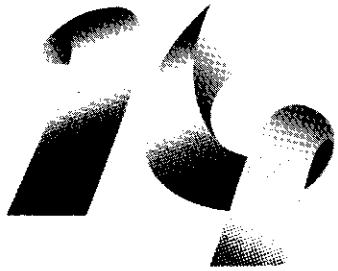
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ANNUAL REPORT



1999-2000

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TATA TELECOM

A TATA & Lucent Technologies Company

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MAJOR ACCOUNT ACQUISITIONS

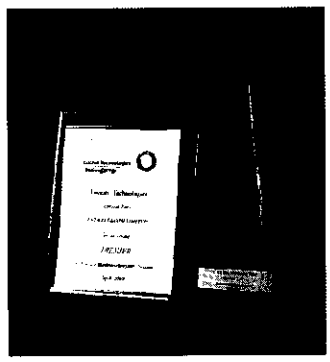
The quest to provide integrated communication networks to Indian companies saw Tata Telecom join Lucent's coveted 5 million dollar club, by winning prestigious accounts like GE Capital, Godrej & Boyce and Gujarat Sachivalaya.



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STRENGTHENING CUSTOMER RELATIONSHIPS





Tata Telecom launched 'CLUBELITE', reinforcing its commitment to understand and serve clients better. This effort, along with achieving the 'Premier Level' of Business Partner certification, is just a reflection of our continuous effort to strengthen customer relationships.

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TATA TELECOM

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TATA TELECOM LIMITED

DIRECTORS

H. N. SETHNA	*Resigned w.e.f. April 4, 2000*
D. S. PENDSE	
R. VENKATARAGHAVAN	*Resigned w.e.f. April 4, 2000*
S. K. BHATNAGAR	
M. J. BUTCHER	*Resigned w.e.f. May 25, 2000*
JOHN WINCHESTER	*Resigned w.e.f. January 28, 2000*
D. J. LOVATT	*Resigned w.e.f. May 25, 2000*
HORATIO WONG	*Appointed w.e.f. May 25, 2000*
MARK LEIGH	
K.A. CHAUKAR	
NIRU MEHTA	*Appointed w.e.f. May 25, 2000*

VICE PRESIDENT — FINANCE and COMPANY SECRETARY

RAVI PANDIT

AUDITORS

M/s. C. C. CHOKSHI & CO.
Chartered Accountants

LEGAL ADVISOR

SHIRIN BHARUCHA

REGISTERED OFFICE

Bombay House,
24, Homi Mody Street,
Mumbai 400 001.

CORPORATE OFFICE

Shri Pratap Udyog, 4th Floor,
274, Captain Gaur Marg,
Srinivas Puri,
New Delhi 110 065.

WORKS

E-1/I, Gandhinagar Electronics Estate,
Gandhinagar 382 044 (Gujarat).

Kanjikode West,
Palakkad 678 623.

BANKERS

BANK OF INDIA
AMERICAN EXPRESS BANK LTD.
BANK OF BARODA
CANARA BANK
STATE BANK OF TRAVANCORE
CREDIT AGRICOLE INDOSUEZ
THE LAKSHMI VILAS BANK LTD.

REGISTRARS AND SHARE TRANSFER AGENTS

TATA SHARE REGISTRY LTD.
Army & Navy Building,
148, Mahatma Gandhi Road,
Fort, Mumbai 400 001.
Tel. No.: 2873831
Fax No.: 2844160
Web Site: www.tatashare.com
Email: csg-unit@tatashare.com

REGIONAL OFFICES AND BRANCHES

AHMEDABAD, BANGALORE, BARODA, CALCUTTA, CHANDIGARH, CHENNAI, DELHI, GUWAHATI, HYDERABAD, JAIPUR, JAMSHEDPUR, LUCKNOW, MUMBAI, NAGPUR, PUNE.

