.

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

VIII A quantitative sensitivity analysis for significant assumption as at 31 March 2017 and 31 March 2016 is as shown below: (As per actuarial valuation report). The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant

| (₹ in crores) | | | | | | |
|---------------------------------------|--------------------------------|-------------|-----------------------------------|-------------|--------------------------------|-------------|
| | Gratuity (Funded) | | Medical Benefit (Unfunded) | | Pension (Unfunded) | |
| | As at 31 March 2017 | 2016 | As at 31 March 2017 | 2016 | As at 31 March 2017 | 2016 |
| Discount rate | | | | | | |
| Increase (1%) | (5.03) | (4.55) | (11.37) | (9.71) | (3.54) | (3.15) |
| Decrease (1%) | 5.74 | 5.18 | 13.85 | 11.76 | 4.09 | 3.64 |
| Future salary increases | | | | | | |
| Increase (1%) | 2.31 | 2.82 | - | - | - | - |
| Decrease (1%) | (2.37) | (2.16) | - | - | - | - |
| Withdrawal rate | | | | | | |
| Increase (5%) | 2.15 | 3.02 | (5.02) | (4.34) | - | - |
| Decrease (5%) | (2.97) | (4.23) | 4.40 | 3.83 | - | - |
| Health care cost increase rate | | | | | | |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | Gratuity (Funded) | | Medical Benefit (Unfunded) | | Pension (Unfunded) | |
|---------------------------------------|-------------------|------|----------------------------|--------|--------------------|--------|
| | As at 31 March | | As at 31 March | | As at 31 March | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Increase (1%) | - | - | 10.00 | 8.55 | - | - |
| Decrease (1%) | - | - | (8.28) | (7.11) | - | - |
| Post retirement mortality | | | | | | |
| Increase (3 years) | - | - | (10.82) | (9.09) | (6.01) | (5.12) |
| Decrease (3 years) | - | - | 11.08 | 9.20 | 6.71 | 5.65 |
| Increase in dearness allowance | | | | | | |
| Increase (1%) | - | - | - | - | 9.52 | 8.55 |
| Decrease (1%) | - | - | - | - | (8.59) | (7.71) |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

| | | (₹ in crores) | | |
|---|--|---------------------|-----------------------------|---------------------|
| IX Maturity profile of defined benefit plan | | Gratuity (Funded) | Medical Benefits (Unfunded) | Pension (Unfunded) |
| | | As at 31 March 2017 | As at 31 March 2017 | As at 31 March 2017 |
| 31 March 2018 | | 7.72 | 7.65 | 13.13 |
| 31 March 2019 | | 7.81 | 7.83 | 13.79 |
| 31 March 2020 | | 9.39 | 8.07 | 14.48 |
| 31 March 2021 | | 8.60 | 8.22 | 15.20 |
| 31 March 2022 | | 9.63 | 8.41 | 15.96 |
| 31 March 2023 to 31 March 2027 | | 48.08 | 44.27 | 92.60 |
| Total expected payments | | 91.23 | 84.45 | 165.16 |

iii. Leave plan and Compensated absences
For executives

Leave unavailed of by eligible employees may be carried forward / encashed by them / their nominees in the event of death or permanent disablement or resignation, subject to a maximum leave of 120 days in addition to accumulated leave balance available in accumulated quota.

For non executives

Leave unavailed of by eligible employees may be carried forward / encashed by them / their nominees in the event of death or permanent disablement or resignation, subject to a maximum leave of 300 days.

The liability for compensated absences as at the year end is ₹ 74.04 crores (2016: ₹ 71.71 crores; 2015: ₹ 65.79 crores) as shown under non-current provisions ₹ 67.46 crores (2016: ₹ 64.40 crores; 2015: ₹ 59.63 crores) and current provisions ₹ 6.58 crores (2016: ₹ 7.31 crores; 2015: ₹ 6.16 crores). The amount charged to the Statement of Profit and Loss under Salaries and related costs in note 24 "Employee benefits" is ₹ 9.93 crores (2016: ₹ 8.35 crores).

Refer table I above for actuarial assumptions on compensated absences.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

33. Auditors' remuneration:

(Included in other expenses under operating and other expenses – Refer note 25)

| | Year ended 31 March 2017 | (₹ in crores) Year ended 31 March 2016 |
|--|-----------------------------|--|
| Auditors' remuneration and expenses (net of service tax input credit wherever applicable) | | |
| a. To statutory auditor | | |
| i. For audit fees | 2.20 | 2.20 |
| ii. For taxation matters | 0.30 | 0.30 |
| iii. For other services | 0.91 | 1.39 |
| iv. For reimbursement of expenses | 0.22 | 0.20 |
| Auditors' remuneration excludes fees of ₹ 4.33 crores (2016: ₹ 3.66 crores) payable / paid for professional services to a firm of chartered accountants in which some partners of the firm of statutory auditors are partners. | | |
| b. To cost auditor for cost audit | | |
| i. For cost audit services | 0.06 | 0.06 |

34. Earnings per share

| | As at 31 March 2017 | (₹ in crores) As at 31 March 2016 |
|--|------------------------|---|
| Net Profit after tax attributable to the equity shareholders (A) | 689.83 | 392.68 |
| Number of equity shares outstanding at the end of the year | 285,000,000 | 285,000,000 |
| Weighted average number of shares outstanding during the year (B) | 285,000,000 | 285,000,000 |
| Basic and diluted earnings per share (₹ per equity share of ₹ 10 each) (A/B) | 24.20 | 13.78 |

35. Segment Reporting

The Board of Directors and the Managing Director of the Company together constitute the Chief Operating Decision Makers ("CODM") which allocate resources to and assess the performance of the segments of the Company. The Company's reportable segments are Voice Solutions ("VS") and Data and Managed Services ("DMS"). The composition of the reportable segments is as follows:

Voice Solutions (VS)

VS includes international and national long distance voice services.

Data and Managed Services (DMS)

DMS includes corporate data transmission services, virtual private network signalling and roaming services, television and other network and managed services.

| | Year ended 31 March 2017 | | | Year ended 31 March 2016 | | |
|---|--------------------------|----------|-----------------|--------------------------|----------|---------------|
| | VS | DMS | Total | VS | DMS | Total |
| a. Segment revenues and results | | | | | | |
| Revenue from telecommunication services | 767.84 | 4,300.31 | 5,068.15 | 896.40 | 3,893.92 | 4,790.32 |
| Segment results | (493.86) | 922.47 | 428.61 | (442.49) | 891.59 | 449.10 |
| Finance cost | | | 30.68 | | | 31.30 |
| Unallocable income (net) | | | 806.91 | | | 187.14 |
| Profit before tax | | | 1,204.84 | | | 604.94 |
| Tax expense (net) | | | 515.01 | | | 212.26 |
| Profit for the year | | | 689.83 | | | 392.68 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
b. Segment assets and liabilities

(₹ in crores)

| | As at 31 March 2017 | | | As at 31 March 2016 | | |
|--------------------------|---------------------|----------|------------------|---------------------|----------|------------------|
| | VS | DMS | Total | VS | DMS | Total |
| Segment assets | 276.37 | 5,302.14 | 5,578.51 | 333.24 | 5,151.90 | 5,485.14 |
| Unallocable assets | | | 7,566.77 | | | 7,036.81 |
| Total Assets | | | 13,145.28 | | | 12,521.95 |
| Segment liabilities | 277.03 | 2,404.43 | 2,681.46 | 282.14 | 2,122.30 | 2,404.44 |
| Unallocated liabilities | | | 1,208.61 | | | 1,221.77 |
| Total Liabilities | | | 3,890.07 | | | 3,626.21 |

c. Other segment Information:

(₹ in crores)

| | Year ended 31 March 2017 | | | Year ended 31 March 2016 | | |
|---|--------------------------|--------|---------------|--------------------------|--------|---------------|
| | VS | DMS | Total | VS | DMS | Total |
| Capital expenditure (allocable) | 16.37 | 741.03 | 757.40 | 18.90 | 751.40 | 770.30 |
| Depreciation and amortisation (allocable) | 24.96 | 739.61 | 764.58 | 31.26 | 711.73 | 742.99 |
| Non-cash expense other than depreciation | 6.55 | (1.88) | 4.67 | 0.09 | 10.18 | 10.27 |

- i. Revenues and network and transmission charges are directly attributable to the segments. Network and transmission costs are allocated based on utilisation of network capacity. Licence fees for VS and DMS have been allocated based on adjusted gross revenues from these services. Depreciation and certain other costs have been allocated to segments based on various allocation parameters. Segment result is segment revenues less segment expenses. Other income and exceptional items have been considered as "Unallocable".

d. Geographical Information

The revenues from operation have been allocated to countries based on location of the customers and information about its non-current assets# by location of assets are detailed below:

| Segment revenues by Geographical Market | Year ended | Year ended |
|---|-----------------|-----------------|
| | 31 March 2017 | 31 March 2016 |
| India | 4,238.01 | 3,837.59 |
| United Kingdom | 62.29 | 38.23 |
| United States of America | 229.17 | 228.29 |
| Netherlands* | 160.01 | 244.21 |
| Others | 378.67 | 442.00 |
| | 5,068.15 | 4,790.32 |

All of the segment assets are located in India or in International territorial waters.

* Netherlands includes amounts recorded as revenues from Tata Communications (Netherlands) BV of ₹ 158.49 crores (2016: ₹ 238.89 crores). Tata Communications (Netherlands) BV is a central contracting party and a transfer pricing administrator for inter-company transactions between Tata Communications Limited and its international subsidiaries.

The Company applies Residual Profits Split Method ("RPSM") for recording transactions pertaining to International Telecommunications Services under its Transfer Pricing Policy. This policy governs the majority of the transactions between the Company and its international subsidiaries. The Company's subsidiary in the Netherlands is designated as the Central Contracting Party ("CCP") and Transfer Pricing Administrator ("TPA").

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

e. Information about major customers:

i. DMS:

No single customer contributed 10% or more to the DMS revenue for year ended 31 March 2017 and 31 March 2016.

ii. VS:

| Name | (₹ in crores) | |
|------------|-----------------------------|-----------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Customer A | 123.99 | 200.12 |
| Customer B | 125.97 | 107.95 |

f. Revenue from major services:

i. DMS:

| Service | (₹ in crores) | |
|--------------------------------|-----------------------------|-----------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Internet connectivity | 1,086.39 | 929.47 |
| Global Virtual Private Network | 936.67 | 859.73 |
| Ethernet | 679.79 | 565.23 |
| National Private Leased | 357.23 | 305.39 |
| International Private Leased | 164.45 | 181.94 |
| Others | 1,075.78 | 1,052.16 |
| Revenue from Operations | 4,300.31 | 3,893.92 |

ii. VS:

| Service | (₹ in crores) | |
|--------------------------------|-----------------------------|-----------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| International Long Distance | 624.82 | 754.93 |
| National Long Distance | 143.03 | 106.72 |
| Others | - | 34.75 |
| Revenue from Operations | 767.84 | 896.40 |

36. Derivatives:

Derivatives not designated as hedging instruments:

The Company uses foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally within 1 year as at 31 March 2017, 31 March 2016 and 1 April 2015.

Outstanding derivatives instruments are as follows:

| | As at 31 March 2017 | | | As at 31 March 2016 | | | As at 1 April 2015 | | |
|---------------------------------------|---|-------------------------|-----------------------------------|---|----------------------------|-----------------------------------|---|----------------------------|-----------------------------------|
| | (Amount in Foreign Currency in millions) | (Amount in ₹ crores) | Fair Value Gain / (Loss) | (Amount in Foreign Currency in millions) | (Amount in ₹ crores) | Fair Value Gain / (Loss) | (Amount in Foreign Currency in millions) | (Amount in ₹ crores) | Fair Value Gain / (Loss) |
| i. Forward exchange contracts (Buy) | | | | | | | | | |
| USD | 80.00 | 534.41 | (2.61) | 27.00 | 183.29 | (1.78) | - | - | - |
| GBP | 1.40 | 12.42 | (0.66) | 2.40 | 23.54 | (0.53) | - | - | - |
| ii. Forward exchange contracts (Sell) | | | | | | | | | |
| ZAR | 12.00 | 6.14 | 0.32 | - | - | - | - | - | - |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
37. Financial Instrument

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2(s) to the financial statements.

(i) Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March 2017 is as follows:

| | (₹ in crores) | | | | |
|----------------------------------|---|--|---------------------------|-------------------|----------------------------|
| | Fair value through Profit or loss | Fair value through Other Comprehensive Income | Derivatives instrument | Amortised cost | Total Carrying value |
| Financial Assets: | | | | | |
| Investments (other than at cost) | 799.30 | 524.55 | - | - | 1,323.85 |
| Loans | - | - | - | 0.12 | 0.12 |
| Other financial assets | 252.89 | - | - | 164.03 | 416.92 |
| Trade receivables | - | - | - | 806.98 | 806.98 |
| Cash and Cash equivalents | - | - | - | 86.93 | 86.93 |
| Other bank balances | - | - | - | 14.86 | 14.86 |
| Total | 1,052.19 | 524.55 | - | 1,072.92 | 2,649.66 |
| Financials Liabilities: | | | | | |
| Borrowings | - | - | - | 737.25 | 737.25 |
| Other financial liabilities | 66.90 | - | 2.95 | 479.80 | 549.65 |
| Trade payables | - | - | - | 1,174.15 | 1,174.15 |
| Total | 66.90 | - | 2.95 | 2,391.20 | 2,461.05 |

The carrying value of financial instruments by categories as at 31 March 2016 is as follows:

| | (₹ in crores) | | | | |
|----------------------------------|---|--|---------------------------|-------------------|----------------------------|
| | Fair value through Profit or loss | Fair value through Other Comprehensive Income | Derivatives instrument | Amortised cost | Total Carrying value |
| Financial Assets: | | | | | |
| Investments (other than at cost) | 1,611.52 | 690.78 | - | 350.00 | 2,652.30 |
| Loans | - | - | - | 667.36 | 667.36 |
| Other financial assets | 95.78 | - | - | 134.10 | 229.88 |
| Trade receivables | - | - | - | 846.33 | 846.33 |
| Cash and Cash equivalents | - | - | - | 70.86 | 70.86 |
| Other bank balances | - | - | - | 13.78 | 13.78 |
| Total | 1,707.30 | 690.78 | - | 2,082.43 | 4,480.51 |
| Financials Liabilities: | | | | | |
| Borrowings | - | - | - | 683.79 | 683.79 |
| Other financial liabilities | 95.78 | - | 2.31 | 431.12 | 529.21 |
| Trade payables | - | - | - | 966.43 | 966.43 |
| Total | 95.78 | - | 2.31 | 2,081.34 | 2,179.43 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

The carrying value of financial instruments by categories as at 1 April 2015 is as follows:

| | (₹ in crores) | | | | |
|----------------------------------|---|--|---------------------------|-------------------|----------------------------|
| | Fair value through Profit or loss | Fair value through Other Comprehensive Income | Derivatives instrument | Amortised cost | Total Carrying value |
| Financial Assets: | | | | | |
| Investments (other than at cost) | 1,760.82 | 1,032.69 | - | 350.00 | 3,143.51 |
| Loans | - | - | - | 414.25 | 414.25 |
| Other financial assets | 260.64 | - | - | 99.05 | 359.69 |
| Trade receivables | - | - | - | 708.08 | 708.08 |
| Cash and Cash equivalents | - | - | - | 140.13 | 140.13 |
| Other bank balances | - | - | - | 12.73 | 12.73 |
| Total | 2,021.46 | 1,032.69 | - | 1,724.24 | 4,778.39 |
| Financials Liabilities: | | | | | |
| Borrowings | - | - | - | 525.64 | 525.64 |
| Other financial liabilities | 260.64 | - | - | 351.64 | 612.28 |
| Trade payables | - | - | - | 896.05 | 896.05 |
| Total | 260.24 | - | - | 1,773.33 | 2,033.97 |

Carrying amounts of cash and cash equivalents, trade receivables, loans and trade payables as at 31 March 2017, 31 March 2016 and 1 April 2015 approximate the fair value because of their short term nature. Difference between carrying amounts and fair values of bank deposits, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented.

Fair value hierarchy:

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consist of following three levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The investments included in level 2 of fair value hierarchy have been valued using quotes available for similar assets and liabilities in the active market. The investments included in level 3 of fair value hierarchy have been valued using the cost approach to arrive at their fair value. The cost of unquoted investments approximate the fair value because there is a wide range of possible fair value measurements and the cost represents estimate of fair value within that range.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

The following table summarises financial assets and liabilities measured at fair value on a recurring basis and financial assets that are not measured at fair value on a recurring basis (but fair value disclosure are required):

As at 31 March 2017:

| | | | | | (₹ in crores) |
|---|---------------|-------------|---------------|-----------------|---------------|
| Particulars | Level 1 | Level 2 | Level 3 | Total | |
| Financial Assets | | | | | |
| i. Mutual fund units | 799.30 | - | - | 799.30 | |
| ii. Equity shares | 2.86 | - | 521.69 | 524.55 | |
| iii. Preference shares | - | - | - | - | |
| iv. Guarantee fees receivable from subsidiaries | - | - | 66.90 | 66.90 | |
| v. Advance for litigation | - | - | 185.99 | 185.99 | |
| Total | 802.16 | - | 774.58 | 1,576.74 | |
| Financial liabilities | | | | | |
| i. Derivative financial liabilities | - | 2.95 | - | 2.95 | |
| ii. Guarantee fee obligation | - | - | 66.90 | 66.90 | |
| Total | - | 2.95 | 66.90 | 69.85 | |

As at 31 March 2016:

| | | | | | (₹ in crores) |
|---|---------------|-------------|-----------------|-----------------|---------------|
| Particulars | Level 1 | Level 2 | Level 3 | Total | |
| Financial Assets | | | | | |
| i. Mutual fund units | 801.84 | - | - | 801.84 | |
| ii. Equity shares | 2.38 | - | 688.40 | 690.78 | |
| iii. Preference shares | - | - | 809.68 | 809.68 | |
| iv. Guarantee fees receivable from subsidiaries | - | - | 95.78 | 95.78 | |
| Total | 804.22 | - | 1,593.86 | 2,398.08 | |
| Financial liabilities | | | | | |
| i. Derivative financial liabilities | - | 2.31 | - | 2.31 | |
| ii. Guarantee fee obligation | - | - | 95.78 | 95.78 | |
| Total | - | 2.31 | 95.78 | 98.09 | |

As at 1 April 2015:

| | | | | | (₹ in crores) |
|---|---------------|----------|-----------------|-----------------|---------------|
| Particulars | Level 1 | Level 2 | Level 3 | Total | |
| Financial Assets | | | | | |
| i. Mutual fund units | 857.55 | - | - | 857.55 | |
| ii. Equity shares | 5.53 | - | 1,027.16 | 1,032.69 | |
| iii. Preference shares | - | - | 903.27 | 903.27 | |
| iv. Guarantee fees receivable from subsidiaries | - | - | 260.64 | 260.64 | |
| Total | 863.08 | - | 2,191.07 | 3,054.15 | |
| Financial liabilities | | | | | |
| i. Guarantee fee obligation | - | - | 260.64 | 260.64 | |
| Total | - | - | 260.64 | 260.64 | |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

Reconciliation of Level 3 fair value measurement

| Particulars | (₹ in crores) | |
|--|------------------------|------------------------|
| | As at 31 March 2017 | As at 31 March 2016 |
| Opening balance | 1,498.08 | 1,930.43 |
| Less: Fair value through Other Comprehensive Income | (166.71) | (344.40) |
| Add: Fair value through Profit or Loss | (1,318.48) | 25.94 |
| Add: Investment in equity shares | - | 5.64 |
| Add: Investment in preference shares | - | 22.53 |
| Add: Advance for litigation | 1,058.00 | - |
| Less: Conversion of preference share to equity share | (248.22) | (142.06) |
| Less: Reclassified to investment held at cost | (114.99) | - |
| Closing Balance | 707.68 | 1,498.08 |

38. Financial risk management objectives and policies

The Company's principal financial liabilities other than derivatives comprise loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans, trade and other receivables, current investment and cash and cash equivalents that derive directly from its operations. The Company has investments on which gain or loss on fair value is recognised through Other Comprehensive Income and also enters into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks.

The Company's senior management ensures that financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The senior management reviews and agrees policies for managing each of these risks, which are summarised below:

a) **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, Fair value through Profit or loss, Fair Value through Other Comprehensive Income investments and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 March 2017 and 31 March 2016.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity and other post- retirement obligations, provisions and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analysis:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2017 and 31 March 2016 including the effect of hedge accounting.

The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at 31 March 2016 for the effects of the assumed changes of the underlying risk.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
b) Interest Rate Risk:

Interest rate risk is the risk that the future cash flows with respect to interest payments on borrowings will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries.

The Company's objective is to try and protect the underlying values of the Company's balance sheet forex exposures. Exposures are broadly categorised into receivables and payable exposures.

The Company manages its foreign currency risk by entering into derivatives on net exposures, i.e. netting off the receivable and payable exposures in order to take full benefit of Natural Hedge.

Non-crystallised (not in books) exposures for which cash flows are highly probable are considered for hedging after due consideration of cost of cover, impact of such derivatives on profit and loss due to MTMs (mark to market loss or gains), market / industry practices, regulatory restrictions, etc.

As regards net investments in foreign operations, hedging decisions are guided by regulatory requirement, accounting practices and in consultation and approval of senior management on such hedging action.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rate shift of all the currencies by 5% against the functional currency of the Company.

The following analysis has been worked out based on the net exposures of the Company as of the date of balance sheet which would affect the Statement of Profit and Loss and Equity.

The following tables sets forth information relating to foreign currency exposure (net) as at 31 March 2017, 31 March 2016 and 1 April 2015.

| Currency | As at 31 March 2017 | | As at 31 March 2016 | | As at 1 April 2015 | |
|----------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|
| | Financial liabilities | Financial Assets | Financial liabilities | Financial Assets | Financial liabilities | Financial Assets |
| USD | 782.61 | - | 212.78 | - | 10.82 | - |
| Others | 28.89 | 0.80 | 37.19 | 0.89 | 9.57 | 2.02 |

5% appreciation/ depreciation of the respective foreign currencies with respect to functional currency of the Company would result in decrease/ increase in the Company's profit before tax by approximately ₹ 40.60 crores, ₹ 12.42 crores and ₹ 1.11 crores for the year ended 31 March 2017, 31 March 2016 and 1 April 2015 respectively.

d) Equity Price risk

The Company's listed and non-listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the reporting date, the exposure to unlisted equity securities at fair value was ₹ 4,564.08 crores as on 31 March 2017 (₹ 3,683.15 crores as on 31 March 2016 and ₹ 3,915.82 crores as on 1 April 2015).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

e) **Credit Risk**

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

In determining the allowances for doubtful trade receivables the Company has used a simplified approach by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables as mentioned below:

| (₹ in crores) | | | |
|------------------------------|----------------------------|----------------------------|----------------------------|
| Ageing of receivables | As at 31 March 2017 | <i>As at 31 March 2016</i> | <i>As at 01 April 2015</i> |
| Within Credit period | 276.97 | 259.33 | 242.06 |
| 1-90 days | 314.34 | 461.31 | 347.99 |
| 91-180 days | 100.12 | 63.52 | 64.16 |
| 181-360 days | 65.83 | 56.77 | 41.56 |
| More than 360 days | 49.72 | 5.40 | 12.31 |
| Total | 806.98 | 846.33 | 708.08 |

| | | | (₹ in crores) |
|--|---------------------------------|--|---------------------------------|
| | | | <i>Year ended 31 March 2016</i> |
| <u>Movement in expected credit loss allowance</u> | Year ended 31 March 2017 | | <i>Year ended 31 March 2016</i> |
| Opening balance | 202.55 | | 248.26 |
| Movement in expected credit loss calculated at lifetime expected credit loss | 7.51 | | (45.71) |
| Balance at the end of the year | 210.06 | | 202.55 |

f) **Liquidity Risk**

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts.

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. The Company's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| (₹ in crores) | | | | | |
|---|------------------|-----------------------|---------------------|---------------------|-----------------|
| As at 31 March 2017 | On demand | 0 to 12 months | 1 to 5 years | > 5 years | Total |
| Non-current Borrowings | | | 155.00 | | 155.00 |
| Other non-current financial liabilities | | | 42.70 | | 42.70 |
| Current Borrowings | | 582.25 | | | 582.25 |
| Trade payables | 686.18 | 488.47 | (0.50) | | 1,174.15 |
| Other financial liabilities | 364.23 | 138.24 | | 4.48 | 506.95 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | | | | | (₹ in crores) |
|---|------------------|-----------------------|---------------------|---------------------|---------------|
| As at 31 March 2016 | On demand | 0 to 12 months | 1 to 5 years | > 5 years | Total |
| Non-current Borrowings | | | 155.00 | | 155.00 |
| Other non-current financial liabilities | | | 63.94 | 0.05 | 63.99 |
| Current Borrowings | | 528.79 | | | 528.79 |
| Trade payables | 727.49 | 238.94 | | | 966.43 |
| Other financial liabilities | 294.64 | 144.63 | 21.44 | 4.51 | 465.22 |

| | | | | | (₹ in crores) |
|---|------------------|-----------------------|---------------------|---------------------|---------------|
| As at 31 March 2015 | On demand | 0 to 12 months | 1 to 5 years | > 5 years | Total |
| Non-current Borrowings | | | 155.00 | | 155.00 |
| Other non-current financial liabilities | | | 145.90 | 1.59 | 147.49 |
| Current Borrowings | 4.76 | 365.88 | | | 370.64 |
| Trade payables | 619.53 | 276.52 | | | 896.05 |
| Other financial liabilities | 225.42 | 239.37 | | | 464.79 |

39. Capital Management

The Company's objective for capital management is to maximise shareholder value, safeguard business continuity and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through loans and operating cash flows generated. The Company is not subject to any externally imposed capital requirements.

40. Related party transactions
i. Names of related parties and nature of relationship

| Sr. No. | Category of related parties | Names |
|----------------|--|--|
| a. | Investing Parties (Promoters) and its affiliates | Panatone Finvest Limited Tata Sons Limited Tata Teleservices Limited Tata Consultancy Services Limited TCS e-Serve International Limited Tata Sky Limited Tata Consultancy Services (South Africa) (PTY) Ltd. Tata Business Support Services Limited Tata AIG General Insurance Company Limited Tata AIA Life Insurance Company Limited Tata Capital Financial Services Limited Tata Consulting Engineers Limited Tata Sky Broadband Private Limited (formerly Quickest Broadband Private Limited)(w.e.f. 26 August 2015) Tata International Limited C-Edge Technologies Limited |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

| Sr. No. | Category of related parties | Names |
|------------|-----------------------------|---|
| | | Tata Housing Development Company Limited |
| | | Maha Online Limited |
| | | Tata Interactive Systems GmbH |
| | | Tata SIA Airlines Limited |
| | | Tata Asset Management Limited |
| | | Tata Advanced Systems Limited |
| | | MP Online Limited |
| | | AirAsia (India) Limited |
| | | Tata Securities Limited |
| | | Tata Advanced Materials Limited |
| | | Tata Realty and Infrastructure Limited |
| | | Advinus Therapeutics Limited |
| | | TASEC Limited <i>(formerly TAS-AGT Systems Limited)</i> |
| | | Tata Toyo Radiator Limited |
| | | Tata International Wolverine Brands Limited |
| | | Automotive Stampings and Assemblies Limited |
| | | Nova Integrated Systems Limited |
| | | Tata Ficosa Automotive Systems Private Limited <i>(formerly Tata Ficosa Automotive Systems Limited)</i> |
| | | Tata Capital Housing Finance Limited |
| | | Tata Capital Forex Limited <i>(formerly TT Holdings & Services Limited)</i> |
| | | Tata Value Homes Limited <i>(formerly Smart Value Homes Limited)</i> |
| | | Tata AutoComp GY Batteries Private Limited <i>(formerly Tata AutoComp GY Batteries Limited)</i> |
| | | Move On Componentes E Calcado, S.A. |
| | | Peepul Tree Properties Limited |
| | | Arvind and Smart Value Homes LLP |
| | | TRIL Infopark Limited |
| | | TC Travel and Services Limited |
| | | Kriday Realty Private Limited |
| | | Tata Autocomp Katcon Exhaust Systems Private Limited <i>(formerly Katcon India Private Limited) (w.e.f. 19 May 2015)</i> |
| | | Tata Sikorsky Aerospace Limited <i>(formerly Tata Aerospace Systems Limited)</i> |
| | | Tata Boeing Aerospace Limited <i>(formerly Tata Aerospace Limited) (w.e.f. 6 November 2015)</i> |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Sr. No. | Category of related parties | Names |
|------------|--------------------------------|--|
| | | APTOnline Limited (<i>formerly APOne Limited</i>) Indian Rotorcraft Limited CMC Limited Nectar Loyalty Management India Limited (<i>ceased w.e.f. 22 August 2016</i>) Tata Unistore Limited (<i>formerly Tata Industrial Services Limited</i>) Taj Air Limited e-Nxt Financials Limited Tata Limited TRIL Amritsar Projects Limited (<i>formerly TRIF Amritsar Projects Limited</i>) TACO Sasken Automotive Electronics Limited Tata Capital Limited Tata Autocomp Hendrickson Suspensions Private Limited (<i>formerly Taco Hendrickson Suspensions Private Limited</i>) WTI Advanced Technology Limited Drive India Enterprise Solutions Limited (<i>ceased w.e.f. 01 September 2015</i>) Tata Autocomp Systems Limited Tata Industries Limited |
| b. | Subsidiaries (Held Directly) | Tata Communications Payment Solutions Limited Tata Communications Transformation Services Limited Tata Communications International Pte. Ltd. VSNL SNOSPV Pte. Ltd (<i>ceased w.e.f. 26 March 2017</i>) STT Global Data Centres India Private Limited (<i>ceased w.e.f. 18 October 2016</i>) Tata Communications Collaboration Services Private Limited Tata Communications Lanka Limited |
| c. | Subsidiaries (Held Indirectly) | Tata Communications (Australia) Pty Limited Tata Communications (Belgium) SPRL Tata Communications Services (Bermuda) Limited Tata Communications (Bermuda) Limited Tata Communications (Canada) Limited Tata Communications (America) Inc. |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

| Sr. No. | Category of related parties | Names |
|---------|-----------------------------|--|
| | | Tata Communications (Thailand) Limited |
| | | Tata Communications (Middle East) FZ-LLC |
| | | Tata Communications (UK) Limited |
| | | Tata Communications (France) SAS |
| | | Tata Communications Deutschland GmbH |
| | | Tata Communications (Guam) LLC |
| | | Tata Communications (Hong Kong) Limited |
| | | Tata Communications (Hungary) LLC |
| | | Tata Communications (Ireland) Limited |
| | | TCPoP Communications GmbH |
| | | Tata Communications (Malaysia) Sdn. Bhd. |
| | | Tata Communications (New Zealand) Limited |
| | | Tata Communications (Taiwan) Limited |
| | | Tata Communications (Italy) S.r.l |
| | | Tata Communications (Japan) KK |
| | | ITXC IP Holdings S.a r.l |
| | | Tata Communications (Nordic) AS |
| | | Tata Communications (Poland) Sp. Zoo |
| | | Tata Communications (Portugal) Unipessoal LDA |
| | | Tata Communications (Russia) LLC |
| | | Tata Communications (Portugal) Instalacao E Manutencao De Redes LDA |
| | | Tata Communications Services (International) Pte. Ltd. |
| | | Tata Communications (Spain) S.L |
| | | Tata Communications (Sweden) AB |
| | | Tata Communications (Switzerland) GmbH |
| | | Tata Communications (Netherlands) B.V. |
| | | Tata Communications Beijing (Technology) Limited |
| | | Neotel (Pty) Ltd. <i>(ceased w.e.f 10 February 2017)</i> |
| | | SEPCO Communications Pty Ltd. |
| | | Neotel Business Support Services (Pty) Ltd. <i>(ceased w.e.f 10 February 2017)</i> |
| | | TCNL1 B.V. <i>(Liquidated w.e.f. 26 August 2014)</i> |
| | | TCNL2 B.V. <i>(Liquidated w.e.f. 26 August 2014)</i> |
| | | VSNL SNOSPV Pte. Ltd <i>(w.e.f 27 March 2017)</i> |
| | | Tata Communications (South Korea) Limited <i>(w.e.f. 28 July 2016)</i> |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Sr. No. | Category of related parties | Names |
|----------------|------------------------------------|--|
| | | Tata Communications Transformation Services Pte Limited (w.e.f. 30 September 2016) |
| | | Tata Communications Transformation Services (Hungary) Kft. (w.e.f. 19 December 2016) |
| | | Tata Communications Transformation Services (US) Inc (w.e.f. 16 February 2017) |
| | | Tata Communications (Brazil) Participacoes Limitada (w.e.f. 2 February 2017) |
| | | Tata Communications (Brazil) Comunicacoes Limitada (w.e.f. 22 February 2017) |
| | | Nexus Connexion (SA) Pty Limited (w.e.f. 10 February 2017) |
| d. | Associate | United Telecom Limited (w.e.f. 4 September 2014) |
| | | STT Global Data Centres India Private Limited (w.e.f. 19 October 2016) |
| | | Smart ICT Services Private Limited (w.e.f. 22 April 2016) |
| e. | Associate of a subsidiary | Number Portability Company (Pty) Ltd. (ceased w.e.f. 10 February 2017) |
| | | STT Tai Seng Pte Limited (w.e.f. 18 May 2016) |
| | | Telena Holdings B.V. (w.e.f. 20 January 2017) |
| f. | Key Managerial Personnel | Mr Vinod Kumar Managing Director and Group CEO |

ii. Summary of transactions and balances with related parties

| Particulars | Investing Company and its affiliates | Subsidiaries | Key Management Personnel | Associate | Total |
|--|---|---------------------|---------------------------------|------------------|---------------|
| | | | | | (₹ in crores) |
| Transactions with related parties | | | | | |
| Dividend paid | 54.12 | | | | 54.12 |
| | 69.23 | | | | 69.23 |
| Brand equity expenses | 13.44 | | | | 13.44 |
| | 10.02 | | | | 10.02 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

| Particulars | (₹ in crores) | | | | |
|---|--------------------------------------|--------------------------|--------------------------|------------------------|--------------------------|
| | Investing Company and its affiliates | Subsidiaries | Key Management Personnel | Associate | Total |
| Revenue from telecommunication services | 528.65 260.46 | 186.99 237.59 | | (17.01) 0.47 | 698.63 498.52 |
| Network and transmission | 343.74 0.04 | 13.20 10.93 | | 2.73 2.99 | 359.67 13.96 |
| Purchase of Property, Plant and Equipment and intangible assets | 73.01 42.13 | 1.81 6.12 | | 0.30 - | 75.12 48.25 |
| Sale of Property, Plant and Equipment and intangible assets | | 4.26 32.89 | | @ - | 4.26 32.89 |
| Services rendered | 5.51 - | 114.31 177.39 | | 80.47 - | 200.29 177.39 |
| Services received | 178.82 68.45 | 138.81 150.17 | | 16.50 - | 334.13 218.62 |
| Equity capital contribution | | - 57.49 | | @ - | @ 57.49 |
| Preference Capital contribution | | - 22.53 | | 0.04 - | 0.04 22.53 |
| Interest Income | | 69.74 70.28 | | 1.11 - | 70.85 70.28 |
| Dividend Income | | 25.27 6.53 | | | 25.27 6.53 |
| Guarantee Fees | | 37.52 (197.35) | | | 37.52 (197.35) |

@ represents transaction of amounts less than ₹ 50,000

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Particulars | Investing Company | Subsidiaries | Key Management Personnel | Associate | (₹ in crores) Total |
|--|-------------------|--------------|--------------------------|-----------|------------------------|
| Loan given (refer note 7(ii)) | | 1,692.11 | | | 1,692.11 |
| | | 233.68 | | | 233.68 |
| Loan repaid | | 67.78 | | 362.22 | 430.00 |
| | | - | | - | - |
| Managerial Remuneration \$ | | | 21.87 | | 21.87 |
| | | | 13.74 | | 13.74 |
| Reassignment of loan | | 2.18 | | | 2.18 |
| | | - | | | - |
| Reduction in equity share capital | | - | | | - |
| | | 0.04 | | | 0.04 |
| Royalty expenses | 34.69 | | | | 34.69 |
| | - | | | | - |
| Professional fees | | 7.64 | | | 7.64 |
| | | - | | | - |
| Redemption of Debentures | | 11.00 | | 339.00 | 350.00 |
| | | - | | - | - |
| Fair value gain on investments | | (446.47) | | | (446.47) |
| | | 25.94 | | | 25.94 |
| Conversion of loan given to equity investment | | 1,866.12 | | | 1,866.12 |
| | | - | | | - |
| Conversion of preference investment to equity investment | | 248.66 | | | 248.66 |
| | | 142.06 | | | 142.06 |
| Sale of investments to subsidiary | | @ | | | @ |
| | | - | | | - |

@ represents transaction of amounts less than ₹ 50,000

\$ includes remuneration paid by subsidiary

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

| Particulars | (₹ in crores) | | | | Total |
|--|-------------------|---------------|--------------------------|--------------|-----------------|
| | Investing Company | Subsidiaries | Key Management Personnel | Associate | |
| Balances with related parties | | | | | |
| Receivables | | | | | |
| | 101.54 | 100.92 | | 0.36 | 202.82 |
| | 52.17 | 71.57 | | 0.36 | 124.10 |
| | 51.81 | 81.39 | | | 133.20 |
| Loan | | | | | |
| | | 0.12 | | | 0.12 |
| | | 667.36 | | | 667.36 |
| | | 414.25 | | | 414.25 |
| Other financial assets –Non Current | | | | | |
| | 1,058.00 | 42.70 | | | 1,100.70 |
| | - | 63.99 | | | 63.99 |
| | - | 147.49 | | | 147.49 |
| Other financial assets – Current | | | | | |
| | 0.51 | 28.41 | | 78.07 | 106.99 |
| | 0.28 | 66.50 | | 0.01 | 66.79 |
| | 0.24 | 159.48 | | 0.01 | 159.73 |
| Other assets –Non-current | | | | | |
| | 0.05 | | | | 0.05 |
| | - | | | | - |
| | - | | | | - |
| Other assets – Current | | | | | |
| | 5.93 | | | | 5.93 |
| | 4.91 | | | | 4.91 |
| | 3.18 | | | | 3.18 |
| Payables (including capital creditors) | | | | | |
| | 198.00 | 54.57 | 10.99 | 3.43 | 266.99 |
| | 39.36 | 43.02 | 6.66 | 2.78 | 91.82 |
| | 29.25 | 46.66 | 6.33 | 0.28 | 82.52 |
| Other financial liabilities – Current | | | | | |
| | 5.12 | | | | 5.12 |
| | 4.76 | | | | 4.76 |
| | 4.75 | | | | 4.75 |
| Other liabilities - Non-current | | | | | |
| | 42.42 | | | | 42.42 |
| | 0.13 | | | | 0.13 |
| | - | | | | - |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Particulars | | | | | (₹ in crores) |
|--|-------------------|-----------------|--------------------------|-------------|-----------------|
| | Investing Company | Subsidiaries | Key Management Personnel | Associate | Total |
| Other liabilities – Current | 11.09 | 3.24 | | 6.13 | 20.46 |
| | <i>5.85</i> | <i>-</i> | | <i>-</i> | <i>5.85</i> |
| | <i>1.60</i> | <i>-</i> | | <i>-</i> | <i>1.60</i> |
| Guarantees on behalf of subsidiary / associate | | 4.70 | | 2.10 | 6.80 |
| | | <i>84.80</i> | | <i>-</i> | <i>84.80</i> |
| | | <i>92.08</i> | | <i>-</i> | <i>92.08</i> |
| Letter of comfort on behalf of subsidiaries | | 2,549.01 | | | 2,549.01 |
| | | <i>2,882.74</i> | | | <i>2,882.74</i> |
| | | <i>3,858.89</i> | | | <i>3,858.89</i> |

Previous year figures are in italics

41. Operating lease arrangements

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

a. As lessee:

| | | | (₹ in crores) |
|---|---------------|---------------|---------------|
| | Year ended | Year ended | |
| | 31 March 2017 | 31 March 2016 | |
| Minimum lease payments under operating leases recognised as expense in the year | 12.31 | <i>6.42</i> | |

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

| | | | | (₹ in crores) |
|---|---------------|---------------|--------------|---------------|
| | As at | As at | As at | |
| | 31 March 2017 | 31 March 2016 | 1 April 2015 | |
| Due not later than one year | 18.75 | <i>4.31</i> | <i>2.55</i> | |
| Due later than one year but not later than five years | 22.73 | <i>5.33</i> | <i>1.08</i> | |
| Later than five years | 0.59 | <i>0.11</i> | <i>-</i> | |
| | 42.07 | 9.75 | 3.63 | |

b. As lessor:

- The Company has leased under operating lease arrangements certain IRU with gross carrying amount and accumulated depreciation of ₹ 87.02 crores (2016: ₹ 87.02 crores, 2015: ₹ 87.02 crores) and ₹ 68.26 crores (2016: ₹ 62.59 crores, 2015: ₹ 56.92 crores) respectively as at 31 March 2017. Depreciation expense of ₹ 5.67 crores (2016: ₹ 5.67 crores) in respect of these assets has been charged in the Statement of Profit and Loss for the year ended 31 March 2017.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

In case of certain operating lease agreements aggregating ₹ 429.24 crores (2016: ₹ 401.35 crores, 2015: ₹ 391.48 crores) as at 31 March 2017, the gross block, accumulated depreciation and depreciation expense of the assets given on an IRU basis cannot be identified as these assets are not exclusively leased. The lease rentals associated with such IRU arrangements for the year ended 31 March 2017 amount to ₹ 33.50 crores (2016: ₹ 32.35 crores).

