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TATA
TELECOM

A TATA & AVAYA Company
THE LIFELINE OF YOUR BUSINESS

T A T A T E L E C O M : A N E W D I R E C T I O N



While the company has many a milestone to its credit, we at Tata Telecom feel the journey has only begun. So far we have stayed ahead thanks to technologically superior products; however in today's highly competitive environment, the differentiator is no longer technology alone, but the relationship of a company with its customers. Therefore, to stay at the forefront, we are focusing on the customer. Since each customer is unique, we deliver an individual, customised solution to each, every time. In fact, at Tata Telecom, we take great pride in the fact that every one of our customers is provided with the right solution. To us, the motto 'customer is king' is not a cliched slogan, but an edict that has been implemented rigorously in all our initiatives - in Technology, Human Resources and Marketing. In fact, to continue with our winning streak, we have decided to focus on:

- Becoming a customer-centric organization
- Developing partnerships with SIs and enhancing product portfolio and solution capabilities
- Creating an environment for high performance



TATA TELECOM LIMITED

DIRECTORS

K.A. CHAUKAR *Chairman w.e.f. 28.5.01*
 S. K. BHATNAGAR
 HORATIO WONG
 MARK LEIGH
 NIRU MEHTA *Vice Chairman*
 D.S. PENDSE *Resigned w.e.f. 28.5.01*

COMPANY SECRETARY

K.S. KASTURIRANGAN

AUDITORS

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

LEGAL ADVISOR

SHIRIN BHARUCHA

REGISTERED OFFICE

Matulya Centre, 'A' Block,
 249, Senapati Bapat Marg,
 Lower Parel (West),
 Mumbai-400 013.

CORPORATE OFFICE

DLF Square, II Floor, M-Block,
 Jacaranda Marg,
 DLF City, Phase II,
 Gurgaon-122 002.

WORKS

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

Kanjikode West,
 Palakkad-678 623.

REGIONAL OFFICES

CHENNAI, DELHI, KOLKATA, MUMBAI.

BRANCHES AND SERVICE CENTRES

AHMEDABAD, ALLAHABAD, AMBALA,
 BANGALORE, BARODA, BHATINDA,
 BHUBANESHWAR, CHANDIGARH, COCHIN,
 COIMBATORE, DULIAJAN, GOA, GUWAHATI,
 HYDERABAD, INDORE, JAIPUR, JAMMU,
 JAMSHEDPUR, JODHPUR, JORHAT, LUCKNOW,
 LUDHIANA, MUMBAI, NAGPUR, NOIDA, PATNA,
 PUNE, RANCHI, SHILLONG, SILIGURI,
 SRINAGAR, SURAT, TENGA, TEZPUR,
 TRIVANDRUM, VIZAG.

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. (TSRL),
 Army & Navy Building,
 148, Mahatma Gandhi Road,
 Fort, Mumbai-400 001.
 Tel: 022-2873831, Fax: 022-2844160
 Email: csg-unit@tatashare.com
 Website: www.tatashare.com
 Business Hours:
 Monday to Friday (10 a.m. to 3.30 p.m.)

BRANCH OFFICES OF TSRL :

Tata Share Registry Ltd.,
 503, Barton Centre,
 84, M.G. Road, 5th Floor,
 Bangalore-560 001.
 Contact Person: T.U. Krishna
 Tel: 080-5320321, Fax: 080-5580019
 Email: tsrlbang@bgl.vsnl.net.in

Tata Share Registry Ltd.,
 Santi Apt., Flat No. 207, 2nd Floor,
 Opp. Bhowanipore Police Station,
 Near Indira Cinema,
 Above Bank of Maharashtra,
 Kolkatta-700 025.
 Contact Person: R. Mukherjee
 Tel: 033-4559617, Fax: 033-4559617
 Email: tsrlcal@cal2.vsnl.net.in

Tata Share Registry Ltd.,
 2/42, Sant Vihar, Ansari Road,
 Darya Ganj, New Delhi-110 002.
 Contact Person: Pradeep Sharma
 Tel: 011-3271805, Fax: 011-3271802
 Email: tsrlldel@glasd101.vsnl.net.in