SERVICE CENTRES

ALLAHABAD, BHUBANESHWAR, COCHIN, COIMBATORE, GURGAON, INDORE, JAMMU, JODHPUR, KANPUR, KOTA, LUDHIANA, NOIDA, SRINAGAR, SURAT, TRIVANDRUM, VIZAG.

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE FOURTEENTH ANNUAL GENERAL MEETING OF TATA TELECOM LIMITED will be held on Thursday, July 27, 2000, at 4.00 p.m. at the Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Mumbai 400 001, to transact the following business:

1. To receive and adopt the Directors' Report and audited Profit and Loss Account for the year ended March 31, 2000 and the Balance Sheet as at that date.
2. To appoint a Director in place of Mr. D. S. Pendse, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Horatio Wong, who was appointed a Director of the Company pursuant to Article 152 of the Articles of Association of the Company to fill the casual vacancy on the Board caused by the resignation of Mr. D. J. Lovatt and who, pursuant to Section 262 of the Companies Act, 1956, holds office upto the date of this Annual General Meeting, but is eligible for re-appointment and in respect of whom the Company has received a Notice in writing from a member proposing his candidature for the office of Director, under Section 257 of the Act.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting and to fix their remuneration.

Notes:-

[a] The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item no. 3 is annexed hereto.

[b] A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

[c] The Register of Members and the Share Transfer Books of the Company will remain closed from June 4, 2000 to July 3, 2000 (both days inclusive).

[d] As per the provisions of the Companies Act, 1956, facility for making nominations is now available for shareholders, debentureholders and fixed deposit holders in respect of the shares, debentures and deposits held by them. Nomination forms can be obtained from the Registrars and Share Transfer Agents of the Company.

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By Order of the Board of Directors

RAVI PANDIT
Vice President — Finance & Company Secretary

Mumbai, May 25, 2000

Registered Office :
Bombay House,
24, Homi Mody Street,
Mumbai 400 001.

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TATA TELECOM
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EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the business under item no. 3 of the accompanying Notice dated May 25, 2000.

Mr. Horatio Wong was appointed a director of the Company under Article 152 of the Articles of Association of the Company, on May 25, 2000, to fill the casual vacancy on the Board caused by the resignation of Mr. D. J. Lovatt. Under Section 262 of the Companies Act, 1956, Mr. Wong holds office only upto the date up to which Mr. Lovatt, in whose vacancy Mr.Wong was appointed, would have held office i.e. upto the date of the forthcoming Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, from a member proposing the candidature of Mr. Wong as a Director of the Company. Mr. Wong is the Chief Financial Officer, Lucent Technologies BCS Asia/Pacific for Lucent Technologies Inc., U.S.A., based at Hongkong. Mr. Wong is already associated with the Company in the capacity of an Alternate Director to Mr. D. J. Lovatt. The Board is of the opinion that the continued association of Mr. Wong would be in the interest of the business of the Company and therefore it commends his appointment.

By Order of the Board of Directors

RAVI PANDIT
Vice President — Finance & Company Secretary

Mumbai, May 25, 2000

Registered Office :
Bombay House,
24, Homi Mody Street,
Mumbai 400 001.

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DIRECTORS' REPORT

1. The Directors hereby present the Fourteenth Annual Report and the audited statement of accounts for the year ended March 31, 2000.

2. **Financial Results**

		(Rs. Lacs) Year ended 31-3-2000	Previous Year ended 31-3-1999
[a]	Sales and Services	**18172.01**	17545.90
[b]	Profit/(Loss) before interest, depreciation & tax	**1093.14**	(347.60)
[c]	Less: Interest	**1149.64**	1204.99
	Depreciation	**468.86**	411.86
[d]	Loss before tax	**(525.36)**	(1964.45)
[e]	Less: Provision for taxation	**0.60**	0.60
[f]	Loss after tax	**(525.96)**	(1965.05)
[g]	Add: Excess provision for taxation for earlier years	**—**	2.58
[h]	Profit/(Loss) Brought Forward	**(1325.64)**	390.90
[i]	Transfer from General Reserves	**95.50**	245.93
[j]	Balance Carried Forward	**(1756.10)**	(1325.64)

3. **Dividend**

In view of the loss incurred during the year, the Directors are unable to recommend payment of a dividend.