In respect of IRU arrangements, rental income of ₹ 40.36 crores (2016: ₹ 39.20 crores) has been recognised in the Statement of Profit and Loss for the year ended 31 March 2017.

Future lease rental receipts will be recognised in the Statement of Profit and Loss of subsequent years as follows:

| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
|---|------------------------|------------------------|-----------------------|
| Due not later than one year | 41.27 | 39.81 | 39.12 |
| Due later than one year but not later than five years | 148.48 | 151.47 | 153.47 |
| Later than five years | 118.67 | 129.61 | 157.62 |
| | 308.42 | 320.89 | 350.21 |

- ii. The Company has leased certain premises under non-cancellable operating lease arrangements to its wholly owned subsidiaries and associate. Future lease rental income in respect of these leases will be recognised in the Statement of Profit and Loss of subsequent years as follows:

| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
|---|------------------------|------------------------|-----------------------|
| Not later than one year | 108.38 | 74.40 | 63.18 |
| Later than one year but not later than five years | 159.26 | 204.61 | 235.36 |
| Later than five years | - | - | - |
| | 267.64 | 279.01 | 298.54 |

Lease rental income of ₹ 94.13 crores (2016: ₹ 72.79 crores) in respect of the above leases has been recognised in the Statement of Profit and Loss for the current year.

42. Contingent Liabilities and Commitments:

a. Contingent Liabilities:

| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
|---|------------------------|------------------------|-----------------------|
| i. Guarantees excluding financial guarantee (Refer 1 below) | 6.80 | 84.80 | 92.08 |
| ii. Claims for taxes on income (Refer 2 below) | | | |
| - Income tax disputes where department is in appeal against the Company | 595.25 | 588.21 | 626.15 |
| - Other disputes related to income tax | 1,947.23 | 2,051.42 | 2,067.82 |
| iii. Claims for other taxes | 1.95 | 1.34 | 1.45 |
| iv. Other claims (Refer 3 below) | 1,284.75 | 1,263.75 | 967.71 |

1. As on 31 March 2017, the Company has issued Corporate guarantees for the loans and credit facility arrangements in respect of various subsidiaries and associates:

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
|---|------------------------|------------------------|-----------------------|
| Tata Communications Payment Solutions Limited | 4.70 | 40.70 | 47.98 |
| STT Global Data Centres India Private Limited | 2.10 | 22.10 | 22.10 |
| Tata Communications Transformation Services Limited | @ | 22.00 | 22.00 |
| Total | 6.80 | 84.80 | 92.08 |

(₹ in crores)

@ represents transaction of amounts less than ₹ 50,000

 2. Claims for taxes on income

Significant claims by the revenue authorities in respect of income tax matters relate to disallowance of deductions claimed under section 80 IA of the Income Tax Act, 1961 from assessment years 1996-97 onwards and transfer pricing adjustments carried out by revenue authorities. The Company has contested the disallowances / adjustments and has preferred appeals which are pending.

 3. Other claims:

- i. Telecom Regulatory Authority of India ("TRAI") reduced the Access Deficit Charge ("ADC") rates effective 1 April 2007. All telecom services providers including National Long Distance ("NLD") and International Long Distance ("ILD") operators in India are bound by the TRAI regulations; accordingly the Company has 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 1 April 2007. BSNL had filed an appeal against the TRAI Interconnect Usage Charges ("IUC") regulation of reduction in ADC and currently this matter is pending with the Supreme Court. The possible liability on the Company is ₹ 311.84 crores (2016: ₹ 311.84 crores, 2015: ₹ 311.84 crores).
- ii. On 19 February 2013, DoT issued a licence fee demand amounting to ₹ 193.05 crores, (being ₹ 92.86 crores for financial year 2006-07 and ₹ 100.19 crores for financial year 2007-08, including ₹ 102.06 crores, being interest as on 28 February 2013) for financial years 2006-07 and 2007-08, based on special audit reports of auditors appointed by DoT. The total demand including interest is for ₹ 331.43 crores (2016: ₹ 290.30 crores, 2015: ₹ 254.30 crores). The Company has challenged the said demand notice in the Madras High Court which has vide its orders dated 1 March 2013, granted a stay-order against the said demand. Further, the Company is also contesting a licence fee claim of ₹ 198.89 crores (2016: ₹ 169.85 crores, 2015: ₹ 144.14 crores) (including interest and penalty) for financial year 2005-06. However, the said demand notice includes the items which are already the subject-matter of petitions/appeals, pending for hearing in the Supreme Court of India, for the previous years.
- iii. TRAI in December, 2012 issued International Telecommunication Access to Essential Facilities at Cable Landing Stations (Amendment) 2012 ("Regulation") dated 21 December 2012 seeking to regulate access facilitation charges, colocation charges, restoration charges and cancellation charges, wherein TRAI fixed the charges for access facilitation and colocation at cable landing stations, effective 1 January 2013. Since, prescribing such charges, adversely affected the Company, being aggrieved by the Regulation, the Company filed writ petition in the High Court, Chennai to set aside the impugned Regulation. On 24 January 2013, the High Court granted an ex parte, ad-interim stay on applicability of the impugned Regulation. On 11 November 2016, the Company has filed an appeal in the division bench of Madras High Court against the above court order and the same is pending with division bench for hearing. However, given the uncertainty on the timing of resolution, during the current year, the

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

Company has recorded a provision towards reversal of revenue for ₹ 46.26 crores and other expense include a reversal towards operating and maintenance recovery of ₹ 98.78 crores. In 2016, ₹ 154.54 crores was included under contingent liabilities.

- iv. Upon expiry of the Company's ISP license on 24 January 2014, DoT vide letter dated 20 February 2014 extended the validity of the said license for 3 months with condition that entire ISP revenue will be subject to license fees. This conditional extension by DoT, was challenged by the Company in TDSAT, which granted a stay subject to submission of undertaking that if petition fails then applicable license fees would be payable along with interest. Considering the above facts, the Company has disclosed an amount of ₹ 303.56 crores (2016: ₹ 176.31 crores, 2015: ₹ 80.08 crores) under contingent liabilities.
- v. Other claims of ₹ 139.03 crores (2016: ₹ 160.91 crores, 2015: ₹ 177.35 crores) mainly pertain to routine suits for collection, commercial disputes, claims from customers and/or suppliers and claims from Employee State Insurance Corporation (ESIC).
4. The Company has taken appropriate professional advice in respect of the claims / appeals and has taken all necessary steps to protect its interest. Based on expert opinion, no provision is required in respect of these claims / appeals.
5. Future cash flows in respect of the above matters are determinable only on receipt of judgements/ decisions pending at various forums/ authorities.

b. Commitments:

i. Capital Commitments:

Estimated amount of contracts remaining to be executed on capital account, not provided for amount to ₹ 173.01 crores (2016: ₹ 184.30 crores, 2015: ₹ 208.24 crores) (net of capital advances).

ii. Other Commitments:

1. As on 31 March 2017, the Company has issued Letters of Comfort for the credit facility agreements in respect of various subsidiaries:

| Name of the Subsidiary | (₹ in crores) | | |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Tata Communications Transformation Services Ltd | 87.00 | 39.75 | 37.53 |
| STT Global Data Centres India Private Limited | - | 56.00 | 56.00 |
| VSNL SNOSPV Pte. Ltd | - | 336.01 | 384.03 |
| Tata Communications (Netherlands) B.V. | 1,252.86 | 1,278.53 | 2,064.15 |
| Tata Communications (Bermuda) Ltd | 649.15 | 662.45 | 1,157.18 |
| Tata Communications Payment Solutions Limited (TCPSL)* | 560.00 | 510.00 | 160.00 |

*The Company has undertaken to the lenders of TCPSL that it shall not reduce its ownership holdings below 51% without the consent of TCPSL's lenders.

2. The Company has issued a support letter to Tata Communications International Pte. Limited (TCIPL), aggregating ₹ 5,034.82 crores (2016: ₹ 7,344.35 crores, 2015: ₹ 6,095.73 crores) for providing financial support enabling, in turn, TCIPL to issue such support letters to certain subsidiaries with negative net worth as at 31 March 2017 in various geographies in order that they may continue as going concerns.
3. The Company has committed loan facility to wholly owned subsidiaries to the tune of ₹ 3,795.75 crores (2016: ₹ 6,843.60 crores, 2015: ₹ 6,728.24 crores) as at 31 March 2017, utilisation of which is subject to future requirements and appropriate approval processes from time to time.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
43. Dividend remitted to non-resident shareholders in foreign currency

The Company has not remitted any amount in foreign currencies on account of dividends during the year. The particulars of final dividends for the year ended 31 March 2016 paid to non – resident shareholders are as under:

| | (₹ in crores) | |
|---------------------------------------|-------------------------------------|-------------------------------------|
| | Year ended 31 March 2017 | <i>Year ended 31 March 2016</i> |
| Number of non – resident shareholders | 1,104 | 1,144 |
| Number of shares held by them | 23,659,906 | 17,171,437 |
| Year to which the dividend relates | 2015-2016 | 2014-2015 |
| Amount remitted | 10.17 | 9.44 |

44. Micro and Small Enterprises

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management:

| | (₹ in crores) | | |
|--|--------------------------------|--------------------------------|--------------------------------|
| | As at 31 March 2017 | <i>As at 31 March 2016</i> | <i>As at 01 April 2015</i> |
| a. Principal amount remaining unpaid to any supplier as at the end of the accounting year | 0.58 | 1.23 | 0.31 |
| b. Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | 0.02 | 0.04 | 0.01 |
| c. The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day | 13.37 | 17.68 | 11.64 |
| d. The amount of interest due and payable for the year | 0.02 | 0.04 | 0.01 |
| e. The amount of interest accrued and remaining unpaid at the end of the accounting year | 0.02 | 0.04 | 0.01 |
| f. The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid | - | - | - |
| g. Total outstanding dues of micro and small enterprises* | 1.05 | 1.38 | 0.47 |

*Includes principal amount of ₹ 0.45 crores (2016: ₹ 0.11 crores; 2015: ₹ 0.15 crores) remaining unpaid to supplier prior to scheduled date

45. Specified Bank Notes (SBNs)

During the year, the Company had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated 30 March 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from 08 November 2016 to 30 December 2016, the denomination wise SBNs and other notes as per the notification is given below:

| | SBNs | Other Denomination notes | Total (₹) |
|--|-----------------|-------------------------------------|------------------|
| Closing cash in hand as on 08 November 2016 | 3,18,500 | 522 | 3,19,022 |
| (+) Permitted receipts | - | 1,60,290 | 1,60,290 |
| (-) Permitted payments | - | 52,520 | 52,520 |
| (-) Amount deposited into bank | 3,18,500 | 55,800 | 3,73,300 |
| Closing cash in hand as on 30 December 2016 | - | 52,492 | 52,492 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

46. Disclosure as required under Schedule V of SEBI (Listing obligations and disclosures requirement) Regulations, 2015

Amounts of loans and advances in the nature of loans outstanding from subsidiaries during the year ended 31 March 2017

(₹ in crores)

| Name of the Company | Outstanding as at 31 March 2017 | Maximum amount outstanding during the year | Investment in shares of the Company No of shares | Investment in shares of subsidiaries of the Company No of shares |
|---|---------------------------------------|---|---|---|
| Tata Communications International Pte Ltd (Refer i) | 0.63 | 1,829.06 | | |
| | 344.09 | 372.43 | - | - |
| VSNL SNOSPV Pte. Ltd | - | 45.81 | | (Refer ii) |
| | 28.53 | 31.47 | - | - |
| Tata Communications Transformation Services Limited | 0.72 | 0.74 | - | - |
| | 0.31 | 0.31 | - | - |
| STT Global Data Centres India Private Limited (formerly known as Tata Communications Data Centers Private Limited) (Refer note 6 (VI)) | - | 366.62 | - | - |
| | 328.12 | 340.66 | - | - |
| Tata Communications Collaboration Services Private Limited | 0.77 | 1.03 | - | - |
| | 0.12 | 0.12 | - | - |

i. Tata Communications International Pte. Ltd which is a wholly owned subsidiary of the Company has investments in 39 subsidiaries as at 31 March 2017.

ii. As at 31 March 2016, VSNL SNOSPV Pte. Ltd has made the following investments in equity and preference shares of its subsidiaries:

1,462,770,590 in Neotel Pty Ltd. and 1,799,272,516 in SEPCO Communications Pty Ltd.

47. Details of loans given, investment made and guarantee given covered u/s 186 (4) of the Companies Act, 2013 are provided in note no. 7, 6 and 8.

48. Events after the reporting period

There are no subsequent events between the year ended 31 March 2017 and signing of financial statements as on 4 May 2017 which have material impact on the financials of the Company except for the provision for contractual obligation as referred in note 29, which has been adjusted in the Standalone Financial Statements.

49. Approval of financial statements

The financial statements were approved for issue by the board of directors on 4 May 2017.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)**50. First time adoption of Ind AS**

These are the Company's first standalone financial statements prepared in accordance with Ind AS. The accounting policies set out in note 2 have been applied in preparing the standalone financial statements for the year ended 31 March 2017, the comparative information presented in these standalone financial statements for the year ended 31 March 2016 and in the preparation of an opening Ind AS balance sheet at 1 April 2015 (the Company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in standalone financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (Indian GAAP).

A. Exemptions and exceptions availed

The transition as at 1 April 2015 to Ind AS was carried out from Previous GAAP. The exemptions and exceptions applied by the Company in accordance with Ind AS 101 – First time adoption of Indian Accounting Standards, the reconciliation of equity and total comprehensive income in accordance with Previous GAAP to Ind AS are explained below:

A.1 Ind AS optional exemptions**a. Designation of previously recognised financial instruments**

Ind AS 101 allows an entity to designate investments in equity instruments at Fair Value through Other Comprehensive Income on the basis of the facts and circumstances at the date of transition to Ind AS. The Company has designated certain equity instruments held at 1 April 2015 as Fair Value through Other Comprehensive Income.

b. Fair value measurement of financial assets or financial liabilities at initial recognition

The Company has applied requirements of fair value measurement of financial assets and financial liabilities at initial recognition for transactions entered into on or after date of transition to Ind AS.

A.2 Ind AS mandatory exceptions**a. De-recognition of financial assets and liabilities**

The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

b. Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS. The Company has applied the above requirement prospectively.

c. Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with Previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Ind AS estimates as at 1 April 2015 are consistent with the estimates as at the same date made in conformity with Previous GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under Previous GAAP:

- Investment in equity instruments carried at Fair Value through Other Comprehensive Income;
- Investment in preference instruments carried at Fair Value through Profit or Loss;
- Impairment of financial assets based on expected credit loss model.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

B Reconciliations between Previous GAAP and Ind AS

i. Equity reconciliation

| (₹ in crores) | | | | |
|---------------|--|-------|---------------------|--------------------|
| Sr. no. | Particulars | Notes | As at 31 March 2016 | As at 1 April 2015 |
| | Equity as reported under previous GAAP | | 8,318.86 | 8,351.83 |
| a. | Impact of measuring investments at fair value through profit or loss (FVTPL) | I | 581.43 | 556.21 |
| b. | Dividend and tax on dividend | II | 147.50 | 188.66 |
| c. | Changes in present value of annuity contracts | III | (18.65) | (19.80) |
| d. | Provision for expected credit loss | IV | (11.44) | (9.53) |
| e. | Impact of measuring investments at fair value through Other Comprehensive Income (FVOCI) | I | 2.38 | 98.42 |
| f. | Tax adjustments on above items | VI | (124.34) | (141.03) |
| | Equity under Ind AS | | 8,895.74 | 9,024.76 |

ii. Total Comprehensive income reconciliation

| (₹ in crores) | | | |
|---------------|--|-------|----------------------------------|
| Sr. no. | Particulars | Notes | For the year ended 31 March 2016 |
| | Net profit as reported under previous GAAP | | 113.20 |
| a. | Impact of measuring investments and derivatives at fair value through profit or loss (FVTPL) | I | 25.22 |
| b. | Actuarial gains on employee defined benefit plans reclassified to Other Comprehensive Income | V | 13.72 |
| c. | Changes in present value of annuity contracts | III | 1.15 |
| d. | Provision for expected credit loss | IV | (1.91) |
| e. | Impact of measuring investments at fair value through Other Comprehensive Income (FVOCI) | I | 251.52 |
| f. | Tax adjustments on above items | VI | (10.22) |
| | Net profit for the year under Ind AS | | 392.68 |
| | Other Comprehensive Income (net of tax) | | (334.37) |
| | Total Comprehensive Income under Ind AS | | 58.31 |

iii. Reconciliation of Statement of Cash Flow

There are no material adjustments to the Statement of Cash Flows as reported under the Previous GAAP.

Notes to reconciliations between Previous GAAP and Ind AS

I. Fair valuation of investments and derivatives

a. Investments:

Under previous GAAP, long term equity investments were measured at cost less diminution in value which is other than temporary. Under Ind AS, certain long term equity investments are classified as

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

fair value through OCI and accordingly all gains and losses on these investments needs to be recorded through Reserve for equity instrument through other comprehensive income. Accordingly, for the year ended 31 March 2016, provision made towards diminution in value of TTSL investment ₹ 251.52 crores have been reclassified from exceptional item to Other Comprehensive Income and fair value gain of ₹ 2.38 crores on equity instrument has been recognised in Other Comprehensive Income. As a result, fair value gain of ₹ 98.42 crores and fair value loss of ₹ 347.56 crores has been recognised in Reserve for equity instrument through other comprehensive income as at 1 April 2015 and 31 March 2016 respectively.

Under previous GAAP, long term preference investments were measured at cost less diminution in value which is other than temporary. Under Ind AS, these long term preference investments are classified as Fair Value through Profit or Loss and accordingly all gains and losses on these investments needs to be recorded through Statement of Profit and Loss. As a result, fair value gain on these instruments of ₹ 581.03 crores and ₹ 555.09 crores for 31 March 2016 and 1 April 2015 is recognized in total equity. For the year ended 31 March 2016, fair value gain of ₹ 25.94 crores has been recognised in Statement of Profit and Loss.

Under previous GAAP, mutual funds were measured at lower of cost or fair value. Under Ind AS, these investments are classified as Fair Value through Profit or Loss and accordingly all gain and losses on these investments needs to be recorded through Statement of Profit and Loss.

As at 1 April 2015, fair value gain on these instruments of ₹ 1.08 crores is recognised in total equity and fair value loss of ₹ 0.11 crores for year ended 31 March 2016 is recognised in Statement of Profit and Loss.

b. Derivatives

Under previous GAAP, any premium or discount arising at the inception of forward contract not intended for trading or speculation purpose, is amortised as expense or income over the life of contract and contract were restated at the closing spot exchange rate. Under Ind AS, derivative financial instrument are recognised at fair value. Due to reversal of premium amortisation and revaluation of forward contract at fair value, the impact of ₹ 0.61 crores has been recognised in Statement of Profit and Loss for the year ended 31 March 2016. No adjustments required on the date of transition 1 April 2015 as there were no open forward contract in the financials for standalone.

II. Dividend (including dividend tax)

Under previous GAAP, dividends on equity share recommended by the board of directors after the end of the reporting period but before the financial statement were approved for issue were recognised in the financial statement as a liability. Under Ind AS, such dividends are recognised when the financial statements are approved by the shareholders in the Annual General Meeting. The effect of this change results in an increase in total equity by ₹ 147.50 crores and ₹ 188.66 crores as at 31 March 2016 and 1 April 2015 respectively. There is no impact on profit as a result of this adjustment.

III. Annuity contracts

Under previous GAAP, annuity plan receivables are recognised at undiscounted amount. Under Ind AS, this needs to be recognised at net present value of expected inflow. As a result, an impact of ₹ 1.15 crores has been recognised in finance cost for the year ended 31 March 2016.

Impact of ₹ 18.65 crores and ₹ 19.80 crores has been recognised in equity as at 31 March 2016 and 1 April 2015 respectively.

IV. Trade receivables

Under previous GAAP, the Company had created allowance for trade receivables based on incurred loss model. In Ind AS, impairment allowance has been calculated based on expected credit loss model. As a result, for the year ended 31 March 2016, ₹ 1.91 crores provision for expected credit loss is recognised in Statement of Profit and Loss and impact of ₹ 11.44 crores and ₹ 9.53 crores has been recognised in equity as at 31 March 2016 and 1 April 2015 respectively.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Contd.)

V. Employee benefits

Under previous GAAP, actuarial gains and losses on re-measurement of the net defined benefit liability/ asset was recognised in Statement of Profit and Loss. Under Ind AS, actuarial gains and losses on re-measurement of the net defined benefit liability / asset are recognised in Other Comprehensive Income. Accordingly, ₹ 13.72 crores on re-measurement of the net defined benefit liability / asset is reclassified to other comprehensive income from employee cost resulting in increase in net profit for the year ended 31 March 2016. However, the same does not result in difference in equity or total comprehensive income.

VI. Tax adjustments

Tax adjustments include tax impact on account of differences between Previous GAAP and Ind AS. These adjustments have resulted in a decrease in equity under Ind AS by ₹ 124.34 crores and ₹ 141.03 crores as at 31 March 2016 and 1 April 2015 respectively. Also, resulted decrease in net profit by ₹ 10.22 crores for the year ended 31 March 2016.

For and on behalf of the Board of Directors

RENUKA RAMNATH
Chairperson

PRATIBHA K. ADVANI
Chief Financial Officer

MUMBAI
DATED: 4 May 2017

VINOD KUMAR
Managing Director & Group CEO

MANISH SANSI
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TATA COMMUNICATIONS LIMITED

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of Tata Communications Limited (hereinafter referred to as "the Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group") and its associates, comprising the Consolidated Balance Sheet as at 31 March, 2017, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Parent's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and statement of changes in equity of the Group including its Associates in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associates and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Parent, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Parent's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated Ind AS financial statements.

Basis for Qualified Opinion

1. As described in Note No 8(i) to the consolidated Ind AS financial statements, the fair value of the Company's investment in the unquoted equity shares of Tata Teleservices Limited (TTSL) has not been determined as at 31 March, 2017. Accordingly, we are unable to comment whether the carrying value of the investment in TTSL of ₹ 515.53 crores represents the fair value as at 31 March, 2017 and whether any consequent adjustment is required to be recognised in other

comprehensive income, and whether the expense for provision for contractual obligation, as described in Note No 31 to the consolidated Ind AS financial statements, is adequate.

2. As described in Note No 34(II)(a) to the consolidated Ind AS financial statements, includes loss from discontinued operations of ₹ 69.98 crores for the year ended 31 March, 2017, in respect of a subsidiary (disposed on 10 February, 2017) whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary is based solely on such unaudited financial statements.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, and its associates as at 31 March, 2017, and their consolidated profit, consolidated total comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Other Matters

- (a) We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹ 124.16 crores as at 31 March, 2017, total revenues of ₹ 114.64 crores and net cash outflows amounting to ₹ 1.92 crores for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.
- (b) We did not audit the financial statements of three subsidiaries, whose financial statements reflect total

assets of ₹ 183.14 crores as at 31 March, 2017, total revenues of ₹ NIL and net cash inflows amounting to ₹ 182.72 crores for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of net profit of ₹ 0.62 crores for the year ended 31 March, 2017, as considered in the consolidated Ind AS financial statements, in respect of three associates, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and associates, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated Ind AS financial statements above, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of other auditors and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, that:

- (a) We have sought and except for the matters described in Basis for Qualified Opinion above obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
- (b) In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph above, proper books of accounts as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The consolidated Balance Sheet, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of accounts maintained for the purpose of preparation of the consolidated Ind AS financial statements.

- (d) In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Parent as on 31 March, 2017 taken on record by the Board of Directors of the Parent and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the other directors of the Group's companies incorporated in India is disqualified as on 31 March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) The qualification relating to maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- (g) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Parent, subsidiary companies and a associate company incorporated in India. Our report expresses qualified opinion on the operating effectiveness of the Parent's company's internal financial controls over financial reporting.
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, and its associates.
 - ii. Except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph above, provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Parent. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the subsidiary companies and associate companies incorporated in India.
 - iv. The Parent has provided requisite disclosures in the consolidated Ind AS financial statements as regards the holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016 of the Group entities as applicable. Based on audit procedures performed and the representations provided to us by the Management and in respect of one of the subsidiary based on the Cash Replenishment Agencies (CRA) declaration, we report that the disclosures are in accordance with the books of account maintained by those entities for the purpose of preparation of consolidated Ind AS financial statements and as produced to us by the Management of the respective group entities. Refer Note 48 of the Ind AS Financial statements.

For S. B. BILLIMORIA & CO.
Chartered Accountants
(Firm's Registration No. 101496W)

Gurvinder Singh
Partner
(Membership No.110128)
Mumbai, 4 May 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (g) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended 31 March, 2017, we have audited the internal financial controls over financial reporting of Tata Communications Limited (hereinafter referred to as "the Parent") and its subsidiary companies and its associate company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the parent, and its subsidiary companies and its associate company which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the criteria established by the Parent, its subsidiary companies and associate companies incorporated in India, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent and its subsidiary companies and its associate company which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal

financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor of the subsidiary company and associate company, which is a company incorporated in India, in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the aforesaid entities.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed 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 financial 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Basis of Qualified Opinion

According to the information and explanations given to us and based on our audit and as described in Note No 8(i) to the consolidated Ind AS financial statements in the absence of a valuation report to determine the fair value as at 31 March, 2017 of an unquoted investment, a material weakness has been identified in the Parent relating to inadequate internal financial controls over financial reporting in respect of the carrying amount of this investment

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial 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.

Qualified Opinion

In our opinion, to the best of our information and according to the explanations given to us, except for the possible

effects of the material weakness described above on the achievement of the objectives of the control criteria, the Parent and its subsidiary companies and its associate company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31 March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the said Guidance Note.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements of the Company for the year ended 31 March, 2017.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one subsidiary company, which is a company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

For S. B. BILLIMORIA & CO.

Chartered Accountants
(Firm's Registration No. 101496W)

Gurvinder Singh

Partner

(Membership No.110128)

Mumbai, 4 May 2017

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

| | | | ₹ in crores | | |
|----------|---|------|------------------------|------------------------|-----------------------|
| | | Note | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| A | ASSETS | | | | |
| (1) | Non-current assets | | | | |
| (a) | Property, plant and equipment | 3 | 9,292.69 | 12,543.39 | 10,802.74 |
| (b) | Capital work-in-progress | | 629.32 | 668.68 | 428.17 |
| (c) | Investment property | 4 | 214.67 | 6.62 | 6.75 |
| (d) | Goodwill | 5 | - | 324.57 | 158.27 |
| (e) | Other intangible assets | 6 | 1,421.15 | 1,575.85 | 1,529.15 |
| (f) | Intangible assets under development | | 121.60 | 131.14 | 65.95 |
| (g) | Financial assets | | | | |
| (i) | Investments | | | | |
| (a) | Investments in associates | 7 | 892.24 | 1.89 | - |
| (b) | Other investments | 8A | 742.42 | 968.32 | 1,161.33 |
| (ii) | Loans | 9 | 365.95 | - | - |
| (iii) | Other financial assets | 10A | 312.29 | 177.07 | 95.72 |
| (h) | Deferred tax assets (Net) | 19 | 69.04 | 183.30 | 209.00 |
| (i) | Non current tax asset | | 1,506.42 | 1,593.78 | 1,410.76 |
| (j) | Other non-current assets | 11A | 348.71 | 371.74 | 349.63 |
| | Total non-current assets | | 15,916.50 | 18,546.35 | 16,217.47 |
| (2) | Current assets | | | | |
| (a) | Inventories | | 19.20 | 25.42 | 4.96 |
| (b) | Financial assets | | | | |
| (i) | Other investments | 8B | 799.30 | 860.39 | 889.56 |
| (ii) | Trade receivables | 12 | 2,590.04 | 3,018.86 | 2,193.27 |
| (iii) | Cash and cash equivalent | 13 | 1,002.76 | 945.11 | 724.58 |
| (iv) | Bank balance other than (iii) above | 14 | 76.53 | 1,031.16 | 506.75 |
| (v) | Other financial assets | 10B | 132.91 | 93.87 | 91.53 |
| (c) | Other current assets | 11B | 561.73 | 652.45 | 481.46 |
| | | | 5,182.47 | 6,627.26 | 4,892.11 |
| | Assets classified as held for sale | 15 | 3.32 | - | 3,079.77 |
| | Total current assets | | 5,185.79 | 6,627.26 | 7,971.88 |
| | TOTAL ASSETS | | 21,102.29 | 25,173.61 | 24,189.35 |
| B | EQUITY AND LIABILITIES | | | | |
| (1) | Equity | | | | |
| (a) | Equity share capital | 16 | 285.00 | 285.00 | 285.00 |
| (b) | Other equity | 17 | 1,306.90 | (648.36) | 139.11 |
| | Equity attributable to equity holders of the parent | | 1,591.90 | (363.36) | 424.11 |
| | Non-controlling interests | | 18.37 | 6.90 | 5.87 |
| | Total Equity | | 1,610.27 | (356.46) | 429.98 |
| (2) | Liabilities | | | | |
| (i) | Non-current liabilities | | | | |
| (a) | Financial liabilities | | | | |
| (i) | Borrowings | 18A | 6,811.29 | 9,926.30 | 5,656.39 |
| (ii) | Other financial liabilities | 21A | 16.83 | 76.25 | 76.77 |
| (b) | Provisions | 22A | 483.95 | 498.90 | 486.38 |
| (c) | Deferred tax liabilities (Net) | 19 | 76.12 | 76.08 | 96.67 |
| (d) | Other non-current liabilities | 23A | 3,711.66 | 4,267.09 | 4,067.92 |
| | Total non-current liabilities | | 11,099.85 | 14,844.62 | 10,384.13 |
| (ii) | Current liabilities | | | | |
| (a) | Financial liabilities | | | | |
| (i) | Borrowings | 18B | 1,564.91 | 2,272.59 | 1,302.74 |
| (ii) | Trade payables | 20 | 3,581.38 | 3,576.38 | 3,035.17 |
| (iii) | Other financial liabilities | 21B | 1,558.58 | 2,842.99 | 4,165.95 |
| (b) | Other current liabilities | 23B | 1,344.80 | 1,555.27 | 1,124.14 |
| (c) | Provisions | 22B | 84.74 | 85.79 | 51.31 |
| (d) | Current tax liabilities (Net) | | 257.76 | 352.43 | 404.80 |
| | | | 8,392.17 | 10,685.45 | 10,084.11 |
| | Liabilities directly associated with assets classified as held for sale | 15 | - | - | 3,291.13 |
| | Total current liabilities | | 8,392.17 | 10,685.45 | 13,375.24 |
| | TOTAL EQUITY AND LIABILITIES | | 21,102.29 | 25,173.61 | 24,189.35 |

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached

For and on behalf of the Board of Directors

For S. B. BILLIMORIA & CO.
Chartered AccountantsRENUKA RAMNATH
ChairpersonPRATIBHA K. ADVANI
Chief Financial Officer
MUMBAI
DATED: 4 May 2017VINOD KUMAR
Managing Director & Group CEOMANISH SANSI
Company SecretaryGURVINDER SINGH
Partner
MUMBAI
DATED: 4 May 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

| | | ₹ in crores | |
|--------------|---|-----------------------------|-----------------------------|
| | Note | Year ended 31 March 2017 | Year ended 31 March 2016 |
| I | Revenue from operations | 17,619.73 | 18,148.58 |
| II | Other income | 24 360.29 | 396.64 |
| III | Total Income (I + II) | 17,980.02 | 18,545.22 |
| IV | Expenses: | | |
| | Network and transmission expense | 25 8,811.89 | 9,672.42 |
| | Employee benefits expense | 26 2,839.41 | 2,739.56 |
| | Finance costs | 28 367.19 | 409.06 |
| | Depreciation and amortisation expense | 29 1,865.77 | 1,864.29 |
| | Operating and other expenses | 27 3,562.53 | 3,294.88 |
| | Total expenses (IV) | 17,446.79 | 17,980.21 |
| V | Profit before exceptional items and tax (III-IV) | 533.23 | 565.01 |
| VI | Exceptional items | | |
| | a. Provision for contractual obligation | 31 (872.01) | - |
| | b. Impairment of goodwill | 5 (169.59) | - |
| | c. Staff cost optimisation | 30 (21.73) | (102.79) |
| VII | Profit/(Loss) before tax and share of profit of associate (V+VI) | (530.10) | 462.22 |
| VIII | Tax expense/(benefit) | 33 | |
| | a. Current tax | 270.30 | 203.95 |
| | b. Deferred tax | (33.92) | 28.90 |
| | | 236.38 | 232.85 |
| IX | Profit/(Loss) before share of profit of associate (VII-VIII) | (766.48) | 229.37 |
| X | Share in profit of associates | 5.08 | - |
| XI | Profit/(Loss) for the period from continuing operations (IX+X) | (761.40) | 229.37 |
| XII | Profit/(loss) before tax from discontinued operations | 123.31 | (109.66) |
| XIII | Gain on sale of business and subsidiaries, net of goodwill impairment | 34,5 2,420.51 | (90.00) |
| XIV | Profit/(loss) from discontinued operations (before tax) (XII+XIII) | 2,543.82 | (199.66) |
| XV | Tax expense on discontinued operations | 546.96 | 19.25 |
| XVI | Profit/(loss) from discontinued operations (XIV-XV) | 1,996.86 | (218.91) |
| XVII | Profit for the year | 1,235.46 | 10.46 |
| XVIII | Other comprehensive income/(loss) | | |
| | A(i) Items that will not be reclassified to profit or loss | | |
| | a. Remeasurements of the defined benefit plans | (53.05) | 34.05 |
| | b. Tax impact on defined benefit plans | 12.11 | 5.74 |
| | c. Fair value changes in investments | (240.68) | (286.70) |
| | d. Tax impact on investments | (0.11) | 22.16 |
| | e. Remeasurements of the defined benefit plans in associates | (0.01) | - |
| | | (281.74) | (224.75) |

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | | | ₹ in crores |
|--|------|-----------------------------|-----------------------------|
| | Note | Year ended 31 March 2017 | Year ended 31 March 2016 |
| A(ii) Items that will be reclassified to profit or loss | | | |
| a. Exchange differences in translating the financial statements of foreign operations, net | | 1,110.64 | (351.61) |
| b. Effective portion of gains and loss on designated portion of hedging instruments in a cash flow hedge | | 46.49 | (44.27) |
| c. Tax impact of cash flow hedge | | (10.64) | 11.81 |
| | | 1,146.49 | (384.07) |
| XIX Other comprehensive income/(loss) for the year, net of tax | | 864.75 | (608.82) |
| XX Total comprehensive income/(loss) for the year, net of tax (XVII+XIX) | | 2,100.21 | (598.36) |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 1,232.87 | 8.68 |
| Non-controlling interests | | 2.59 | 1.78 |
| Other comprehensive income/(loss) for the year | | 864.75 | (608.82) |
| Total comprehensive income/(loss) for the year attributable to: | | | |
| Owners of the Company | | 2,097.62 | (600.14) |
| Non-controlling interests | | 2.59 | 1.78 |
| Earnings per share (for continuing operations) | 36 | | |
| (Face value of equity share of ₹ 10 each) | | | |
| (1) Basic (₹) | | (26.81) | 7.99 |
| (2) Diluted (₹) | | (26.81) | 7.99 |
| Earnings per share (for discontinued operations) | 36 | | |
| (Face value of equity share of ₹ 10 each) | | | |
| (1) Basic (₹) | | 70.07 | (7.69) |
| (2) Diluted (₹) | | 70.07 | (7.69) |
| Earnings per share (for total operations) | 36 | | |
| (Face value of equity share of ₹ 10 each) | | | |
| (1) Basic (₹) | | 43.26 | 0.30 |
| (2) Diluted (₹) | | 43.26 | 0.30 |

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached

For S. B. BILLIMORIA & CO.
Chartered Accountants

For and on behalf of the Board of Directors

GURVINDER SINGH
Partner
MUMBAI
DATED: 4 May 2017

RENUKA RAMNATH
Chairperson
PRATIBHA K. ADVANI
Chief Financial Officer
MUMBAI
DATED: 4 May 2017

VINOD KUMAR
Managing Director & Group CEO
MANISH SANSI
Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

A. Equity Share Capital

₹ in crores

| | No. of Shares | Amount |
|---|--------------------|---------------|
| Balance at 1 April 2015 | 285,000,000 | 285.00 |
| Changes in equity share capital during the year | - | - |
| Balance at 31 March 2016 | 285,000,000 | 285.00 |
| Changes in equity share capital during the year | - | - |
| Balance at 31 March 2017 | 285,000,000 | 285.00 |

B. Other Equity

₹ in crores

| | Reserve and Surplus | | | | | Items of other comprehensive income | | | | Attributable to owners of the parent | Non-controlling interests | Total other equity |
|---|---------------------|------------------|-----------------|------------------------------|-------------------|---|--|--------------------------------------|---|--------------------------------------|---------------------------|--------------------|
| | Capital reserve | Security premium | General reserve | Debenture redemption reserve | Retained earnings | Remeasurements of the defined benefit plans | Equity instrument through other comprehensive income | Effective portion of cash flow hedge | Foreign exchange/currency translation reserve | | | |
| Balance as at 1 April 2015 | 206.06 | 725.01 | 5,229.16 | 97.94 | (4,901.24) | - | 261.42 | (6.33) | (1,472.91) | 139.11 | 5.87 | 144.98 |
| Profit for the year | - | - | - | - | 8.68 | - | - | - | - | 8.68 | 1.78 | 10.46 |
| Other comprehensive income/(loss) (net of tax) | - | - | - | - | - | 39.79 | (264.54) | (32.46) | (351.61) | (608.82) | - | (608.82) |
| Total comprehensive income/(loss) | - | - | - | - | 8.68 | 39.79 | (264.54) | (32.46) | (351.61) | (600.14) | 1.78 | (598.36) |
| Dividend paid (including dividend tax) | - | - | - | - | (187.33) | - | - | - | - | (187.33) | (0.75) | (188.08) |
| Transfer from debenture redemption reserve | - | - | 59.19 | (59.19) | - | - | - | - | - | - | - | - |
| Transfer to General Reserve | - | - | 67.46 | - | (67.46) | - | - | - | - | - | - | - |
| Balance as at 31 March 2016 | 206.06 | 725.01 | 5,355.81 | 38.75 | (5,147.35) | 39.79 | (3.12) | (38.79) | (1,824.52) | (648.36) | 6.90 | (641.46) |
| Profit for the year | - | - | - | - | 1,232.87 | - | - | - | - | 1,232.87 | 2.59 | 1,235.46 |
| Other comprehensive income/(loss) (net of tax) | - | - | - | - | - | (40.95) | (240.79) | 35.85 | 37.92 | (207.97) | - | (207.97) |
| Foreign currency translation loss on disposal of subsidiary reclassified to Consolidated Statement of Profit and Loss | - | - | - | - | - | - | - | - | 1,072.72 | 1,072.72 | - | 1,072.72 |
| Total comprehensive income/(loss) | - | - | - | - | 1,232.87 | (40.95) | (240.79) | 35.85 | 1,110.64 | 2,097.62 | 2.59 | 2,100.21 |
| Dividend paid (including dividend tax) | - | - | - | - | (142.36) | - | - | - | - | (142.36) | (2.71) | (145.07) |
| Disposal of subsidiary | - | - | - | - | - | - | - | - | - | - | 11.59 | 11.59 |
| Balance as at 31 March 2017 | 206.06 | 725.01 | 5,355.81 | 38.75 | (4,056.84) | (1.16) | (243.91) | (2.94) | (713.88) | 1,306.90 | 18.37 | 1,325.27 |

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached

For and on behalf of the Board of Directors

For S. B. BILLIMORIA & CO.
Chartered Accountants

RENUKA RAMNATH
Chairperson

PRATIBHA K. ADVANI
Chief Financial Officer
MUMBAI
DATED: 4 May 2017

VINOD KUMAR
Managing Director & Group CEO

MANISH SANSI
Company Secretary

GURVINDER SINGH
Partner
MUMBAI
DATED: 4 May 2017

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

| | Year ended 31 March 2017 ₹ In crores | Year ended 31 March 2016 ₹ In crores |
|--|--|--|
| 1 CASH FLOWS FROM OPERATING ACTIVITIES | | |
| PROFIT FOR THE YEAR | 1,235.46 | 10.46 |
| Adjustments for: | | |
| Income tax expense recognised in consolidated statement of Profit and Loss | 783.34 | 252.10 |
| Share in profits of associates | (5.34) | (0.37) |
| Depreciation and amortisation expenses | 1,946.93 | 2,219.39 |
| Gain on disposal of property, plant and equipment (net) | (12.74) | (12.30) |
| Interest income on financial assets carried at amortised cost | (66.55) | (65.68) |
| Finance cost | 687.46 | 715.08 |
| Bad debts | 4.38 | 383.19 |
| Allowance for trade receivables | 57.81 | (332.99) |
| Provision for contingencies | 3.86 | 4.02 |
| Provision for diminution in value of inventories | (2.76) | 10.02 |
| Net gain on sale of partial interest in subsidiary | (2,866.20) | - |
| Net loss on sale of interest in subsidiary | 445.69 | - |
| Property, plant and equipment written down | 4.53 | - |
| Impairment of Goodwill on consolidation/other assets of subsidiary | 169.59 | 90.00 |
| Provision for contractual obligations | 872.01 | - |
| Allowance for doubtful advances | 0.64 | 2.10 |
| Gain on investments carried at fair value through profit or loss (net) | (64.25) | (74.10) |
| Profit on sale of non-current investments | - | (6.42) |
| Exchange fluctuation | (37.21) | 35.15 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 3,156.91 | 3,230.02 |
| Adjustment for (increase)/decrease in operating assets | | |
| Inventories | (9.96) | (1.86) |
| Trade receivables | 56.99 | (494.31) |
| Other assets | (86.93) | (220.88) |
| Adjustment for increase/(decrease) in operating liabilities | | |
| Trade payables | 290.33 | 372.27 |
| Other liabilities | (449.35) | (186.89) |
| Provisions | 186.09 | 92.90 |
| Adjustment of translation differences on working capital | (9.90) | (4.40) |
| Cash generated from operations before tax and exceptional items | 3,133.92 | 2,786.48 |
| Income tax paid (net) | (740.42) | (423.79) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 2,393.50 | 2,362.69 |
| 2 CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payment to purchase of property, plant and equipments and intangible assets | (1,813.95) | (2,048.35) |
| Proceeds from disposal of property, plant and equipments and intangible assets | 18.77 | 19.65 |
| Purchase of investments in associates | (89.58) | - |
| Purchase of non-current investments | (18.80) | (88.20) |
| Proceeds from sale of non-current investments | - | 10.12 |
| Amount paid under protest under litigation | (1,058.00) | - |
| Proceeds from sale of subsidiaries (Refer (iii) below) | 3,319.91 | - |
| Loans given | (378.13) | - |
| Cash received on behalf of non-controlling interests | 49.95 | - |
| Purchase of current investments | (10,578.64) | (11,901.68) |
| Proceeds from sale of current investments | 10,653.03 | 12,004.89 |
| Fixed deposits placed | 9.13 | (10.46) |
| Earmarked funds | 716.78 | (323.11) |
| Interest received | 112.76 | 26.45 |
| NET CASH FLOW USED IN INVESTING ACTIVITIES | 943.23 | (2,310.69) |
| 3 CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Short-term borrowings | 3,554.66 | 2,380.77 |
| Repayment of Short-term borrowings | (3,375.66) | (1,736.39) |
| Proceeds from Long-term borrowings | 969.34 | 5,138.12 |
| Repayment of Long-term borrowings | (3,904.59) | (4,895.28) |
| Payment for finance lease | (6.36) | (4.72) |
| Dividends paid including dividend tax | (142.35) | (187.33) |
| Dividends paid to non-controlling interest | (2.81) | (0.74) |
| Finance cost | (308.62) | (580.70) |
| Net increase/(decrease) in working capital borrowings | (59.33) | (122.31) |
| NET CASH FLOW USED IN FINANCING ACTIVITIES | (3,275.72) | (8.58) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 61.01 | 43.42 |
| CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR | 945.11 | 904.36 |
| Exchange difference on translation of foreign currency cash and cash equivalents | (3.36) | (2.67) |
| CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR | 1,002.76 | 945.11 |

Notes :

- Figures in brackets represent outflows
- During the year, the Group entered in to the non cash investing activities which are not reflected in Statement of Consolidated Cash Flow. For details refer note 7 (B)
- Includes amount received towards repayment of investments in debentures and loan given by the Company to Tata Communications Data Centres Private Limited amounting to ₹ 701.22 crores

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached

For and on behalf of the Board of Directors

For S. B. BILLIMORIA & CO.
Chartered Accountants

RENUKA RAMNATH
Chairperson

PRATIBHA K. ADVANI
Chief Financial Officer
MUMBAI
DATED: 4 May 2017

VINOD KUMAR
Managing Director & Group CEO

MANISH SANSI
Company Secretary

GURVINDER SINGH
Partner
MUMBAI
DATED: 4 May 2017

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Corporate information:

TATA Communications Limited ("the Company") was incorporated on 19 March 1986. The Government of India vide its letter No. G-25015/6/86OC dated 27 March 1986, transferred all assets and liabilities of the Overseas Communications Service ("OCS") (part of the Department of Telecommunications, Ministry of Communications) as appearing in the Balance sheet as at 31 March 1986 to the Company with effect from 1 April 1986. During the financial year 2007-08, the Company changed its name from Videsh Sanchar Nigam Limited to Tata Communications Limited and the fresh certificate of incorporation consequent upon the change of name was issued by the Registrar of Companies, Maharashtra on 28 January 2008.