Tata Share Registry Ltd.,
 Bungalow No. 1, "E" Road,
 Northern Town, Bistapur,
 Jamshedpur-831001.
 Contact Person: V. Rajgopal
 Tel: 0657-426616, Fax: 0657-426937

2000-2001

NOTICE

NOTICE IS HEREBY GIVEN THAT THE FIFTEENTH ANNUAL GENERAL MEETING OF TATA TELECOM LIMITED will be held on Tuesday, July 31, 2001 at 11.00 a.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, 2001 and the Balance Sheet as at that date.
2. To appoint a Director in place of Mr. K.A. Chaukar who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Mark Leigh who retires by rotation and is eligible for re-appointment.
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. 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.
- b. The Register of Members and the Share Transfer Books of the Company will remain closed from 10th July, 2001 to 31st July, 2001 (both days inclusive).
- c. As per the provisions of the Companies Act 1956, facility for making nominations is now available for shareholders in respect of the shares held by them. Nomination forms can be obtained from the Registrars and Share Transfer Agents of the Company.

By Order of the Board of Directors

K.S. KASTURIRANGAN
Company Secretary

Mumbai, May 28, 2001

Registered Office :
Matulya Centre, 'A' Block,
249, Senapati Bapat Marg,
Lower Parel (West),
Mumbai-400 013.

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DIRECTORS' REPORT

1. The Directors hereby present the fifteenth Annual Report and the audited statement of accounts for the year ended March 31, 2001.

2. Financial Results

Rs. in lacs

	Year ended 31/3/2001				Year ended 31/3/2000			
	Business Communications Division	Tatafone Division	Inter Div. Transaction	Total	Business Communications Division	Tatafone Division	Inter Div. Transaction	Total
Sales & Services	20045.67	3671.06	(340.14)	23376.59	14990.90	3363.14	(182.03)	18172.01
Profit/(Loss) before interest, depreciation & tax (EBIDA)	2386.84	(583.20)	(44.53)	1759.11	1417.64	(285.92)	(38.58)	1093.14
Less: Interest	618.29	640.95	(34.81)	1224.43	624.95	559.79	(35.10)	1149.64
Depreciation	434.96	102.14	—	537.10	388.50	80.36	—	468.86
Profit/(Loss) before extra ordinary items	1333.59	(1326.29)	(9.72)	(2.42)	404.19	(926.07)	(3.48)	(525.36)
Add/Less: Extra ordinary items	(415.65)	1850.00	—	1434.35	—	—	—	—
Profit/(Loss) before tax	917.94	523.71	(9.72)	1431.93	404.19	(926.07)	(3.48)	(525.36)
Less: Provision for taxation	80.60	40.00	—	120.60	0.60	—	—	0.60
Profit/(Loss) after tax	837.34	483.71	(9.72)	1311.33	403.59	(926.07)	(3.48)	(525.96)
Add: Excess provision for taxation for earlier years	0.37	—	—	0.37	—	—	—	—
Profit/(Loss) Brought Forward	1199.76	(2952.38)	(3.48)	(1756.10)	720.67	(2046.31)	—	(1325.64)
Transfer from General Reserves	7.00	—	—	7.00	75.50	20.00	—	95.50
Balance Carried Forward	2044.47	(2468.67)	(13.20)	437.40	1199.76	(2952.38)	(3.48)	(1756.10)

The figures in the financial statements have been presented separately for the two divisions of the Company, viz, Business Communications Division and Tatafone Division, in order to understand and analyse the Company's operations in two different market segments in a better manner.

2000-2001

DIRECTORS' REPORT (Contd.)

3. Dividend

In view of the accumulated losses, Directors do not recommend payment of dividend for the financial year ended, March 31, 2001.

4. Telecommunication scene

The telecom infrastructure has been growing further with the teledensity improving year after year and targeted to grow from 3.5 to 15 per hundred by 2010. The privatization of basic telephony is a priority area for the Govt. and licenses have been issued recently thereby opening up new opportunities.

The convergence of telecom, IT and entertainment industry is rapidly taking place. Your Company has widened its product offering to include Data Networking products, which is a fast growing industry fuelled by Internet growth. Your Company is strategically positioned to provide end-to-end solutions required by the customers. The growth in this sector would continue to offer new opportunities.