4. **Economic Scene**

After 3 years of sluggish economic conditions, the Indian economy has started looking up. The general optimism prevailing on the bourses, has encouraged the Foreign Institutional Investors (FIIs) to put in more money in the Indian capital market. Along with the growth of economy, the political stability is also reflected in the optimistic climate prevailing in the money market. Although United States has continued with the sanctions imposed on the country, the severity of sanctions is reducing, opening up hopes of at least a partial lifting of the sanctions.

However, the major area of concern is the increasing budgetary deficit of both the Central and various State Governments . In order to correct this situation, the administrative expenditure will have to be tightened. This, coupled with some positive steps towards the resolution of regulatory issues relating to power tariff, insurance sector investments and increase in expenditure on infrastructure projects will give further boost to the economy. On this background, looking to the results so far declared by leading corporates, it is felt that the worst is over and the Indian economy is poised to grow in the years to come.

5. **Telecommunications Scene**

On the Telecommunications front, the service operators are now allowed to pay their licence fees over a period, linked to their revenue earnings. This has encouraged investments in this

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DIRECTORS' REPORT (Contd.)

sector and as a corrolary, a few consolidations, particularly in the mobile telephony are shaping up. It is expected that this trend will continue resulting in cellular service operators coming under one umbrella, which in turn will result in the making of strong service operators with the right combination of financial strengths, managerial acumen etc. The roll out implementation by the basic service operators has also started in the states of Madhya Pradesh, Maharashtra, Andhra Pradesh and is likely to happen shortly in Gujarat.

These developments, we believe will help your Company who is a leading supplier of terminal - end equipment. We are also exploring the possibilities of entering into new fields including Video Conferencing, Multimedia, Structured Cabling and Data Products. As the first step in this direction we have signed distribution agreements with Polycom and Lucent Technologies. On the whole, it is felt that business in the telecom sector is likely to grow in the next couple of years, of which your Company would be a direct beneficiary.

6. **Financial Results**

The Business of your Company is divided into two major divisions, namely, the Business Communications Division (BCD) and the Tatafone Division (TFD). The financial results of these two divisions in the year under reference give mixed feelings. In case of BCD, it gives a sense of achievement. In case of TFD, on the other hand, there is a need for immediate review of the Business process itself, which is being undertaken on a priority.

BCD Performance

You will recall that, last year a number of initiatives were taken in order to achieve a quick turnaround of the business of this division. These included the formation of a Management Committee, re-organisation of business segments and appointing champions for handling significant business challenges.

These measures, resulted in increase of BCD turnover to Rs.150 crores from Rs.129 crores in the previous year, registering a growth of 16%. This growth mainly came out of increased sales of Definity systems and Call Centres. Moreover, the growth was achieved at higher gross margins, despite stiff competition. The expenses on the other hand were maintained at the previous year's level by strict adherence to austerity measures.

Another area identified for improvement at the beginning of the year, was receivables. More focussed and concentrated efforts in this area, resulted in significant reduction in the Daily Sales Outstanding (DSO), in the first half of the year under review. However, in the later half, due to year end pressures and general market dynamics, receivables increased more than proportionately. In totality however, the collections improved which helped in reduction of borrowings and finance costs.

On the whole, the BCD achieved the planned turnaround by making an operating profit of Rs. 401 Lacs against an operating loss of Rs. 258 Lacs in the previous year.