The Company is domiciled in India and its registered office is at VSB, Mahatma Gandhi Road, Fort, Mumbai – 400 001.

Tata Communications Limited and its subsidiaries (collectively "the Group") offers international and national voice and data transmission services, selling and leasing of bandwidth on undersea cable systems, internet connectivity services, and other value-added services comprising unified conferencing and collaboration services, managed hosting, mobile global roaming and signalling services, transponder lease, television uplinking and other managed services, set up, own and operate white label ATMs, brown label ATMs, data center colocation services, network management and support and other services.

2. Significant accounting policies

a. Statement of compliance

In accordance with the notification issued by the Ministry of Corporate Affairs ("MCA"), the Group has adopted Indian Accounting Standards (Referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from 1 April 2016. Previous periods have been restated to Ind AS. In accordance with Ind AS 101 - First time Adoption of Indian Accounting Standards, the Group has presented a reconciliation from the presentation of the financial statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS of shareholders equity as at 31 March 2016 and 1 April 2015 and of the comprehensive net income for the year ended 31 March 2016.

The consolidated financial statements of the Group have been prepared in accordance with Ind AS as notified under the Companies (Indian Accounting Standards) Rules, 2015 read with section 133 of the Companies Act 2013.

b. Basis of preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Derivative financial instruments,
- Certain financial assets and liabilities measured at fair value (Refer accounting policy regarding financial instruments),

The consolidated financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest crores, except when otherwise indicated.

The consolidated financial statements have been prepared as a going concern basis including considering continuing financial support to the Group's subsidiaries with continuing losses on an accrual basis under the historical cost convention.

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- i. has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ii. is exposed or has rights, to variable returns from its involvement with the investee, and
- iii. has the ability to use its power over the investee to affect its returns.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- a. Derecognises the assets (including goodwill) and liabilities of the subsidiary
- b. Derecognises the carrying amount of any non-controlling interests
- c. Derecognises the cumulative translation differences recorded in equity
- d. Recognises the fair value of the consideration received
- e. Recognises any surplus or deficit in profit or loss
- f. Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed off the related assets or liabilities.

d. Business Combination

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange of control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 - Income Taxes and Ind AS 19 - Employee Benefits respectively.
- Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 - Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Non-Controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of basis of measurement is made on transaction-by-transaction basis.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill or capital reserve, as the case may be. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent settlement dates and is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

e. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (See note d above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described at note f below.

f. Investments in associates and joint ventures

The associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with Ind AS 105. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Distributions received from an associate or a joint venture reduce the carrying amount of the investment. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised directly in equity as capital reserve in the period in which the investment is acquired.

After application of the equity method of accounting, the Group determines whether there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment is an associate or a joint venture and that event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. If there exists such an objective evidence of impairment, then it is necessary to recognise impairment loss with respect to the Group's investment in an associate or a joint venture.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with Ind AS 36 - Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of impairment loss is recognised in accordance with Ind AS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

g. Cash and cash equivalents

Cash comprises cash on hand including Cash in ATM, Cash in vault with CRA and remittance in transit. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

h. Property, plant and equipment

- i. Property, plant and equipment are stated at cost of acquisition or construction, less accumulated depreciation / amortisation and impairment loss, if any. Cost includes inward freight, duties, taxes and all incidental expenses incurred to bring the assets ready for their intended use.
- ii. Jointly owned assets are capitalised in proportion to the Group's ownership interest in such assets.
- iii. Assets acquired pursuant to an agreement for exchange of similar assets are recorded at the net book value of the asset given up, with an adjustment for any balancing receipt or payment of cash or any other form of consideration.

The depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value, wherever applicable.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

Depreciation on property, plant and equipment of the Group has been provided on the straight-line method as per the estimated useful lives. The assets residual values, estimated useful lives and methods of depreciation are reviewed at each financial year end and any change in estimate is accounted for on a prospective basis.

Estimated useful lives of Property, plant & equipment of the Company and its Indian subsidiaries are as follows:

| | Useful lives of Assets |
|--|--|
| Plant and Machinery | |
| - Sea cable –(Refer 1 below) | 20 years or contract period whichever is earlier |
| - Land cable – (Refer 1 below) | 15 years or contract period whichever is earlier |
| - ATM and cash dispensers – (Refer 1 below) | 10 years or contract obligation term whichever is less |
| - Network Equipment and Components – (Refer 1 below) | 3 to 8 years |
| - Electrical Equipment & Installations* | 10 years |
| - Earth station & Switch* | 13 years |
| - General Plant & Machinery* | 15 years |
| Furniture & Fixture* | 10 years |
| Office Equipment* | 5 years |
| Computers, servers and network* | 3-6 years |
| Vehicles* | 8 years |
| Buildings* | |
| Building RCC structure | 60 years |
| Building NON RCC structure | 30 years |
| Others | 3 to 10 years |
| Leasehold land – (Refer 1 below) | Over the lease period |
| Leasehold improvements – (Refer 1 below) | Asset life or lease period whichever is less |

*Depreciation has been provided as per useful life prescribed in Schedule II to the Companies Act, 2013

- In the above mentioned cases, the lives of the assets have been assessed based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties, maintenance support, etc.

In these cases, the lives of the assets are other than the prescribed lives in Schedule II to the Companies Act, 2013.

Estimated useful lives of the company's foreign subsidiaries:

| | Useful lives of Assets |
|-----------------------|--|
| Building | 15 to 25 years |
| Plant and Machinery | 3 to 16 years |
| - Sea Cables | 20 years or contract period whichever is earlier |
| Computers | 3 to 6 years |
| Leasehold Improvement | Asset life or lease period whichever is less |
| Furnitures & Fixtures | 8 to 15 years |
| Office Equipment | 8 to 15 years |

- In the above mentioned cases, the lives of the assets have been assessed based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties, maintenance support, etc.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

2. Property, plant and equipment are eliminated from financial statement, either on disposal or when retired from active use. Losses arising in the case of retirement of property, plant and equipment and gains or losses arising from disposal of property, plant and equipment are recognised in the Consolidated Statement of Profit and Loss in the year of occurrence.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively.

i. Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the company and the cost of the asset can be measured reliably.

Indefeasible Right to Use ('IRU') taken for optical fibres are capitalised as intangible assets at the amounts paid for acquiring such rights. These are amortised on straight line basis, over the period of agreement.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets are amortised as follows:

| | Useful lives |
|--------------------------|--------------------------|
| Software and Application | 3 to 6 years |
| IRU | Over the contract period |
| License fees | 25 years |

An intangible asset is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Profit and Loss when the asset is de-recognised.

j. Investment Properties

Investment properties comprise of land and buildings that are held for long term lease rental yields and/or for capital appreciation. Investment properties are initially recognised at cost including transaction cost. Subsequently investment property comprising of building is carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation on building is provided over the estimated useful lives as specified in Schedule II to the Companies Act, 2013. The residual values, estimated useful lives and depreciation method of investment properties are reviewed, and adjusted on prospective basis as appropriate, at each financial year end. The effects of any revision are included in the Consolidated Statement of Profit and Loss when the changes arise.

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes.

Investment properties are de-recognised when either they have been disposed off or don't meet the criteria of investment property when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Consolidated Statement of Profit and Loss in the period of de-recognition.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

k. Impairment of non-financial assets

The carrying values of assets / cash generating units ("CGU") at each balance sheet date are reviewed for impairment, if any indication of impairment exists. The following intangible assets are tested for impairment at the end of each financial year even if there is no indication that the asset is impaired:

- i. an intangible asset that is not yet available for use; and
- ii. an intangible asset with indefinite useful lives.

If the carrying amount of the assets exceed the estimated recoverable amount, impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Consolidated Statement of Profit and Loss, unless the asset is carried at a revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and the value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is an indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Consolidated Statement of Profit and Loss, to the extent the amount was previously charged to the Consolidated Statement of Profit and Loss. In case of revalued assets such reversal is not recognised.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for the Company as a CGU. These budgets and forecast calculations generally cover a significant period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the significant period.

l. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Group enters into agreements for granting IRU of dark fibre capacities to third parties. These arrangements are classified as operating leases as the title to the assets and significant risk associated with the operation and maintenance of these assets remains with the Company. Upfront revenue is received for these arrangements and the same is deferred over the tenure of the IRU agreement. Unearned IRU revenue net of the amount recognisable within one year is disclosed as deferred revenue in non-current liabilities and the amount recognisable within one year is disclosed as deferred revenue in current liabilities.

Lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership of the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the lower of fair value of the leased property at the inception date or the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

Operating lease payments are recognised as an expense in the Consolidated Statement of Profit and Loss on a straight-line basis over the lease term.

Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to the ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards incidental to the ownership of an asset are transferred to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

m. Inventories

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

n. Employee benefits

Employee benefits include contribution to provident fund, employee state insurance scheme, gratuity fund, pension, compensated absences and post-employment medical benefits.

i. Short term employee benefits

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

ii. Post retirement benefits

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

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable), excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to the Consolidated Statement of Profit and Loss in subsequent periods. Past service cost is recognised in the Consolidated Statement of Profit and Loss in the period of plan amendment.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises changes in service costs comprising of current service costs, past-service costs gains and losses on curtailments and non-routine settlements under employee benefit expenses in the Consolidated Statement of Profit and Loss.

The net interest expense or income is recognised as part of finance cost in the Consolidated Statement of Profit and Loss.

The retirement benefit obligation recognised in the balance sheet represents the present value of the

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

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

iii. Other long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date.

o. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable and is reduced for estimated customer credit notes and other similar allowances.

- i. Revenues from Voice Solutions (VS) are recognised at the end of each month based upon minutes of traffic carried during the month.
- ii. Revenues from Data Managed Services (DMS) are recognised over the period of the respective arrangements based on contracted fee schedules.
- iii. Revenues from IRU of fibre capacity provided as operating lease are recognised on a straight-line basis over the term of the relevant IRU.
- iv. Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same and there is a reasonable assurance that the Company will comply with the conditions attached to them.
- v. Certain transactions with providers of telecommunication services are accounted for as non-monetary transactions depending on the terms of the agreements entered into with such telecommunication service providers.
- vi. Revenue in respect of annual maintenance service charges is recognised over the period for which services are provided.
- vii. Revenues from providing infrastructure managed and incidental services to banking sector are recognised on the basis of the contract with the customer at the end of each month based upon the following:
 1. On the basis of number of transactions in such month.
 2. On the basis of fixed service charge for the number of days of usage in such month.
- viii. Revenues from telecommunication network management and support services are derived based on unit-priced contracts. Revenue is recognised as the related services are performed, in accordance with the specific terms of the contract with the customers.

p. Other income

- i. Dividends from investments are recognised when the right to receive payment is established and no significant uncertainty as to collectability exists.
- ii. Interest income - For all financial instruments measured at amortised cost, interest income is recorded on accrual basis. Interest income is included in other income in the Consolidated Statement of Profit and Loss.

q. Taxation

Current income tax

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

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

Deferred tax

Deferred tax is provided using the balance sheet approach on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Consolidated Statement of Profit and Loss is recognised outside the Consolidated Statement of Profit and Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

r. Non-current assets held for sale (discontinued operations)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset (or disposal group) and its sale is highly probable. The Management must be committed to the sale, which should be expected to qualify for recognition as completed sale within one year from the date of classification.

When the Group is committed to sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non- controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed off is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with Ind AS 109 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see note f above).

Non- current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

s. **Fair value measurement**

The Group measures financial instruments such as derivatives and certain investments, at fair value at each balance sheet date.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i. In the principal market for the asset or liability or
- ii. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of a financial asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- i. Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ii. Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- iii. Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the balance sheet on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair valuation for assets and liabilities has been performed by an independent technical expert.

t. **Foreign Currency**

The Group's consolidated financial statements are presented in INR, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and Balances

Transactions in foreign currencies entered into by the Group are accounted for at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction. Foreign currency monetary items of the Group, outstanding at the Balance Sheet date are restated at the year-end rates. Non-monetary assets and liabilities of the Group are carried at historical cost. Exchange differences, on foreign currency transactions are recognised in the Consolidated Statement of Profit and Loss.

On consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

at the dates of the transactions. For practical reasons, the Group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

u. Borrowing costs

Borrowing costs include interest, amortisation of any fee paid to the lender at the time of availing the borrowing. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Consolidated Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Consolidated Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

v. Earnings Per Share

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

w. Asset Retirement Obligation (ARO)

The Group's ARO relate to the removal/restoration of/for undersea cables, switches, leased equipments and certain lease premises at the time of their retiral/vacation.

A provision is recognised based on Management's best estimate of the eventual costs that relate to such obligation and is adjusted to the cost of such assets.

ARO costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the ARO liability. The unwinding of the discount is expensed as incurred and recognised in the Consolidated Statement of Profit and Loss as a finance cost. The estimated future costs of ARO are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

x. Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

A) Financial assets**i. Financial assets at amortised cost**

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows that give rise on specified dates to solely payments of principal and interest on the principal amount outstanding and by selling financial assets.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

The Group has made an irrevocable election to present in Other Comprehensive Income subsequent changes in the fair value of equity investments not held for trading.

iii. Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

iv. De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily de-recognised (i.e. removed from the Group balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at lower of the original carrying amount of the asset and maximum amount of consideration that the Group could be required to repay.

v. Impairment of financial assets

The Group assesses impairment based on expected credit losses (ECL) model to the following:

- Financial assets measured at amortised cost;
- Financial assets measured at Fair Value through Other Comprehensive Income

The Group follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables

Under the simplified approach, the Group does not track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECL at reporting date.

The Group uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For assessing ECL on a collective basis, financial assets have been grouped on the basis of shared risk characteristics and basis of estimation may change during the course of time due to change in risk characteristics.

B) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

i. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)**a. Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost on accrual basis.

b. De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of Consolidated Statement of Profit and Loss.

ii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

iii. Derivative financial instruments and Hedge accounting**a. Initial and subsequent measurement**

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps, cross currency swaps to hedge its foreign currency risks and interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Group's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The Group uses Interest Rate Swaps to hedge its exposure to interest rate risk on future cash flows on floating rate loans. The ineffective portion relating to such contracts is recognised in profit and loss and the effective portion is recognised in OCI.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

b. Embedded Derivatives

Derivatives embedded in a host contract that is an asset within the scope of Ind AS 109 are not separated. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Derivatives embedded in all other host contract are separated only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and are measured at fair value through profit or loss. Embedded derivatives closely related to the host contracts are not separated.

y. Significant accounting judgements, estimates and assumptions

The preparation of these financial statements in conformity with recognition and measurement principles of Ind AS requires the Management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities, disclosures relating to contingent liability as at the date of the financial statement and the reported amounts of income and expense for the period presented.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

Judgements

In the process of applying the Company's accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

i. Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

ii. Defined benefit plans

The cost of the defined benefit plan and other post-employment benefits and the present value of such obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

iii. Useful lives of assets

The Company reviews the useful life of assets at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

iv. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires estimation of future cash

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

flows, expected to arise from the cash generating unit and the discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment may arise.

v. Deferred Taxes

Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and probability of realisation 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 recognised for financial reporting purposes and the amounts recognised for income tax purposes. The Group 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. The Group does not recognise deferred tax assets when there is no reasonable certainty that a deferred tax asset will be realised. In assessing the reasonable certainty, management considers estimates of future taxable income based on internal projections which are updated to reflect current operating trends the character of income needed to realise future tax benefits, and all available evidence.

vi. Asset retirement obligations

The Group's asset retirement obligations relate to the costs associated with the removal of long-lived assets when they will be retired. The Group records a liability at the estimated current fair value of the costs associated with the removal obligations discounted at present value using risk-free rate of return. The liability for an asset retirement cost is capitalised by increasing the carrying amount of the related asset and is depreciated over its useful life. The estimated removal liabilities are based on historical cost information, industry factors and engineering estimates.

vii. Provisions and contingent liabilities

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made. Contingent liabilities are disclosed in the notes. Contingent assets are not recognised in the financial statements.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions and contingent liabilities are reviewed at each balance sheet date.

z. Recent accounting pronouncements**Standards issued but not yet effective**

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows'. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows'. The amendments are applicable to the Company from 1 April 2017.

Amendment to Ind AS 7

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017/(Contd.)

3. Property, plant and equipment

| | Free hold Land | Leasehold Land | Leasehold Improvements | Building | Plant and Machinery | Furniture and Fixtures | Office Equipment | Computers | Motor Vehicles | Total |
|--|----------------|----------------|------------------------|---------------|---------------------|------------------------|------------------|---------------|----------------|------------------|
| | | | | | | | | | | (₹ in crores) |
| Cost | | | | | | | | | | |
| Balance as at 1 April 2015 | 96.99 | 1.42 | 618.14 | 763.46 | 19,623.41 | 205.37 | 186.96 | 779.42 | 0.64 | 22,275.81 |
| Additions on account of Neotel reclassified as continuing operations (Refer note 15) | 15.10 | - | - | 154.11 | 2,686.66 | 21.45 | - | 94.72 | 0.91 | 2,972.95 |
| Additions | - | - | 85.69 | 20.38 | 1,545.74 | 21.34 | 42.83 | 75.13 | - | 1,791.11 |
| Disposals / write off | (0.52) | - | (70.29) | (0.60) | (311.08) | (0.62) | (9.85) | (111.35) | (0.10) | (504.41) |
| Effect of foreign currency translation | 2.21 | - | 22.08 | (10.11) | 313.94 | (0.43) | 2.12 | 13.04 | (0.10) | 342.75 |
| Balance as at 31 March 2016 | 113.78 | 1.42 | 655.62 | 927.24 | 23,858.67 | 247.11 | 222.06 | 850.96 | 1.35 | 26,878.21 |
| Additions | - | - | 32.40 | 1.69 | 1,289.87 | 12.96 | 31.55 | 34.81 | 0.56 | 1,403.84 |
| Disposals / write off | - | - | (33.14) | (0.03) | (138.55) | (1.42) | (0.07) | (24.14) | - | (197.35) |
| Derecognised on disposal of subsidiaries/business | (14.72) | - | (285.97) | (184.99) | (4,173.02) | (58.35) | (133.84) | (116.52) | (0.88) | (4,968.29) |
| Effect of foreign currency translation | (0.24) | - | (7.38) | 13.71 | 64.30 | 1.24 | (0.59) | 4.17 | 0.09 | 75.30 |
| Reclassified as investment property | - | - | - | (242.46) | - | - | - | - | - | (242.46) |
| Eliminated on reclassification as assets classified as held for sale | (0.44) | - | - | (4.56) | - | - | - | - | - | (5.00) |
| Balance as at 31 March 2017 | 98.38 | 1.42 | 361.53 | 510.60 | 20,901.27 | 201.54 | 119.11 | 749.28 | 1.12 | 22,944.25 |
| Accumulated depreciation and impairment | | | | | | | | | | |
| Balance as at 1 April 2015 | - | 0.03 | 192.63 | 168.53 | 10,204.97 | 124.89 | 106.83 | 674.55 | 0.64 | 11,473.07 |
| Additions on account of Neotel reclassified as continuing operations (Refer note 15) | - | - | - | 59.72 | 1,075.60 | 16.15 | - | 77.21 | 0.24 | 1,228.92 |
| Depreciation | - | - | 99.56 | 21.96 | 1,674.65 | 19.37 | 23.99 | 66.68 | 0.15 | 1,906.36 |
| Disposals / write off | - | - | (70.17) | (0.60) | (259.69) | (0.47) | (9.21) | (110.90) | (0.10) | (451.14) |
| Effect of foreign currency translation | - | - | 8.25 | (4.04) | 160.59 | (0.60) | 1.24 | 12.19 | (0.02) | 177.61 |
| Balance as at 31 March 2016 | - | 0.03 | 230.27 | 245.57 | 12,856.12 | 159.34 | 122.85 | 719.73 | 0.91 | 14,334.82 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | Free hold Land | Leasehold Land | Leasehold Improvements | Building | Plant and Machinery | Furniture and Fixtures | Office Equipment | Computers | Motor Vehicles | Total |
|--|----------------|----------------|------------------------|---------------|---------------------|------------------------|------------------|---------------|----------------|------------------|
| | | | | | | | | | | (₹ in crores) |
| Depreciation | - | - | 77.82 | 17.85 | 1,475.56 | 14.29 | 12.12 | 47.83 | 0.10 | 1,645.57 |
| Disposals / write off | - | - | (33.14) | (0.02) | (129.30) | (1.35) | (0.07) | (23.30) | - | (187.18) |
| Derecognised on disposal of subsidiaries/business | - | - | (50.53) | (76.71) | (1,799.33) | (35.65) | (56.35) | (83.91) | (0.43) | (2,102.91) |
| Effect of foreign currency translation | - | - | (2.86) | 6.08 | (9.74) | 1.13 | (0.37) | 1.64 | 0.04 | (4.08) |
| Reclassified as Investment Property | - | - | - | (32.97) | - | - | - | - | - | (32.97) |
| Eliminated on reclassification as assets classified as held for sale | - | - | - | (1.69) | - | - | - | - | - | (1.69) |
| Balance as at 31 March 2017 | - | 0.03 | 221.56 | 158.11 | 12,393.31 | 137.76 | 78.18 | 661.99 | 0.62 | 13,651.56 |

Carrying amounts

| | | | | | | | | | | |
|------------------|--------|------|--------|--------|-----------|-------|-------|--------|------|-----------|
| At 1 April 2015 | 96.99 | 1.39 | 425.51 | 594.93 | 9,418.44 | 80.48 | 80.13 | 104.87 | - | 10,802.74 |
| At 31 March 2016 | 113.78 | 1.39 | 425.35 | 681.67 | 11,002.55 | 87.77 | 99.21 | 131.23 | 0.44 | 12,543.39 |
| At 31 March 2017 | 98.38 | 1.39 | 139.97 | 352.49 | 8,507.96 | 63.78 | 40.93 | 87.29 | 0.50 | 9,292.69 |

Notes:

- Freehold land includes ₹ 0.16 crores (2016 and 2015: ₹ 0.16 crores) identified as surplus land.
- Gross block of buildings includes ₹ 32.75 crores (2016 and 2015: ₹ 32.75 crores) for flats at Mumbai and ₹ 0.38 crores (2016 and 2015: ₹ 0.38 crores) for Sheds at GIDC, Gandhinagar in respect of which agreements have not been executed.
- Finance cost capitalised during the year is ₹ 11.74 crores (2016: ₹ 7.76 crores) in respect of qualifying assets.
- The reconciliation of depreciation and amortisation expense as per the Property, plant & equipment schedule given above and that as shown in the Consolidated Statement of Profit and Loss is given below:

| | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|-----------------------------|-----------------------------|
| Depreciation as per schedule | 1,645.57 | 1,906.36 |
| Less: Depreciation on Discontinued Operations | | |
| South Africa Operations | 50.37 | 203.99 |
| Data Center Operations | 18.80 | 123.20 |
| Depreciation expenses as per Consolidated Statement of Profit and Loss (Refer note 29) | 1,576.40 | 1,579.08 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

4. Investment property

| | (₹ in crores) | | |
|---|---------------|----------|--------|
| | Land | Building | Total |
| Cost | | | |
| Balance as at 1 April 2015 | 0.54 | 9.16 | 9.70 |
| Balance as at 31 March 2016 | 0.54 | 9.16 | 9.70 |
| Transferred from property, plant and equipment | - | 242.46 | 242.46 |
| Elimination on reclassification as assets classified as held for sale | (0.01) | - | (0.01) |
| Balance as at 31 March 2017 | 0.53 | 251.62 | 252.15 |
| Accumulated Depreciation and Impairment | | | |
| Balance as at 1 April 2015 | - | 2.94 | 2.94 |
| Depreciation | - | 0.14 | 0.14 |
| Balance as at 31 March 2016 | - | 3.08 | 3.08 |
| Depreciation | - | 1.42 | 1.42 |
| Transferred from property, plant and equipment | - | 32.97 | 32.97 |
| Balance as at 31 March 2017 | - | 37.48 | 37.48 |
| Carrying amount as: | | | |
| As at 1 April 2015 | 0.54 | 6.22 | 6.76 |
| As at 31 March 2016 | 0.54 | 6.08 | 6.62 |
| As at 31 March 2017 | 0.53 | 214.14 | 214.67 |

Notes:

A. Information regarding income and expenditure of Investment property

| | (₹ in crores) | |
|---|-----------------------------|-----------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Rental income derived from investment properties (A) | 44.11 | - |
| Direct operating expenses (including repairs and maintenance) generating rental income: | | |
| Rates & taxes | 3.02 | - |
| Other operating expenses | 4.20 | - |
| Repairs and maintenance | 7.12 | - |
| Total (B) | 14.34 | - |
| Direct operating expenses (including repairs and maintenance) that did not generate rental income: | | |
| Rates & taxes | 0.11 | 0.14 |
| Other operating expenses | 0.63 | 0.84 |
| Repairs and maintenance | 0.31 | 0.53 |
| Total (C) | 1.05 | 1.51 |
| Total (D) (B+C) | 15.39 | 1.51 |
| Profit arising from investment property before depreciation and indirect expenses (E) (A-D) | 28.72 | (1.51) |
| Less: Depreciation | 1.42 | 0.14 |
| Profit arising from investment properties before indirect expenses | 27.30 | (1.65) |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
B. Fair value of Investment property:

| | (₹ in crores) | | |
|---------------------|----------------------|----------------------|---------------------|
| | As at 31 March 17 | As at 31 March 16 | As at 1 April 15 |
| Investment Property | 1,006.77 | 124.91 | 121.23 |

C. Estimation of Fair Value

The fair value of Investment property has been determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The best evidence of fair value is current price in an active market for similar properties. Where such information is not available, the Group considers information from a variety of sources including:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

5. Goodwill

| | (₹ in crores) | |
|--|------------------------|------------------------|
| | As at 31 March 2017 | As at 31 March 2016 |
| Cost | | |
| Balance at the beginning of year * | 699.97 | 158.27 |
| Additions on account of Neotel reclassified as Continuing Operations (Refer Note 15) | - | 608.40 |
| Effect of foreign currency exchange differences | 62.57 | (66.70) |
| Derecognised on disposal of subsidiary (Refer Note 34) | (592.95) | |
| Balance at the end of year (a) | 169.59 | 699.97 |
| Accumulated Impairment loss | | |
| Balance at the beginning of the year * | 375.40 | - |
| Additions on account of Neotel reclassified as Continuing Operations (Refer Note 15) | - | 326.16 |
| Impairment loss recognised during the year | 169.59 | 90.00 |
| Effect of foreign currency exchange differences | 54.24 | (40.76) |
| Derecognised on disposal of subsidiary (Refer Note 34) | (429.64) | - |
| Balance at the end of year (b) | 169.59 | 375.40 |
| Net Carrying amount(a) - (b) | - | 324.57 |

* Goodwill as on 1 April 2015 pertaining to South Africa operations of ₹ 282.24 crores has been disclosed under "assets classified as held for sale" in the Consolidated Balance Sheet.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

Allocation of goodwill to cash generating units:

| | (₹ in crores) | | |
|---|---------------|---------------|---------------|
| | As at | As at | As at |
| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
| Cash generating units | | | |
| Voice Solutions | - | 58.96 | 55.67 |
| Data and Managed Services | - | 108.66 | 102.60 |
| South Africa Operations (discontinued operations – Refer Note 34) | - | 156.95 | 282.24 |
| | - | 324.57 | 440.51 |

i. Voice Solutions

On performing annual impairment test as at 31 March 2017, the Group estimated future cash flows after considering current economic conditions and trends, estimated future operating results and growth rates and current technology and network infrastructure. Accordingly, considering the declining voice revenue and expected negative growth in the voice business, the Group has recognised an impairment loss of ₹ 59.70 crores for goodwill pertaining to voice solutions.

ii. Data and Managed Services

In the year ended 2017, the Group has carried out its annual portfolio review to assess all the products for their strategic and financial fit into the Group's focus area and to exit non-strategic and services with low returns on investments. As part of exiting non-performing services, the Management has decided not to focus in marketing the Content Delivery Network (CDN) offering and not to make additional investment for upgradation of CDN services and enhance its offerings in enterprise segment space of data and managed services. Accordingly, Management assessed that, CDN offerings will not yield much return going forward not being part of future offering in the enterprise segment of data business. In pursuant to this, Management has recognised impairment loss of ₹ 109.89 crores of CDN goodwill forming part of data and managed services segment.

iii. South Africa Operations

In the year ended 2015, South Africa operations were classified as discontinued operations, as a result Goodwill pertaining to South Africa operations was classified under assets held for sale (Refer note 15). During the year the shareholders of Neotel and Liquid Telecom entered into an agreement to acquire Neotel for ZAR 6.55 billion subject to certain closing adjustments and conditions. This transaction was completed in February 2017. Accordingly, goodwill of ₹163.32 crores has been derecognised from financial statements. (Refer note 34 of Discontinued Operations).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
6. Other intangible assets

| | (₹ in crores) | | | |
|--|-----------------|-----------------|--------------|-----------------|
| | Software | IRU | License fees | Total |
| Cost | | | | |
| Balance as at 1 April 2015 | 1,347.18 | 2,123.74 | - | 3,470.92 |
| Additions on account of Neotel reclassified as Continuing Operations (Refer note 15) | 186.98 | - | 12.80 | 199.78 |
| Additions | 239.86 | 4.13 | - | 243.99 |
| Disposals / write off | (83.29) | - | - | (83.29) |
| Effect of foreign currency translation | 28.25 | 100.72 | (1.60) | 127.37 |
| Balance as at 31 March 2016 | 1,718.98 | 2,228.59 | 11.20 | 3,958.77 |
| Additions / write off | 246.92 | 5.20 | - | 252.12 |
| Disposals | (6.55) | - | - | (6.55) |
| Derecognised on disposal of subsidiaries/ business | (269.17) | - | (12.47) | (281.64) |
| Effect of foreign currency translation | 2.79 | (36.25) | 1.27 | (32.19) |
| Others | - | - | 5.35 | 5.35 |
| Balance as at 31 March 2017 | 1,692.97 | 2,197.54 | 5.35 | 3,895.86 |
| Accumulated amortisation | | | | |
| Balance as at 1 April 2015 | 1,029.05 | 912.72 | - | 1,941.77 |
| Additions on account of Neotel reclassified as Continuing Operations (Refer note 15) | 137.98 | - | 8.87 | 146.85 |
| Amortisation | 191.48 | 121.02 | 0.29 | 312.79 |
| Disposals / write off | (82.64) | - | - | (82.64) |
| Effect of foreign currency translation | 26.48 | 38.80 | (1.13) | 64.15 |
| Balance as at 31 March 2016 | 1,302.35 | 1,072.54 | 8.03 | 2,382.92 |
| Amortisation | 170.49 | 128.87 | 0.59 | 299.95 |
| Disposals / write off | (5.57) | - | - | (5.57) |
| Derecognised on disposal of subsidiaries/ business | (175.61) | - | (9.02) | (184.63) |
| Effect of foreign currency translation | (0.94) | (19.23) | 0.91 | (19.25) |
| Others | - | - | 1.29 | 1.29 |
| Balance as at 31 March 2017 | 1,290.72 | 1,182.18 | 1.80 | 2,474.71 |
| Carrying amount as: | | | | |
| At 1 April 2015 | 318.13 | 1,211.02 | - | 1,529.15 |
| At 31 March 2016 | 416.63 | 1,156.05 | 3.17 | 1,575.85 |
| At 31 March 2017 | 402.25 | 1,015.36 | 3.55 | 1,421.15 |

Finance cost capitalised during the year is ₹ 4.38 crores (2016: ₹ 3.69 crores) in respect of qualifying asset.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

The reconciliation of depreciation and amortisation expense as per the Intangible asset schedule given above and that as shown in the Consolidated Statement of Profit and Loss is given below:

| | (₹ in crores) | |
|---|-------------------------------------|-------------------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Amortisation as per schedule | 299.95 | 312.79 |
| Less: Amortisation on Discontinued Operations | | |
| South Africa Operations | 11.93 | 26.77 |
| Data Center Operations | 0.06 | 1.04 |
| Amortisation expenses as per Consolidated Statement of Profit and Loss (Refer note 29) | 287.95 | 284.98 |

7. Investment in associates

(A) Breakup of investments in associates (carrying amount determined using the equity method of accounting)

| | As at 31 March 2017 | | As at 31 March 2016 | | As at 1 April 2015 | |
|--|---------------------|---------------|---------------------|-------------|--------------------|-------------|
| | No of shares | ₹ in crores | No of shares | ₹ in crores | No of shares | ₹ in crores |
| a. Unquoted Investments (fully paid) | | | | | | |
| (i) STT Global Data Centres India Pvt. Ltd (Includes Goodwill of ₹ 557.16 crores) (Refer note 7 (B) (i) below) | 2,600 | 588.98 | - | - | - | - |
| (ii) STT Tai Seng Pte Limited (Includes Goodwill of ₹ Nil) (Refer note 7 (B) (ii) below) | 52 | 216.35 | - | - | - | - |
| (iii) Teleena Holding BV (Includes Goodwill of ₹ 41.59 crores) (Refer (i) below) | 393,728 | 86.70 | - | - | - | - |
| (iv) Number Portability Company Pty. Ltd. | - | - | 100 | 1.89 | - | - |
| (v) Smart ICT Services Private Limited (GIFT) | 244,874 | 0.21 | - | - | - | - |
| (vi) United Telecom Limited (UTL) | 5,731,900 | - | 5,731,900 | - | 5,731,900 | - |
| Total of investment in associates | | 892.24 | | 1.89 | | - |
| Aggregate carrying value of Unquoted investments | | 892.24 | | 1.89 | | - |

- (i) On 20 January 2017, the Group acquired 35.36% interest in Teleena Holding B.V (Teleena). The Group has a right to appoint one director on the supervisory board of Teleena which supervises the management of the company and the general course of events in the company and the business connected with it. Based on the above facts, Teleena is considered to be an associate.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
B) Material Associates:

The following associates are assumed to be material in the Group:

| Name of the associate | Principal activity | Place of incorporation | Proportion of ownership interest/voting right held by the Group | | |
|---|--------------------|------------------------|---|---------------------|--------------------|
| | | | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| STT Global Data Centres India Private Limited | Data Center | India | 26.00% | - | - |
| STT Tai Seng Pte Ltd | Data Center | Singapore | 26.00% | - | - |

i. STT Global Data Centres India Private Limited (STT – India)

On 19 October 2016, the Company completed the sale of 74% shareholding in Tata Communications Data Centers Private Limited (TCDC) for a cash consideration of ₹1,796.78 crores resulting into a gain on sale of subsidiary of ₹2,127.33 crores (including ₹584.54 crores on re-measurement of remaining 26% shareholding). In April 2017, the name of TCDC is changed to STT Global Data Centres India Private Limited.

The Group has considered this investment to be an investment in associate as it retains shareholding of 26% in TCDC with a right to appoint two directors on their Board. (Refer note 34 on discontinued operations for further details).The financial year end date of TCDC is 31 March.

ii. STT Tai Seng Pte Limited (STT – Singapore)

On 13 February 2017, the Group has completed the sale of Singapore data center business by selling its net assets in Singapore data center business for a cash consideration of ₹823.15 crores resulting in a gain on sale of ₹738.87 crores (including value of shares received in STT Tai Sang Pte Limited (company floated by ST Telemedia in which all the assets and liabilities of Singapore data center business are transferred) of ₹222.09 crores).

The Group has considered this investment to be an investment in associate as it retains an equity interest exceeding 20% with a right to appoint two directors on their Board.

The financial year end date of STT Tai Seng Pte Limited is 31 December. For the purpose of equity method accounting as on 31 March 2017, appropriate adjustments have been made for the effects of significant transactions between that date and 31 March 2017.

C) Details of Material Associates:

The Group has 26% interest in STT – India and STT – Singapore. The Group's interest is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information:

| | (₹ in crores) | |
|-------------------------|---------------|-----------------|
| | STT – India | STT – Singapore |
| | As at | As at |
| | 31 March 2017 | 31 March 2017 |
| Non-current assets | 856.65 | 256.73 |
| Current assets | 306.29 | 103.10 |
| Non-current liabilities | 825.25 | 205.01 |
| Current liabilities | 215.30 | 47.78 |
| | 122.39 | 107.04 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | (₹ in crores) | |
|---|----------------------|------------------------|
| | STT – India | STT – Singapore |
| | Year ended | Year ended |
| | 31 March 2017 | 31 March 2017 |
| Income | 355.97 | 28.76 |
| Profit for the year | 17.13 | 2.46 |
| Other comprehensive income/(loss) | (0.05) | - |
| Total comprehensive income for the year | 17.08 | 2.46 |
| Group's share of profit for the year* | 4.44 | 0.64 |
| Group's share of profit for the year* | | |

* For STT India share of profit considered from 19th October 2016 & for STT Singapore from 13th February 2017.

| | (₹ in crores) | |
|-------------------------------------|----------------------|------------------------|
| | STT – India | STT – Singapore |
| | As at | As at |
| | 31 March 2017 | 31 March 2017 |
| Net Assets of the associate | 122.39 | 107.04 |
| Proportion of Groups ownership (%) | 26% | 26% |
| Proportion of Groups ownership | 31.82 | 27.83 |
| Goodwill | 557.16 | 188.52 |
| Carrying amount of Group's interest | 588.98 | 216.35 |

Note: The purchase price allocation is preliminary and will be finalised in the next year.