The communication systems as well as Call Center applications in this industry has contributed to the growth. IT-enabled Services in form of outsourced Call Centers offer tremendous growth potential and will provide good market for your Company's Call Center range of products.

The recent global slowdown may affect the business of your Company's customers in the software and IT-enabled Services area. The investments by the developed countries into India are dependent on the buoyancy of global markets from time to time.

5. Lucent's spin off of enterprise business unit into Avaya Networking

Your Company had entered into a technical collaboration with Lucent Technologies Inc, USA (LUCENT). Effective Oct.1, 2000 the enterprise business of Lucent was spun off into a separate Company known as Avaya Inc., USA (AVAYA). As a result of this spin off, your Company will now be associated with AVAYA and will have more concentrated approach towards its core area of operations. AVAYA has revenues of 8 Billion US\$ for the year ended 30th Sept., 2000 and is totally focused on the needs of the customers and emerging markets.

6. Demerger of Tatafone Division

At the court convened EGM held on April 30, 2001, you have approved demerger of Tatafone division into ITel Industries Pvt. Ltd. w.e.f. 1st April, 2001. The hearing of the petition is scheduled on 20th June, 2001. The division wise performance is given in this year's

Annual Report to have a better understanding of the operations of both the divisions.

7. Financial Results

The business of your Company has maintained a robust growth rate for its Business Communications Division (BCD) with the help of initiatives taken in the earlier years. There has been an all round growth in all aspects of the operations. This has been achieved with marginal increase in the expenses incurred.

Tata Industries Ltd., has paid Rs.18.5 Cr. to Tata Telecom Limited towards cost of carrying Tatafone Division (TFD) for the past years and as a good practice of Corporate Governance.

BCD Performance :

BCD has achieved turnover of Rs.200 Cr. as against Rs.150 Cr. of previous year registering a growth of 33%.

The BCD has achieved an operating income of Rs.15.02 Cr. (before ESS and strategic write off) as against profit of Rs.4.04 Cr. in the corresponding previous year registering an increase of 272%.

TFD performance:

TFD has registered a turnover of Rs.36.71 Cr. as against Rs. 33.63 Cr. of previous year registering a growth of 9%.

On account of the compensation received from Tata Industries Ltd., TFD has registered a profit of Rs.5.24 Cr. as against a loss of Rs.9.26 Cr. in the previous year.

8. Provisions & Write-offs

In continuation with the conservative policy of providing for every possible potential loss in the year under review, BCD has provided Rs.2.77 Cr. (previous year Rs.3.36 Cr.) as doubtful debts and Rs.1.56 Cr. (previous year Rs.1.09 Cr.) towards material obsolescence. TFD has provided Rs.3.02 Cr. (previous year Rs.0.48 Cr.) as bad & doubtful debts and Rs.1.42 Cr. (previous year Rs.0.62 Cr.) towards material obsolescence.

Due to obsolescence of technology of certain products, BCD has written off Rs.1.68 Cr (previous year Nil) towards the balance of technical know-how fees. TFD has written off Rs. 2.79 Cr. (previous year Rs.0.05 Cr.) towards obsolescence of technology and assets which have completed its useful life.

Greater emphasis is given for recovery of the old debts and ensuring that outstanding from new sales are collected aggressively. The aim is to reduce costs by reducing the level of investments in current assets.

2000-2001

DIRECTORS' REPORT (Contd.)

9. Operations

Your Company has been able to maintain leadership position by strategically preparing for the future. The investments for technology and upgradation of skills and understanding customer needs have contributed to growth and success of the Company. In recent years Call Center business has opened up the market and with the cutting edge technology available from AVAYA, your Company has been able to capture leading market share in this segment also.

The business strategy plays a key role in retaining the leadership position. The ability of the Company to ensure enhanced product portfolio offerings in line with the evolving customer needs ensures growth opportunities. During the year, the Company launched a new strategic initiative "Winning through Customer Responsiveness" program. This program is based on What's and How's of the business, which is, the customer responsive levels combined with financials and how these are achieved through re-engineered processes. The perspective is to capture the customer satisfaction levels right from early stages of interaction through to the post sales. The measure provides a comprehensive indication of customer responsiveness levels. This will enable the Company to continuously exceed the customer expectations and at the same time provide growth in the future.