TATAFONE Performance

The performance of the TFD on the other hand suffered in the year under reference. The turnover came down to Rs.32 crores from Rs.46 crores in the previous year, registering a decrease of 30%. The gross margins were also under pressure on account of severe competition. In addition, a number of new products for trading were introduced, which had low initial realisations. These factors adversely affected the overall gross margins. Although, the overhead expenses Rs.12.90 crores (P.Y. Rs.15.92 crores), finance cost Rs.5.60 crores (P.Y. Rs.4.87 crores) and depreciation Rs.0.80 crores (P.Y. Rs.0.75 crores) were under control, the reduction in the turnover adversely affected the profitability . At the end, TFD recorded a loss of Rs. 9.26 crores as compared to Rs. 5.64 crores in the previous year.

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DIRECTORS' REPORT (Contd.)

7. **Provisions for Doubtful Debts/Advances and Material Obsolescence**

In the last year, your Directors had made substantial provisions for doubtful debts and irrecoverable advances, for earlier years. Although this had covered a major portion of the old non recoverable debts, in continuation with the conservative policy of providing for every possible potential loss, in the year under review we have provided Rs.3.84 crores (previous year Rs.9.52 crores) and Rs.1.71 crores (previous year Rs.5.91 crores) towards doubtful debts and material obsolescence respectively.

This is also followed by development of a highly focused and objective accountability model for sales & marketing staff, to ensure that the cycle of working capital is reduced as an ongoing process. This we believe, will result in overall reduction in the level of current assets and bring the finance cost under control.

8. **Change in Business Model**

'Change is the only Constant', is the Mantra adopted by most of the progressive companies in the current market scenario. Your Company is no exception to this. In line with this thinking, we have been critically examining the product portfolio, procurement process etc. and have been bringing more and more products under the Distributor model. This would give the desired flexibility to address the ever changing customer expectations, reduce lead-time and enable quicker market penetration, for the company's products.

We are also working towards increasing the sales and services activities by developing Franchisees. This will enable us to increase the efficiency levels and reach new customers, without corresponding increase in costs.

9. **Operations**

Your Company continued to remain the market leader in the Communications Systems business. In particular it established itself as a major supplier of the Call Centres in the country. It is expected that the demand for Call Centres in the country will grow exponentially in the current year, which in turn will help us to strengthen our market share.

As regards TFD, a number of new products are being introduced under the trading umbrella. The division has also procured substantial orders from the DoT and the order book at the beginning of the year is at a healthy figure in excess of Rs. 24 crores. It is expected that with higher volumes, this division will do better in the current year.

10. **Recognition from Lucent**

Your Company continues to get appreciation from Lucent Technologies one of it's major business partners. In the recently held Asia Pacific & China Business Partner Conference at Bangkok, your Company received a number of awards from Lucent in recognition of its performance in the year 1999-2000.

11. **Purchase Order from Gujarat Vidhan Sabha**

The Gujarat State Government has awarded a turnkey project of Rs.10 crores to the Company to create and augment the integrated communication network including radio & CCTV network at key locations in Government offices and ministers' bungalows in Gandhinagar. The project would be executed in the next 4 months, under which a common communication system will be created catering to the new and old Sachivalaya office, the ministers' and senior secretaries' official chambers and residences, besides, the Udyog Bhavan, housing the offices of various boards and corporations. This is the single largest order so far procured by the BCD. The project is an enabling infrastructure, to state wide

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DIRECTORS' REPORT (Contd.)

communication network, spreading to District Headquarters and later on to Talukas.

12. **Y2K Compliance**

Your Board is glad to inform you that the Y2K transformation went on smoothly without any significant complaint from any of the customers. This was made possible by the sincere efforts put in by the technical staff and other members of the management for which the Board places it's appreciation on record.

13. **New Products**

To strengthen its position in Teleconferencing business, we have decided to partner with Polycom, a world wide leader in providing premium quality, media-rich business communication solutions. This will enhance our desktop product portfolio in video business and we will now be able to provide complete end-to-end video solution to our customers.

The Internet revolution is upon us and keeping our commitment to offer the cutting edge technologies to our customer, the Company has decided to offer voice and video over IP solution in an enterprise. This will include solutions based on IP Trunking, H.323 Multi Point Conferencing Unit (MCU), Gateways, Gatekeepers and H.323 based video end point.