(D) Financial information in respect of Individually not material associates

Aggregate financial information of associates that are individually not material:

| | (₹ in crores) | |
|---|----------------------|----------------------|
| | Year ended | Year ended |
| | 31 March 2017 | 31 March 2016 |
| Group's share of profit/(loss) | (0.02) | 0.24 |
| Group's share of Other Comprehensive Income | - | - |
| Group's share of Total Comprehensive Income | (0.02) | 0.24 |

| | (₹ in crores) | | |
|---|----------------------|----------------------|---------------------|
| | As at | As at | As at |
| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
| Aggregate carrying amount of Group's interest in these associates | 86.91 | 1.89 | - |

(E) Unrecognised share of loss of an associate:

| | (₹ in crores) | |
|---|----------------------|----------------------|
| | Year ended | Year ended |
| | 31 March 2017 | 31 March 2016 |
| Unrecognised share of loss for the year of an associate | (12.47) | (11.24) |

| | (₹ in crores) | | |
|---|----------------------|----------------------|---------------------|
| | As at | As at | As at |
| | 31 March 2017 | 31 March 2016 | 1 April 2015 |
| Accumulated unrecognised share of loss on associate | (31.26) | (18.79) | (7.55) |

The Group has absorbed the share of loss in United Telecom Limited to the extent of its investments. The Group does not foresee any additional liability in UTL. Therefore, the share in Contingent liabilities of UTL is not disclosed below.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
8. Other Investments

| | As at 31 March 2017 | | As at 31 March 2016 | | As at 1 April 2015 | |
|---|----------------------------|--------------------|----------------------------|--------------------|---------------------------|--------------------|
| | No of shares | ₹ in crores | No of shares | ₹ in crores | No of shares | ₹ in crores |
| A. Non-current Investments at FVTOCI | | | | | | |
| a. Fully paid equity shares -Quoted | | | | | | |
| Pendrell Corporation | 680,373 | 2.86 | 680,373 | 2.38 | 680,373 | 5.53 |
| Subtotal (a) | | 2.86 | | 2.38 | | 5.53 |
| b. Fully paid equity shares -Unquoted | | | | | | |
| Tata Teleservices Ltd.* (Refer i below) | 439,863,622 | 515.53 | 439,863,622 | 682.24 | 439,863,622 | 1,026.64 |
| Other Investments | | 6.67 | | 6.68 | | 4.01 |
| Subtotal (b) | | 522.20 | | 688.92 | | 1,030.65 |
| c. Fully paid preference shares Unquoted | | | | | | |
| Smart ICT Services Private Limited (Refer note 7 (A) (ii)) | - | - | 189,728 | 0.19 | 54,208 | 0.05 |
| Sentient Technologies Holdings Limited | 870,447 | 129.81 | 870,447 | 193.35 | 870,447 | 125.10 |
| Subtotal (c) | | 129.81 | | 193.54 | | 125.15 |
| d. Investment in limited liability Partnership firm (Unquoted) | | | | | | |
| Northgate Telecom Innovations Partners, L.P. (Refer note ii below) | - | 87.55 | - | 83.48 | - | - |
| Subtotal (d) | | 87.55 | | 83.48 | | - |
| Total Other investments (a)+(b)+(c)+(d) | | 742.42 | | 968.32 | | 1,161.33 |
| Aggregate Market value of quoted investments | | 2.86 | | 2.38 | | 5.53 |
| Aggregate carrying value of unquoted investments | | 739.56 | | 965.94 | | 1,155.80 |
| Total Other investments | | 742.42 | | 968.32 | | 1,161.33 |
| B. Current investments Investments at FVTPL (Mutual Funds) | | 799.30 | | 860.39 | | 889.56 |
| Market value of investments is equal to carrying value | | | | | | |

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

i. The Company has investment in the equity shares of Tata Teleservices Limited ("TTSL") which is recognised at fair value through Other Comprehensive Income. During the quarter ended 31 December 2016, the Company reassessed the fair value of TTSL and accordingly recognised a loss of ₹ 166.71 crores (2016: ₹ 344.40 crores) in Other Comprehensive Income. As of the date of issue of these financial statements, due to the continued volatility of market conditions, it was not possible to complete an updated valuation report to determine fair value as at 31 March 2017.

ii. The following are additional details in respect of investments in partnership firms:

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

Northgate Telecom Innovations Partners, L.P.

| Name of Partners | Total capital (USD) | Share of each partner | Total capital (USD) | Share of each partner |
|--|----------------------------|------------------------------|----------------------------|------------------------------|
| | As at 31 March 2017 | | As at 31 March 2016 | |
| Northgate Telecom Innovations Partners, L.P. | 466,666 | 1% | 381,818 | 1% |
| Tata Communications (America) Inc | 15,400,000 | 33% | 12,600,000 | 33% |
| TeleKom Malaysia Berhad | 15,400,000 | 33% | 12,600,000 | 33% |
| TIM tank S.r.l. | 15,400,000 | 33% | 12,600,000 | 33% |

iii. Category-wise other investments

| | As at 31 March 2017 | As at 31 March 2016 | (₹ in crores) As at 1 April 2015 |
|--|--------------------------------|--------------------------------|---|
| Investments at fair value through profit or loss (FVTPL) | | | |
| Unquoted mutual funds | 799.30 | 860.39 | 889.56 |
| Investments at fair value through other comprehensive income (FVTOCI) | | | |
| Unquoted equity shares and other instruments treated as equity investments | 739.56 | 965.94 | 1,155.80 |
| Quoted equity shares | 2.86 | 2.38 | 5.53 |
| Total investments | 1,541.72 | 1,828.71 | 2,050.89 |

9. Consequent to the sale of Neotel in the current year, the Group granted a loan of ₹ 365.95 crores (USD 56 million) to Liquid Telecom repayable after 3 years and carrying an interest rate of 4% compounded annually payable on maturity.

10. Other financial assets

| | As at 31 March 2017 | As at 31 March 2016 | (₹ in crores) As at 1 April 2015 |
|---|--------------------------------|--------------------------------|---|
| A. Non – Current | | | |
| i. Interest rate swaps designated in hedge accounting relationship | 2.74 | - | 0.28 |
| ii. Advance for Litigations (Refer note 31) | | | |
| Unsecured | 1,058.00 | - | - |
| Less: Allowance for contractual obligation | (872.01) | - | - |
| | 185.99 | - | - |
| iii. Interest receivable– Unsecured | 2.03 | 0.03 | - |
| iv. Security Deposits – Unsecured | | | |
| a. Considered good | 114.09 | 111.49 | 88.00 |
| b. Considered doubtful | 4.63 | 3.97 | 1.84 |
| Less: Allowance for doubtful security deposits | (4.63) | (3.97) | (1.84) |
| | 114.09 | 111.49 | 88.00 |
| v. Pension contributions recoverable from Government of India (net) (Refer i below) | 7.44 | 7.44 | 7.44 |
| vi. Other advances/receivables – Unsecured considered good | - | 58.11 | - |
| Total (A) | 312.29 | 177.07 | 95.72 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | (₹ in crores) | | |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| B. Current | | | |
| i. Interest rate swaps designated in hedge accounting relationship | 0.79 | - | - |
| ii. Forward contract not designated in hedge accounting relationship | 0.09 | 0.41 | 25.00 |
| iii. Interest receivable – Unsecured considered good | 1.03 | 40.23 | 11.07 |
| iv. Security deposits – Unsecured considered good | 11.19 | 10.25 | 16.03 |
| v. Advances to related parties - Unsecured considered good | 77.22 | - | - |
| vi. Other advances/receivables - Unsecured | | | |
| a. Considered good | 42.59 | 42.98 | 39.43 |
| b. Considered doubtful | 1.61 | 1.49 | 1.72 |
| Less: Allowance for doubtful advances | (1.61) | (1.49) | (1.72) |
| | 42.59 | 42.98 | 39.43 |
| Total (B) | 132.91 | 93.87 | 91.53 |
| Other Financial Assets (A) + (B) | 445.20 | 270.94 | 187.25 |

Note :

- i. As at 31 March 2017 the proportionate share of pension obligations and payments of ₹ 61.15 crores (2016: ₹61.15 crores) to the erstwhile Overseas Communications Service ("OCS") employees was recoverable from the Government of India ("the Government"). Pursuant to discussions with the Government, the Company had made a provision of ₹ 53.71 crores (2016: ₹ 53.71 crores) resulting in a net amount due from the Government towards its share of pension obligations of ₹ 7.44 crores (2016: ₹ 7.44 crores).

11. Other assets

| | (₹ in crores) | | |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| A. Non-current | | | |
| a. NLD licence fees reimbursement recoverable from Government of India | 0.64 | 0.64 | 0.64 |
| b. Amount paid under protest | 25.58 | 25.58 | 25.58 |
| c. Capital advances - Unsecured | | | |
| i. Considered good | 3.79 | 5.47 | 3.19 |
| ii. Considered doubtful | 6.01 | 6.01 | 6.01 |
| Less: Allowance for doubtful advances | (6.01) | (6.01) | (6.01) |
| | 3.79 | 5.47 | 3.19 |
| d. Prepaid expenses – Unsecured considered good | 275.00 | 301.12 | 282.39 |
| e. Other advances/receivables– Unsecured | | | |
| i. Considered good | 43.70 | 38.93 | 37.83 |
| ii. Considered doubtful | 0.09 | 0.08 | 0.05 |
| Less: Allowance for doubtful advances | (0.09) | (0.08) | (0.05) |
| Subtotal (e) | 43.70 | 38.93 | 37.83 |
| Total (A) | 348.71 | 371.74 | 349.63 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | (₹ in crores) | | |
|--|--------------------------------|--------------------------------|-------------------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| B. Current | | | |
| a. Balance with Government Authorities – Unsecured considered good | | | |
| - Service tax and other Indirect taxes recoverable (net) | 284.43 | 325.22 | 181.14 |
| b. Advances to contractors and vendors - Unsecured considered good | 30.72 | 22.60 | 32.09 |
| c. Prepaid expenses – Unsecured considered good | 235.27 | 295.98 | 250.72 |
| d. Advance to provident fund trust | - | - | 6.47 |
| e. Advances to Employees - Unsecured | | | |
| i. Considered good | 3.63 | 3.96 | 8.07 |
| ii. Considered doubtful | 0.62 | 0.80 | 0.76 |
| Less: Allowance for doubtful advances | (0.62) | (0.80) | (0.76) |
| Subtotal (e) | 3.63 | 3.96 | 8.07 |
| f. Other advances/receivables | | | |
| i. Considered good | 7.68 | 4.69 | 2.97 |
| ii. Considered doubtful | 0.24 | 0.24 | 0.11 |
| Less: Allowance for doubtful advances | (0.24) | (0.24) | (0.11) |
| Subtotal (f) | 7.68 | 4.69 | 2.97 |
| Total (B) | 561.73 | 652.45 | 481.46 |
| Other assets (A) + (B) | 910.44 | 1,024.19 | 831.09 |

12. Trade receivable – Unsecured

| | (₹ in crores) | | |
|---|--------------------------------|--------------------------------|-------------------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Considered good | 2,590.04 | 3,018.86 | 2,193.27 |
| Doubtful | 345.46 | 358.04 | 643.89 |
| | 2,935.50 | 3,376.90 | 2,837.16 |
| Less: Allowance for doubtful debts (expected credit loss allowance) (Refer note 41 (e)) | (345.46) | (358.04) | (643.89) |
| | 2,590.04 | 3,018.86 | 2,193.27 |

The Group's exposure to customers base is large, diversified and unrelated and no single customer has more than 6% of outstanding account receivable as on 31 March 2017 (2016 : 8% and 2015 : 8%).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
13. Cash and cash equivalents

| | (₹ in crores) | | |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| a. Cash on hand | 0.05 | 0.23 | 0.13 |
| b. Cheques on hand | 2.02 | 3.05 | - |
| c. Remittances in transit | 54.60 | 88.50 | 48.33 |
| d. Cash at Automated Teller Machines (ATM) | 287.87 | 464.15 | 226.49 |
| e. Cash in Vault | 58.42 | 2.18 | 12.12 |
| f. Balances with Banks | | | |
| Current accounts with banks | 408.06 | 361.88 | 341.32 |
| Deposit accounts with banks | 191.74 | 25.12 | 96.19 |
| Cash and cash equivalents | 1,002.76 | 945.11 | 724.58 |

14. Bank balance other than note 13 above

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Other bank Balances: | | | |
| In earmarked accounts | | | |
| a. Deposits with original maturity over three months | 61.67 | 71.95 | 57.93 |
| b. Deposit accounts held as margin money (Refer i below, note 18 iv (ii), 18 v) | 14.41 | 958.81 | 448.42 |
| c. Unpaid dividend accounts | 0.45 | 0.40 | 0.40 |
| Other bank balances | 76.53 | 1,031.16 | 506.75 |

Note:

- i. ₹11.91 crores (2016: ₹11.05 crores, 2015: ₹10.17 crores) held towards legal arbitration process and ₹ 2.49 crores (2016: ₹ 2.33 crores, 2015: ₹ 2.16 crores) held towards sales consideration from Chennai land as per direction of Panatone Finvest Limited and ₹ 0.01 crore (2016: ₹ Nil, 2015: ₹ Nil) held towards other legal matters.

15. Assets classified as held for sale

| | (₹ in crores) | | |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| a. Staff Quarters | 2.87 | - | - |
| b. Land at Guldhar Repeater Station | 0.45 | - | - |
| c. Assets related to South Africa Operations | - | - | 3,079.77 |
| | 3.32 | - | 3,079.77 |
| Liabilities directly associated with assets held for sale in South Africa Operations | | | 3,291.13 |

- i. The Management intends to dispose off a parcel of the Company's freehold land at Guldhar Repeater Station and staff quarter's. An active program to locate the buyer and to complete the sale has already been initiated, the sale is expected to be completed in the next 12 months. Accordingly, these assets have been classified as assets held for sale as on 31 March 2017.

Further the fair value of these assets is higher than its carrying value as on 31 March 2017 and hence no impairment loss has been recognised.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

- ii. During the year ended 31 March 2015, all the shareholders of Neotel including VSNL SNOSPV Pte Ltd had agreed on the commercial structure and terms with Vodacom Group Limited to sell 100% shares of Neotel to Vodacom. However, during the year ended 31 March 2016, due to certain regulatory complexities and certain conditions not being fulfilled, the parties have agreed to terminate the transactions.

Therefore, Neotel is disclosed as a discontinued operation as on 1 April 2015 and consequently as Continuing operations as on 31 March 2016, on termination of deal.

- iii. The major classes of assets and liabilities of South Africa Operations are as follows:

| | (₹ in crores) |
|----------------------------------|-------------------------------|
| Assets: | As at 1 April 2015 |
| a. Property, plant and equipment | 1,744.01 |
| b. Capital work-in-progress | 144.22 |
| c. Intangible assets | 52.94 |
| d. Goodwill on consolidation | 282.24 |
| e. Trade receivable | 267.19 |
| f. Cash and cash equivalent | 179.78 |
| g. Other bank balances | 215.98 |
| h. Other assets | 193.41 |
| | 3,079.77 |
| | (₹ in crores) |
| Liabilities: | As at 1 April 2015 |
| a. Borrowings | 2,261.07 |
| b. Trade Payable | 201.91 |
| c. Other liabilities | 821.13 |
| d. Provisions | 6.02 |
| | 3,291.13 |

16. Equity Share Capital

| | | | (₹ in crores) |
|--|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| a. Authorised: | | | |
| 400,000,000 (2016 and 2015: 400,000,000) Equity shares of ₹ 10 each | 400.00 | 400.00 | 400.00 |
| b. Issued, Subscribed and Paid up: | | | |
| 285,000,000 (2016 and 2015: 285,000,000) Equity shares of ₹ 10 each, fully paid up | 285.00 | 285.00 | 285.00 |

i) Issued, Subscribed and Paid up:

There was no movement in the issued, subscribed and paid up share capital of the Company during the current and past five financial years.

ii) Terms / rights attached to equity shares:

The Company has only one class of equity shares with a face value of ₹ 10 per share. Each shareholder of equity

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

shares is entitled to one vote per share at any general meeting of shareholders. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion to their shareholding.

- iii) The Board of Directors have recommended a dividend of ₹ 4.50 (2016: ₹4.30) per share and a special dividend of ₹ 1.50 per share for the year ended 31 March 2017.
- iv) Number of shares held by each shareholder holding more than 5% of the issued share capital:

| | As at 31 March 2017 | | As at 31 March 2016 | | As at 1 April 2015 | |
|--------------------------|---------------------|------------|---------------------|------------|--------------------|------------|
| | No of shares | Percentage | No of shares | Percentage | No of shares | Percentage |
| Panatone Finvest Limited | 85,776,654 | 30.10% | 85,776,654 | 30.10% | 88,626,654 | 31.10% |
| Government of India | 74,446,885 | 26.12% | 74,446,885 | 26.12% | 74,446,885 | 26.12% |
| Tata Sons Limited | 40,087,639 | 14.07% | 40,087,639 | 14.07% | 37,237,639 | 13.07% |

17. Other equity

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| a. Capital Reserve (Refer i below) | 206.06 | 206.06 | 206.06 |
| b. Securities Premium (Refer ii below) | 725.01 | 725.01 | 725.01 |
| c. General Reserve (Refer iii below) | 5,355.81 | 5,355.81 | 5,229.16 |
| d. Debenture Redemption Reserve (Refer iv below) | 38.75 | 38.75 | 97.94 |
| e. Retained Earning | (4,056.84) | (5,147.35) | (4,901.24) |
| f. Remeasurement of retirement benefit plan | (1.16) | 39.79 | - |
| g. Reserve for equity instrument through other comprehensive income (Refer v below) | (243.91) | (3.12) | 261.42 |
| h. Effective portion of cash flow hedge (Refer vi below) | (2.94) | (38.79) | (6.33) |
| i. Foreign Currency Translation Reserve (net) (Refer vii below) | (713.88) | (1,824.52) | (1,472.91) |
| | 1,306.90 | (648.36) | 139.11 |

Notes:

- i. **Capital Reserve:** It includes ₹205.22 crores in respect of foreign exchange gains on unutilised proceeds from Global Depository Receipts in earlier years.
- ii. **Securities Premium:** It is the additional amount which the shareholder had paid more than the face value of issued shares. This premium can be used to write off equity related expenses and issue of bonus shares.
- iii. **General Reserve:** It can be utilised from time to time to transfer profit from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of Other Comprehensive Income, items included in the general reserve will not be reclassified subsequently to profit or loss.
- iv. **Debenture Redemption Reserve (DRR):** The Company has issued redeemable non-convertible debentures, accordingly, the Companies (Share capital and Debenture) Rules, 2014 (as amended), requires that where a company issues debentures, it shall create a DRR out of profits of the company available for payment of dividend.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| iv. Term loan from Others (Refer iv (c) below) | 387.02 | 230.48 | 303.62 |
| Subtotal (b) | 7,727.66 | 10,458.56 | 9,054.06 |
| Total – Secured and Unsecured (a + b) | 7,732.66 | 12,107.96 | 9,114.06 |
| Less: Arrangement Fee | (83.97) | (149.69) | (107.36) |
| Less: Current maturities of long term borrowings (Refer note 21) | (837.40) | (2,031.97) | (3,350.31) |
| Total (A) | 6,811.29 | 9,926.30 | 5,656.39 |
| B. Current financial liabilities | | | |
| a. Secured | | | |
| From banks | | | |
| Term loans (rate of interest – 3 months JIBAR+3%) (Refer v below) | - | 681.86 | - |
| b. Unsecured | | | |
| From banks | | | |
| i. Buyers credit | 582.25 | 528.79 | 365.88 |
| (rate of interest per annum – (2017: 0.75% to 2.03%, 2016: 0.78% to 1.56%, 2015: 0.84% to 1.25%)) | | | |
| ii. Other term loans | 629.72 | 695.63 | 746.70 |
| (2017: 2.23% to 2.51%, 2016: 1.92% to 2.05%, 2015: 1.83% to 2.80%) | | | |
| iii. Loans repayable on demand (Bank overdraft) | 352.94 | 366.31 | 190.16 |
| Total (B) | 1,564.91 | 2,272.59 | 1,302.74 |
| Borrowings (A) + (B) | 8,376.20 | 12,198.89 | 6,959.13 |

Summary of borrowing arrangements
i. Secured Debentures:

The outstanding 50, 11.25% debentures amounting to ₹ 5.00 crores is due for redemption on 23 January 2019 and are secured by a first legal mortgage and charge on the Company's plant and machinery.

For facilitating the above redemption, the Company has created a DRR of ₹ 1.25 crores (2016: ₹ 1.25 crores, 2015: ₹ 1.25 crores).

ii. Unsecured Debentures:

The outstanding 1,500, 9.85% debentures amounting to ₹ 150 crores are due for redemption on 2 July 2019.

For facilitating the above redemption, the Company has created a DRR of ₹ 37.50 crores (2016: ₹ 37.50 crores, 2015: ₹ 37.50 crores).

iii. During the year 2012-13, Tata Communications (Netherlands) B.V (TCN BV), a wholly owned subsidiary of the Company had issued 1600 Unsecured Notes on the Singapore Stock Exchange (the "Notes") carrying a fixed interest of 4.25 per cent per annum. The notes were denominated in Singapore Dollars (SGD), the face value of each Note was SGD 250,000. These Notes were repaid in February 2016.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

iv. Term Loans from banks and others:

a. Secured term loans from banks

As at 31 March 2016

| Currency | ₹ in crores | Rate of Interest | Term of repayment | Nature of Securities |
|--------------------------|--------------------|-------------------------|---|---------------------------------|
| ZAR | 47.60 | 12.78% | Quarterly until September 2020 | Land and Building in subsidiary |
| ZAR | 925.02 | 3M JIBAR + 4.75% | Quarterly from December 2014 until March 2018 | Refer i and ii below |
| ZAR | 79.71 | 3M JIBAR + 6.75% | Quarterly from December 2014 until March 2020 | Refer i below |
| ZAR | 228.37 | 3M JIBAR + 2.50% | March 2020 | Refer i below |
| ZAR | 318.84 | 3M JIBAR + 6.00% | Quarterly from December 2014 until March 2020 | Refer i below |
| ZAR | 22.76 | 3M JIBAR + 4.75% | Quarterly from June 2013 until September 2016 | Refer i and ii below |
| ZAR | 22.10 | 3M JIBAR + 5.21% | Quarterly from June 2013 until September 2016 | Refer i and ii below |
| Total | 1,644.40 | | | |
| Less: Arrangement Fees | (15.49) | | | |
| Less: Current maturities | (490.09) | | | |
| | 1,138.82 | | | |

- i. The loan of ₹ 1,596.80 crores facility is from a consortium of banks, namely Nedbank Limited, The Development Bank of Southern Africa (DBSA) Limited, Investec Bank Limited, Infrastructure Finance Corporation Limited (INCA), Industrial Development Corporation of South Africa (IDC), State Bank Limited of India and Deutsche Investitions - und Entwicklungsgesellschaft mbH (DEG). Nedbank Limited act on behalf of the consortium of lenders as agents. The financing was purely on a "Project recourse" basis without any shareholder recourse or guarantees. The facility is made up of senior debt, subordinated debt and an IDC Mezzanine facility. The loans of Neotel were secured against all assets of Neotel and its subsidiaries.
- ii. Neotel held ₹ 190.85 crores in fixed deposits as margin money towards loans repayable in the first two quarters of financial year 2016-17.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
b. Unsecured term loans from banks
As at 31 March 2017

| Currency | ₹ in crores | Rate of Interest | Maturities |
|--------------------------|--------------------|-------------------------|-------------------------------|
| USD | 98.98 | LIBOR plus 1.35% | March 2012 - March 2020 |
| USD | 318.30 | LIBOR plus 0.65% | March 2012 - September 2021 |
| USD | 649.20 | LIBOR plus 1.50% | December 2020 - December 2021 |
| USD | 865.64 | LIBOR plus 2.30% | December 2017 - December 2019 |
| USD | 649.20 | LIBOR plus 1.80% | March 2018 |
| USD | 1,687.92 | LIBOR plus 1.40% | May 2019 - May 2020 |
| USD | 1,298.40 | LIBOR plus 1.40% | December 2019 - December 2020 |
| USD | 1,623.00 | LIBOR plus 1.35% | February 2019 - February 2021 |
| Total | 7,190.64 | | |
| Less: Arrangement fees | (83.97) | | |
| Less: Current maturities | (658.05) | | |
| | 6,448.62 | | |

As at 31 March 2016

| Currency | ₹ in crores | Rate of Interest | Maturities |
|--------------------------|--------------------|-------------------------|--------------------------------|
| USD | 134.68 | LIBOR plus 1.35% | March 2012 - March 2020 |
| USD | 397.00 | LIBOR plus 0.65% | March 2012 - September 2021 |
| SGD | 492.24 | SIBOR plus 1.11% | December 2016 |
| USD | 331.25 | LIBOR plus 3.0375% | January 2017 - January 2019* |
| USD | 1,590.00 | LIBOR plus 2.85% | January 2017 - January 2019* |
| USD | 441.65 | LIBOR plus 2.75% | December 2015 - December 2017* |
| USD | 1,325.00 | LIBOR plus 2.30% | December 2017 - December 2019 |
| USD | 1,722.50 | LIBOR plus 1.40% | May 2019- May 2020 |
| USD | 1,325.00 | LIBOR plus 1.40% | December 2019 - December 2020 |
| USD | 1,656.24 | LIBOR plus 1.35% | February 2019- February 2021 |
| USD | 662.50 | LIBOR plus 1.80% | March 2018 |
| Total | 10,078.06 | | |
| Less: Arrangement fees | (134.20) | | |
| Less: Current maturities | (1,441.22) | | |
| | 8,502.64 | | |

* During the year, the Group has prepaid these loans before the scheduled maturity dates.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

As at 1 April 2015

| Currency | ₹ in crores | Rate of Interest | Maturities |
|--------------------------|--------------------|-------------------------|-------------------------------|
| USD | 158.95 | LIBOR plus 1.35% | March 2012 - March 2020 |
| USD | 1,094.63 | LIBOR plus 2.90% | December 2013 - December 2015 |
| USD | 442.97 | LIBOR plus 0.65% | March 2012 - September 2021 |
| SGD | 455.04 | SIBOR plus 3.00% | December 2016 |
| USD | 625.50 | LIBOR plus 3.0375% | January 2017 - December 2019 |
| USD | 1,501.20 | LIBOR plus 2.85% | January 2017 - December 2019 |
| USD | 625.50 | LIBOR plus 2.75% | December 2015 - December 2017 |
| USD | 1,251.00 | LIBOR plus 2.30% | December 2017 - December 2019 |
| USD | 625.50 | LIBOR plus 1.80% | March 2018 |
| Total | 6,780.29 | | |
| Less: Arrangement fees | (106.82) | | |
| Less: Current maturities | (1,389.67) | | |
| | 5,283.80 | | |

c. Unsecured term loans from others

As at 31 March 2017

| Currency | ₹ in crores | Rate of Interest | Maturities |
|--------------------------|--------------------|-------------------------|------------------------------|
| USD | 17.73 | 3.95% Fixed | October 2012 - December 2017 |
| USD | 149.45 | 2.46% Fixed | October 2016- July 2021 |
| USD | 110.36 | 2.65% Fixed | May 2017 - February 2022 |
| USD | 109.49 | 3.05% Fixed | June 2015 - March 2020 |
| Total | 387.03 | | |
| Less: Current maturities | (179.35) | | |
| | 207.68 | | |

As at 31 March 2016

| Currency | ₹ in crores | Rate of Interest | Maturities |
|--------------------------|--------------------|-------------------------|------------------------------|
| USD | 72.42 | 3.95% Fixed | October 2012 - December 2017 |
| USD | 158.06 | 3.05% Fixed | June 2015 - March 2020 |
| Total | 230.48 | | |
| Less: Current maturities | (100.66) | | |
| | 129.82 | | |

As at 1 April 2015

| Currency | ₹ in crores | Rate of Interest | Maturities |
|--------------------------|--------------------|-------------------------|------------------------------|
| USD | 111.97 | 3.95% Fixed | October 2012 - December 2017 |
| USD | 191.65 | 3.05% Fixed | June 2015 - March 2020 |
| Total | 303.62 | | |
| Less: Current maturities | (86.03) | | |
| | 217.59 | | |

LIBOR – London Interbank Offered Rate, JIBAR- Johannesburg Interbank Agreed Rate, SIBOR- Singapore Interbank Borrowing Offer Rate

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

- v. Secured against Nil (2016: ₹ 710.34 crores and 2015: ₹ Nil) held in the margin money with bank against short term loan drawn by Neotel.

Loan covenant:

Bank loans contain certain debt covenants relating to limitation on in-debtedness, tangible net worth, EBIDTA to net interest ratio, Total net fixed assets to Net debt ratio and Net debt to EBIDTA ratio. The limitation on indebtedness covenant gets suspended if the Group meets certain prescribed criteria. The debt covenant related to limitation on indebtedness remained suspended as of the date of the authorisation of the financial statements. The Group has also satisfied all other debt covenants prescribed in the terms of bank loan.

19. Deferred tax

| | (₹ in crores) | | |
|--|--------------------------------|--------------------------------|-------------------------------|
| Deferred tax balance: | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Deferred tax assets (a) | 69.04 | 183.30 | 209.00 |
| Deferred tax liabilities (b) | 76.12 | 76.08 | 96.67 |
| Deferred tax assets/(liabilities) (net) (a)-(b) | (7.08) | 107.22 | 112.33 |

As at 31 March 2017

| | (₹ in crores) | | | | | |
|--|---|--|------------------------------|---|------------------------------------|--|
| | Opening balance as at 1 April 2016 | Recognised in Consolidated Statement of Profit and Loss | Recognised in OCI | Effect of foreign exchange | Acquisitions/ Disposals | Closing balance as at 31 March 2017 |
| Deferred tax asset | | | | | | |
| Difference between accounting and tax depreciation/ amortisation | 47.97 | 7.57 | - | (0.64) | (17.84) | 37.06 |
| Unearned Income and deferred revenue | 31.95 | 5.71 | - | (0.77) | - | 36.89 |
| Provision for doubtful trade receivables and advances | 73.75 | 3.21 | - | (0.01) | (2.96) | 73.99 |
| Accrued expenditure | 97.94 | (10.52) | - | (1.33) | (1.76) | 84.33 |
| Interest received on provisional income-tax assessment | 10.41 | - | - | - | - | 10.41 |
| Provision for employee benefits | 47.97 | 1.90 | 6.26 | 1.24 | (0.88) | 56.49 |
| Carry forward net operating losses | 13.10 | (9.72) | - | 0.05 | - | 3.43 |
| Expenditure incurred on NLD license fees | 9.11 | (1.82) | - | - | - | 7.29 |
| Revaluation loss on buyers credit | 1.14 | (9.93) | - | 0.02 | - | (8.77) |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

(₹ in crores)

| | Opening balance as at 1 April 2016 | Recognised in Consolidated Statement of Profit and Loss | Recognised in OCI | Effect of foreign exchange | Acquisitions/ Disposals | Closing balance as at 31 March 2017 |
|---|---|--|----------------------|----------------------------------|----------------------------|--|
| Others | 11.08 | (10.40) | - | 0.10 | (0.04) | 0.74 |
| Total Deferred tax assets (a) | 344.42 | (24.00) | 6.26 | (1.34) | (23.48) | 301.86 |
| Deferred tax liability | | | | | | |
| Difference between accounting and tax depreciation/ amortisation | 220.80 | (58.57) | - | (0.85) | - | 161.38 |
| Foreign currency revaluation gain | 3.25 | (3.25) | - | - | - | - |
| Revaluation of investments | 0.56 | 134.76 | 0.11 | - | - | 135.43 |
| Undistributed earning | 12.59 | (0.84) | - | 0.38 | - | 12.13 |
| Total Deferred tax liabilities (b) | 237.20 | 72.10 | 0.11 | (0.47) | - | 308.94 |
| Deferred tax liabilities (net) (a)-(b) | 107.22 | (96.10) | 6.15 | (0.87) | (23.48) | (7.08) |

As at 31 March 2016

(₹ in crores)

| | Opening balance as at 1 April 2015 | Recognised in Consolidated Statement of Profit and Loss | Recognised in OCI | Effect of foreign exchange | Disposals | Closing balance as at 31 March 2016 |
|---|---|--|----------------------|----------------------------------|-----------|--|
| Deferred tax asset | | | | | | |
| Difference between accounting and tax depreciation/ amortisation | 13.86 | 33.70 | - | 0.41 | - | 47.97 |
| Unearned Income and deferred revenue | 28.86 | 0.19 | - | 2.90 | - | 31.95 |
| Provision for doubtful trade receivables and advances | 98.46 | (24.86) | - | 0.15 | - | 73.75 |
| Accrued expenditure | 175.36 | (75.91) | - | (1.51) | - | 97.94 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | (₹ in crores) | | | | | |
|---|---|--|----------------------|----------------------------------|-----------|--|
| | Opening balance as at 1 April 2015 | Recognised in Consolidated Statement of Profit and Loss | Recognised in OCI | Effect of foreign exchange | Disposals | Closing balance as at 31 March 2016 |
| Interest received on provisional income- tax assessment | 18.18 | (7.77) | - | - | - | 10.41 |
| Provision for employee benefits | 52.46 | (6.20) | 1.02 | 0.69 | - | 47.97 |
| Carry forward net operating losses | 6.12 | 6.56 | - | 0.42 | - | 13.10 |
| Expenditure incurred on NLD license fees | 10.93 | (1.82) | - | - | - | 9.11 |
| Revaluation loss on buyers credit | 8.60 | (7.75) | - | 0.29 | - | 1.14 |
| Others | 6.98 | 4.05 | - | 0.05 | - | 11.08 |
| Total Deferred Tax assets (a) | 419.81 | (79.81) | 1.02 | 3.40 | - | 344.42 |
| Deferred Tax liability | | | | | | |
| Difference between accounting and tax depreciation/ amortisation | 272.58 | (57.73) | - | 5.95 | - | 220.80 |
| Foreign currency revaluation gain | 1.25 | 2.00 | - | - | - | 3.25 |
| Revaluation of investments | 22.70 | 0.01 | (22.15) | - | - | 0.56 |
| Undistributed earning | 10.95 | 1.34 | - | 0.30 | - | 12.59 |
| Total Deferred tax liabilities (b) | 307.48 | (54.38) | (22.15) | 6.25 | - | 237.20 |
| Deferred tax assets (net) (a)-(b) | 112.33 | (25.45) | 23.17 | (2.85) | - | 107.22 |

Unrecognised deductible temporary difference, unused tax losses and unused tax credits

Details of temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the balance sheet.

| | (₹ in crores) | |
|---|------------------------|------------------------|
| | As at 31 March 2017 | As at 31 March 2016 |
| Deferred tax assets with no expiry date | 675.43 | 633.66 |
| Deferred tax assets with expiry date* | 641.11 | 520.62 |

* These would expire between 2019 & 2037

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

20. Trade payables

| | (₹ in crores) | | |
|--|--------------------------------|--------------------------------|-------------------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| a. Payable for network and transmission services | 3,580.44 | 3,575.28 | 3,034.03 |
| b. Other payables | 0.94 | 1.10 | 1.14 |
| | 3,581.38 | 3,576.38 | 3,035.17 |

21. Other financial liabilities

| | (₹ in crores) | | |
|--|--------------------------------|--------------------------------|-------------------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| A. Non-current | - | - | - |
| i. Interest rate swaps designated in hedge accounting relationship | - | 49.13 | 2.53 |
| ii. Cross currency swaps not designated in hedge accounting relationship | - | - | 47.09 |
| iii. Security Deposits | - | 1.27 | 1.20 |
| iv. Others | 16.83 | 25.85 | 25.95 |
| Total (A) | 16.83 | 76.25 | 76.77 |
| B. Current | | | |
| i. Interest rate swaps designated as hedge accounting relationships | 8.68 | 2.03 | 4.26 |
| ii. Forward contract not designated in hedge accounting relationship | 2.94 | 78.90 | 250.42 |
| iii. Current maturities of long term borrowings (Refer note 18) | 837.40 | 2,031.97 | 3,350.31 |
| iv. Capital creditors | 437.69 | 524.60 | 335.47 |
| v. License fees payable | 57.69 | 60.61 | 61.66 |
| vi. Interest accrued but not due on loans from banks | 20.75 | 32.73 | 57.33 |
| vii. Deposits from customers and contractors | 85.68 | 87.76 | 76.43 |
| viii. Government of India account | 20.57 | 20.57 | 20.57 |
| ix. Unpaid dividend (Refer i below) | 0.45 | 0.40 | 0.40 |
| x. Other liabilities (Refer note 34-Discontinued Operations) | 86.73 | 3.42 | 9.10 |
| Total (B) | 1,558.58 | 2,842.99 | 4,165.95 |
| Other financial liabilities (A)+ (B) | 1,575.41 | 2,919.24 | 4,242.72 |

- i. There are no dividends due and outstanding for a period exceeding seven years.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
22. Provisions

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| A. Non-current | | | |
| a. Provision for employee benefits (Refer note 35): | | | |
| Provision for compensated absences | 95.85 | 88.64 | 78.64 |
| Provision for post-employment medical benefits | 113.72 | 101.17 | 91.27 |
| Provision for pension | 72.90 | 59.45 | 86.71 |
| Provision for gratuity | 13.94 | 15.52 | 15.54 |
| b. Provision for contingencies (Refer i below) | 187.54 | 234.12 | 214.22 |
| Total (A) | 483.95 | 498.90 | 486.38 |
| B. Current | | | |
| a. Provision for employee benefits (Refer note 35): | | | |
| Provision for compensated absences | 58.89 | 59.11 | 50.54 |
| b. Other provisions (Refer i below) | 25.85 | 26.68 | 0.77 |
| Total (B) | 84.74 | 85.79 | 51.31 |
| Provisions (A) + (B) | 568.69 | 584.69 | 537.69 |

i. Movement of Provisions:

| | As at 31 March 2017 | | | | As at 31 March 2016 | | | |
|---|---|-------------|---------------|---|---|-------------|---------------|---|
| | Provision for Contingencies (Refer a & b below) | | | Provision for others (Refer c below) | Provision for Contingencies (Refer a & b below) | | | Provision for others (Refer c below) |
| | ARO | Others | Total | | ARO | Others | Total | |
| Opening Balance | 225.12 | 9.00 | 234.12 | 26.68 | 205.22 | 9.00 | 214.22 | 0.77 |
| Addition | 3.86 | - | 3.86 | - | 12.93 | - | 12.93 | 25.91 |
| Effect on account of disposal of a subsidiary | (30.42) | - | (30.42) | | | | | |
| Effect of change in foreign currency translation | (4.42) | - | (4.42) | - | 12.04 | - | 12.04 | - |
| Provisions no longer required written back | (15.60) | - | (15.60) | (0.83) | (5.07) | - | (5.07) | - |
| Closing Balance | 178.54 | 9.00 | 187.54 | 25.85 | 225.12 | 9.00 | 234.12 | 26.68 |
| Non-current provision | | | 187.54 | | | | 234.12 | |
| Current provision | | | | 25.85 | | | | 26.68 |

- The provision for asset retirement obligation (ARO) has been recorded in the books of the Group in respect of undersea cables, switches, leased equipment's and certain lease premises.
- Others include amounts provided towards claims made by a creditor of the Group.
- Provision for others is mainly towards demand received from Employee State Insurance Corporation.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

23. Other liabilities

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| A. Non-current | | | |
| a. Deferred revenue | 3,576.99 | 4,115.72 | 3,910.05 |
| b. Accrued employee benefits | 66.08 | 27.65 | 48.02 |
| c. Lease equalisation liabilities | 64.67 | 120.62 | 107.68 |
| d. Other liabilities | 3.92 | 3.10 | 2.17 |
| Total (A) | 3,711.66 | 4,267.09 | 4,067.92 |
| B. Current | | | |
| a. Deferred revenues and advances received from customers | 823.34 | 973.08 | 683.20 |
| b. Accrued employee benefits | 441.47 | 527.80 | 362.71 |
| c. Statutory liabilities: | | | |
| - TDS Payable | 19.20 | 21.41 | 23.55 |
| - Others | 40.82 | 25.11 | 51.03 |
| d. Other liabilities | 19.97 | 7.87 | 3.65 |
| Total (B) | 1,344.80 | 1,555.27 | 1,124.14 |
| Other liabilities (A) + (B) | 5,056.46 | 5,822.36 | 5,192.06 |

24. Other income

| | (₹ in crores) | |
|---|-----------------------------|-----------------------------|
| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
| a. Interest income on financial assets carried at amortised cost | | |
| i. Bank deposits | 45.21 | 42.39 |
| ii. Other loans and advances | 2.37 | 0.05 |
| b. Gain on current investments carried at fair value through profit or loss (net) | 62.97 | 72.37 |
| c. Gain on non-current investments carried at fair value through other comprehensive income (net) | - | 6.42 |
| d. Gain on disposal of property, plant and equipment (net) | 12.57 | 7.48 |
| e. Rental income | 98.20 | 117.61 |
| f. Foreign exchange (loss) (net) | (18.20) | (7.03) |
| g. Provisions / liabilities no longer required - written back | 14.73 | 12.44 |
| h. Interest on income tax refund | 17.84 | 45.10 |
| i. Shared service fees from associate | 79.55 | 79.08 |
| j. Others | 45.05 | 20.73 |
| | 360.29 | 396.64 |

25. Network and transmission expenses

| | (₹ in crores) | |
|--|-----------------------------|-----------------------------|
| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
| a. Charges for use of transmission facilities | 8,546.96 | 9,415.82 |
| b. Royalty and license fee to Department of Telecommunications | 196.97 | 180.46 |
| c. Rent of land lines and satellite channels | 67.96 | 76.14 |
| | 8,811.89 | 9,672.42 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
26. Employee benefit expenses

| | (₹ in crores) | |
|---|-----------------|-----------------|
| | Year Ended | Year Ended |
| | 31 March 2017 | 31 March 2016 |
| a. Salaries and related costs | 2,649.19 | 2,527.48 |
| b. Contributions to provident, gratuity and other funds (Refer note 35) | 96.76 | 93.27 |
| c. Staff welfare expenses | 93.46 | 118.81 |
| | 2,839.41 | 2,739.56 |

27. Operating and other expenses

| | (₹ in crores) | |
|--|-----------------|-----------------|
| | Year Ended | Year Ended |
| | 31 March 2017 | 31 March 2016 |
| a. Consumption of stores | 7.37 | 28.46 |
| b. Light and power | 271.00 | 252.04 |
| c. Repairs and Maintenance: | | |
| i. Buildings | 48.45 | 36.86 |
| ii. Plant and machinery | 1,257.58 | 998.47 |
| iii. Others | 0.56 | 2.59 |
| d. Bad debts | 4.38 | 382.33 |
| e. Allowances for doubtful trade receivables | 39.15 | (345.29) |
| f. Allowances for doubtful advances | 0.65 | 2.10 |
| g. Rent | 299.57 | 290.63 |
| h. Rates and taxes | 87.44 | 91.61 |
| i. Travelling | 149.40 | 153.77 |
| j. Telephone | 47.08 | 49.51 |
| k. Printing, postage and stationery | 10.78 | 10.31 |
| l. Legal and professional fees | 216.33 | 215.96 |
| m. Advertising and publicity | 243.65 | 213.16 |
| n. Commissions | 29.52 | 26.25 |
| o. Services rendered by agencies | 536.95 | 534.66 |
| p. Insurance | 18.79 | 18.11 |
| q. Corporate social responsibility expenditure (Refer i below) | 16.65 | 16.11 |
| r. Donations | 0.32 | 0.67 |
| s. Other expenses (Refer note 32) | 276.91 | 316.57 |
| | 3,562.53 | 3,294.88 |

- i. As required by the Companies Act, 2013 and rules thereon, the gross amount required to be spent by the Company and its Indian subsidiaries during the year toward Corporate Social Responsibility (CSR) amount to ₹16.56 crores (2016: ₹15.95 crores). The Company and its Indian subsidiaries spent ₹16.65 crores (2016: ₹16.11 crores) during the year on CSR activities mainly for promotion of education, social business projects etc including ₹3.24 crores (2016: ₹2.31 crores) on construction/acquisition of assets.