Your Company has entered into strategic alliances with System Integrators to provide composite Voice and Data Solutions for the Enterprise and Call Center markets. The business through strategic alliances will contribute significantly in the coming years.

In continuation of the changes done by your Company so as to be more focused on its core areas and increase the operational efficiency, your Company had offered an "Early Separation Scheme" (ESS) to its employees. A total of 134 employees have opted for the ESS.

10. Recognition conferred on the Company

During the year under review, your Company has continued to get appreciation awards from AVAYA for meeting and exceeding some of the toughest requirements for business performance.

POLYCOM awarded your Company for contribution to business in Asia Pacific region for the teleconferencing products.

During the year your Company also won the "Techies Award" for the best Business Communication Solution Provider (EPABX) Company for the 3rd time, earlier being in 1997 & 1998.

11. New Products

Your Company has been focused on enhancing product portfolio to address the growing markets. In the last year your Company launched following new products.

- a) Cajun Data Switches for the Data Networking Market. These switches are primarily based on Ethernet and ATM Protocol. The Ethernet Switches go upto Gigabyte Ethernet Switch, which provides faster data transfer rates in the Enterprise Networks. The applications would include solutions for enterprise as well as Internet Providers & Broad Bank Service Providers markets.
- Wide Area Network products would also be introduced shortly.
- b) Key Telephone Systems (KTS) from LG Electronics, Korea were introduced to address the lower end of the market. These products help address complete PBX market by your Company.
- c) Teleconferencing products like View Station from POLYCOM.

Your Company sees the market moving towards solutions and is well prepared in terms of skills to address the customer needs in this area.

12. Finance

This year also as a result of better management of receivables and inventories, has resulted in the reduction in the finance cost. Despite increase in the turnover, there is a reduction in the finance cost also for year under review.

13. Fixed Deposits

Fixed Deposits amounting to Rs. 1.2 lakhs from 16 depositors continue to remain unclaimed. The Company has deposited the unclaimed money in the separate bank accounts.

14. Directors

Subsequent to the retirement of Mr. H.N. Sethna, Mr. D.S. Pendse and Mr. Niru Mehta were appointed as the Chairman and Vice Chairman respectively. Effective May 28, 2001, Mr. D.S. Pendse resigned as Chairman & Director of the Company. The Board places on record its deep appreciation for the services rendered by Mr. D.S. Pendse since the inception of the Company. Mr. K.A. Chaukar has been appointed as the Chairman of the Company w.e.f. 28th May, 2001.

2000-2001

DIRECTORS' REPORT (Contd.)

15. 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 for their eligibility for re-appointment.

16. Personnel

The Board places on record its 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 Employees) Rules, 1975, marked as Annexure 'A' forms part of this report.

17. 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. 16 and 17 of schedule 22 of the accounts.

18. Directors' Responsibility Statement as per Section 217(2AA)

The Directors hereby confirm that,

- i) in the preparation of the annual accounts, the applicable accounting standards have been

followed along with proper explanation relating to material departures wherever applicable;

- ii) accounting policies have been selected and applied 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 or loss of the Company for that period;
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts are prepared on a going concern basis.

19. Audit Committee

In terms of Sec. 292A of the Companies Act, 1956, the Audit Committee comprising of Mr. D.S. Pendse, Mr. Niru Mehta and Mr. K.A. Chaukar has been constituted with effect from Jan. 30, 2001.

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., Japan and Avaya Inc., U.S.A. for their continued co-operation, support and assistance.

For and on behalf of the Board of Directors

K.A. CHAUKAR
Chairman

NIRU MEHTA
Vice Chairman

Mumbai, May 28, 2001

2000-2001

ANNEXURE 'A' TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2001.