To further consolidate it's position in small/medium enterprise, the Company plans to introduce enhanced dealer portfolio offerings which will include state-of-the-art feature rich KTS, audio conferencing solutions and Unified messaging solution capable of integrating with most popular email systems and networking.

To provide end-to-end Call Centre solutions to our customers, we have introduced a range of new products which includes CRM packages (Customer Relationship Management), Internet Call Centre solution and variety of productivity enhancement tools such as Predictive Diallers, Voice Loggers etc.

14. **Finance**

As mentioned earlier, better management of receivables and inventories have resulted in the reduction of borrowings of BCD to the tune of Rs.6 crores in the year under reference. However, due to heavy losses incurred by TFD the overall borrowings went up. We will continue our programme to improve the management of current assets and reduce financing expenses across the business.

15. **Fixed Deposits**

Fixed deposits amounting to Rs.1.2 lakhs from 16 depositors, which matured but were not claimed, remained outstanding at the end of the year.

16. **Directors**

There have been significant changes in the composition of the Board of Directors of the Company. The first such significant change is the relinquishment of charge as Director and Chairman by Mr. H. N. Sethna. Mr. Sethna has been the Chairman of the Board as well as that of the Company since 1987. He has been a constant source of inspiration and lent utmost credibility to the Company by his association. The Board places on record it's deep appreciation for the services rendered by Mr. Sethna as Director and Chairman of the Company for such a long period.

Mr. R. Venkataraghavan was appointed on the Board as a Nominee of ICICI. Since the Company has repaid the entire loan, ICICI had expressed their desire to withdraw the nomination of Mr. Venkataraghavan from the Board of the Company. The Board accepted this desire and placed on record it's appreciation for the services rendered by Mr. Venkataraghavan during his tenure as a Director.

From the Lucent side Mr. John Winchester, Mr. M. J. Butcher and Mr. D. J. Lovatt, appointed as Directors have resigned due to their pre occupation

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DIRECTORS' REPORT (Contd.)

with other international assignments. The Board placed on record it's appreciation for association of these Directors with the Company and the services rendered by them in their respective tenures. Lucent have also nominated Mr. Niru Mehta and Mr. Horatio Wong as their representatives, who have been appointed to fill the casual vacancies caused by the resignations of Mr. M. J. Butcher and Mr. D. J. Lovatt respectively.

17. **Auditors**

Members are requested to appoint Auditors for the current year and to authorise the Board of Directors to fix their remuneration. M/s. C. C. Chokshi & Co., Chartered Accountants, the retiring Auditors have under Section 224[1B] of the Companies Act, 1956, furnished a certificate of their eligibility for their re-appointment.

. **Personnel**

The Board places on record it's appreciation for the hard work and dedicated efforts put in by all the employees. The relations between the management and employees continue to remain cordial on all fronts. Information as per Section 217[2A] of the Companies Act, 1956, read with [Particulars of the Employees] Rules, 1975, marked as Annexure A, forms part of this report.

19. **Particulars required to be furnished by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988**

[i] Part A pertaining to conservation of energy is not applicable to the Company.

[ii] Part B pertaining to particulars relating to technology absorption is as per Annexure B to this report.

[iii] Part C pertaining to foreign exchange earnings and outgoings is as contained in item nos. 13 & 14 of Schedule 20 of the accounts.

20. **Acknowledgements**

The Board is thankful to the Bankers of the Company and the Financial Institutions for their continued support. It also takes this opportunity to express gratitude to its technical collaborators; OKI Electric Industry Co. Ltd. and it's joint venture partner, Lucent Technologies Inc. U.S.A, for their continued co-operation, support and assistance.

For and on behalf of the Board of Directors

D. S. PENDSE
Director

MARK LEIGH
Director

Mumbai, May 25, 2000

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