28. Finance cost

| | (₹ in crores) | |
|---------------------------------|---------------|---------------|
| | Year Ended | Year Ended |
| | 31 March 2017 | 31 March 2016 |
| a. Interest on loans from banks | 282.07 | 309.49 |
| b. Interest on debentures | 15.34 | 20.39 |
| c. Other interest | 85.90 | 90.63 |
| Less: Interest capitalised | (16.12) | (11.45) |
| | 367.19 | 409.06 |

The weighted average capitalisation on the funds borrowed generally is 3.12 % per annum (31 March 2016, 3.41% per annum and 1 April 2015, 3.96% per annum).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

29. Depreciation and amortisation expenses

| | (₹ in crores) | |
|--|----------------------|----------------------|
| | Year Ended | Year Ended |
| | 31 March 2017 | 31 March 2016 |
| a. Depreciation for the year on property, plant and equipment (Refer note 3) | 1,576.40 | 1,579.17 |
| b. Depreciation for the year on investment properties (Refer note 4) | 1.42 | 0.14 |
| c. Amortisation for the year on intangible assets (Refer note 6) | 287.95 | 284.98 |
| | 1,865.77 | 1,864.29 |

30. Staff cost optimisation:

As part of its initiative to enhance the long-term efficiency of the business, the Group undertook organisational changes to align to the Group's current and prospective business requirements. These changes involved certain positions in the Group becoming redundant and the Group incurred one time charge of ₹ 21.73 crores (2016: ₹ 102.79 crores) which also includes related employment taxes and fringe benefits.

31. Provision for contractual obligation:

During the current year, NTT Docomo Inc had filed a petition with the Delhi High Court for implementation of the arbitration award (damages along with cost and interest) by the London Court of International Arbitration. The Delhi High Court directed Tata Sons to deposit the damages including costs and interest in an escrow account. During the quarter ended 30 September 2016, the Company had remitted its share of ₹ 1,058.00 crores to Tata Sons. Subsequent to 31 March 2017, based on the High Court Order dated 28 April 2017, the Company has made a provision of ₹ 872.01 crores towards the contractual obligation under the interse agreement being difference between the fair value of equity shares to be repurchased, based on the valuation undertaken as at 18 November 2016 and the consideration payable to the buyer for discharge of the Company's obligation under the put option. The provision has been adjusted against the escrow deposit included in Non-current – Other financial assets.

32. Auditors' remuneration:

(Included in other expenses under operating and other expenses – refer note 27)

| | (₹ in crores) | |
|--|----------------------|----------------------|
| | Year Ended | Year Ended |
| | 31 March 2017 | 31 March 2016 |
| Auditors' remuneration and expenses (net of service tax input credit wherever applicable) | | |
| a. To statutory auditor | | |
| i. For audit fees | 2.34 | 2.34 |
| ii. For taxation matters | 0.33 | 0.33 |
| iii. For other services | 0.96 | 1.43 |
| iv. For reimbursement of expenses | 0.23 | 0.21 |
| Auditors' remuneration excludes fees of ₹ 4.65 crores (2016: ₹ 3.98 crores) payable / paid for professional services to a firm of chartered accountants in which some partners of the firm of statutory auditors are partners. | | |
| b. To cost auditor for cost audit | | |
| For cost audit services | 0.06 | 0.06 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
33. Income tax
i. Income tax recognised in profit or loss:

| | (₹ in crores) | |
|--------------------------------|-------------------------------------|-------------------------------------|
| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
| <u>Current tax</u> | | |
| In respect of current year | 709.68 | 385.08 |
| In respect of prior years | (22.44) | (158.43) |
| Total Current tax (a) | 687.24 | 226.65 |
| <u>Deferred tax</u> | | |
| In respect of the current year | 79.65 | (79.55) |
| In respect of prior years | 16.45 | 105.00 |
| Total deferred tax (b) | 96.10 | 25.45 |
| Total Income tax (a+b) | 783.34 | 252.10 |

The Income tax expense for the year can be reconciled to the accounting profit as follows:

| | (₹ in crores) | |
|---|-------------------------------------|-------------------------------------|
| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
| Profit before tax from continuing operations | (530.10) | 462.22 |
| Income tax expense calculated at (2017: 34.608% (2016: 34.608%)) | (183.46) | 159.97 |
| (Income)/expenses (net) not taxable/deductible | 98.86 | 34.36 |
| Effect of provision for contractual obligation | 301.79 | - |
| Adjustment in respect of previous years | (5.99) | 25.91 |
| Impact of change in statutory tax rates | 2.06 | 1.29 |
| Differences arising from different tax rates | (20.83) | (33.39) |
| Tax on undistributed earnings of subsidiary | (0.87) | 1.62 |
| Losses and deductible difference against which no deferred tax assets recognised | 42.10 | 42.94 |
| Others, net | 2.72 | 0.15 |
| Income tax expense recognised in Consolidated Statement of Profit and Loss | 236.38 | 232.85 |

ii. Income tax recognised in other comprehensive income

| | (₹ in crores) | |
|---|-------------------------------------|-------------------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| <u>Current tax</u> | | |
| Recognised in OCI | (4.78) | 16.53 |
| Total Current tax (a) | (4.78) | 16.53 |
| <u>Deferred tax</u> | | |
| Recognised in OCI | 6.15 | 23.17 |
| Total deferred tax (b) | 6.15 | 23.17 |
| Total Income tax (a+b) | 1.37 | 39.70 |
| Bifurcation of income taxes recognised in OCI in to: | | |
| Items that will not be reclassified to profit and loss | 12.01 | 27.89 |
| Items that will be reclassified to profit and loss | (10.64) | 11.81 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

34. Discontinued operations:

I. Data Center Operations

- (i) On 19 October, 2016, the Company completed the sale of its India data center business by selling 74% shareholding in STT Global Data Centres India Private Limited (formerly known as Tata Communications Data Centers Private Limited (STT – India) for cash consideration of ₹ 1,796.78 crores that resulted into gain on sale of subsidiary of ₹ 2,127.33 crores (net of transaction cost of ₹100.55 crores and including ₹ 584.54 crores on remeasurement of remaining 26% shareholding). This amount is included under profit on disposal of subsidiaries under discontinued operations.

The financial performance and cash flows for STT - India presented below are till the date of sale and for the year ended 31 March 2016:

a. Financial performance:

| | (₹ in crores) | |
|---|-------------------------------------|-------------------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Revenue from operations | 361.24 | 582.11 |
| Total Income | 361.24 | 582.11 |
| Expenses | | |
| Employee benefits expense | 13.36 | 15.56 |
| Finance costs | 0.12 | 0.08 |
| Depreciation and amortisation expense | 14.75 | 93.82 |
| Operating and other expenses (Includes intercompany rent expenses) (Refer note i) | 221.52 | 367.62 |
| Total expenses | 249.75 | 477.08 |
| Profit before tax | 111.49 | 105.03 |
| Current tax | 14.35 | 22.70 |
| Deferred tax | (4.84) | (3.45) |
| Profit After Tax | 101.98 | 85.78 |
| Other comprehensive income | (0.03) | (0.02) |
| Total comprehensive income | 101.95 | 85.76 |
| Gain on sale of subsidiary | 2,127.33 | - |
| Current tax | 399.42 | - |
| Deferred tax | 134.86 | - |
| Net profit on sale of subsidiary | 1,593.05 | - |
| Total profit from discontinued operations | 1,695.03 | 85.78 |

Note:

- i. Includes ₹ 0.24 crores of gain on disposal of property, plant and equipment (net), ₹ 1.10 crores of Interest income on financial assets carried at amortised cost, ₹ 1.28 crores of Gain on investments carried at fair value through profit or loss (net) and ₹ 2.03 crores of allowance for trade receivables.

b. Cash flow from India data center operations:

| | (₹ in crores) | |
|--|-----------------------------------|-----------------------------------|
| | Year Ended 31 March 17 | Year Ended 31 March 16 |
| a. Cash flow from Operating activities | 108.79 | 124.59 |
| b. Cash flow from investing activities | (106.54) | (296.58) |
| c. Cash flow from financing activities | (8.76) | 174.99 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
c. Analysis of assets and liabilities over which control was lost:

(₹ in crores)

| | |
|--------------------------------|-----------------|
| Non-Current Assets | |
| Property, Plant and Equipment | 664.38 |
| Capital Work in Progress | 84.59 |
| Other Intangible Assets | 1.85 |
| Other financial assets | 0.64 |
| Deferred Tax asset | 23.48 |
| Other non-current assets | 53.88 |
| Total (A) | 828.82 |
| Current Assets | |
| Other Investments | 50.96 |
| Trade receivables | 214.34 |
| Cash and cash equivalents | 0.36 |
| Other bank balance | - |
| Other current assets | 11.49 |
| Total (B) | 277.15 |
| Total Assets (A+B) | 1,105.97 |
| Non Current Liabilities | |
| Other financial liabilities | 0.07 |
| Other non current liabilities | 16.25 |
| Provisions | 2.57 |
| Total (C) | 18.89 |
| Current Liabilities | |
| Trade Payables | 102.64 |
| Borrowings | 362.22 |
| Other financial liabilities | 421.22 |
| Other Current liabilities | 47.30 |
| Provisions | 0.26 |
| Total (D) | 933.64 |
| Total Liabilities (C+D) | 952.53 |
| Net Assets disposed off | 153.44 |

d. Gain on disposal of India Data Center operations

(₹ in crores)

| | |
|--|-----------------|
| Cash Consideration | 1,796.78 |
| Fair value of retained interest of 26% | 584.54 |
| Less: Transaction cost | 100.55 |
| Net consideration received | 2,280.77 |
| Net assets disposed off | 153.44 |
| Gain on disposal | 2,127.33 |

- (ii) On 13 February 2017 the Group has completed the sale of Singapore data center business by selling its net assets in Singapore data center business for cash consideration of ₹ 823.15 crores resulting in a gain on sale of ₹ 738.87 crores (including fair value of shares received in STT Tai Seng Pte Limited of ₹ 222.09 crores (STT – Singapore) (company floated by ST Telemedia in which all the assets and liabilities of Singapore data center business are transferred).

The financial performance and cash flows for Singapore data center business presented below are till the date of sale and for the year ended 31 March 2016:

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

a. Financial performance

| | (₹ in crores) | |
|--|----------------------|----------------------|
| | Year Ended | Year Ended |
| | 31 March 2017 | 31 March 2016 |
| Revenue from operations | 190.13 | 200.67 |
| Total Income | 190.13 | 200.67 |
| Expenses | | |
| Network and transmission expense | 44.93 | 51.26 |
| Employee benefits expense | 25.03 | 29.16 |
| Finance costs | 1.27 | 3.97 |
| Depreciation and amortisation expense | 4.11 | 30.42 |
| Operating and other expenses(Refer note i) | 57.71 | 72.70 |
| Total expenses | 133.05 | 187.51 |
| Profit Before Tax | 57.08 | 13.16 |
| Attributable income tax | - | - |
| Profit After Tax | 57.08 | 13.16 |
| Other comprehensive income | - | - |
| Total comprehensive income | 57.08 | 13.16 |
| Gain on sale of subsidiary | 738.87 | - |
| Attributable income tax | - | - |
| Net profit on sale of subsidiary | 738.87 | - |
| Total profit from discontinued operations | 795.95 | 13.16 |
| Total Comprehensive Income | 795.95 | 13.16 |

Note:

i. Operating and other expenses includes ₹ 0.07 crores of allowance for trade receivables.

b. Cash flow from STT - Singapore:

| | (₹ in crores) | |
|-------------------------------------|----------------------|----------------------|
| | Year Ended | Year Ended |
| | 31 March 2017 | 31 March 2016 |
| Cash flow from Operating activities | 34.97 | (0.38) |
| Cash flow from investing activities | (6.57) | (12.52) |
| Cash flow from financing activities | (28.40) | 12.90 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
c. Analysis of assets and liabilities over which control was lost:

| | (₹ in crores) |
|--------------------------------|---------------|
| Non-Current Assets | |
| Property, Plant and Equipment | 330.00 |
| Capital Work in Progress | 0.43 |
| Total (A) | 330.43 |
| Current Assets | |
| Trade receivables | 49.14 |
| Other current assets | 16.54 |
| Total (B) | 65.68 |
| Total Assets (A+B) | 396.11 |
| Non Current Liabilities | |
| Other Liabilities | 61.45 |
| Provisions | 16.54 |
| Total (C) | 77.99 |
| Current Liabilities | |
| Trade Payable | 8.66 |
| Other liability | 8.78 |
| Provisions | 0.04 |
| Total (D) | 17.48 |
| Total Liabilities (C+D) | 95.47 |
| Net Assets disposed off | 300.64 |

d. Gain on sale of STT - Singapore

| | (₹ in crores) |
|--|-----------------|
| Cash Consideration | 823.15 |
| Fair value of retained interest of 26% | 222.09 |
| Less: Transaction cost | (5.73) |
| Net consideration received | 1,039.51 |
| Net assets disposed off | 300.64 |
| Gain on disposal | 738.87 |

II. South Africa Operations (Neotel Pty Limited)

During the current year, the shareholders of Neotel and Liquid Telecom entered into an agreement whereby Liquid Telecom would acquire the entire shareholding in Neotel for ZAR 6.55 billion subject to certain closing adjustments and conditions. On 10 February 2017, the Group successfully completed the sale of its entire shareholding to Neotel. In accordance with the conditions for sale of shareholding the Group needed to settle the liabilities of Nexus Connections Pty. Limited (Nexus) who was one of the minority shareholder in Neotel. The Group also needs to acquire the entire shareholding in Nexus. Consequently, the Group has paid ₹ 180.45 crores (ZAR 361.5 million) to acquire 100% shareholding in Nexus.

The financial performance and cash flows for Neotel presented below are till the date of sale and for the year ended 31 March 2016.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

a. Financial performance

| | (₹ in crores) | |
|--|----------------------|----------------------|
| | Year Ended | Year Ended |
| | 31 March 2017 | 31 March 2016 |
| Revenue from operations | 1,318.74 | 1,673.28 |
| Other income (Refer note ii) | 29.42 | 3.41 |
| Total Income | 1,348.16 | 1,676.69 |
| Expenses | | |
| Network and transmission expense | 427.87 | 674.63 |
| Employee benefits expense | 260.35 | 323.41 |
| Finance costs | 322.74 | 305.99 |
| Depreciation and amortisation expense | 62.30 | 230.77 |
| Operating and other expenses (Refer note iii) | 320.41 | 370.11 |
| Total expenses | 1,393.68 | 1,904.91 |
| Loss before share in profit of associate, tax and exceptional items | (45.52) | (228.22) |
| Share in profit of associate | 0.26 | 0.37 |
| Loss before tax and exceptional items | (45.26) | (227.85) |
| Exceptional items (impairment of Goodwill/other assets in Neotel) | - | (90.00) |
| Loss before tax | (45.26) | (317.85) |
| Current tax | 3.17 | - |
| Loss after tax * | (48.43) | (317.85) |
| Other Comprehensive income | - | - |
| Total Loss (A) | (48.43) | (317.85) |
| Gain on disposal | 627.03 | - |
| Foreign currency translation loss pertaining to Neotel reclassified to Consolidated Statement of Profit and Loss | (1,072.72) | - |
| Net loss on disposal of Neotel (B) | (445.69) | - |
| Total loss from Discontinued Operation | (494.12) | (317.85) |

* Net of intercompany adjustments

Note:

- Pending receipt of audited financials upto the effective date of sale, the financial results of Neotel Group (Neotel Pty Limited its subsidiary and its associate) for the year ended 31 March, 2017 have been considered on the basis of unaudited financial information furnished by Management. The unaudited financial information of Neotel Group as considered in the consolidated financial information reflect a loss from discontinued operations of ₹ 69.98 crores for the year ended 31 March, 2017. The statutory auditors report contains a qualification in this respect.
- Other income includes ₹ 0.07 crores of gain on disposal of property, plant and equipment (net) and ₹ 17.87 crores of Interest income on financial assets carried at amortised cost.
- Operating and other expenses includes ₹ 16.56 crores of allowance for trade receivables.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
b. Cash flow from Neotel:

| | (₹ in crores) | |
|-------------------------------------|----------------------|----------------------|
| | Year Ended | Year Ended |
| | 31 March 2017 | 31 March 2016 |
| Cash flow from Operating activities | 311.41 | 480.64 |
| Cash flow from investing activities | (207.73) | (302.71) |
| Cash flow from financing activities | (167.03) | (268.25) |

c. Analysis of assets and liabilities over which control was lost:

| | (₹ in crores) |
|-------------------------------------|-----------------|
| Non Current Assets | |
| Property, Plant and Equipment | 1,916.01 |
| Capital work in progress | 69.52 |
| Goodwill | 163.32 |
| Intangible Assets | 85.88 |
| Investments in Associates | 2.43 |
| Other financial assets | 64.84 |
| Other assets | 49.90 |
| Total (A) | 2,351.90 |
| Current Assets | |
| Inventory | 20.88 |
| Trade receivables | 313.89 |
| Cash and cash equivalents | 15.21 |
| Other bank balance | 263.15 |
| Other financial assets – current | 2.47 |
| Other current assets | 82.87 |
| Total (B) | 698.47 |
| Total Assets (A+B) | 3,050.37 |
| Non Current liabilities | |
| Long Term Borrowings | 1,751.85 |
| Trade Payable | 4.09 |
| Other Liabilities | 78.65 |
| Total (C) | 1,834.59 |
| Current Liabilities | |
| Trade Payables | 538.60 |
| Short Term borrowings | 968.41 |
| Other financial liabilities | 25.67 |
| Other current liabilities | 285.33 |
| Short Term provisions | 6.10 |
| Current tax liability | (3.47) |
| Total (D) | 1,820.64 |
| Total Liabilities | 3,655.23 |
| Net Liabilities disposed off | (604.86) |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

d. Gain/Loss on disposal of Neotel operations

| | (₹ in crores) |
|---|---------------|
| Consideration received (net) | 89.39 |
| Transaction cost | (21.12) |
| Net (assets) /liability disposed off | 604.86 |
| Additional obligations (Refer note below) | (46.10) |
| Cumulative exchange loss on net liabilities reclassified to Consolidated Statement of Profit and Loss | (1,072.72) |
| Loss on disposal | 445.69 |

Note:

As part of the sale agreement, the Group along with the buyer needs to pay a certain pre-agreed amount to Communitel Telecommunications Propreitary Limited, one of the minority shareholders in Neotel. The Group's share of such liability is ₹ 46.10 crores.

e. Net Cash inflow on disposal of subsidiary

| | (₹ in crores) |
|---|---------------|
| Consideration received in cash and cash equivalents | 89.39 |
| Less: Transaction cost | (21.12) |
| Less: Cash and Cash equivalent balance disposed off | (15.21) |
| Net cash inflow on disposal of subsidiary | 53.06 |

35. Employee Benefits

(A) Indian entities:

Retirement Benefits

i. Defined Contribution Plan

Provident Fund:

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

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

Provident fund contributions amounting to ₹ 39.75 crores (2016: ₹ 36.37 crores) have been charged to the Consolidated Statement of Profit and Loss under Contribution to Provident and other funds in Note 26 "Employee Benefits".

ii. Defined Benefit Plan

Gratuity:

The Company and one of its Indian subsidiaries make annual contributions under the Employee's Gratuity scheme to a fund administered by trustees covering all eligible employees. The plan provides for lump sum payments to employees whose right to receive gratuity had vested at the time of resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service except in case of death. For other Indian subsidiaries, the gratuity plan is unfunded.

Medical Benefit:

The Company reimburses domiciliary and hospitalisation expenses not exceeding specified limits incurred by eligible and qualifying employees and their dependent family members under the Tata Communication employee's medical reimbursement scheme.

Pension Plan:

The Company's pension obligations relate to certain employees transferred to the Company from the Overseas Communications Service ("OCS") an erstwhile department of Ministry of Commerce, Government of India. The Company purchases life annuity policies from an insurance company to settle such pension obligations. During the year, the Company has incurred a charge of ₹ Nil (2016: ₹ 34.15 crores) to meet the additional pension obligation on account of increase in Pension and Dearness Allowance and has been included under Staff welfare expenses in Note 26 "Employee benefits".

These plans typically expose the Group to actuarial risk such as investment risk, interest rate risk, longevity risk and salary risk:

| | |
|--------------------|---|
| Investment risk | The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. Currently, the plan has a relatively balanced mix of investments in government securities, high quality corporate bonds, equity and other debt instruments. |
| Interest rate risk | The defined benefit obligation is calculated using a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase. |
| Salary risk | Higher than expected increases in salary will increase the defined benefit obligation |
| Demographic risk | This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee. |

No other post-retirement benefits are provided to these employees

The most recent actuarial valuation of the plan assets and defined benefit obligation were carried out as at 31 March 2017 by an independent Actuary.

The details in respect of the status of funding and the amounts recognised in the Company's consolidated financial statements for the year ended 31 March 2017, 31 March 2016 and 1 April 2015 for these defined benefit schemes are as under:

| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
|---|--------------------------------|--------------------------------|-------------------------------|
| I Principal actuarial assumptions: | | | |
| Discount rate | 7.20% | 7.90% | 7.80% |
| Increase in compensation cost | 6% to 10% | 6% to 10% | 6% to 10% |
| Health care cost increase rate | 7.00% | 7.00% | 6.00% |
| Attrition rate | 3% to 15% | 3% to 15% | 3% to 15% |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | | | |
|--------------------------------|--|--|--|
| Post retirement mortality | Annuitants mor 96-98 Mortality Improvement Applied 20% | Annuitants mor 96-98 Mortality Improvement Applied 20% | Annuitants mor 96-98 Mortality Improvement Applied 20% |
| Increase in dearness allowance | 5% | 5% | - |

The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations. The estimates of future compensation cost considered in the actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

| | (₹ in crores) | | | | | |
|--|------------------|------------------|-----------------------------|------------------|-------------------------|------------------|
| | Gratuity | | Medical Benefits (Unfunded) | | Pension Plan (Unfunded) | |
| | As at March 2017 | As at March 2016 | As at March 2017 | As at March 2016 | As at March 2017 | As at March 2016 |
| II Change in the defined benefit obligation | | | | | | |
| Obligation at the beginning of the period | 106.91 | 92.21 | 101.17 | 91.28 | 29.11 | - |
| Less: Opening balances of Discontinued operations | (1.34) | - | - | - | - | - |
| Current service cost | 9.46 | 8.1 | 0.62 | 0.52 | - | 27.78 |
| Interest cost | 7.75 | 6.88 | 7.54 | 6.76 | 1.69 | 2.04 |
| Obligation transferred from / (to) other companies | (0.28) | 5.34 | - | - | - | - |
| Actuarial gains/ losses – experience | 0.30 | (0.86) | 7.79 | 5.66 | 13.73 | 4.67 |
| Actuarial gains/ losses - Financial assumptions | 5.82 | 3.20 | 8.18 | 6.18 | 2.53 | (0.34) |
| Benefits paid | (14.99) | (7.96) | (11.58) | (9.23) | (15.47) | (5.04) |
| Closing defined benefit obligation | 113.63 | 106.91 | 113.72 | 101.17 | 31.59 | 29.11 |

| | (₹ in crores) | | | | | |
|---|------------------|------------------|-----------------------------|------------------|-------------------------|------------------|
| | Gratuity | | Medical Benefits (Unfunded) | | Pension Plan (Unfunded) | |
| | As at March 2017 | As at March 2016 | As at March 2017 | As at March 2016 | As at March 2017 | As at March 2016 |
| III Change in Fair Value of Assets | | | | | | |
| Opening fair value of plan assets | 91.39 | 76.67 | - | - | - | - |
| Interest income on plan assets | 7.14 | 6.40 | - | - | - | - |
| Employer's contribution | 12.74 | 12.97 | - | - | - | - |
| Transfer (to) / from other company | (0.26) | 5.49 | - | - | - | - |
| Return on plan assets | 3.19 | (2.48) | - | - | - | - |
| Benefits paid | (14.51) | (7.66) | - | - | - | - |
| Closing fair value of plan assets | 99.69 | 91.39 | - | - | - | - |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | (₹ in crores) | | | | | |
|--|------------------------|------------------------|--------------------------------|------------------------|----------------------------|------------------------|
| | Gratuity | | Medical Benefits (Unfunded) | | Pension Plan (Unfunded) | |
| | As at March 2017 | As at March 2016 | As at March 2017 | As at March 2016 | As at March 2017 | As at March 2016 |
| IV Amount recognised in Accumulated OCI | | | | | | |
| Cumulative Actuarial (Gain) or Loss Recognised via OCI at Prior Period End | 4.82 | - | 11.84 | - | - | - |
| OCI pertaining to discontinued operation | (0.06) | - | - | - | - | - |
| Actuarial (gains)/ losses recognised in OCI during the year | 2.93 | 4.82 | 15.97 | 11.84 | 16.26 | - |
| Cumulative Actuarial (Gain) or Loss Recognised via OCI Period End | 7.69 | 4.82 | 27.81 | 11.84 | 16.26 | - |

| | (₹ in crores) | | | | | | | | |
|--|------------------------------|------------------------------|-----------------------------|--------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|-----------------------------|
| | Gratuity | | | Medical Benefits (Unfunded) | | | Pension Plan (Unfunded) | | |
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| V Amount recognised in the Consolidated Balance Sheet | | | | | | | | | |
| Present value of obligations | 113.63 | 106.91 | 92.21 | 113.72 | 101.17 | 91.27 | 31.59 | 29.11 | 0.68 |
| Fair value of plan assets at the end of the period | (99.69) | (91.39) | (76.67) | - | - | - | - | - | - |
| Net (asset) / liability in the Consolidated Balance Sheet | 13.94 | 15.52 | 15.54 | 113.72 | 101.17 | 91.27 | 31.59 | 29.11 | 0.68 |
| Provisions (Non Current) (Refer note 22) | 13.94 | 15.52 | 15.54 | 113.72 | 101.17 | 91.27 | 31.59 | 29.11 | 0.68 |

| | (₹ in crores) | | | | | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Gratuity | | Medical Benefits (Unfunded) | | Pension Plan (Unfunded) | |
| | Year ended 31 March 2017 | Year ended 31 March 2016 | Year ended 31 March 2017 | Year ended 31 March 2016 | Year ended 31 March 2017 | Year ended 31 March 2016 |
| VI Expenses recognised in the consolidated Statement of Profit and Loss | | | | | | |
| Current service cost | 9.46 | 8.10 | 0.62 | 0.52 | - | 27.78 |
| Net interest cost | 0.61 | 0.48 | 7.54 | 6.76 | 1.69 | 2.04 |
| Components of defined benefit costs recognised in the Consolidated Statement of Profit and Loss (Refer note 26 & 28). | 10.07 | 8.58 | 8.16 | 7.28 | 1.69 | 29.82 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | | | | | | | (₹ in crores) |
|-----|--|---------------------|--------|-----------------------------|-------|-------------------------|---------------|
| | | Gratuity | | Medical Benefits (Unfunded) | | Pension Plan (Unfunded) | |
| | | Year ended 31 March | | Year ended 31 March | | Year ended 31 March | |
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| VII | Expenses recognised in the consolidated Statement of OCI | | | | | | |
| | Actuarial (gain)/loss due to DBO experience | 0.30 | (0.86) | 7.79 | 5.66 | 13.73 | - |
| | Actuarial (gain)/loss due to DBO assumption changes | 5.82 | 3.20 | 8.18 | 6.18 | 2.53 | - |
| | Return on plan assets (greater)/less than discount rate | (3.19) | 2.48 | - | - | - | - |
| | Actuarial (gains)/ losses recognised in OCI | 2.93 | 4.82 | 15.97 | 11.84 | 16.26 | |

| | | | Gratuity | |
|-------------|---|--|-----------------------|-------------|
| | | | As at 31 March | |
| | | | 2017 | 2016 |
| VIII | Categories of plan assets as a percentage of total plan assets | | | |
| | Govt. of India Securities (Central and State) | | 32.64% | 42.89% |
| | High quality corporate bonds (including Public Sector Bond) | | 38.30% | 32.46% |
| | Equity shares of listed companies | | 20.45% | 17.19% |
| | Cash (including Special Deposits) | | 8.61% | 4.38% |
| | Non-Convertible Debentures | | - | 1.44% |
| | Others | | - | 1.65% |
| | Total | | 100% | 100% |

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets. This policy has been implemented during the current and prior years.

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

IX A quantitative sensitivity analysis for significant assumption as at 31 March 2017 and 31 March 2016 is as shown below:

(As per actuarial valuation report). The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | (₹ in crores) | | | | | |
|---|---------------------------|---------------------------|--|---------------------------|------------------------------------|---------------------------|
| | Gratuity | | Medical Benefits (Unfunded) | | Pension Plan (Unfunded) | |
| | As at March 17 | As at March 16 | As at March 17 | As at March 16 | As at March 17 | As at March 16 |
| Discount rate | | | | | | |
| Increase (1%) | (8.14) | (3.71) | (11.37) | (9.71) | (3.54) | (3.15) |
| Decrease (1%) | 9.35 | 3.97 | 13.85 | 11.76 | 4.09 | 3.64 |
| Salary escalation rate | | | | | | |
| Increase (1%) | 4.40 | 1.95 | - | - | 9.52 | 8.55 |
| Decrease (1%) | (4.45) | (1.96) | - | - | (8.59) | (7.71) |
| Attrition Rate | | | | | | |
| Increase (5%) | 1.48 | 3.11 | (5.02) | (4.35) | - | - |
| Decrease (5%) | (2.18) | (4.74) | 4.40 | 3.83 | - | - |
| Post Retirement Mortality | | | | | | |
| Increase (3 years) | - | - | (10.82) | (9.09) | (6.01) | (5.12) |
| Decrease (3 years) | - | - | 11.08 | 9.20 | 6.71 | 5.65 |
| Increase in dearness allowance | | | | | | |
| Increase (1%) | | | | | 9.52 | 8.55 |
| Decrease (1%) | | | | | (8.59) | (7.71) |
| Healthcare cost increase rate | | | | | | |
| Increase (1%) | - | - | 10.00 | 8.55 | - | - |
| Decrease (1%) | - | - | (8.28) | (7.11) | - | - |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

| | (₹ in crores) | | |
|--|----------------------------|--|------------------------------------|
| | Gratuity | Medical Benefits (Unfunded) | Pension Plan (Unfunded) |
| | As at 31 March 2017 | | |
| X Maturity Profile | | | |
| Expected benefit payments for the year ending | | | |
| 31 March 2018 | 11.53 | 7.65 | 13.13 |
| 31 March 2019 | 11.59 | 7.83 | 13.79 |
| 31 March 2020 | 13.56 | 8.07 | 14.48 |
| 31 March 2021 | 13.32 | 8.22 | 15.20 |
| 31 March 2022 | 14.87 | 8.41 | 15.96 |
| 31 March 2023 to 31 March 2027 | 76.95 | 44.27 | 92.60 |
| Total expected payments | 141.82 | 84.45 | 165.16 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

iii. Leave plan and Compensated absences

For executives

Leave unavailed of by eligible employees may be carried forward / encashed by them / their nominees in the event of death or permanent disablement or resignation, subject to a maximum leave of 120 days in addition to accumulated leave balance available in accumulated quota.

For non executives

Leave unavailed of by eligible employees may be carried forward / encashed by them / their nominees in the event of death or permanent disablement or resignation, subject to a maximum leave of 300 days.

The liability for compensated absences as at the year-end is ₹ 105.83 crores (2016: ₹ 98.48 crores and 2015: ₹ 86.62 crores) as shown under non-current provisions ₹ 95.85 crores (2016: ₹ 88.64 crores and 2015: ₹ 78.64 crores) and current provisions ₹ 9.98 crores (2016: ₹ 9.84 crores and 2015: ₹ 8.18 crores). The amount charged to the Consolidated Statement of Profit and Loss under salaries and related costs in note 26 "Employee benefits" is ₹ 15.98 crores (2016: ₹ 13.97 crores).

Refer above point no. ii (I) for principal actuarial assumptions on compensated absences.

(B) Foreign entities:

i. Defined Contribution Plan

The Group makes contribution to defined contribution retirement benefit plans under the provisions of section 401(k) of the Internal Revenue Code for USA employees, a Registered Retirement Savings Plan ("RRSP") for Canadian employees and a Group Stakeholder Pension plan ("GSPP") for UK employees and other plan in other countries. An amount of ₹ 36.10 crores (2016: ₹ 38.80 crores) is charged to Consolidated Statement of Profit and Loss under Contribution to Provident and other funds in Note 26 "Employee Benefits".

ii. Defined Benefit Pension Plans

Pension Plan:

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

Health and Life insurance:

The Group also assumed a post-retirement health care and life insurance plan.

The defined benefit plan in Canada expose the Group to different risks such as:

| | |
|-----------------------------|--|
| Investment Risk | The financial situation of the plan is calculated using a prescribed discount rate. If the return on assets is lower than the discount rate, it will create a deficit. |
| Interest rate risk | A variation in bond rates will affect the value of the defined benefit obligation and of the assets. |
| Longevity risk | A greater increase in life expectancy than the one predicted by the mortality table used will increase the defined benefit obligation. |
| Inflation risk | The defined benefit obligation is calculated taking into account an increase in the level of salary and cost of living adjustment. If actual inflation is greater than expected, that would result in an increase in the defined benefit obligation. |
| Health care cost trend risk | The defined benefit obligation of the Post-Retirement Benefits (Other than Pension) is calculated taking into account a health care cost trend rate. If the trend is greater than expected, that would result in an increase in the defined benefit obligation for the plan. |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation in Canada were carried out as at March 31, 2017 by an independent technical expert in Canada. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method.

The details in respect of status of funding and the amounts recognised in the consolidated financial statement as for the year ended 31 March 2017, 31 March 2016 and 1 April 2015 for these defined benefit schemes are as under:

| | | As at 31 March 2017 | 31 March 2016 | 1 April 2015 |
|----------|--|---|---------------|---------------|
| I | Principal Actuarial assumptions : | | | |
| | Discount rate used for benefit costs | 3.70% | 3.50% | 4.35% |
| | Discount rate used for benefit obligations | 3.60% | 3.70% | 3.50% |
| | Inflation | 2.00% | 2.00% | 2.00% |
| | Rate of compensation increase | 3.00% | 3.00% | 3.00% |
| | Health Care Cost Trend Rate – Prescription Drugs | 4.5% to 8.25% | 4.5% to 8.25% | 4.5% to 8.25% |
| | Health Care Cost Trend Rate – Other Medical | 3.00% | 3.00% | 3.00% |
| | Mortality Table | CPM 2014 Private Sector Mortality Table with generational improvements with scale CPM-B | | |
| | Asset valuation method | Market value Market Value | | |

| | | | | | | | | (₹ in crores) | |
|----|---|----------------|---------|----------------------|----------|----------------|--------|--|--------|
| | | | | Pension Plans | | SERP | | Health Care and life insurance Plans | |
| | | Contributory | | Non- contributory | | | | | |
| | | As at 31 March | | As at 31 March | | As at 31 March | | As at 31 March | |
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| II | Change in the defined benefit obligation | | | | | | | | |
| | Projected defined benefit obligation, beginning of the year | 1,142.47 | 515.70 | - | 659.45 | 4.36 | 3.95 | 2.63 | 2.17 |
| | Current service cost | 11.41 | 0.42 | - | 9.98 | 0.11 | 0.21 | - | - |
| | Interest cost | 40.60 | 17.87 | - | 23.41 | 0.13 | 0.15 | 0.09 | 0.07 |
| | Benefits paid | (65.92) | (30.33) | - | (25.49) | (1.78) | - | (0.53) | (0.59) |
| | Transfer In/(Out) ** | - | 598.85 | - | (598.85) | - | - | - | - |
| | Actuarial (gains)/ losses Demographic assumptions | - | - | - | - | - | - | - | (0.01) |
| | Actuarial (gains)/ losses Financial assumptions | 14.22 | (25.45) | - | (0.48) | (0.12) | (0.18) | - | (0.01) |
| | Experience (gain)/loss | (21.06) | 13.63 | - | (15.07) | 2.63 | 0.06 | - | 0.90 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

(₹ in crores)

| | Pension Plans | | | | | | Health Care and life insurance Plans | |
|--|---------------------|-----------------|---------------------|----------|---------------------|-------------|--------------------------------------|-------------|
| | Contributory | | Non-contributory | | SERP | | | |
| | As at 31 March 2017 | 2016 | As at 31 March 2017 | 2016 | As at 31 March 2017 | 2016 | As at 31 March 2017 | 2016 |
| Impact of Minimum Funding requirement | 12.71 | 22.83 | - | - | - | - | - | - |
| Reversal of Minimum Funding Requirement due to plan merger | - | - | - | (71.31) | - | - | - | - |
| Effect of foreign currency rate changes* | (56.64) | 28.95 | - | 18.36 | (0.27) | 0.17 | (0.11) | 0.10 |
| Projected benefit obligation at the end of the year | 1,077.79 | 1,142.47 | - | - | 5.06 | 4.36 | 2.08 | 2.63 |

*Translation adjustment loss/(gain) includes loss of ₹ (21.93) crores (2016: ₹ 68.68 crores) which has been taken to foreign currency translation reserve and loss/(gain) of ₹ (35.09) crores (2016: ₹ (21.10)) crores which has been taken to Other Comprehensive Income

(₹ in crores)

| | Pension Plans | | | |
|---|---------------------|-----------------|---------------------|----------|
| | Contributory | | Non-contributory | |
| | As at 31 March 2017 | 2016 | As at 31 March 2017 | 2016 |
| III Change in Fair Value of Assets | | | | |
| Fair value of plan assets, beginning of the year | 1,119.13 | 515.70 | - | 579.54 |
| Actual return on plan assets | 39.61 | 17.86 | - | 20.60 |
| Contributions | 16.18 | 0.47 | - | 21.96 |
| Benefits paid | (65.91) | (30.32) | - | (25.47) |
| Transfer In/(Out) ** | - | 579.27 | - | (579.27) |
| Actuarial gain / (loss) | (20.41) | (32.28) | - | (33.79) |
| Impact of asset ceiling | 9.90 | 39.82 | - | - |
| Effect of foreign currency rate changes* | (54.88) | 28.62 | - | 16.43 |
| Fair value of plan assets, end of the year | 1,043.62 | 1,119.13 | - | - |

* Translation adjustment gain/ (loss) includes gain of ₹ (20.79) crores (2016: ₹ 64.30 crores) which has been taken to Foreign currency translation reserve and gain/(loss) of ₹ (34.09) crores (2016: ₹ (19.23) crores taken to Other Comprehensive Income .