Name	Age Yrs.	Designation	Qualifications	Total Experience (Years)	Date of joining	Remune- ration Rs.	DETAILS OF LAST EMPLOYMENT BEFORE JOINING THIS CO.		
							Name of the Company	Years	Designation
Mr. Agrawal Shekhar*	39	Director-Mktg. & Busi. Development	B.E.- Ele.	18	03/04/95	956612	HCL Ltd.	12	Regional Manager
Mr. Gambhir Sunil K.	49	Chief Operating Officer	M.Sc.(OR) Diploma Finance Management, D.M.M.	26	06/04/87	2800121	Peico Electronics and Electricals Ltd.	12	Head of Planning, Materials Control
Mr. Jha Bidya Nand	50	Director - People Excellence	B.Com.(H), M.A., LLB	24	05/08/94	1617655	Escorts Ltd.	18	Sr. Div. Manager
Mr. K. Natesh*	40	General Manager- Southern Region	B.Sc. Physics, B.Tech. Electronics	16	22/10/87	477701	Peico Electronics and Electricals Ltd.	2	Service Engineer
Mr. Mahajan Raman	53	Director - Corporate Relations	B.E.(Hons.), Dip.in B.M.M.(U.K.)	30	03/02/87	1576598	English Electric Co. of India Ltd.	14	Product Sales Manager(projects)
Mr. Nair Anil	41	Director - National Sales	PGDM, B.Sc.	21	05/05/97	1382391	Bradma of India Ltd.	9	Sr. DGM
Mr. Pandit Ravi P.*	46	V.P.(Finance) & Co.Secretary	B.Com., A.C.A., A.C.S.	25	31/12/97	468889	Essar Comm.Vision Ltd.	1	VP - Finance
Mr. R. Natarajan*	48	Vice President Operations	B.E.	26	26/01/00	1098143	Infonet Asia (P) Ltd.	9 months	Managing Director
Mr. Shishir Kumar*	42	General Manager- Customer Support	B.E., D.B.M.	22	17/04/95	612679	HCL Ltd.	16	Tech.Support Manager
Mr. Thakore Amal P.	43	Director - Finance & Accounts	B.Com., LLB, C.A., AASM	22	15/09/87	1284631	Gujarat Steel Tubes Ltd.	8	Finance Officer
Mr. Thatte Ajit Kumar*	48	V.P.-Marketing & Sales	B.Tech., PGDMS	25	25/07/00	917372	Lucent Technologies Finolex Ltd.	4	VP - Marketing
Mr. Vayeda Mukesh M.	48	Director - Supply Chain Management	B.Sc., Physics, DMY. INST.	25	11/11/93	1234387	Philips India Ltd.	17	Manager - Logistics

Notes:

1. Remuneration includes Salary, House Rent Allowance, Special Allowance, Contribution to Provident, Superannuation and Gratuity Funds, Medical and Leave Travel benefits and taxable value of perquisites as per the Income-tax Act, 1961 together with the rules made thereunder.
2. All appointments are contractual.
3. None of the above employees is related to any Director of the Company.
4. * Asterisk against a name indicates the employee is in service only for a part of the year.

for and on behalf of the Board of Directors

K.A. CHAUKAR
Chairman

NIRU MEHTA
Vice Chairman

Mumbai, May 28, 2001

2000-2001

ANNEXURE 'B' TO DIRECTORS' REPORT

Disclosure relating to Research and Development (R&D) & Technology Absorption

RESEARCH & DEVELOPMENT:

1. Specific areas in which Development carried out by the Company	Developments done for Interactive Voice Response systems in Call Center environment involving CTI(Computer Telephony Integration) and interfacing with enterprise databases to offer total solutions.	
2. Benefits derived as a result	Expanded market and business growth as a result of total solution delivery to the customers.	
3. Future Plan on Development	Development for Call Center Applications involving IVR, CTI, Internet Call Centers (ICC) and CRM Solutions.	
4. Expenditure on Development	(Rs. in Lacs)	
	(a) Capital	1.41
	(b) Recurring	50.55
	Total	51.96
	(c) % to Revenue	0.22

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts in brief, made towards technology absorption, adaptation and innovation	Technology and knowledge absorption of AVAYA IP Solutions on Definity Communication Server Platform.
2. Benefits derived as a result of the efforts e.g. product improvement, cost reduction, product development, import substitution etc.	Tata Telecom Product portfolio enhancement for total solution delivery for Call Center market and Enterprise Networking.
3. i) Technology Imported	AVAYA IP Solutions
ii) Year of Import	2000-2001
iii) Has technology been fully absorbed ?	In progress
iv) If not fully absorbed, areas where this has not taken place, reasons thereof & future plan.	Being absorbed in a phased manner.