** During the previous year, the Board had approved the merger of Contributory and Non-contributory pension plans covering certain of its employees in Canada and the application for approval was made to Canadian Pension Regulatory Authority (the 'Authority'). During the current year, the Authority approved the merger of the two plans and transfer of net assets in Non-Contributory Employee's Pension Plan to Contributory Employee's Pension Plan. Therefore, all the obligations and assets in Non-Contributory Employee's Pension Plan as on 31 March 2016 has been transferred to Contributory Employee's Pension Plan. The combined pension plan do not result into change in benefits.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | | | | | | | | (₹ in crores) | |
|-----------|--|----------------|----------------|------------------|----------|----------------|---------------|--------------------------------------|-------------|
| | | Pension Plans | | | | | | Health Care and life insurance Plans | |
| | | Contributory | | Non-contributory | | SERP | | | |
| | | As at 31 March | | As at 31 March | | As at 31 March | | As at 31 March | |
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| IV | Amount recognised in accumulated Other Comprehensive Income | | | | | | | | |
| | Opening Balance | (51.37) | - | - | - | (0.19) | - | 0.85 | - |
| | Expenses as per table VII below | 15.60 | 3.46 | - | (54.83) | 2.36 | (0.19) | (0.07) | 0.85 |
| | Transfer in/(out) | - | (54.83) | - | 54.83 | - | - | - | - |
| | Closing balance | (35.77) | (51.37) | - | - | 2.17 | (0.19) | 0.78 | 0.85 |

| | | | | | | | | | | | (₹ in crores) | | |
|----------|--|---------------|--------------|----------|------------------|----------|--------------|-------------|-------------|-------------|--------------------------------------|-------------|-------------|
| | | Pension Plans | | | | | | | | | Health care and life insurance Plans | | |
| | | Contributory | | | Non-contributory | | | SERP | | | | | |
| | | As at | | | As at | | | As at | | | As at | | |
| | | 31 | 31 | 1 | 31 | 31 | 1 | 31 | 31 | 1 | 31 | 31 | 1 |
| | | March | March | April | March | March | April | March | March | April | March | March | April |
| | | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| V | Amount recognised in the Consolidated Balance Sheet | | | | | | | | | | | | |
| | Present value of obligations | 1,077.79 | 1,142.47 | 515.70 | - | - | 659.43 | 5.06 | 4.36 | 3.95 | 2.08 | 2.63 | 2.17 |
| | Fair value of plan assets | (1,043.62) | (1,119.13) | (515.70) | - | - | (579.54) | - | - | - | - | - | - |
| | Net (asset)/liability in the Consolidated Balance Sheet | 34.17 | 23.34 | - | - | - | 79.89 | 5.06 | 4.36 | 3.95 | 2.08 | 2.63 | 2.17 |
| | Non current provisions (Refer Note 22) | 34.17 | 23.34 | - | - | - | 79.89 | 5.06 | 4.36 | 3.95 | 2.08 | 2.63 | 2.17 |

| | | (₹ in crores) | |
|-----------|--|---------------------|--------------|
| | | Year ended 31 March | |
| | | 2017 | 2016 |
| VI | Pension expenses recognised in the Consolidated Statement of Profit and Loss | | |
| | Current service cost | 11.52 | 10.61 |
| | Net interest cost | 1.21 | 3.04 |
| | Components of defined benefit costs recognised in the Consolidated Statement of Profit and Loss (Refer note 26 & 28). | 12.73 | 13.65 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

(₹ in crores)

| | | Year ended 31 March | |
|------------|--|----------------------------|----------------|
| | | 2017 | 2016 |
| VII | Pension expenses recognised in the Other Comprehensive Income | | |
| | Net Actuarial (gains)/losses due to demographic assumptions | - | (0.01) |
| | Net Actuarial (gains)/losses due to financial assumptions | 14.10 | (26.12) |
| | Experience (gain)/loss | (18.43) | (0.48) |
| | Actuarial gain/loss on plan assets | 20.41 | 66.07 |
| | Impact of asset ceiling | (9.90) | (39.82) |
| | Impact of minimum funding requirements | 12.71 | (48.48) |
| | Effect of Foreign exchange rate changes (Net) | (1.00) | (1.87) |
| | Expense reecognised in the Other Comprehensive Income | 17.89 | (50.71) |

| | | As at 31 March | |
|-------------|---|-----------------------|----------------|
| | | 2017 | 2016 |
| VIII | Categories of plan assets as a percentage of total plan assets | | |
| | Canadian Equities | 7.00% | 7.00% |
| | International Equities | 4.00% | 4.00% |
| | US Equities | 3.00% | 3.00% |
| | Long Term bonds | 1.00% | 1.00% |
| | Real Return bonds | 71.00% | 71.00% |
| | Overall universe bonds | 12.00% | 11.00% |
| | Money market securities | 2.00% | 2.00% |
| | Cash | 0.00% | 1.00% |
| | Total | 100.00% | 100.00% |

- IX** A quantitative sensitivity analysis for significant assumption as at 31 March 2017 and 31 March 2016 is as shown below:

(As per actuarial valuation report). The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

(₹ in crores)

| | | As at 31 March | |
|-----------------------|----------------|-----------------------|-------------|
| | | 2017 | 2016 |
| Discount rate | | | |
| | Increase of 1% | (136.05) | (152.64) |
| | Decrease of 1% | 137.04 | 153.75 |
| Inflation rate | | | |
| | Increase of 1% | 130.83 | 154.54 |
| | Decrease of 1% | (120.09) | (127.72) |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | (₹ in crores) | |
|----------------------------------|-----------------------|-------------|
| | As at 31 March | |
| | 2017 | 2016 |
| Future salary increases | | |
| Increase of 1% | 13.80 | 14.68 |
| Decrease of 1% | (12.68) | (13.48) |
| Post retirement Mortality | | |
| Increase (1 year) | 24.56 | 26.83 |
| Decrease (1 year) | (23.64) | (25.71) |
| Medical Trend rate | | |
| Increase of 1% | 0.05 | 0.06 |
| Decrease of 1% | (0.05) | (0.06) |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The Group expects to contribute ₹ 35.96 crores (2016: ₹ 31.71 and 2015: ₹ 27 crores) to its defined benefit plans in financial year 2017-18.

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

| | (₹ in crores) |
|--|--------------------------------|
| | As at 31 March 2017 |
| X Maturity profile | |
| Expected benefit payments for the year ending | |
| 31 March 2018 | 51.99 |
| 31 March 2019 | 52.97 |
| 31 March 2020 | 53.45 |
| 31 March 2021 | 54.42 |
| 31 March 2022 to 31 March 2026 | 286.21 |
| Total | 499.04 |

iii. Leave plan and Compensated absences

The liability for compensated absences as at the year end is ₹ 48.91 crores (2016: ₹ 49.27 and 2015: ₹ 42.36 crores) as shown under current provisions. The amount charged to the Consolidated Statement of Profit and Loss under salaries and related costs in note 26 "Employee benefits" is ₹ 10.53 crores (2016: ₹ 4.48 crores).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

36. Earnings per share

| | Year ended 31 March 2017 | (₹ in crores) Year ended 31 March 2016 |
|--|-----------------------------|--|
| a Basic and diluted EPS – from Continuing Operations | | |
| Profit/(Loss) for the year attributable to the equity shareholders (A) | (763.99) | 227.59 |
| Weighted average number of equity shares outstanding during the year (B) | 285,000,000 | 285,000,000 |
| Basic and diluted earnings per share (A/B) | (26.81) | 7.99 |
| Face value per share (₹) | 10.00 | 10.00 |
| b Basic and diluted EPS – from Discontinued operations | | |
| Profit/(Loss) for the year attributable to the equity shareholders (A) | 1,996.86 | (218.91) |
| Weighted average number of equity shares outstanding during the year (B) | 285,000,000 | 285,000,000 |
| Basic and diluted earnings per share (A/B) | 70.07 | (7.69) |
| Face value per share (₹) | 10.00 | 10.00 |
| c Basic and diluted EPS – from Total Operations | | |
| Profit for the year attributable to the equity shareholders (A) | 1,232.87 | 8.68 |
| Weighted average number of equity shares outstanding during the year (B) | 285,000,000 | 285,000,000 |
| Basic and diluted earnings per share (A/B) | 43.26 | 0.30 |
| Face value per share (₹) | 10.00 | 10.00 |

37. Segment Reporting

i. Business segments

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

The Group has identified the following operating segments based on the organisational structure and for which discrete financial information including segment results is available:

- a. Voice Solutions (VS) includes International and National Long Distance Voice services.
- b. Data and Managed Services (DMS) include Corporate Data Transmission services, virtual private network, signaling and roaming services, television and other network and managed services, data center services. Data center services which is part of DMS has now been discontinued and has been separately disclosed under discontinued operations.
- c. Payment Solutions (PS) includes end-to-end ATM deployment end-to-end POS enablement hosted core banking end to end financial inclusion and card issuance and related managed services and switching services to banking sector carried out by Company's wholly owned subsidiary Tata Communications Payment Solutions Limited.
- d. South Africa Operation (SAO) are carried out by the Company's subsidiary Neotel Pty Ltd. and comprise wholesale international voice and data transit enterprise business solution services for the wholesale and corporate market telephony and data services for retail customers in South Africa.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

(₹ in crores)

| | Year ended 31 March 2017 | | | | |
|---|--------------------------|-----------|----------|--------------|-----------------|
| | VS | DMS | PS | Intersegment | Total |
| a. Segment revenues and results | | | | | |
| Revenue from telecommunications services | 6,758.32 | 10,339.71 | 528.10 | (6.40) | 17,619.73 |
| Intersegment revenue | - | - | (6.40) | 6.40 | - |
| Segment results | 278.84 | 235.16 | (143.46) | - | 370.54 |
| Finance cost | | | | | 367.19 |
| Unallocable expense (net) | | | | | 533.45 |
| Loss from operations before tax and share of profit of associate | | | | | (530.10) |
| Tax expense (net) | | | | | 236.38 |
| Net loss for the year before Share in profit of associates | | | | | (766.48) |
| Share in profit of associates (net) | | | | | 5.08 |
| Net Loss from continuing operations (A) | | | | | (761.40) |
| Discontinued operations | | | | | |
| Segment results | | | | | |
| South Africa Operation | | | | | (197.63) |
| Data center services | | | | | 259.23 |
| Segment results from discontinued operations | | | | | 61.60 |
| Finance cost | | | | | 324.13 |
| Unallocable expenses (net) | | | | | 59.85 |
| Loss before exceptional items and tax | | | | | (322.38) |
| Exceptional items | | | | | |
| Profit on disposal of subsidiaries business | | | | | 2,866.20 |
| Profit from discontinued operations before tax | | | | | 2,543.82 |
| Tax expense on discontinued operations | | | | | 546.96 |
| Net Profit from discontinued operations (B) | | | | | 1,996.86 |
| Net Profit from total operations (A+B) | | | | | 1,235.46 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

(₹ in crores)

| | Year ended 31 March 2017 | | | | |
|--|--------------------------|------------|----------|--------------|--------------------|
| | VS | DMS | PS | Intersegment | Total |
| b. Segment assets and liabilities | | | | | |
| Segment assets | 920.78 | 13,313.67 | 677.69 | - | 14,912.14 |
| Unallocable assets | | | | | 6190.15 |
| Total Assets | | | | | 21,102.29 |
| Segment liabilities | (1,409.32) | (8,086.99) | (189.90) | - | (9,686.21) |
| Unallocable liabilities | | | | | (9,805.81) |
| Total Liabilities | | | | | (19,492.02) |
| c. Other segment information | | | | | |
| Non-Cash Expenses | 21.04 | 18.76 | 1.69 | - | 41.49 |
| Non - Cash Expenses in discontinued operation | | | | | |
| South Africa Operation | | | | | 16.56 |
| Data center | | | | | 2.03 |
| Total Non - Cash Expenses in discontinued operation | | | | | 18.59 |
| Total Non-Cash Expenses | | | | | 60.08 |
| Capital expenditure (allocable) | 51.80 | 1,204.37 | 75.66 | - | 1,331.83 |
| Capital expenditure in discontinued operation | | | | | |
| South Africa Operation | | | | | 224.04 |
| Data center | | | | | 100.08 |
| Total Capital expenditure in discontinued operation | | | | | 324.12 |
| Total capital expenditure | | | | | 1,655.95 |
| Depreciation and amortisation (allocable) | 86.16 | 1,624.19 | 155.42 | - | 1,865.77 |
| Depreciation and amortisation in discontinued operation | | | | | |
| South Africa Operation | | | | | 62.30 |
| Data center | | | | | 18.86 |
| Total Depreciation and amortisation in discontinued operation | | | | | 81.16 |
| Total Depreciation and amortisation | | | | | 1,946.93 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | | | | | | (₹ in crores) |
|---|----------|-----------|----------|--------------|------------------|--------------------------|
| | | | | | | Year ended 31 March 2016 |
| | VS | DMS | PS | Intersegment | Total | |
| a. Segment revenues and results | | | | | | |
| Revenue from telecommunications services | 8,209.00 | 9,380.19 | 566.46 | (7.07) | 18,148.58 | |
| Intersegment revenue | - | - | (7.07) | 7.07 | - | |
| Segment results | 468.06 | 260.42 | (151.05) | - | 577.43 | |
| Finance cost | | | | | 409.06 | |
| Unallocable income (net) | | | | | (293.85) | |
| Profit before, tax and Share in profit of an associates | | | | | 462.22 | |
| Tax expense (net) | | | | | 232.85 | |
| Net Profit for the year | | | | | 229.37 | |
| Share in profit/(loss) of an associates (net) | | | | | - | |
| Net Profit from continuing operations (A) | | | | | 229.37 | |
| Discontinued operations | | | | | | |
| Segment results | | | | | | |
| South Africa Operation | | | | | (15.27) | |
| Data center | | | | | 277.23 | |
| Segment results from discontinued operations | | | | | 261.96 | |
| Finance cost | | | | | 310.03 | |
| Unallocable expenses (net) | | | | | 151.59 | |
| Loss before tax | | | | | (199.66) | |
| Tax expense on discontinued operations | | | | | 19.25 | |
| Net loss from discontinued operations (B) | | | | | (218.91) | |
| Net Profit from total operations (A+B) | | | | | 10.46 | |
| b. Segment assets and liabilities | | | | | | |
| Segment assets | 1,379.66 | 13,343.41 | 730.47 | - | 15,453.54 | |
| Segment assets from discontinued operation | | | | | | |
| South Africa Operation | | | | | 2,304.08 | |
| Data center | | | | | 1,178.75 | |
| Total Segment assets from discontinued operation | | | | | 3,482.83 | |
| Unallocable assets (including assets from discontinued operation ₹ 398.44 crores) | | | | | 6,237.25 | |
| Total Assets | | | | | 25,173.61 | |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | Year ended 31 March 2016 | | | | | (₹ in crores) |
|--|--------------------------|------------|----------|--------------|--------------------|---------------|
| | VS | DMS | PS | Intersegment | Total | |
| Segment liabilities | (1,381.58) | (8,088.48) | (208.62) | - | (9,678.68) | |
| Segment liability from discontinued operation | | | | | | |
| South Africa Operation | | | | | (740.58) | |
| Data center | | | | | (214.44) | |
| Total Segment liability from discontinued operation | | | | | (955.01) | |
| Unallocable liabilities (including liabilities from discontinuing operation ₹ 2,314.98 crores) | | | | | (14,896.37) | |
| Total Liabilities | | | | | (25,530.07) | |
| c. Other segment information | | | | | | |
| Non-Cash Expenses | 7.90 | 22.52 | 9.07 | - | 39.49 | |
| Non - Cash Expenses in discontinued operation | | | | | | |
| South Africa Operation | | | | | 10.87 | |
| Data center | | | | | 2.23 | |
| Total Non - Cash Expenses in discontinued operation | | | | | 13.10 | |
| Total Non-Cash Expenses | | | | | 52.59 | |
| Capital expenditure (allocable) | 61.36 | 1,303.52 | 109.85 | - | 1,474.73 | |
| Capital expenditure in discontinued operation | | | | | | |
| South Africa Operation | | | | | 295.21 | |
| Data center | | | | | 265.15 | |
| Total Capital expenditure in discontinued operation | | | | | 560.36 | |
| Total capital expenditure | | | | | 2,035.09 | |
| Depreciation and amortisation (allocable) | 114.73 | 1,623.26 | 156.82 | - | 1,894.81 | |
| Depreciation and amortisation in discontinued operation | | | | | | |
| South Africa Operation | | | | | 230.76 | |
| Data center | | | | | 93.82 | |
| Total Depreciation and amortisation in discontinued operation | | | | | 324.58 | |
| Total Depreciation and amortisation | | | | | 2,219.39 | |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

- i. Revenues and interconnect charges are directly attributable to the segments. Network and transmission costs are allocated based on utilisation of network capacity. Licence fees for VS and DMS have been allocated based on adjusted gross revenues from these services.
- ii. Depreciation and certain other costs have been allocated to segments during the current year based on various allocation parameters. Segment result is segment revenues less segment expenses. Other income and exceptional items have been considered as "Unallocable".
- iii. Further assets and liabilities including fixed assets have been allocated to segments on similar basis of related revenue and expense.
- iv. Intersegment sales revenues are generally made at values that approximate arm's length prices.

ii. Geographical Information

The Group's revenue from continuing operation from external customers by location of operation and information about its Non-current assets by location of assets are detailed below:

| | Revenue | | Non current assets* | | | Capital Expenditure | |
|--------------------------|------------------|------------------|---------------------|------------------|------------------|---------------------|-----------------|
| | Year ended 31 | Year ended 31 | As at | As at | As at | Year ended | Year ended |
| | March 2017 | March 2016 | 31 March 2017 | 31 March 2016 | 1 April 2015 | 31 March 2017 | 31 March 2016 |
| India | 5,459.97 | 4,954.93 | 5,041.52 | 5,648.85 | 5,318.44 | 946.20 | 1,181.75 |
| United States of America | 3,221.41 | 3,019.51 | 1,083.37 | 1,290.86 | 1,253.25 | 190.07 | 186.40 |
| United Kingdom | 1,582.42 | 1,907.72 | 412.74 | 414.99 | 390.96 | 62.57 | 90.86 |
| Bermuda | 135.39 | 109.58 | 3,492.69 | 3,913.48 | 3,949.59 | 15.44 | 20.34 |
| South Africa | 178.50 | 265.51 | - | 1,900.90 | - | 224.04 | 295.21 |
| Others | 7,042.04 | 7,891.33 | 1,649.08 | 2,081.17 | 2,078.80 | 217.63 | 260.53 |
| Total | 17,619.73 | 18,148.58 | 11,679.40 | 15,250.25 | 12,991.04 | 1,655.95 | 2,035.09 |

*Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group does not earn revenues from any single customer exceeding 10% of the of the Group's total revenue.

iii. Revenue from major services in the Group's continuing operations:
a. Revenue from major services in Voice services

| | Year ended | |
|-----------------------------------|-----------------|-----------------|
| | 31 March 2017 | 31 March 2016 |
| International Long Distance (ILD) | 6,615.29 | 8,124.97 |
| National Long Distance (NLD) | 143.03 | 84.03 |
| Total | 6,758.32 | 8,209.00 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

b. Revenue from major services in Data and Managed Services

| | (₹ in crores) | |
|--|-------------------------------------|-------------------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Global Virtual Private Network (GVPN) | 1,905.56 | 1,769.43 |
| Internet connectivity | 1,953.80 | 1,722.47 |
| Ethernet | 1,036.33 | 900.99 |
| IPL Lease | 949.49 | 854.28 |
| Unified Communications and Collaboration (UCC) | 1,093.66 | 903.73 |
| Others | 3,400.87 | 3,229.29 |
| Total | 10,339.71 | 9,380.19 |

38. Particulars of subsidiaries and associates considered in the preparation of the consolidated financial statements:

| | Principal Activity | Country of Incorporation | Percentage of holding and voting power | | |
|--|--|-------------------------------------|---|--------------------------------|-------------------------------|
| | | | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| a. Subsidiaries (held directly) | | | | | |
| Tata Communications Transformation Services Limited | Telecommunication services | India | 100.00 | 100.00 | 100.00 |
| Tata Communications Collaboration Services Private Limited | Telecommunication services | India | 100.00 | 100.00 | - |
| Tata Communications Data Centers Private Limited (Up to 18 October 2016) | Data Centre Colocation services | India | - | 100.00 | 100.00 |
| Tata Communications Payment Solutions Limited | Infrastructure managed service of banking sector | India | 100.00 | 100.00 | 100.00 |
| Tata Communications Lanka Limited | Telecommunication services | Sri Lanka | 90.00 | 90.00 | 90.00 |
| Tata Communications International Pte. Limited | Telecommunication services | Singapore | 100.00 | 100.00 | 100.00 |
| VSNL SNOSPV Pte. Limited (SNOSPV) (Up to 27 March 2017) | Telecommunication services | Singapore | - | 100.00 | 100.00 |
| b. Subsidiaries (held indirectly) | | | | | |
| Tata Communications (Bermuda) Limited | Telecommunication services | Bermuda | 100.00 | 100.00 | 100.00 |
| Tata Communications (Netherlands) BV | Telecommunication services | Netherlands | 100.00 | 100.00 | 100.00 |
| Tata Communications (Hong Kong) Limited | Telecommunication services | Hong Kong | 100.00 | 100.00 | 100.00 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | | | | Percentage of holding and voting power | | |
|---|----------------------------|---------------------------------|--|--|---------------------|--------------------|
| | | | | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| | Principal Activity | Country of Incorporation | | | | |
| ITXC IP Holdings S.A.R.L. | Telecommunication services | Luxembourg | | 100.00 | 100.00 | 100.00 |
| Tata Communications (America) Inc. | Telecommunication services | United States of America | | 100.00 | 100.00 | 100.00 |
| Tata Communications Services (International) Pte Limited | Telecommunication services | Singapore | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Canada) Limited | Telecommunication services | Canada | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Belgium) S.P.R.L. | Telecommunication services | Belgium | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Italy) SRL | Telecommunication services | Italy | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Portugal) Unipessoal LDA | Telecommunication services | Portugal | | 100.00 | 100.00 | 100.00 |
| Tata Communications (France) SAS | Telecommunication services | France | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Nordic) AS | Telecommunication services | Norway | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Guam) L.L.C. | Telecommunication services | Guam | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Portugal) Instalacao E Manutencao De Redes LDA | Telecommunication services | Portugal | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Australia) Pty Limited | Telecommunication services | Australia | | 100.00 | 100.00 | 100.00 |
| Tata Communications Services (Bermuda) Limited | Telecommunication services | Bermuda | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Poland) SP.Z.O.O | Telecommunication services | Poland | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Japan) KK. | Telecommunication services | Japan | | 100.00 | 100.00 | 100.00 |
| Tata Communications (UK) Limited | Telecommunication services | United Kingdom | | 100.00 | 100.00 | 100.00 |
| Tata Communications Deutschland GMBH | Telecommunication services | Germany | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Middle East) FZ-LLC | Telecommunication services | United Arab Emirates | | 100.00 | 100.00 | 100.00 |
| Tata Communications (Hungary) LLC | Telecommunication services | Hungary | | 100.00 | 100.00 | 100.00 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | Principal Activity | Country of Incorporation | Percentage of holding and voting power | | |
|---|----------------------------|--------------------------|--|---------------------|--------------------|
| | | | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Tata Communications (Ireland) Limited | Telecommunication services | Ireland | 100.00 | 100.00 | 100.00 |
| Tata Communications (Russia) LLC | Telecommunication services | Russia | 99.90 | 99.90 | 99.90 |
| Tata Communications (Switzerland) GmbH | Telecommunication services | Switzerland | 100.00 | 100.00 | 100.00 |
| Tata Communications (Sweden) AB | Telecommunication services | Sweden | 100.00 | 100.00 | 100.00 |
| TCPOP Communication GmbH | Telecommunication services | Austria | 100.00 | 100.00 | 100.00 |
| Tata Communications (Taiwan) Limited | Telecommunication services | Taiwan | 100.00 | 100.00 | 100.00 |
| Tata Communications (Thailand) Limited | Telecommunication services | Thailand | 100.00 | 100.00 | 100.00 |
| Tata Communications (Malaysia) Sdn. Bhd. | Telecommunication services | Malaysia | 100.00 | 100.00 | 100.00 |
| Tata Communications (New Zealand) Limited | Telecommunication services | New Zealand | 100.00 | 100.00 | 100.00 |
| Tata Communications (Spain) S.L | Telecommunication services | Spain | 100.00 | 100.00 | 100.00 |
| Tata Communications (Beijing) Technology Limited | Telecommunication services | China | 100.0 | 100.00 | 100.00 |
| SEPCO Communications (Pty) Limited (SEPCO) (Refer note 34) | Telecommunication services | South Africa | - | 73.17 | 73.17 |
| NEOTEL (Pty) Ltd. (Neotel) (held through SEPCO and SNOSPV) (Refer note 34) | | South Africa | - | 67.32* | 67.32* |
| Neotel Business Support Services (Pty) Ltd (NBSS) (held through Neotel) (Refer note 34) | Telecommunication services | South Africa | - | 100.00 | 100.00 |
| VSNL SNOSPV Pte. Limited (SNOSPV) (w.e.f. 28 March 2017) | Telecommunication services | Singapore | 100 | - | - |
| Tata Communications (South Korea) Limited | Telecommunication services | South Korea | 100 | - | - |
| Tata Communications Transformation Services (Hungary) Kft. | Telecommunication services | Hungary | 100 | - | - |
| Tata Communications Transformation Services Pte Limited | Telecommunication services | Singapore | 100 | - | - |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | Principal Activity | Country of Incorporation | Percentage of holding and voting power | | |
|---|---------------------------------|--------------------------|--|---------------------|--------------------|
| | | | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Tata Communications (Brazil) Participacoes Limitada | Telecommunication services | Brazil | 100 | - | - |
| Tata Communications Transformation Services (Us) Inc | Telecommunication services | USA | 100 | - | - |
| Tata Communications (Brazil) comunicacoes Limitada | Telecommunication services | Brazil | 100 | - | - |
| Nexus Connexion (SA) Pty Limited | Telecommunication services | South Africa | 100 | - | - |
| c. Associates | | | | | |
| United Telecom Limited (w.e.f 4 September 2014) (Refer Note 7 (i)) | Telecommunication services | Nepal | 26.66 | 26.66 | 26.66 |
| Number Portability Company (Pty) Ltd. (held through Neotel) (Refer note 34) | Telecommunication services | South Africa | - | 20.00 | 20.00 |
| STT Global Data Centre India Pte Ltd. (w.e.f. from 19 October 2016) | Data Centre Colocation services | India | 26.00 | - | - |
| Smart ICT Services Private Limited | Telecommunication services | India | 24.00 | - | - |
| STT Tai Seng Pte Limited | Data Centre Colocation services | Singapore | 26.00 | - | - |
| Teleena Holding B.V. | Telecommunications | Netherlands | 35.07 | - | - |

* Direct and indirect interest

Change in the Group's ownership interest in a subsidiary

Refer note no. 34 on Discontinued operations.

39. Derivatives
Derivatives not designated as hedging instruments:

The Group uses foreign currency forward contracts to manage some of its transaction exposures. The foreign currency forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally within 1 year. However, Cross Currency Swaps and Coupon only Swap is entered for the residual maturity ranging from 1 to 2 years. These hedges are also not designated as Cash flow hedge.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

i. Outstanding forward contracts:

a. As on 31 March 2017

| | | | | | (₹ in crores) |
|---|---------------|--|------------|--------|---------------------------|
| | Deal Currency | Amount (Deal Currency in millions) | Buy / Sell | Amount | Fair Value Gain/(Loss) |
| Forward Exchange Contracts (net) | | | | | |
| USD/INR | USD | 80.00 | Buy | 534.41 | (2.61) |
| GBP/INR | GBP | 1.40 | Buy | 12.42 | (0.66) |
| CAD/INR | CAD | 1.35 | Sell | 6.76 | 0.25 |
| EUR/INR | EUR | 0.61 | Sell | 4.33 | 0.05 |
| GBP/INR | GBP | 2.00 | Sell | 16.37 | (0.02) |
| USD/INR | USD | 2.00 | Sell | 13.73 | 0.70 |
| ZAR/INR | ZAR | 40.66 | Sell | 20.09 | 0.39 |
| JPY/USD | JPY | 100.00 | Buy | 5.80 | 0.28 |
| AUD/USD | AUD | 2.50 | Sell | 12.39 | (0.27) |
| EUR/USD | EUR | 30.00 | Sell | 207.95 | (0.56) |
| GBP/USD | GBP | 8.60 | Sell | 69.49 | 0.46 |
| SGD/USD | SGD | 9.00 | Sell | 41.81 | (0.87) |

b. As on 31 March 2016

| | | | | | (₹ in crores) |
|---|---------------|--|------------|--------|---------------------------|
| | Deal Currency | Amount (Deal Currency in millions) | Buy / Sell | Amount | Fair Value Gain/(Loss) |
| Forward Exchange Contracts (net) | | | | | |
| GBP/INR | GBP | 2.40 | Buy | 23.54 | (0.53) |
| USD/INR | USD | 27.00 | Buy | 183.29 | (1.78) |
| AUD/INR | AUD | 0.42 | Sell | 2.05 | (0.08) |
| CAD/INR | CAD | 1.10 | Sell | 5.55 | (0.11) |
| GBP/INR | GBP | 6.08 | Sell | 59.01 | 0.67 |
| JPY/USD | JPY | 115.00 | Buy | 6.78 | (0.04) |
| AUD/USD | AUD | 1.00 | Sell | 5.09 | (0.01) |
| CAD/USD | CAD | 1.00 | Sell | 5.11 | (0.28) |
| EUR/USD | EUR | 43.00 | Sell | 323.81 | (4.63) |
| GBP/USD | GBP | 9.00 | Sell | 85.74 | (2.70) |
| SGD/USD | SGD | 6.00 | Sell | 29.53 | (0.13) |
| ZAR/USD | ZAR | 1,558.00 | Sell | 698.00 | (32.24) |
| Cross Currency Swap | | | | | |
| SGD/USD | SGD | 100.00 | Buy | 527.30 | (36.63) |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
c. As on 1 April 2015

| | | | | | (₹ in crores) |
|---|---------------|------------------------------------|------------|----------|------------------------|
| | Deal Currency | Amount (Deal Currency in millions) | Buy / Sell | Amount | Fair Value Gain/(Loss) |
| Forward Exchange Contracts (net) | | | | | |
| EUR/USD | EUR | 25.00 | Sell | 167.78 | 7.21 |
| CAD/INR | CAD | 0.70 | Sell | 3.44 | 0.07 |
| GBP/USD | GBP | 16.00 | Sell | 147.94 | 4.45 |
| SGD/USD | SGD | 1.50 | Sell | 6.83 | (0.10) |
| ZAR/USD | ZAR | 816.50 | Sell | 418.09 | 13.37 |
| Cross currency Swap | | | | | |
| SGD/USD | SGD | 400.00 | Buy | 2,014.34 | (218.84) |
| SGD/USD | SGD | 61.00 | Buy | 306.60 | (30.77) |
| SGD/USD | SGD | 100.00 | Buy | 497.85 | (47.09) |
| SGD/USD | SGD | 61.00 | Buy | 285.25 | (0.81) |

ii. Derivatives designated as hedging instruments:

| As at | Types of Hedge | No. of contracts | Notional amount Asset/(liability) | Fair value of Asset/(Liability) |
|---------------|--------------------|------------------|-----------------------------------|---------------------------------|
| 31 March 2017 | Interest Rate Swap | 16 | (3,337.49) | (5.15) |
| 31 March 2016 | Interest Rate Swap | 16 | (3,508.61) | (51.16) |
| 1 April 2015 | Interest Rate Swap | 9 | (1,420.50) | (6.51) |

Risk Category

Hedging activities: Derivatives may qualify as hedges for accounting purposes if they meet the criteria for designation as fair value hedges or cash flow hedges in accordance with Ind AS 109.

Cash flow hedges: - Instruments designated in a cash flow hedge include interest rate swaps hedging the variable interest rates primarily related to US\$LIBOR.

All cash flow hedges were effective in the period.

Reclassification of OCI balance:

The Group carries the changes in fair value of the swap in Other Comprehensive Income until the interest expense is recognised. The portion of fair value change pertaining to the interest expense being recognised is recycled to the profit and loss account in the accounting period in which the interest expense is being recognised.

The figures shown in the tables above take into account interest rate swaps used to manage the interest rate profile of financial liabilities. Interest on floating rate borrowings is generally based on national LIBOR equivalents.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

Movement of cash flow hedging reserve

(₹ in crores)

Cash Flow hedging reserve

| | |
|--|----------------|
| As at 1 April 2015 | (6.33) |
| Changes in fair value of Interest rate swaps | (44.27) |
| Tax impact | 11.81 |
| As at 31 March 2016 | (38.79) |
| Changes in fair value of Interest rate swaps | 46.49 |
| Tax impact | (10.64) |
| As at 31 March 2017 | (2.94) |

40. Financial Instrument :

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2(x) to the Consolidated Financial Statements.

A. Financial assets and liabilities:

The carrying value of financial instruments by categories as at 31 March 2017 is as follows:

(₹ in crores)

| | Fair value through Profit or Loss | Fair value through Other comprehensive income | Amortised cost | Total carrying value |
|--|--|--|---------------------------|-------------------------------------|
| Financial assets | | | | |
| Trade receivables | - | - | 2,590.04 | 2,590.04 |
| Cash and cash equivalent | - | - | 1,002.76 | 1,002.76 |
| Other Bank balances | - | - | 76.53 | 76.53 |
| Loans | - | - | 365.95 | 365.95 |
| Advance for litigation | 185.99 | - | - | 185.99 |
| Advances to related parties | - | - | 77.22 | 77.22 |
| Other financial assets | - | - | 178.37 | 178.37 |
| Investments (non-current) | - | 742.42 | - | 742.42 |
| Investments in mutual funds | 799.30 | - | - | 799.30 |
| Derivatives not designated in hedge accounting relationships | 0.09 | - | - | 0.09 |
| Interest rate swaps designated as hedge accounting relationships | - | 3.53 | - | 3.53 |
| Total | 985.38 | 745.95 | 4,290.87 | 6,022.20 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | (₹ in crores) | | | |
|--|---|--|-------------------|----------------------------|
| | Fair value through Profit or Loss | Fair value through Other comprehensive income | Amortised cost | Total carrying value |
| Financial liabilities | | | | |
| Borrowing | - | - | 9,213.60 | 9,213.60 |
| Trade payable | - | - | 3,581.38 | 3,581.38 |
| Creditors for capital goods | - | - | 437.69 | 437.69 |
| Other financial liabilities | - | - | 288.70 | 288.70 |
| Derivatives not designated in hedge accounting relationship | 2.94 | - | - | 2.94 |
| Interest rate swaps designated as hedge accounting relationships | - | 8.68 | - | 8.68 |
| Total | 2.94 | 8.68 | 13,521.37 | 13,532.99 |

The carrying value of financial instruments by categories as at 31 March 2016 is as follows:

| | (₹ in crores) | | | |
|--|---|--|-------------------|----------------------------|
| | Fair value through Profit or Loss | Fair value through Other comprehensive income | Amortised cost | Total carrying value |
| Financial assets | | | | |
| Trade receivables | - | - | 3,018.86 | 3,018.86 |
| Cash and cash equivalent | - | - | 945.11 | 945.11 |
| Other Bank balances | - | - | 1,031.16 | 1,031.16 |
| Other financial assets | - | - | 270.53 | 270.53 |
| Investments (non current) | - | 968.32 | - | 968.32 |
| Investments in mutual funds | 860.39 | - | - | 860.39 |
| Derivatives not designated in hedge accounting relationships | 0.41 | - | - | 0.41 |
| Total | 860.80 | 968.32 | 5,265.66 | 7,094.78 |
| Financial liabilities | | | | |
| Borrowing | - | - | 14,230.86 | 14,230.86 |
| Trade payable | - | - | 3,576.38 | 3,576.38 |
| Creditors for Capital Goods | - | - | 524.60 | 524.60 |
| Other financial liabilities | - | - | 232.61 | 232.61 |
| Derivatives not designated in hedge accounting relationship | 78.90 | - | - | 78.90 |
| Interest rate swaps designated as hedge accounting relationships | - | 51.16 | - | 51.16 |
| | 78.90 | 51.16 | 18,564.45 | 18,694.51 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

The carrying value of financial instruments by categories as at 1 April 2015 is as follows:

| | | | | (₹ in crores) |
|--|---|--|-------------------|----------------------------|
| | Fair value through Profit or Loss | Fair value through Other comprehensive income | Amortised cost | Total carrying value |
| Financial assets | | | | |
| Trade receivables | - | - | 2,193.27 | 2,193.27 |
| Cash and cash equivalent | - | - | 724.58 | 724.58 |
| Other Bank balances | - | - | 506.75 | 506.75 |
| Other financial assets | - | - | 161.97 | 161.97 |
| Investments (non current) | - | 1,161.33 | - | 1,161.33 |
| Investments in mutual funds | 889.56 | - | - | 889.56 |
| Derivatives not designated in hedge accounting relationships | 25.00 | - | - | 25.00 |
| Interest rate swaps designated as hedge accounting relationships | - | 0.28 | - | 0.28 |
| Total | 914.56 | 1,161.61 | 3,586.57 | 5,662.74 |
| Financial liabilities | | | | |
| Borrowing | - | - | 10,309.44 | 10,309.44 |
| Trade payable | - | - | 3,035.17 | 3,035.17 |
| Creditors for capital goods | - | - | 335.47 | 335.47 |
| Other financial liabilities | - | - | 252.64 | 252.64 |
| Derivatives not designated in hedge accounting relationships | 297.51 | - | - | 297.51 |
| Interest rate swaps designated as hedge accounting relationships | - | 6.79 | - | 6.79 |
| Total | 297.51 | 6.79 | 13,932.72 | 14,237.02 |

Carrying amounts of cash and cash equivalents, trade receivables, loans and trade payables as at 31 March 2017, 31 March 2016 and 1 April 2015 approximate the fair value because of their short term nature. Difference between carrying amounts and fair values of bank deposits, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the years presented.

Fair value hierarchy:

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consist of following three levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The investments included in level 2 of fair value hierarchy have been valued using quotes available for similar assets and liabilities in the active market. The investments included in level 3 of fair value hierarchy have been valued using the cost approach to arrive at their fair value. The cost of unquoted investments approximate the fair value because there is a wide range of possible fair value measurements and the cost represents estimate of fair value within that range.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

| Financial assets/ Financial liabilities | Fair value as at | | | (₹ in crores) |
|--|------------------|---------------|--------------|----------------------|
| | 31 March 2017 | 31 March 2016 | 1 April 2015 | Fair value hierarchy |
| Financial Assets | | | | |
| Investment in mutual funds | 799.30 | 860.39 | 889.56 | Level 1 |
| Investment in Equity shares of Tata Teleservices Ltd | 515.53 | 682.24 | 1,026.64 | Level 3 |
| Investment in Equity shares of Pendrell corporations | 2.86 | 2.38 | 5.53 | Level 1 |
| Investment in Preference shares of Sentient Technologies Holdings Limited | 129.81 | 193.35 | 125.10 | Level 3 |
| Investments in Northgate Telecom Innovation Partners, L.P. | 87.55 | 83.48 | - | Level 3 |
| Advance for litigation | 185.99 | - | - | Level 3 |
| Interest rate swaps designated as hedge accounting relationships | 3.53 | - | 0.28 | Level 2 |
| Foreign currency forward contract not designated as hedge accounting relationships | 0.09 | 0.41 | 25.00 | Level 2 |
| Financial liabilities | | | | |
| Interest rate swaps designated as hedge accounting relationships | 8.68 | 51.16 | 6.79 | Level 2 |
| Foreign currency forward contract not designated as hedge accounting relationships | 2.94 | 78.90 | 297.51 | Level 2 |

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

| | Tata Teleservices Limited | Sentient Technologies Holdings Limited | Northgate Telecom Innovation Partners, L.P. | Advance for Litigation |
|---|---------------------------|--|---|------------------------|
| | | | | (₹ in crores) |
| Balance as at 1 April 2015 | 1,026.64 | 125.10 | - | - |
| Additions during the year | - | - | 83.48 | - |
| Add/(Less): Fair value through Other Comprehensive Income | (344.40) | 60.85 | - | - |
| Add/(Less): Foreign currency translation adjustments | - | 7.40 | - | - |
| Balance as at 31st March 2016 | 682.24 | 193.35 | 83.48 | - |
| Additions during the year | - | - | 18.18 | 1,058.00 |
| Add/(Less): Fair value through profit or loss | - | - | - | (872.01) |
| Add/(Less): Fair value through Other Comprehensive Income | (166.71) | (59.66) | (12.42) | - |
| Add/(Less): Foreign currency translation adjustments | - | (3.88) | (1.69) | - |
| Balance as at 31st March 2017 | 515.53 | 129.81 | 87.55 | 185.99 |

Except as detailed in the above table, the Group considered that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

41. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Group also holds FVTOCI investments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTOCI investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2017 and 31 March 2016.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations. The analysis for the contingent consideration liability is provided in Note 46.

The following assumptions have been made in calculating the sensitivity analyses:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2017 and 31 March 2016 including the effect of hedge accounting.

b) Interest Rate Risk:

Interest rate risk is the risk that the future cash flows with respect to interest payments on borrowings will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group generally uses generic derivative products (eg. Interest Rate Swap, Coupon Swap, Interest rate Options etc) to cover interest rate risk on variable rate long term debt obligations. The Group may also enter into structured derivative products unless prohibited by the applicable statute(s).

The Group enters into interest rate derivatives, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 March 2017, after taking into account the effect of interest rate derivatives, approximately 49% of the Group's borrowings are at a fixed rate of interest (31 March 2016: 51%, 1 April 2015: 48%).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

| | | (₹ in crores) |
|---------------|---|--|
| | Increase/ decrease in basis points | Effect on profit before tax |
| 31 March 2017 | 100 | 59.48 |
| 31 March 2016 | 100 | 78.72 |
| 31 March 2015 | 100 | 61.91 |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Group's exposure to the risk of changes in foreign currency rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group's objective is to try and protect the underlying values of the functional currency of respective Group company's balance sheet exposures. All exposures in currency other than functional currency are treated as 'Forex Exposures' irrespective of the Group company from where the exposures originate. Exposures are broadly categorised into receivables and payable exposures.

The Group manages its foreign currency risk by entering into derivatives on Net Exposures, i.e. netting off the receivable and payable exposures in order to take full benefit of Natural Hedge.

Non-crystallised (not in books) exposures for which cash flows are highly probable are considered for hedging after due consideration of cost of cover, impact of such derivatives on Income statement due to mark to market loss or gains, market / industry practices, Regulatory restrictions etc.

As regards net investments in foreign operations, hedging decisions are guided by regulatory requirement, accounting practices and in consultation & approval of Senior Management on such hedging action.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rate shift of all the currencies by 5% against the functional currency of the respective Group entity.

The following analysis has been worked out based on the net exposures of the respective Group entity as of the date of balance sheet which would affect the Consolidated Statement of Profit and Loss and equity.

The following tables set forth information relating to foreign currency exposure (net) as at 31 March 2017, 31 March 2016 and 1 April 2015.

| | As at 31 March 2017 | | As at 31 March 2016 | | As at 1 April 2015 | |
|-----------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| Currency | Financial liabilities | Financial Assets | Financial liabilities | Financial Assets | Financial liabilities | Financial Assets |
| USD | 782.61 | 2.63 | 350.75 | 4.33 | 12.75 | 22.89 |
| SGD | 43.79 | - | 534.64 | 0.04 | 768.46 | - |
| GBP | 113.68 | 12.03 | 27.34 | 8.98 | 177.58 | 74.93 |
| SDR | 58.21 | - | 80.65 | - | 72.04 | - |
| HKD | 14.76 | - | 15.53 | - | 216.58 | - |
| Others | 89.05 | 65.84 | 125.99 | 177.07 | 264.41 | 84.62 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

5% appreciation/ depreciation of the respective foreign currencies with respect to functional currency of the respective Group entity would result in decrease/ increase in the Group's profit before tax by approximately ₹ 51.08 crores, ₹ 74.72 crores and ₹ 66.47 crores for the year ended 31 March 2017, 31 March 2016 and 1 April 2015 respectively. Sensitivity as on 31 March 2016 includes ₹ 34.36 crores in respect of Group's foreign currency exposure in USD in Neotel Pty Limited. The sensitivity in Neotel is considered based on the basis of 25% appreciation/ depreciation.

d) **Equity Price risk**

The Company's listed and non-listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the reporting date, the exposure to unlisted securities at fair value was ₹ 739.54 crores as on 31 March 2017 (2016: ₹ 965.93 crores and 2015: ₹ 1,155.80 crores as on 31 March 2017).

e) **Credit Risk**

Credit risk is the risk that the counter party will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and from its financing activities including deposits with banks and financial institutions, foreign currency transactions and other financial instruments).

The Group uses a practical expedient in computing the expected credit loss allowance for trade receivables based on provision matrix. The provision matrix takes in to consideration the historical credit loss experience and the adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the days the receivables are due.

| | (₹ in crores) | | |
|------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Ageing of receivables | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Within Credit period | 705.25 | 1,051.68 | 700.10 |
| 0-90 days | 959.89 | 1,349.50 | 1,029.62 |
| 91-180 days | 279.51 | 204.64 | 191.27 |
| 181-360 days | 300.16 | 245.59 | 135.49 |
| >360 days | 345.23 | 167.45 | 136.79 |
| Total | 2,590.04 | 3,018.86 | 2,193.27 |

Movement in expected credit loss allowance

| | (₹ in crores) | |
|---|-------------------------------------|-------------------------------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 |
| Opening balance | 358.04 | 678.46 |
| Movement in expected credit loss allowance on trade receivables circulated at lifetime expected credit losses for Continuing Operations | 39.22 | (345.28) |
| Movement in expected credit loss allowance on trade receivables circulated at lifetime expected credit losses for Discontinued Operations | - | 12.29 |
| Derecognition of assets on account of disposal of subsidiaries | (54.39) | - |
| Impact of foreign exchange translation | 2.59 | 12.57 |
| Balance at the end of the year. | 345.46 | 358.04 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
f) Liquidity Risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts.

Liquidity risk is defined as the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. The Group corporate treasury department is responsible for maintaining funding limits to ensure liquidity.

The table below summarises the maturity profile of the Group financial liabilities based on contractual undiscounted payments.

As at 31 March 2017

| | (₹ in crores) | | | | |
|---------------------------|-----------------|-----------------|-----------------|-------------|------------------|
| | On demand | Upto 12 months | 1 to 5 years | >5 years | Total |
| Borrowings | 277.44 | 2,149.00 | 6,871.13 | - | 9,297.57 |
| Derivatives at FVTPL | - | 2.94 | - | - | 2.94 |
| Derivatives at FVTOCI | - | 8.68 | - | - | 8.68 |
| Trade Payable | 1,879.96 | 1,701.42 | - | - | 3,581.38 |
| Other financial liability | 424.56 | 280.50 | 16.83 | 4.50 | 726.39 |
| Total | 2,581.96 | 4,142.54 | 6,887.96 | 4.50 | 13,616.96 |

As at 31 March 2016

| | (₹ in crores) | | | | |
|---------------------------|-----------------|-----------------|------------------|--------------|------------------|
| | On demand | Upto 12 months | 1 to 5 years | >5 years | Total |
| Borrowings | 531.94 | 3,797.23 | 10,015.29 | 36.09 | 14,380.55 |
| Derivatives at FVTPL | - | 78.90 | - | - | 78.90 |
| Derivatives at FVTOCI | - | 2.03 | 49.13 | - | 51.16 |
| Trade Payable | 1,831.10 | 1,745.28 | - | - | 3,576.38 |
| Other financial liability | 373.38 | 332.04 | 43.90 | 7.89 | 757.21 |
| Total | 2,736.42 | 5,955.48 | 10,108.32 | 43.98 | 18,844.20 |

As at 1 April 2015

| | (₹ in crores) | | | | |
|---------------------------|-----------------|-----------------|-----------------|---------------|------------------|
| | On demand | Upto 12 months | 1 to 5 years | > 5 years | Total |
| Borrowings | 190.16 | 4,476.82 | 5,647.60 | 102.22 | 10,416.80 |
| Derivatives at FVTPL | - | 250.42 | 47.09 | - | 297.51 |
| Derivatives at FVTOCI | - | 4.26 | 2.53 | - | 6.79 |
| Trade Payable | 1,515.39 | 1,519.60 | 0.18 | - | 3,035.17 |
| Other financial liability | 391.75 | 170.42 | 25.94 | - | 588.11 |
| Total | 2,097.30 | 6,421.52 | 5,723.34 | 102.22 | 14,344.38 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

42. Capital Management

The objective of the Group's Capital Management is to maximise shareholder value, safeguard business continuity and support the growth of the Group. The Group determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through loans and operating cash flows generated. The Group is not subject to any externally imposed capital requirements.

43. Related party transactions

i. Names of related parties and nature of relationship

| Sr. No. | Category of related parties | Names |
|----------------|--|---|
| a. | Investing Parties (Promoters) | Panatone Finvest Limited Tata Sons Limited |
| b. | Subsidiaries and joint venture of Investing company and its subsidiaries * | TRIL Infopark Limited Tata Consultancy Services Limited Tata Business Support Services Limited Tata Teleservices Limited Tata Sky Limited Tata Sky Broadband Private Limited Tata AIG General Insurance Company Limited Tata Capital Financial Services Limited Tata Business Support Services Limited TCS e-Serve International Limited Tata Consultancy Services (South Africa) (PTY) Ltd. Tata AIA Life Insurance Company Limited Tata Capital Financial Services Limited Tata Consulting Engineers Limited Tata Sky Broadband Private Limited (formerly Quickest Broadband Private Limited) Tata International Limited C-Edge Technologies Limited Tata Housing Development Company Limited MahaOnline Limited Tata Interactive Systems GmbH Tata SIA Airlines Limited Tata Asset Management Limited Tata Advanced Systems Limited MP Online Limited AirAsia (India) Limited Tata Securities Limited |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Sr. No. | Category of related parties | Names |
|--------------------|------------------------------------|--|
| | | Tata Advanced Materials Limited |
| | | Tata Realty and Infrastructure Limited |
| | | Advinus Therapeutics Limited |
| | | TASEC Limited (formerly TAS-AGT Systems Limited) |
| | | Tata Toyo Radiator Limited |
| | | Tata International Wolverine Brands Limited |
| | | Automotive Stampings and Assemblies Limited |
| | | Nova Integrated Systems Limited |
| | | Tata Ficosa Automotive Systems Private Limited (Tata Ficosa Automotive Systems Limited) |
| | | Tata Capital Housing Finance Limited |
| | | Tata Capital Forex Limited (formerly TT Holdings & Services Limited) |
| | | Tata Value Homes Limited (formerly Smart Value Homes Limited) |
| | | Tata AutoComp GY Batteries Private Limited (formerly Tata AutoComp GY Batteries Limited) |
| | | Move On Componentes E Calcado, S.A. |
| | | Peepul Tree Properties Limited |
| | | Arvind and Smart Value Homes LLP |
| | | TRIL Infopark Limited |
| | | TC Travel and Services Limited |
| | | Kriday Realty Private Limited |
| | | Tata Autocomp Katcon Exhaust Systems Private Limited (formerly Katcon India Private Limited) |
| | | Tata Sikorsky Aerospace Limited (formerly Tata Aerospace Systems Limited) |
| | | Tata Boeing Aerospace Limited (formerly Tata Aerospace Limited) |
| | | APTOnline Limited (formerly APOne Limited) |
| | | Indian Rotorcraft Limited |
| | | CMC Limited |
| | | Nectar Loyalty Management India Limited (ceased w.e.f. 22.08.2016) |
| | | Tata Unistore Limited (formerly Tata Industrial Services Limited) |
| | | Taj Air Limited |
| | | e-Nxt Financials Limited |
| | | Tata Limited |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Sr. No. | Category of related parties | Names |
|--------------------|------------------------------------|---|
| | | TRIL Amritsar Projects Limited (formerly TRIF Amritsar Projects Limited) |
| | | TACO Sasken Automotive Electronics Limited |
| | | Tata Capital Limited |
| | | Tata Autocomp Hendrickson Suspensions Private Limited (formerly Taco Hendrickson Suspensions Private Limited) |
| | | WTI Advanced Technology Limited |
| | | Drive India Enterprise Solutions Limited (ceased w.e.f. 01.09.2015) |
| | | CMC Americas, Inc. |
| | | Diligenta Ltd |
| | | Tata Africa Holdings (Ghana) Limited |
| | | Tata America International Corp. |
| | | Tata Consultancy Services (TCS) Japan, Ltd |
| | | Tata Consultancy Services Asia Pacific Private Limited |
| | | Tata Consultancy Services Asia Pacific Pte Ltd. |
| | | Tata Consultancy Services Belgium N.V / S.A. |
| | | Tata Consultancy Services Canada Inc. |
| | | Tata Consultancy Services De Espana, S.A. |
| | | Tata Consultancy Services Deutschland Gmbh |
| | | Tata Consultancy Services France Sas |
| | | Tata Consultancy Services Italia Srl |
| | | Tata Consultancy Services Limited (TCS) Americas |
| | | Tata Consultancy Services Malaysia SdnBhd |
| | | Tata Consultancy Services Netherlands BV |
| | | Tata Consultancy Services Switzerland Ltd. |
| | | Tata Consultancy Services UK Limited |
| | | Tata Consultancy Services Unipessoal Portugal LDA |
| | | Tata Holdings Mocambique Limitada |
| | | Tata International Metals (Americas) Limited |
| | | Tata South East Asia Ltd. |
| | | Tata International Metals (UK) Limited (<i>formerly Tata Steel International (UK) Limited</i>) |
| | | TCS E-Serve America, Inc. |
| | | Tata Steel International (North America) Ltd. |
| | | Tata Uganda Limited |
| | | Tata Zambia Limited |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Sr. No. | Category of related parties | Names |
|----------------|------------------------------------|---|
| | | Tata Africa Holdings (Kenya) Ltd. Tata Quality Management Services Tata America International Corp. Tata Africa Holding (SA) TCS Financial Solutions Australia Pty Ltd. |
| c | Associates | United Telecom Limited STT Global Data Centres India Private Limited w.e.f. 19 October 2016 (formerly known as Tata Communications Data Centers Private Limited) STT Tai Seng Pte Limited (w.e.f. 13 February 2017) Telena Holding B.V (w.e.f. 20 January 2017) Smart ICT Services Private Ltd. |
| d | Associate of subsidiary | Number Portability Company (Pty) Limited (upto 9 February 2017) |
| e | Key Managerial Personnel | Mr Vinod Kumar Managing Director and Group CEO |

*Where transactions have taken place

ii. Summary of transactions with related parties

| Particulars | Investing Company and its affiliates | Key Management Personnel | Associate | Total |
|--|---|---------------------------------|------------------|---------------|
| | | | | (₹ in crores) |
| Dividend paid | 54.12 | - | - | 54.12 |
| | 69.22 | - | - | 69.22 |
| Brand equity expenses | 22.12 | - | - | 22.12 |
| | 22.69 | - | - | 22.69 |
| Revenue from telecommunication services | 965.95 | - | (33.87) | 932.08 |
| | 587.31 | - | 0.85 | 588.16 |
| Network and transmission | 344.15 | - | 6.80 | 350.95 |
| | 0.20 | - | 2.99 | 3.20 |
| Purchase of property plant and equipment | 73.90 | - | 0.30 | 74.20 |
| | 42.91 | - | - | 42.91 |
| Service rendered | 5.51 | - | 82.97 | 88.49 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | (₹ in crores) | | | |
|--------------------------------------|---|--------------------------------|----------------|----------------|
| Particulars | Investing Company and its affiliates | Key Management Personnel | Associate | Total |
| | - | - | - | - |
| Services received | 202.49 | - | 17.28 | 219.77 |
| | 105.17 | - | - | 105.17 |
| Equity capital contribution | - | - | @ | @ |
| | - | - | - | - |
| Preference capital contribution | - | - | 0.04 | 0.04 |
| | - | - | - | - |
| Interest income | - | - | 1.11 | 1.11 |
| | - | - | - | - |
| Loan repaid | - | - | 362.22 | 362.22 |
| | - | - | - | - |
| Managerial remuneration | - | 21.87 | - | 21.87 |
| | - | 13.74 | - | 13.74 |
| Redemption of debentures | - | - | 339.00 | 339.00 |
| | - | - | - | - |
| Royalty expenses | 34.69 | - | - | 34.69 |
| Investments in associates | - | - | 311.67 | 311.67 |
| Balances with related parties | | | | |
| Receivables | 204.61 | - | (14.17) | 190.44 |
| | 101.78 | - | 0.75 | 102.53 |
| | 89.93 | - | 0.34 | 90.27 |
| Payables | 216.04 | 10.99 | 25.91 | 252.94 |
| | 79.94 | 6.66 | 4.30 | 90.89 |
| | 50.43 | 6.33 | 2.46 | 59.22 |
| Other financial assets – Non Current | 1058.00 | - | - | 1058.00 |
| | - | - | 0.04 | 0.04 |
| | - | - | - | - |
| Other financial assets – Current | 0.51 | - | 78.07 | 78.58 |
| | 0.28 | - | 0.01 | 0.29 |
| | 0.24 | - | 0.01 | 0.25 |
| Other assets - Current | 5.95 | - | 0.23 | 6.18 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| | | | | | (₹ in crores) |
|---------------------------------------|---|--------------------------------|-------------|--------------|---------------|
| Particulars | Investing Company and its affiliates | Key Management Personnel | Associate | Total | |
| | 4.93 | - | - | 4.93 | |
| | 3.35 | - | - | 3.35 | |
| Other liabilities - Non - Current | 44.30 | - | - | 44.30 | |
| | 0.13 | - | - | 0.13 | |
| | - | - | - | - | |
| Other financial liabilities – Current | 5.12 | - | - | 5.12 | |
| | 4.76 | - | - | 4.76 | |
| | 4.75 | - | - | 4.75 | |
| Other liabilities - Current | 12.18 | - | 6.13 | 18.30 | |
| | 5.87 | - | - | 5.87 | |
| | 1.62 | - | - | 1.62 | |
| Guarantee given | - | - | 2.10 | 2.10 | |
| | - | - | - | - | |
| | - | - | - | - | |

@ represents transaction of amounts less than ₹ 50,000.

Amounts in italics denote previous year figures for March 2016 and March 2015

44. Operating lease arrangements

Operating lease payments represent rentals payable by the Group for certain buildings, satellite channels, office equipment, computer equipment, Automatic Teller Machines (ATM's) and ATM related equipment and certain circuit capacities.

a. As lessee:

| | | | (₹ in crores) |
|---|-----------------------------|-----------------------------|---------------|
| | Year ended 31 March 2017 | Year ended 31 March 2016 | |
| Minimum lease payments under operating leases recognised as expense in the year | 479.55 | 549.19 | |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

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

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Due not later than one year | 308.77 | 569.79 | 480.39 |
| Due later than one year but not later than five years | 881.12 | 1,380.70 | 1,317.80 |
| Later than five years | 316.16 | 722.43 | 799.18 |
| | 1,506.05 | 2,672.92 | 2,597.37 |

The minimum future lease payments have not been reduced by minimum operating sublease rentals of ₹32.71 crores (2016 and 2015: ₹ 44.08 crores and ₹ 29.60 crores) due in the future under non-cancellable subleases. ₹ 9.16 crores (2016 : ₹ 44.16 crores) was recognised in the current year as minimum sublease rental against the same.

b. As lessor:

- The Group has leased under operating lease arrangements certain Indefeasible Rights of Use ("IRU") with gross carrying amount and accumulated depreciation of ₹ 50.45 crores (2016 and 2015: ₹ 50.45 crores) and ₹41.80 crores (2016: ₹ 38.44 crores, 2015: ₹ 35.07 crores) respectively as at 31 March 2017. Amortisation expense of ₹ 3.36 crores (2016, 2015: ₹ 3.36 crores) in respect of these intangibles has been charged in the Consolidated Statement of Profit and Loss for the year ended 31 March 2017.

In case of certain operating lease agreements aggregating ₹ 429.24 crores (2016: ₹ 401.35 crores, 2015: ₹ 391.48 crores) as at 31 March 2017, the gross block, accumulated depreciation and depreciation expense of the assets given on an IRU basis cannot be identified as these assets are not exclusively leased. The lease rentals associated with such IRU arrangements for the year ended 31 March 2017 amount to ₹ 33.50 crores (2016: ₹ 32.35 crores).

In respect of IRU arrangements, rental income of ₹37.45 crores (2016: ₹36.30 crores) has been recognised in the consolidated Statement of Profit and Loss for the year ended 31 March 2017.

Future lease rental receipts will be recognised in the Consolidated Statement of Profit and Loss of subsequent years as follows:

| | (₹ in crores) | | |
|---|------------------------|------------------------|-----------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| Due not later than one year | 38.37 | 36.91 | 36.22 |
| Due later than one year but not later than five years | 139.80 | 139.95 | 141.86 |
| Later than five years | 118.53 | 129.41 | 154.61 |
| | 296.70 | 306.27 | 332.69 |

- The Group has leased certain premises under non-cancellable operating lease arrangements to its associate. Future lease rental income in respect of these leases will be recognised in the Consolidated Statement of Profit and Loss of subsequent years as follows:

| | (₹ in crores) |
|---|------------------------|
| | As at 31 March 2017 |
| Not later than one year | 101.15 |
| Later than one year but not later than five years | 156.86 |
| Later than five years | - |
| | 258.01 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

Lease rental income of ₹43.17 crores in respect of the above leases has been recognised in the Consolidated Statement of Profit and Loss for the current year.

45. Finance lease arrangements:
As Lessee

As on 31 March 2017, assets under finance leases with gross carrying amount and accumulated depreciation of ₹101.12 crores (2016: ₹ 104.74 crores) and ₹83.33 crores (2016: ₹85.05 crores) respectively, are included in the total Property, Plant & Equipment. The net carrying amount of each class of asset under finance leases is as follows:

(₹ in crores)

| | Gross carrying amount | | | Accumulated depreciation | | | Net carrying Amount | | |
|------------------------|-----------------------|---------------|---------------|--------------------------|--------------|---------------|---------------------|--------------|--------------|
| | As at 31 March | | | As at 31 March | | | As at 31 March | | |
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| Building | 32.29 | 32.91 | 48.44 | 14.71 | 13.73 | 28.35 | 17.58 | 19.18 | 20.09 |
| Plant and Machinery | 63.44 | 66.33 | 80.86 | 63.23 | 65.82 | 78.61 | 0.21 | 0.51 | 2.25 |
| Furniture and Fixtures | 5.39 | 5.50 | 5.19 | 5.39 | 5.50 | 4.72 | - | - | 0.47 |
| | 101.12 | 104.74 | 134.49 | 83.33 | 85.05 | 111.68 | 17.79 | 19.69 | 22.81 |

Finance Lease liabilities:

(₹ in crores)

| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
|--|------------------------|------------------------|-----------------------|
| Minimum Lease payments | | | |
| Not later than one year | 6.15 | 6.28 | 5.93 |
| Later than one year but not later than 5 years | 18.16 | 24.81 | 29.35 |
| Later than 5 years | - | - | - |
| Total | 24.31 | 31.09 | 35.28 |
| Present Value of minimum lease payments | | | |
| Not later than one year | 5.17 | 5.02 | 4.51 |
| Later than one year but not later than 5 years | 16.83 | 22.45 | 25.94 |
| Later than 5 years | - | - | - |
| Total | 22.00 | 27.47 | 30.45 |
| Add: Future finance charges | 2.31 | 3.62 | 4.83 |
| Total minimum lease payments | 24.31 | 31.09 | 35.28 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

46. Contingent Liabilities and Commitments:

a. Contingent Liabilities:

| | (₹ in crores) | | |
|---|--------------------------------|--------------------------------|-------------------------------|
| | As at 31 March 2017 | As at 31 March 2016 | As at 1 April 2015 |
| i. Claims for taxes on income (Refer 1 below) | | | |
| - Income tax disputes where department is in appeal against the Group | 595.25 | 588.21 | 626.15 |
| - Other disputes related to income tax | 1,957.80 | 2,062.69 | 2,075.54 |
| - Income tax disputes in foreign jurisdiction (Refer 1(ii) & 1 (iii)) | 227.35 | 496.21 | - |
| ii Claims for other taxes | 24.01 | 24.28 | 52.35 |
| iii Guarantees excluding financial guarantee | 2.10 | - | - |
| iv Group share of contingent liabilities of associates | 1.67 | - | - |
| v Other claims (Refer 2 below) | 1,325.61 | 1,291.60 | 1,151.60 |

1. Claims for taxes on income

- i. Significant claims by the revenue authorities in respect of income tax matters relate to disallowance of deductions claimed under section 80 IA of the Income Tax Act, 1961 from assessment years 1996-97 onwards and transfer pricing adjustments carried out by revenue authorities. The Company has contested the disallowances / adjustments and has preferred appeals which are pending.
- ii. Canada Revenue Agency (CRA) had made addition to the taxable income by ₹261.04 crores (US\$ 40.21 million) on Tata communications Canada Ltd. (hereafter referred to as 'the Company') in respect of adjustments made while carrying out audit of international telecommunications services for the financial year 2007-08 to 2010-11 with potential tax demand of ₹ 80.96 crores (US\$ 12.47 million). The Company has filed notice of objections for all the four years which is yet to come up for hearing. As a result of primary adjustments, deemed dividend provisions became applicable and corresponding withholding tax implications (WHT) are ₹ 13.05 crores (US\$ 2.01 million). The Company has been advised that Transfer Pricing (TP) methodology implemented is as per industry practice and sustainable. In view of the above, the Company believes that issue will be settled in its favor and will not have any material adverse impact on its financial position and results of operations. The Company has applied for an Advance Pricing Agreement (APA), on completion of which, matter will be concluded.
- iii. Canada Revenue Agency (CRA) had initiated audit of support services rendered by Tata Communications Canada Ltd (hereafter referred to as 'the Company') to Tata Communications Services (Bermuda) Limited ('TCSBIL'). During the previous year, CRA proposed rejection of transfer pricing method applied by the Company. In the current year, we have received reassessment notice from CRA for federal portion of tax and potential withholding tax implications (WHT) (including penalty and interest) of ₹133.35 crores (US\$ 20.54 million). We have yet not received reassessment from Provincial Tax authorities. The Company is of the view that CRA's adjustment is not sustainable as it does not reflect the facts underlying the adjusted transfer prices and is not consistent with arm's length principle.

2. Other claims:

- i. Telecom Regulatory Authority of India ("TRAI") reduced the Access Deficit Charge ("ADC") rates effective 1 April 2007. All telecom services providers including National Long Distance ("NLD") and International Long Distance ("ILD") operators in India are bound by the TRAI regulations; accordingly the Company has recorded the cost relating to ADC at revised rates as directed by TRAI. However, BSNL continued

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

- to bill at the ADC rate applicable prior to 1 April 2007. BSNL had filed an appeal against the TRAI Interconnect Usage Charges ("IUC") regulation of reduction in ADC and currently this matter is pending with the Supreme Court. The possible liability on Company is ₹ 311.84 crores (2016: ₹ 311.84 crores, 2015: ₹ 311.84 crores).
- ii. On 19 February 2013, DoT issued a licence fee demand amounting to ₹ 193.05 crores, (being ₹ 92.86 crores for financial year 2006-07 and ₹ 100.19 crores for financial year 2007-08, including ₹ 102.06 crores, being interest as on 28 February 2013) for financial years 2006-07 and 2007-08, based on special audit reports of auditors appointed by DoT. The total demand including interest is for ₹ 331.43 crores (2016: ₹ 290.30 crores, 2015: ₹ 254.30 crores). The Company has challenged the said demand notice in the Madras High Court which has vide its orders dated 1 March 2013, granted a stay order against the said demand. Further, the Company is also contesting a licence fee claim of ₹ 198.89 crores (2016: ₹ 169.85 crores, 2015: ₹ 144.14 crores) (including interest and penalty) for financial year 2005-06. However, the said demand notice includes the items which are already the subject matter of petitions/appeals, pending for hearing in the Supreme Court of India, for the previous years.
- iii. TRAI in December 2012, issued International Telecommunication Access to Essential Facilities at Cable Landing Stations (Amendment) 2012 ("Regulation") dated 21 December 2012 seeking to regulate access facilitation charges, collocation charges, restoration charges and cancellation charges, wherein TRAI fixed the charges for access facilitation and collocation at cable landing stations, effective 1 January 2013. Since, prescribing such charges, adversely affected the Company, being aggrieved by the Regulation, the Company filed writ petition in the High Court, Chennai to set aside the impugned Regulation. On 24 January 2013, the High Court granted an ex parte, ad-interim stay on applicability of the impugned Regulation. On 11 November 2016, the Company has filed an appeal in the division bench of Madras High Court against the above court order and the same is pending with division bench for hearing. However, given the uncertainty on the timing of resolution, during the current year, the Company has recorded a provision towards reversal of revenue for ₹ 46.26 crores and other expense include a reversal towards operating and maintenance recovery of ₹ 98.78 crores. In 2016: ₹154.54 crores were included under contingent liabilities.
- iv. Upon expiry of the Company's ISP license on 24 January 2014, DoT vide letter dated 20 February 2014 extended the validity of the said license for 3 months with condition that entire ISP revenue will be subject to license fees. This conditional extension by DoT, was challenged by the Company in TDSAT, which granted a stay subject to submission of undertaking that if petition fails then applicable license fees would be payable along with interest. Considering the above facts, the Company has disclosed an amount of ₹ 303.56 crores (2016: ₹ 176.31 crores, 2015: ₹ 80.08 crores) under contingent liabilities.
- v. Other Claims of ₹ 179.89 crores (2016: ₹188.76 crores, 2015: ₹361.24 crores) pertains to the Company and its subsidiaries in various geographies being routine 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 the Group received preferential payments from such companies prior to their bankruptcy filings. Management currently believes that resolving such suits and claims, individually or in aggregate, will not have a material adverse impact on the Group's financial position.
3. Future cash flows in respect of the above matters are determinable only on receipt of judgements/ decisions pending at various forum/ authorities.
4. In FY 2015-16, based on the information provided to the Company by board of Neotel Pty Limited ("Neotel"), the Company reported a matter resulting from certain transactions undertaken by Neotel during the previous year that had been referred to the appropriate authorities by Neotel. During the current year, the Group sold its entire shareholding in Neotel. As part of the sale agreement, the purchaser will be indemnified against any fines or penalties assessed by any relevant appropriate authorities which may arise from said matter. Such

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

indemnity liability is limited to ₹ 363.75 crores (ZAR 750 million). Based on the current facts, the Company is of the view that this matter will not have a material adverse impact on its consolidated financial statements.

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

b. Capital Commitments:

Estimated amount of contracts remaining to be executed on capital account, not provided for amount to ₹ 337.30 crores (including group's share in associate ₹ 20.74) (2016: ₹ 630.95 crores, 2015: ₹ 891.43 crores) (net of capital advances).

As on 31 March 2017, the Group has remaining commitment of ₹ 159.70 crores (equivalent of USD 24.60 million) out of total commitment of USD 40 million towards investments in Northgate Telecom Partners, L.P., one of the investee.

47. During the FY 2015-16, based on transfer pricing study and legal precedent, the Company and its subsidiaries have re-determined the arm's length price in respect of guarantee fees charged by the Company in earlier periods to its subsidiaries, resulting into a tax impact of ₹ 79.50 crores.
48. During the year, the Company had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated 30 March 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from 8 November 2016 to 30 December 2016, the denomination wise SBNs and other notes as per the notification is given below:

| | (₹ in crores) | | |
|--|--|---|---------------|
| | Specified Bank Notes (SBNs) | Other denomination notes | Total |
| a. Closing cash in ATM as on 8 November 2016 | 285.46 | 61.42 | 346.88 |
| b. Closing cash in vault and CRA as on 8 November 2016 | 22.17 | 4.82 | 26.99 |
| c. Closing cash in hand as on 8 November 2016 | 0.03 | - | 0.03 |
| Closing cash in hand as on 8 November 2016 | 307.66 | 66.24 | 373.90 |
| (+) Permitted receipts | - | 383.04 | 383.04 |
| (-) Permitted payments (Dispense) | - | 344.95 | 344.95 |
| (-) Amount deposited in Banks | 307.66 | 26.67 | 334.33 |
| Closing cash in hand as on 30 December 2016 | - | 77.66 | 77.66 |
| a. Closing cash in ATM as on 30 December 2016 | - | 15.69 | 15.69 |
| b. Closing cash in vault as on 30 December 2016 | - | 61.96 | 61.96 |
| c. Closing cash in hand as on 8 November 2016 | - | 0.01 | 0.01 |

The Group has agreement with Cash Replenishment Agency (CRA) who handles the end to end Cash replenishment and evacuation process. Out of the opening Cash in ATM and cash in Vault with CRA (which include SBN's and other denomination notes), during the period from 8 November 2016 to 30 December 2016, CRA has deposited ₹ 3,34,30,16,758 into the Company's Bank accounts either directly or through the bank account maintained by CRA for White Label ATM Operations, which includes ₹ 3,07,63,16,800 of SBN's. Segregation of SBN's and other denomination out of the total deposits during the period from 8 November 2016 to 30 December 2016 is based on the declaration received from the CRA's.

Cash balance as at 31 March 2017, excludes holding of ₹ 10,23,000 of SBN's, out of which ₹ 6,83,000 are kept at offices pursuant to SBN's received between 28 March 2017 to 30 of March 2017 on direction of court order and ₹ 3,40,000 are lying in Police station. These pertains to various theft cases which was recorded as cash loss in the books. Out of the recovered amount, attempt was made to deposit the same with Reserve Bank of India (RBI) on 31 March 2017, but RBI refused to accept the same

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

- 49 Financial Statements for the following companies considered in the consolidated financial statements are based on management accounts and are unaudited:

| | (₹ in crores) | | |
|------------------------------------|---|---|---|
| | Total Assets included in Consolidation | Total Revenues included in Consolidation | Cash flows included in Consolidation |
| Subsidiary | | | |
| SEPCO Communications (Pty) Limited | 182.17 | - | 182.15 |
| VSNL SNOSPV Pte. Limited | 0.97 | - | 0.56 |
| Nexus Connexion (SA) Pty Limited | - | - | - |
| Associates | | | Share in profit of associates |
| STT Tai Seng Pte Limited | - | - | 0.64 |
| Smart ICT Services Private Limited | - | - | (0.02) |
| Teleena Holdings BV | - | - | - |

50. As per Schedule III of the Companies Act 2013, the required information on subsidiaries is provided in the following table:

Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013

| Name of the entity | Net assets, i.e., total assets minus total liabilities | | Share of profit or loss | | Share of Other Comprehensive Income (OCI) | | Share of Total Comprehensive Income | |
|---|--|--------------------------|--|--------------------------|---|--------------------------|--|--------------------------|
| | As percentage of consolidated net assets | Amount in ₹ crores | As percentage of consolidated profit or loss | Amount in ₹ crores | As percentage of consolidated OCI | Amount in ₹ crores | As percentage of Total Comprehensive Income | Amount in ₹ crores |
| Parent | | | | | | | | |
| Tata Communications Limited | 114.11 | 9,255.21 | 14.99 | 689.83 | 127.87 | (188.02) | 11.26 | 501.81 |
| Subsidiaries | - | - | - | - | | | | |
| Indian | - | - | - | - | | | | |
| Tata Communications Payment Solutions Limited | 7.25 | 587.77 | (3.73) | (171.74) | 0.14 | (0.21) | (3.86) | (171.95) |
| Tata Communications Transformation Services Limited | 3.05 | 247.44 | 1.36 | 62.75 | 0.80 | (1.18) | 1.38 | 61.57 |
| Tata Communications Data Centers Private Limited (Till 18 October 2016) | - | - | 0.37 | 17.25 | 0.02 | (0.03) | 0.39 | 17.22 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Name of the entity | Net assets, i.e., total assets minus total liabilities | | Share of profit or loss | | Share of Other Comprehensive Income (OCI) | | Share of Total Comprehensive Income | |
|---|--|--------------------|--|--------------------|---|--------------------|---|--------------------|
| | As percentage of consolidated net assets | Amount in ₹ crores | As percentage of consolidated profit or loss | Amount in ₹ crores | As percentage of consolidated OCI | Amount in ₹ crores | As percentage of Total Comprehensive Income | Amount in ₹ crores |
| Tata Communciations Collabroration Services Private Limited | 0.03 | 2.62 | 0.06 | 2.72 | - | - | 0.06 | 2.72 |
| Foreign | - | - | - | - | - | - | - | - |
| Tata Communications (UK) Limited | (5.82) | (472.04) | 0.37 | 16.97 | - | - | 0.38 | 16.97 |
| Tata Communications (Canada) Ltd | (16.73) | (1,357.31) | (4.03) | (185.39) | 3.77 | (5.55) | (4.29) | (190.94) |
| Tata Communications Services (Bermuda) Ltd | 1.00 | 81.14 | 6.12 | 281.77 | - | - | 6.32 | 281.77 |
| Tata Communications (France) SAS | 0.18 | 14.65 | (0.04) | (2.01) | - | - | (0.05) | (2.01) |
| Tata Communications (America) Inc | 8.50 | 689.51 | (0.51) | (23.27) | - | - | (0.52) | (23.27) |
| Tata Communications Deutschland Gmbh | (1.79) | (145.10) | (1.52) | (69.82) | - | - | (1.57) | (69.82) |
| Tata Communications (Italy) srl | 0.02 | 1.75 | (0.13) | (6.05) | - | - | (0.14) | (6.05) |
| Tata Communications (Spain) SL | 0.99 | 80.54 | 0.13 | 5.93 | - | - | 0.13 | 5.93 |
| Tata Communications (Nordic) AS | 0.01 | 0.64 | 0.01 | 0.65 | - | - | 0.01 | 0.65 |
| Tata Communications (Australia) Pty Ltd | 0.11 | 9.04 | (0.04) | (1.83) | - | - | (0.04) | (1.83) |
| Tata Communications (Bermuda) Ltd | (30.01) | (2,433.74) | (12.40) | (570.57) | (2.68) | 3.94 | (12.72) | (566.64) |
| Tata Communications (Hong Kong) Limited | (0.40) | (32.81) | (0.27) | (12.21) | - | - | (0.27) | (12.21) |
| Tata Communications (Poland) Sp Zoo | 0.06 | 5.26 | (0.02) | (0.93) | - | - | (0.02) | (0.93) |
| Tata Communications Services (International) Pte Ltd | 0.18 | 14.43 | 0.04 | 1.70 | - | - | 0.04 | 1.70 |
| ITXC IP Holdings s.a.r.l | 1.53 | 124.22 | 0.33 | 15.27 | - | - | 0.34 | 15.27 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Name of the entity | Net assets, i.e., total assets minus total liabilities | | Share of profit or loss | | Share of Other Comprehensive Income (OCI) | | Share of Total Comprehensive Income | |
|---|--|--------------------|--|--------------------|---|--------------------|---|--------------------|
| | As percentage of consolidated net assets | Amount in ₹ crores | As percentage of consolidated profit or loss | Amount in ₹ crores | As percentage of consolidated OCI | Amount in ₹ crores | As percentage of Total Comprehensive Income | Amount in ₹ crores |
| Tata Communications (Netherlands) BV | 8.56 | 694.47 | 0.22 | 10.04 | (29.93) | 44.02 | 1.21 | 54.06 |
| Tata Communications (Sweden) AB | 0.02 | 1.73 | (0.00) | (0.06) | - | | (0.00) | (0.06) |
| Tata Communications (Portugal) Instalacao E Manutencao De Redes Lda | (0.09) | (7.62) | 0.05 | 2.48 | - | | 0.06 | 2.48 |
| Tata Communications (Portugal) Unipessol Lda | 0.11 | 9.08 | (0.00) | (0.11) | - | | (0.00) | (0.11) |
| Tata Communications (Russia) LLC | 0.30 | 24.70 | (0.04) | (1.67) | - | | (0.04) | (1.67) |
| Tata Communications (Switzerland) GmbH | 0.04 | 2.86 | 0.00 | 0.07 | - | | 0.00 | 0.07 |
| Tata Communications (Belgium) SPRL | 0.01 | 0.65 | 0.00 | 0.08 | - | | 0.00 | 0.08 |
| Tata Communications (Hungary) LLC | 0.01 | 0.71 | (0.00) | (0.09) | - | | (0.00) | (0.09) |
| Tata Communications (Ireland) Ltd | (0.00) | (0.35) | 0.01 | 0.26 | - | | 0.01 | 0.26 |
| Tata Communications (Middle East) FZ-LLC | (0.29) | (23.77) | 0.02 | 1.08 | - | | 0.02 | 1.08 |
| TCPoP Communications GmbH | 0.08 | 6.20 | 0.04 | 1.68 | - | | 0.04 | 1.68 |
| Tata Communications (Taiwan) Ltd | (0.00) | (0.26) | 0.01 | 0.32 | - | | 0.01 | 0.32 |
| Tata Communications(New Zealand) Limited | 0.01 | 0.67 | 0.00 | 0.02 | - | | 0.00 | 0.02 |
| Tata Communications (Malaysia) Sdn Bhd | 0.02 | 1.77 | 0.02 | 0.85 | - | | 0.02 | 0.85 |
| Tata Communications (Thailand) Limited | (0.00) | (0.36) | (0.02) | (0.71) | - | | (0.02) | (0.71) |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Name of the entity | Net assets, i.e., total assets minus total liabilities | | Share of profit or loss | | Share of Other Comprehensive Income (OCI) | | Share of Total Comprehensive Income | |
|---|--|--------------------|--|--------------------|---|--------------------|---|--------------------|
| | As percentage of consolidated net assets | Amount in ₹ crores | As percentage of consolidated profit or loss | Amount in ₹ crores | As percentage of consolidated OCI | Amount in ₹ crores | As percentage of Total Comprehensive Income | Amount in ₹ crores |
| Tata Communications (Beijing) Technology Limited | 0.01 | 0.82 | 0.00 | 0.03 | - | - | 0.00 | 0.03 |
| Tata Communications South Korea Limited | 0.02 | 1.43 | (0.01) | (0.27) | - | - | (0.01) | (0.27) |
| Tata Communications (Japan) KK | (0.07) | (5.94) | (0.13) | (5.86) | - | - | (0.13) | (5.86) |
| Tata Communications (Guam) LLC | 1.65 | 133.85 | 0.30 | 13.90 | - | - | 0.31 | 13.90 |
| Tata Communications International Pte Ltd | 7.85 | 636.94 | 19.97 | 919.33 | - | - | 20.63 | 919.33 |
| VSNL SNOSPV Pte Ltd | (3.57) | (289.33) | 84.98 | 3,911.45 | - | - | 87.78 | 3,911.45 |
| SEPCO Communications (Pty) Ltd | 2.24 | 182.07 | 3.96 | 182.23 | - | - | 4.09 | 182.23 |
| Nexus Connexion (SA) Pty Ltd | (0.00) | (0.06) | (0.00) | (0.06) | - | - | (0.00) | (0.06) |
| Tata Communications Transformation Services (Hungary) Kf | - | - | (0.00) | (0.07) | - | - | (0.00) | (0.07) |
| Tata Communications Transformation Services Pte LTD. | 0.00 | 0.21 | (0.00) | (0.12) | - | - | (0.00) | (0.12) |
| Tata Communications Transformation Services (US) Inc | - | - | - | - | - | - | - | - |
| Tata Communications (Brazil) Participacoes Limitada | - | - | - | - | - | - | - | - |
| Tata Communications Services (Brazil) Comunicacoes Limitada | - | - | - | - | - | - | - | - |
| Tata Communications Lanka Limited | 1.06 | 85.66 | 0.49 | 22.48 | - | - | 0.50 | 22.48 |
| Neotel Pty Ltd (Till 9 February 2017) | - | - | (11.22) | (516.42) | - | - | (11.59) | (516.42) |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

| Name of the entity | Net assets, i.e., total assets minus total liabilities | | Share of profit or loss | | Share of Other Comprehensive Income (OCI) | | Share of Total Comprehensive Income | |
|---|--|--------------------|--|--------------------|---|--------------------|---|--------------------|
| | As percentage of consolidated net assets | Amount in ₹ crores | As percentage of consolidated profit or loss | Amount in ₹ crores | As percentage of consolidated OCI | Amount in ₹ crores | As percentage of Total Comprehensive Income | Amount in ₹ crores |
| Neotel Business Support Services (Pty) Limited (Till 9 February 2017) | | | 0.18 | 8.14 | | | 0.18 | 8.14 |
| Non controlling interests in all subsidiaries | (0.23) | (18.37) | (0.06) | (2.59) | - | - | (0.06) | (2.59) |
| Associates | | | | | | | | |
| Indian Associates | | | | | | | | |
| STT Global Data Centres India Private Limited (w.e.f 19 October 2016) | - | | 0.10 | 4.45 | 0.01 | (0.01) | 0.10 | 4.44 |
| Smart ICT Services Pvt Ltd (w.e.f 22 April 2016) | - | | (0.00) | (0.02) | - | | (0.00) | (0.02) |
| Foreign Associates | | | | | | | | |
| STT Tai Seng Pte Ltd (w.e.f 13 February 2017) | | | 0.01 | 0.64 | | | 0.01 | 0.64 |
| Number Portability Company (Pty) Limited (Till 9 February 2017) | | | 0.01 | 0.27 | | | 0.01 | 0.27 |
| Total | 100.00 | 8,110.98 | 100.00 | 4,602.77 | 100.00 | (147.04) | 100.00 | 4,455.72 |
| Adjustments on Consolidation | | (6,519.08) | | (3,369.90) | | 1,011.79 | | (2,358.10) |
| Grand Total | | 1,591.90 | | 1,232.87 | | 864.75 | | 2,097.62 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

51. Events after the reporting period

There are no subsequent events between the year ended 31 March 2017 and signing of financial statements as on 4 May 2017 which have material impact on the financials of the Company except for the provision for contractual obligations, as referred in note 31, which has been adjusted in the Consolidated Financial Statement.

52. Approval of financial statement

The financial statements were approved for issue by the board of directors on 4 May 2017.

53. First-time adoption of Ind AS

These are the Group's first consolidated financial statements prepared in accordance with Ind AS. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended 31 March 2016 and in the preparation of an opening Ind AS balance sheet at 1 April 2015 (the Group's date of transition). In preparing its opening Ind AS balance sheet, the Group has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP)

An explanation of how the transition from previous GAAP to Ind AS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Exemptions and exceptions availed

Below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

A.1 Ind AS optional exemptions

A.1.1 Business combinations

The Group elected to apply Ind AS 103 prospectively to business combinations occurring after its transition date.

A.1.2 Designation of previously recognised financial instruments

The Group has irrevocably designated all equity instruments held at 1 April 2015 as FVOCI.

A.1.3 Fair value measurement of financial assets or financial liabilities at initial recognition

The Group has applied requirements of fair value measurement of financial assets and financial liabilities at initial recognition for transactions entered into on or after date of transition to Ind AS.

A.1.4 Decommissioning liabilities included in the cost of property, plant and equipment

Appendix 'A' to Ind AS 16 Changes in Existing Decommissioning, Restoration and Similar Liabilities requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. A first-time adopter need not comply with these requirements for changes in such liabilities that occurred before the date of transition to Ind AS. A first-time adopter need not comply with these requirements for changes in such liabilities that occurred before the date of transition to Ind AS.

The Group has applied the exemption and has adjusted for the changes in its decommissioning liability on account of changes in the discount rate as on the transition date and adjusted its carrying values of Property plant and Equipment and decommissioning obligation as on the transition date.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)
A.2 Ind AS mandatory exceptions
A.2.1 De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS.

A.3 Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Ind AS estimates as at 1 April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Group made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Investment in equity instruments carried at FVPL or FVOCI;
- Impairment of financial assets based on expected credit loss model.

B Reconciliation of total equity as at 31 March 2016 and 1 April 2015

(₹ in crores)

| Sr. no. | Particulars | Notes | As at 31 March 2016 | As at 1 April 2015 |
|---------|---|-------|---------------------|--------------------|
| | Total equity (shareholder's funds) under previous GAAP | | (418.16) | 321.47 |
| a. | Remeasurement of retirement benefits recognised through Profit and Loss | 1 | (124.39) | (177.26) |
| b. | Remeasurement of retirement benefits recognised through Other Comprehensive Income | 1 | 34.05 | - |
| c. | Changes in present value of annuity contracts | 2 | (18.65) | (19.80) |
| d. | Impact of measuring investments at fair value through profit or loss (FVTPL) | 3 | 1.02 | 1.09 |
| e. | Reversal of Goodwill amortised under previous GAAP | 4 | 58.94 | - |
| f. | Changes in fair value of derivative instruments recognised through Profit and Loss | 5 | 43.30 | (32.54) |
| g. | Changes in fair value of derivative instruments recognised through Other Comprehensive Income | 5 | (50.60) | (6.33) |
| h. | Impact of Asset Retirement Obligation | 6 | (13.60) | (22.46) |
| i. | Provision for expected credit loss | 7 | (27.32) | (26.41) |
| j. | Fair valuation of investments recognised through Profit and Loss | 8 | 88.52 | 22.72 |
| k. | Fair valuation of investments recognised through Other Comprehensive Income | 8 | (25.28) | 261.42 |
| l. | Dividend not recognised as liability until declared | 9 | 147.50 | 188.66 |
| m. | Others | | 3.08 | 2.89 |

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

(₹ in crores)

| Sr. no. | Particulars | Notes | As at 31 March 2016 | As at 1 April 2015 |
|----------------|--|--------------|----------------------------|---------------------------|
| n. | Tax impact | 10 | (45.01) | (89.34) |
| o. | Translation impact of Ind AS entries on transition date as at 1 April 2015 | | (16.76) | - |
| p. | Non-controlling interests presented as a part of total equity | | 6.90 | 5.87 |
| | Total adjustment to equity | | 61.70 | 108.51 |
| | Total equity (shareholder's funds) under Ind AS | | (356.46) | 429.98 |

C. Reconciliation of total comprehensive income for the year ended 31 March 2016

(₹ in crores)

| Sr. no | Notes | As at 31 March 2016 |
|---------------|--|----------------------------|
| | Profit as per previous GAAP | (211.84) |
| a. | Remeasurement of retirement benefits | 1 51.85 |
| b. | Changes in present value of annuity contracts | 2 1.15 |
| c. | Impact of measuring investments at fair value through profit or loss (FVTPL) | 3 (0.07) |
| d. | Reversal of Goodwill amortised under previous GAAP | 4 58.22 |
| e. | Changes in fair value of derivative instruments | 5 31.18 |
| f. | Impact of Asset Retirement Obligation | 6 8.75 |
| g. | Provision for expected credit loss | 7 (0.86) |
| h. | Fair valuation of investments | 8 65.80 |
| i. | Others | 0.20 |
| k. | Tax impact | 10 4.30 |
| l. | Profit allocated to Non-controlling interest under previous GAAP | 1.78 |
| | Profit for the year as per Ind AS | 10.46 |
| | Other comprehensive income for the year (net of tax) | (608.82) |
| | Total comprehensive income under Ind AS | (598.36) |

D. Reconciliation of Statement of Cash Flow:

There are no material adjustments to statement of cash flow as reported under the previous GAAP.

Notes:

1. Employee benefit

Under previous GAAP, actuarial gains and losses on re-measurement of the net defined benefit liability/asset was recognised in profit and loss, Interest income/cost on employee benefit plan was recognised in employee cost and Interest income on plan assets was recognised based on actual return on plan assets. In Ind AS, actuarial gains and losses on re-measurement of the net defined benefit liability/asset is recognised in OCI. Interest income on plan

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

asset is recognised at the same rate that is used to discount plan obligations, The Group has opted for recognition of net interest income/cost on employee benefit plan to be recognised in finance cost.

This has resulted in decline in equity under Ind AS by ₹ 90.34 crores, and ₹ 177.26 crores as at 31 March 2016 and 1 April 2015 respectively and increase in net profit by ₹ 51.85 crores for the year ended 31 March 2016.

2. Valuation of annuity

Under previous GAAP, Annuity plan receivables are recognised at undiscounted amount. Under Ind AS, it needs to be recognised at net present value of expected inflow. This has resulted in decline in equity under Ind AS by ₹ 18.65 crores, and ₹ 19.80 crores as at 31 March 2016 and 1 April 2015 respectively and increase in net profit by ₹ 1.15 crores for the year ended 31 March 2016.

3. Fair valuation of current investments

Under previous GAAP, current investments were measured at lower of cost or fair value. Under Ind AS, these financial assets have been classified as FVTPL and measured at fair value. This has resulted in increase in equity under Ind AS by ₹ 1.02 crores, and ₹ 1.09 crores as at 31 March 2016 and 1 April 2015 respectively and decrease in net profit by ₹ 0.07 crores for the year ended 31 March 2016.

4. Amortisation of goodwill

Under previous GAAP, Goodwill other than goodwill on consolidation needs to be amortised. Under Ind AS, Goodwill to be tested for impairment, at least annually and not amortised, This has resulted in increase in equity under Ind AS by ₹ 58.94 crores as at 31 March 2016 and increase in net profit by ₹ 58.22 crores for the year ended 31 March 2016.

5. Derivative instruments

Under previous GAAP, In respect of forward contract not intended for trading or speculation purpose, Any premium or discount arising at the inception of forward exchange contract is amortised as expense or income over the life of contract and contract were restated at the closing spot exchange rate. Under Ind AS derivative financial instrument are recognised at fair value. This has resulted in decrease in equity under Ind AS by 7.30 crores, and ₹ 38.87 crores as at 31 March 2016 and 1 April 2015 respectively and increase in net profit by ₹ 31.18 crores for the year ended 31 March 2016.

6. Asset retirement obligations (ARO)

Under previous GAAP, Company has applied "Credit adjusted risk free rate" to discount the ARO in International entities. Under Ind AS, ARO Provision should be discounted at "Risk free rate of return" and which need to be reassessed at each year end and the differential amount to be adjusted in property, plant and equipment. This has resulted in decrease in equity under Ind AS by ₹ 13.60 crores, and ₹ 22.46 crores as at 31 March 2016 and 1 April 2015 respectively and increase in net profit by ₹ 8.75 crores for the year ended 31 March 2016.

7. Expected credit loss

Under previous GAAP, the Group has created provision for trade receivables based on ageing of receivables. In Ind AS, impairment allowance has been calculated based on expected credit loss model. This has resulted in decrease in equity under Ind AS by ₹ 27.32 crores, and ₹ 26.41 crores as at 31 March 2016 and 1 April 2015 respectively and decrease in net profit by ₹ 0.86 crores for the year ended 31 March 2016.

8. Fair valuation of non current investments

Under previous GAAP, long term investments were measured at cost less diminution in value which is other than temporary. Under Ind AS, these financial assets have been classified as FVTOCI and all gains and losses on these investments need to be recorded through OCI.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

This has resulted in increase in equity under Ind AS by ₹ 63.24 crores, and ₹ 284.14 crores as at 31 March 2016 and 1 April 2015 respectively and increase in net profit by ₹ 65.80 crores for the year ended 31 March 2016.

9. Dividend

Under previous GAAP, dividends on equity share recommended by the board of directors after the end of the reporting period but before the financial statement were approved for issue were recognised in the financial statement as a liability. Under Ind AS, such dividends are recognised when approved by the members in the general meeting. This has resulted in increase in equity under Ind AS by ₹ 147.50 crores, and ₹ 188.66 crores as at 31 March 2016 and 1 April 2015 respectively.

10. Tax adjustments

Tax adjustments include deferred tax impact on account of difference between previous GAAP and Ind AS, This has resulted in decrease in equity under Ind AS by ₹ 45.01 crores, and ₹ 89.34 crores as at 31 March 2016 and 1 April 2015 respectively and increase in net profit by ₹ 4.30 crores for the year ended 31 March 2016.

For and on behalf of the Board of Directors

RENUKA RAMNATH
Chairperson

PRATIBHA K. ADVANI
Chief Financial Officer

MUMBAI
DATED: 4 May 2017

VINOD KUMAR
Managing Director & Group CEO

MANISH SANSI
Company Secretary

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017(Contd.)

Statement pursuant to Section 129 (3) of the Companies Act, 2013

PART "A" - SUBSIDIARIES

| Sl. No. | Name of the subsidiary company | Percentage holding | Reporting currency | Exchange rate | Share Capital | Reserves | Total Assets | Total Liabilities | Investment Details (except in case of investment in the subsidiaries) | Total Turnover | Profit before Taxation | Provision for Taxation | Profit after Taxation | Proposed Dividend |
|---------|---|--------------------|--------------------|---------------|---------------|------------|--------------|-------------------|---|----------------|------------------------|------------------------|-----------------------|-------------------|
| 1 | Tata Communications Payments Solutions Limited | 100% | INR | NA | 754.46 | (166.68) | 1,090.77 | 502.99 | - | 528.10 | (171.74) | - | (171.74) | - |
| 2 | Tata Communications Transformation Services Limited | 100% | INR | NA | 0.50 | 247.15 | 657.52 | 409.87 | - | 1,018.45 | 96.14 | 33.58 | 62.56 | - |
| 4 | Tata Communications Collaboration Services Private Limited | 100% | INR | NA | 0.02 | 2.60 | 15.40 | 12.78 | - | 12.40 | 4.19 | 1.47 | 2.72 | - |
| 3 | Tata Communications Lanka Limited | 90% | USD | 64.92 | 7.77 | 77.89 | 104.91 | 19.25 | - | 98.94 | 22.95 | 1.20 | 21.75 | - |
| 5 | Tata Communications (UK) Limited | 100% | USD | 64.92 | 87.92 | (559.96) | 812.06 | 1,284.10 | - | 2,365.59 | 16.42 | - | 16.42 | - |
| 6 | Tata Communications (Canada) Ltd | 100% | USD | 64.92 | 431.85 | (1,789.16) | 821.99 | 2,179.30 | - | 3,072.16 | (179.42) | - | (179.42) | - |
| 7 | Tata Communications Services (Bermuda) Ltd | 100% | USD | 64.92 | 68.89 | 12.25 | 85.92 | 4.78 | - | 346.16 | 272.70 | - | 272.70 | - |
| 8 | Tata Communications (France) SAS | 100% | USD | 64.92 | 132.38 | (117.73) | 289.15 | 274.50 | - | 263.85 | (1.95) | - | (1.95) | - |
| 9 | Tata Communications (America) Inc | 100% | USD | 64.92 | 1,471.11 | (781.60) | 2,061.16 | 1,371.65 | 100.49 | 3,092.94 | (20.83) | 1.69 | (22.52) | - |
| 10 | Tata Communications Deutschland GmbH | 100% | USD | 64.92 | 0.22 | (145.32) | 137.84 | 282.94 | - | 512.51 | (67.57) | - | (67.57) | - |
| 11 | Tata Communications (Italy) srl | 100% | USD | 64.92 | 39.06 | (37.31) | 143.34 | 141.59 | - | 113.08 | (5.86) | - | (5.86) | - |
| 12 | Tata Communications (Spain) SL | 100% | USD | 64.92 | 3.49 | 77.05 | 111.41 | 30.87 | - | 128.60 | 6.16 | 0.42 | 5.74 | - |
| 13 | Tata Communications (Nordic) AS | 100% | USD | 64.92 | 0.11 | 0.53 | 8.70 | 8.06 | - | 6.36 | 0.63 | - | 0.63 | - |
| 14 | Tata Communications (Australia) Pty Ltd | 100% | USD | 64.92 | 2.32 | 6.72 | 64.72 | 55.68 | - | 216.65 | 2.37 | 4.14 | (1.77) | - |
| 15 | Tata Communications (Bermuda) Ltd | 100% | USD | 64.92 | 0.08 | (2,433.82) | 3,851.03 | 6,284.77 | - | 369.60 | (552.20) | - | (552.20) | - |
| 16 | Tata Communications (Hong Kong) Limited | 100% | USD | 64.92 | 52.08 | (84.89) | 339.51 | 372.32 | 129.84 | 429.60 | (11.82) | - | (11.82) | - |
| 17 | Tata Communications (Poland) Sp Zoo | 100% | USD | 64.92 | 3.07 | 2.19 | 15.48 | 10.22 | - | 58.75 | 0.26 | 1.16 | (0.90) | - |
| 18 | Tata Communications Services (International) Pre Ltd | 100% | USD | 64.92 | 2.24 | 12.19 | 28.92 | 14.49 | - | 33.30 | 1.65 | - | 1.65 | - |
| 19 | ITXC IP Holdings s.a.r.l | 100% | USD | 64.92 | 0.11 | 124.11 | 191.21 | 66.99 | - | 14.17 | 14.84 | 0.06 | 14.78 | - |
| 20 | Tata Communications (Netherlands) BV | 100% | USD | 64.92 | 1,167.27 | (472.80) | 6,856.17 | 6,161.70 | 86.70 | 1,721.50 | 28.64 | 18.92 | 9.72 | - |
| 21 | Tata Communications (Sweden) AB | 100% | USD | 64.92 | 2.37 | (0.64) | 5.04 | 3.31 | - | 6.22 | - | 0.06 | (0.06) | - |
| 22 | Tata Communications (Portugal) Instalacao E Manutencao De Redes Lda | 100% | USD | 64.92 | 394.16 | (401.78) | 64.41 | 72.03 | - | 32.21 | 3.80 | 1.40 | 2.40 | - |
| 23 | Tata Communications (Portugal) Unipessoal Lda | 100% | USD | 64.92 | 9.05 | 0.03 | 9.11 | 0.03 | - | - | (0.11) | - | (0.11) | - |
| 24 | Tata Communications (Russia) LLC | 99.90% | USD | 64.92 | 0.57 | 24.13 | 28.82 | 4.12 | - | 9.20 | (2.60) | (0.98) | (1.62) | - |
| 25 | Tata Communications (Switzerland) GmbH | 100% | USD | 64.92 | 3.08 | (0.22) | 7.17 | 4.31 | - | 6.02 | 0.11 | 0.04 | 0.07 | - |
| 26 | Tata Communications (Belgium) SPRL | 100% | USD | 64.92 | 21.67 | (21.02) | 1.75 | 1.10 | - | 3.99 | 0.08 | - | 0.08 | - |
| 27 | Tata Communications (Hungary) LLC | 100% | USD | 64.92 | 1.41 | (0.70) | 4.86 | 4.15 | - | 7.38 | (0.09) | - | (0.09) | - |
| 28 | Tata Communications (Ireland) Ltd | 100% | USD | 64.92 | 0.00 | (0.35) | 8.34 | 8.69 | - | 6.88 | 0.25 | 0.00 | 0.25 | - |
| 29 | Tata Communications (Middle East) FZ-LLC | 100% | USD | 64.92 | 0.09 | (23.86) | 9.13 | 32.90 | - | 45.74 | 1.05 | - | 1.05 | - |
| 30 | TCPop Communications GmbH | 100% | USD | 64.92 | 0.30 | 5.90 | 8.71 | 2.51 | - | 5.32 | 2.26 | 0.63 | 1.63 | - |
| 31 | Tata Communications (Taiwan) Ltd | 100% | USD | 64.92 | 0.05 | (0.31) | 8.10 | 8.36 | - | 11.44 | 0.40 | 0.09 | 0.31 | - |
| 32 | Tata Communications (New Zealand) Limited | 100% | USD | 64.92 | 0.00 | 0.67 | 2.10 | 1.43 | - | 1.73 | 0.01 | (0.01) | 0.02 | - |

| Sl. No. | Name of the subsidiary company | Percentage holding | Reporting currency | Exchange rate | Share Capital | Reserves | Total Assets | Total Liabilities | Investment Details (except in case of investment in the subsidiaries) | Total Turnover | Profit before Taxation | Provision for Taxation | Profit after Taxation | Proposed Dividend |
|---------|---|--------------------|--------------------|---------------|---------------|----------|--------------|-------------------|---|----------------|------------------------|------------------------|-----------------------|-------------------|
| 33 | Tata Communications (Malaysia) Sdn Bhd | 100% | USD | 64.92 | 0.31 | 1.46 | 14.28 | 12.51 | - | 22.18 | 1.04 | 0.22 | 0.82 | - |
| 34 | Tata Communications (Thailand) Limited | 100% | USD | 64.92 | 0.62 | (0.98) | 0.46 | 0.82 | - | - | (0.69) | - | (0.69) | - |
| 35 | Tata Communications (Beijing) Technology Limited | 100% | USD | 64.92 | 1.06 | (0.24) | 1.28 | 0.46 | - | 3.28 | 0.03 | - | 0.03 | - |
| 36 | Tata Communications South Korea Limited | 100% | USD | 64.92 | 1.69 | (0.26) | 1.48 | 0.05 | - | - | (0.26) | - | (0.26) | - |
| 37 | Tata Communications (Japan) KK | 100% | USD | 64.92 | 23.55 | (29.49) | 478.84 | 484.78 | - | 185.69 | (13.21) | (7.54) | (5.67) | - |
| 38 | Tata Communications (Guam) LLC | 100% | USD | 64.92 | - | 133.85 | 176.90 | 43.05 | - | 42.45 | 14.42 | 0.97 | 13.45 | - |
| 39 | Tata Communications International Pte Ltd | 100% | USD | 64.92 | 1,240.64 | (603.70) | 2,663.82 | 2,026.88 | 215.71 | 927.15 | 889.73 | - | 889.73 | - |
| 40 | VSNL SNOSPV Pte Ltd | 100% | USD | 64.92 | 4.99 | (294.32) | 134.39 | 423.72 | - | - | 3,785.50 | - | 3,785.50 | - |
| 41 | SEPCO Communications (Pty) Ltd | 73.16% | ZAR | 4.85 | 0.00 | 182.07 | 182.26 | 0.19 | - | - | 182.23 | - | 182.23 | - |
| 42 | Nexus Connexion (SA) Pty Ltd | 100% | ZAR | 4.85 | - | (0.06) | - | 0.06 | - | - | (0.06) | - | (0.06) | - |
| 43 | Tata Communications Transformation Services (Hungary) Kf | 100% | HUF | 0.22 | 0.07 | (0.07) | 0.07 | 0.07 | - | - | (0.07) | - | (0.07) | - |
| 44 | Tata Communications Transformation Services Pte Limited | 100% | SGD | 46.45 | 0.33 | (0.12) | 0.29 | 0.08 | - | - | (0.12) | - | (0.12) | - |
| 45 | Tata Communications Transformation Services (US) Inc | 100% | USD | 64.92 | - | - | - | - | - | - | - | - | - | - |
| 46 | Tata Communications (Brazil) Participacoes Limitada | 100% | BRL | 20.61 | - | - | - | - | - | - | - | - | - | - |
| 47 | Tata Communications Services (Brazil) Comunicacoes Limitada | 100% | BRL | 20.61 | - | - | - | - | - | - | - | - | - | - |

PART "B" ASSOCIATES

| Sl. No. | Name of Associate | Associate | Percentage holding | Reporting Currency | Description of how there is significant influence | Number of shares held | Amount of Investment | Networth attributable to shareholding as per the latest balance sheet | Profit/loss for the year considered in consolidation | Profit/loss for the year not considered in consolidation |
|---------|---|-----------|--------------------|--------------------|---|-----------------------|----------------------|---|--|--|
| 1 | STT Tai Seng Pte Ltd | Associate | 26% | SGD | Shareholding more than 20% | 52 | 216.35 | 27.83 | 0.64 | - |
| 2 | STT Global Data Centres India Private Limited | Associate | 26% | INR | Shareholding more than 20% | 2,600 | 588.98 | 31.82 | 4.44 | - |
| 3 | United Telecom Limited | Associate | 26.66% | NPR | Shareholding more than 20% | 57,319,000 | 35.82 | 7.01 | - | (12.47) |
| 4 | Smart ICT Services Private Limited | Associate | 24.00% | INR | Shareholding more than 20% | 244,874 | 0.21 | 0.05 | (0.02) | - |

BOARD OF DIRECTORS**MS. RENUKA RAMNATH****CHAIRPERSON**

Ms. Renuka Ramnath is an Independent Director of our Company. She has obtained a graduate degree in engineering from Veermata Jijabai Technological Institute, University of Mumbai and a post graduate degree in business administration from the University of Mumbai. She has also completed the Advanced Management Program from Harvard Business School. She is the Managing Director and CEO of Multiples Alternate Asset Management Private Limited, a private equity firm she founded in 2009. She has over 30 years of experience in the Indian financial sector across private equity, investment banking and structured finance. Earlier, she has served as the Managing Director and Chief Executive Officer of ICICI Venture Funds Management Company Limited for close to a decade. She was appointed as Director of our Company on December 8, 2014 and was elected as Chairperson of our Company with effect from April 14, 2017.

MR. VINOD KUMAR**MANAGING DIRECTOR & GROUP CEO**

Mr. Vinod Kumar is the Managing Director and CEO of Tata Communications, a company which is part of the \$108.78 billion dollar Tata Group of companies.

Vinod joined Tata Communications in April 2004, just when the company was embarking on its journey of international growth. He was closely associated with the acquisitions of the Tyco Global Network and Teleglobe and assumed responsibility as Managing Director of the Company's international operations. Subsequently, he was promoted to Chief Operating Officer, responsible for managing the Global Data Business Unit as well as the Engineering and Operations functions. Mr. Kumar was also appointed as a non-executive director on the Board of Tata Communications Limited in February 2007. In February 2011, Mr. Vinod Kumar was appointed as the Managing Director and Group CEO of Tata Communications Limited.

Vinod has been at the forefront of Tata Communications' transformation from a traditional connectivity services provider, largely in India, to a truly global services provider – offering a broad range of managed communication, collaboration and cloud services, successfully transforming Tata Communications into a truly global organisation that enables large enterprises in their digital transformation journeys.

With 25 years of experience in the global telecom industry, Mr. Kumar has had an impressive track record in developing business strategies and creating fast growth organisations across the globe.

Prior to Tata Communications, he was a Senior Vice President with Asia Netcom from 2002-2004, and was responsible for strategy formulation, product marketing, sales and generating top-line growth. He was actively involved in the financial restructuring and eventual asset sale of Asia Global Crossing to China Netcom, resulting in the formation of Asia Netcom.

From 1999 to 2002, Mr. Vinod Kumar worked with WorldCom Japan as its Chief Executive Officer. Prior to this, he held various senior positions in Global One and Sprint International in the United States and Asia where he had major responsibilities in market management, sales, marketing, product management, multinational account management and operations.

Mr. Vinod Kumar was born in 1965 and graduated with honors in Electrical and Electronic Engineering from the Birla Institute of Technology and Science in India.

MR. SRINATH NARASIMHAN**DIRECTOR**

Mr. Srinath Narasimhan is the Managing Director of Tata Teleservices Limited and Tata Teleservices (Maharashtra) Limited.

With over 31 years of experience within the Tata Group, Mr. Srinath has held various leadership positions across Tata companies in areas such as Process Automation and Control, Information Technology and Telecommunications.

Prior to joining Tata Teleservices, Mr. Srinath was the Managing Director and CEO of Tata Communications (erstwhile VSNL). Under his leadership, Tata Communications has transformed from a monopoly, public sector undertaking into a global communications services provider offering advanced network, managed and cloud services to customers worldwide.

Mr. Srinath has received several recognitions in the telecom industry. For a period of two consecutive years (2008 and 2009), he was named as the world's eighth most influential telecom personality by the Global Telecoms Business magazine as well as the 'Telecom Person of the Year' by the India-based Voice and Data magazine in 2008. Mr. Srinath was named the 'Telecom CEO of the Year' in Asia by the leading publishing group Telecom Asia in 2006. In the same year he was also conferred the Udyog Rattan Award by the Institute of Economic Studies (IES).

Mr. Srinath has also served as the Chief Executive Officer of Tata Internet Services in late 2000 and Chief Operating Officer at Tata Teleservices Limited in 1999. In the early part of his career, he was Executive Assistant to the Chairman of Tata Industries, a position he held until 1992. He was part of the team that set up Tata Information Systems (later known as Tata IBM) and where, between 1992 and 1998, he worked on a number of assignments in sales and marketing.

In addition to being Managing Director of Tata Teleservices Limited and Tata Teleservices (Maharashtra) Limited, Mr. Srinath also serves as a Director on the Boards of Tata Business Support Services (TBSS), Tata Industries Limited, Honeywell Automation India Limited, ATC Telecom Infrastructure Private Limited, Tata Communications and its related entities.

Mr. Srinath holds a degree in Mechanical Engineering from the Indian Institute of Technology, Chennai and an MBA from the Indian Institute of Management, Kolkata, specializing in marketing and systems.

MR. KISHOR CHAUKAR

DIRECTOR

Mr. Kishor Chaukar retired in August 2012, as the Managing Director of Tata Industries Limited (TIL). TIL acts as the new projects-promotion arm of the Tata Group, and spearheads the entry of the Group in the emerging high-tech and sunrise sectors of the economy.

While at TIL, Mr. Chaukar was a member of the Group Corporate Centre, which is engaged in strategy formation at the House of Tata. Mr. Chaukar also chaired for several years the Tata Council for Community Initiatives (TCCI). He was also a member of the Board and Advisory Board of some national and international organisations in the Corporate Sustainability and Human Rights space.

Mr. Chaukar is a director of several Tata Companies and the Chairman of Tata Teleservices (Maharashtra) Limited. Mr. Chaukar is a Trustee of BAIF Development Research Foundation, an NGO engaged in extending relevant technology into rural India for generating economically remunerative employment.

Before joining Tatas, Mr. Chaukar was the Managing Director of ICICI Securities & Finance Company Limited (July 1993 to October 1998), and a member of the Board of Directors of ICICI Limited from February 1995 to October 1998). During 1975-85, he served as an Executive Secretary of Bharatiya Agro Industries Foundation,

He is a graduate in Economics from Karnataka University and holds Post-Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. He also holds a DEA in Rural Economics from the University of Dijon, France.

DR. UDAY B. DESAI

DIRECTOR

Dr. Uday B. Desai received a B. Tech. degree from Indian Institute of Technology, Kanpur, India, in 1974, an M.S. degree from the State University of New York, Buffalo,

in 1976, and a Ph.D. degree from The Johns Hopkins University, Baltimore, U.S.A., in 1979, all in Electrical Engineering. Since June 2009 he is the Director of IIT Hyderabad and he is also the Mentor Director for IIIT Chittoor. He was the Mentor Director for IIT Bhilai.

He has held faculty positions at different universities: Assistant and then Associate Professor at Washington State University and Professor at IIT Bombay. He has held Visiting Associate Professor's position at Arizona State University, Purdue University, and Stanford University. He was a visiting Professor at EPFL, Lausanne and has been the Director of HP-IITM R and D Lab. at IIT-Madras.

His research interest is in Cyber physical systems, Internet of things, digital fabrication, wireless communication, cognitive radio, wireless sensor networks and statistical signal processing. He has been a co-author of 9 research monographs, and author of nearly 300 peer reviewed papers in international journals and international conferences.

He is a member of many central governmental committees and several governing councils of academic institutions. He was a member of the high powered committee for review of AICTE. He is on the board of Tata Communications Limited.

Dr. Desai is a Fellow of Indian National Science Academy, and a Fellow of Indian National Academy of Engineering. He is the recipient of J C Bose Fellowship. He is also the recipient of the Excellence in Teaching Award from IIT-Bombay. In 2015 he received the Outstanding Alumni award from University of Buffalo, and in 2016 he received the Distinguished Alumni Award from IIT Kanpur.

MR. SAURABH KUMAR TIWARI

DIRECTOR

Mr. Saurabh K. Tiwari, born in 1967, holds a Master's degree in Political Science with a Certificate of Merit from the University of Allahabad. He completed his MBA with specialisation in Finance from National Institute of Financial Management, an autonomous body under

Ministry of Finance, Government of India. He has an LLB degree from the Delhi University. Besides being a Fellow of the University Grants Commission, he has taught Political Philosophy in the Post Graduate Classes of the University of Allahabad for two years.

After clearing the Civil Services Examination in 1993, he joined the Indian P&T Accounts and Finance Service (IP&TAFS). He has wide ranging work experience in the Government of India and PSUs. He was the Deputy General Manager (Finance) of Central Area of MTNL, Delhi which provides service to the elite of India including the President, Prime Minister, Union Council of Ministers, Embassies, High Commissions and the Central Business District. He has also served as the Financial Advisor to various units of the Indian Air Force including the Central Air Command, Bamrauli.

He was instrumental in designing and implementing the software for the revision of pension of more than two million Defence Pensioners, spread throughout the country, in accordance with the recommendations of the Sixth Pay Commission. His assignment as Deputy Director General (Licensing Finance), Department of Telecommunications, Government of India involved assessment of revenue to the tune of Rupees Two Lakh crore annually resulting in collection of ₹ 11,300 crores (approximately) in the form of licence fee – one of the largest contributors to the non-tax revenue of the Union Government. Mr. Tiwari's current assignment is as Deputy Director General (FEB), Department of Telecommunications, Government of India wherein he is responsible for Human Resource Management and Financial Management in the Department of Telecommunications. He is credited with successful steering of the first Cadre Review of IP&TAFS. He is also a Technical Advisor to Government Accounting Standards Advisory Board. Besides, he is also the Chairman cum Managing Director (CMD) of M/s Hemisphere Properties India Limited, a PSU of Government of India.

He has attended various trainings and seminars in India and abroad. Besides, he has been a regular faculty in

various Training Institutes. Mr. Tiwari has exemplary leadership qualities. He was the General Secretary of the Indian P&T Accounts and Finance Service Officers' Association for almost a decade. Shri Tiwari also pursues poetry as a hobby and his poems have been published in two anthologies: "Rooh Ki Aawaaz" and "Kashti Mein Chand". An avid sportsperson, he has won various awards in games like Athletics, Volleyball, Football, Badminton, Cricket and Tennis.

MR. BHARAT VASANI

DIRECTOR

Mr. Bharat Vasani is a renowned corporate lawyer in India with international reputation. Presently, he is the General Counsel of the Tata Group, a position he has held since December 2000.

Mr. Vasani has over 3 decades of experience at a senior management level in successfully managing the in house legal departments of large corporations with international operations. He is reputed for having the most diverse corporate legal experience, ranging from complex Mergers and Acquisitions to handling high-profile litigations, both civil and criminal.

Mr. Vasani is presently Non-Executive Director on the Boards of Tata Sky Ltd., Rallis India Ltd. and Tata Communications Ltd.

Mr. Vasani has won several national and international awards, including the Professional Excellence Award from the Harvard Law School in May, 2016.

DR. GOPICHAND KATRAGADDA

DIRECTOR

Dr. Gopichand Katragadda is the Group Chief Technology Officer and Innovation Head for Tata Sons. In this role, Dr. Katragadda drives technology and innovation for the Tata conglomerate leveraging cross-company synergies. He is a director on the boards of Tata Elxsi Limited, Tata Communications Limited, Tata Communications International Pte. Limited, Tata Teleservices Limited, Tata

Autocomp Systems Limited, and Flisom AG.

Previously, as the Chairman and Managing Director of GE India Technology Centre, he facilitated funding of cross-business innovation, championed the commissioning of new research labs, developed research teams, and helped build GE's largest R&D Centre – the John F. Welch Technology Centre (JFWTC). Under his leadership, the JFWTC team was contributing to over 300 US patents a year. Dr. Katragadda also served as the chairman for GE-BEL.

Before joining GE, Dr. Katragadda worked with Karta Technologies, San Antonio, Texas, as Vice President of Research and Development. At Karta, Dr. Katragadda led the development of advanced sensor technology for US government agencies and research consortiums. He also was an Adjunct Professor at the University of Texas and served on the Board of Directors for Texas Public Radio.

Dr. Katragadda provides the voice of technology for various Industry bodies in India including CII and NASSCOM. He is the India Chair for the Technology track of the Indo-UK Joint Economic and Trade Committee, which facilitates the Government to Government negotiations on market liberalisation. Dr. Katragadda chairs the India Development Panel and is a Fellow of the Institute of Engineering and Technology. He is on the India Council for the Anita Borg Institute. He is a GE Certified Six Sigma Master Black Belt. Dr. Katragadda has over 30 publications and 5 patents. He has authored a book on innovation "SMASH," published by Wiley.

Dr. Katragadda holds MS and PhD degrees in Electrical Engineering from Iowa State University, Ames, Iowa.

MR. G. NARENDRA NATH

DIRECTOR

Mr. G.Narendra Nath, is working as Deputy Director General (Security), Department of Telecommunications, Government of India since July 2, 2014 with overall responsibilities for the policy formulation and implementation and matters pertaining to Telecom

network security of India. Responsibilities include coordination on matters of national security with other wings. Prior to this he was Deputy Director General (Security Audit), Department of Telecommunications, Government of India, for a year responsible for the finalisation of the processes and procedures to conduct of security audit of the networks of Telecom Service Providers.

He has over 27 years of experience in telecom including 17 years of senior management experience in the areas of telecom network planning, installation, operation and maintenance, marketing & business development and training. He started his professional career with Oil and Natural Gas Commission in maintenance of Real Time Geophysical Data Acquisition, and UHF and VHF communication systems.

In 1987 he joined the Indian Telecommunication Service, Department of Telecommunications (DoT), Government of India. He was instrumental in the planning, engineering,

deployment and operation and maintenance of 2G GSM network for 500 thousand lines and planning of the 3G network in the Indian state of Jharkhand. He was a faculty at Advanced Level Telecommunication Training Centre an ITU, UNDP and Government of India established training facility for a period of nine years in the areas of CCS#7, GSM Network planning, Intelligent Networks and Marketing of Telecom Services and was head of the Faculty of Management Courses. He was deputed to Nairobi, Kenya as an expert to conduct a four day Commonwealth Telecommunication Organisation Course on Management of Universal Service Funds. He was awarded a certificate of 'Sanchar Shiromani' by the Department of Telecommunications for the services in the telecom sector.

He holds a Masters in Technology from Indian Institute of Technology, Delhi with specialisation in VLSI design. He is trained as a Lead Auditor for ISO 9001:2008. He is a member of the National Working Group for ITU-T SG-17 on Security.

Notes

This image shows a full page of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page, providing a template for writing or drawing. There are no margins, text, or other markings on the page.

Notes

TATA COMMUNICATIONS LIMITED

Corporate Identification No.(CIN) - L64200MH1986PLC039266

Registered Office: VSB, Mahatma Gandhi Road, Fort, Mumbai - 400 001.

Tel : +91 22 6657 8765, Fax : +91 22 6725 1962, Email : manish.sansi@tatacommunications.com, Website : www.tatacommunications.com



ATTENDANCE SLIP

(To be presented at the entrance)

31st ANNUAL GENERAL MEETING ON TUESDAY, JUNE 27, 2017 AT 11.00 A.M.

at at M C Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Road, Kalaghoda, Mumbai - 400001.

Folio No. _____ DP ID No. _____ Client ID No. _____

Name of the Member _____ Signature _____

Name of the Proxyholder _____ Signature _____

1. Only Member/Proxyholder can attend the Meeting.
2. Member/Proxyholder should bring his/her copy of the Annual Report for reference at the Meeting.

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PROXY FORM

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the Member(s) : _____

Registered address : _____

E-mail ID : _____

Folio No./Client ID No. : _____ DP ID No. : _____

I/We, being the member(s) holding _____ Shares of **Tata Communications Limited**, hereby appoint

1. Name : _____ E-mail ID : _____

Address : _____

or failing him

Signature : _____

2. Name : _____ E-mail ID : _____

Address : _____

or failing him

Signature : _____

3. Name : _____ E-mail ID : _____

Address : _____

Signature : _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 31st Annual General Meeting of the Company to be held on Tuesday, June 27, 2017 at 11.00 a.m. at M C Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Road, Kalaghoda, Mumbai - 400001 and at any adjournment thereof in respect of such resolutions as are indicated below:

1. To receive, consider and adopt:
 - a) Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2017, together with the Reports of the Board of Directors and the Auditors thereon; and
 - b) Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2017 along with the Report of the Auditors thereon.
2. Declaration of Dividend for the financial year 2016-17.
3. Re-appointment of Mr. Bharat Vasani as a Director.
4. Re-appointment of Mr. N. Srinath as a Director.
5. Appointment of Statutory Auditors.
6. Appointment of Mr. G. Narendra Nath as a Director.
7. Ratification of Cost Auditor's Remuneration.

Signed this day of 2017

Affix
Revenue
Stamp

Signature of shareholder.....

Signature of Proxyholder(s).....

- NOTES: 1. This Form in order to be effective should be duly completed and deposited at the Registered Office of the Company at VSB, Mahatma Gandhi Road, Fort, Mumbai - 400 001, not less than 48 hours before the commencement of the Meeting.
2. Those Members who have multiple folios with different joint-holders may use copies of this Attendance slip/Proxy.

INDIA

Tata Communications Limited
Plots C21 and C36
Block G, Bandra Kurla Complex
Bandra (East)
Mumbai 400 098

SINGAPORE

Tata Communications
International Pte. Ltd.
Tata Communications Exchange
35 Tai Seng Street, #06-01
Singapore 534103
Registration Number: 20040025G

HONG KONG

Tata Communications
(Hong Kong) Limited
Room 3702, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

UNITED KINGDOM

Tata Communications
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Vintners Place
68 Upper Thames Street
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United Kingdom

GERMANY

Tata Communications
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60486 Frankfurt am Main,
Germany

FRANCE

Tata Communications
(France) SAS
66 Avenue Charles de Gaulle
92200 Neuilly sur Seine
France

CANADA

Tata Communications
(Canada) Limited
1441 Rue Carrie-Derick
Montreal, Quebec
Canada H3C 4S9

UNITED STATES

Tata Communications
(America) Inc.
2355 Dulles Corner Boulevard,
Suite 700
Herndon, VA 20171

A NEW WORLD OF COMMUNICATIONS™

www.tatacommunications.com

Tata Communications Limited

VSB, Mahatma Gandhi Road,
Fort Mumbai, 400 001
India

About Tata Communications

Tata Communications Limited (CIN no: L64200MH1986PLC039266) along with its subsidiaries (Tata Communications) is a leading global provider of A New World of Communications™. With a leadership position in emerging markets, Tata Communications leverages its advanced solutions capabilities and domain expertise across its global network to deliver managed solutions to multi-national enterprises and communications service providers.

The Tata Communications global network includes one of the most advanced and largest submarine cable networks and a Tier-1 IP network with connectivity to more than 240 countries and territories across 400 PoPs, as well as nearly 1 million square feet of data centre and colocation space worldwide.

Tata Communications' depth and breadth of reach in emerging markets includes leadership in Indian enterprise data services and leadership in global international voice communications.

Tata Communications Limited is listed on the Bombay Stock Exchange and the National Stock Exchange of India.

www.tatacommunications.com |  [@tata_comm](https://twitter.com/tata_comm)

<http://tatacommunications-newworld.com> | www.youtube.com/tatacomms

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