

HUGHESTM

T E L E . C O M

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Seventh Annual Report 2001-2002

Board of Directors

BOARD OF DIRECTORS

Mr. Pramod Mittal (Chairman)

Mr. Pradman Kaul (Vice Chairman)

Mr. Jack Shaw

Mr. Francis X. Frantz

Mr. Vinod K. Mittal

Mr. James Lucchese

Mr. Pradeep Kaul

Mr. Jaykumar Dehejia

Mr. Vijay Dhar

Mr. Arun Kumar (Alternate to Mr. Jack Shaw)

Mr. Sanjay Chaudhary (Alternate to Mr. Francis X. Frantz)

Mr. Pranav Roach (Alternate to Mr. James Lucchese)

Mr. Partho Banerjee (Alternate to Mr. Pradeep Kaul)

Mr. Paul W. Cheng (Alternate to Mr. Jaykumar Dehejia)

Mr. John-Michael Lind (Alternate to Mr. Pramod Mittal)

COMPLIANCE OFFICER

Mr. Madhav Joshi

Chief Legal Officer & Company Secretary

STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells

Chartered Accountants

19th Floor, "Nirmal",

Nariman Point,

Mumbai 400 021.

REGISTRARS & SHARE TRANSFER AGENTS

MCS Limited

Sri Padmavathi Bhavan,

Plot No. 93, Road No. 16,

M.I.D.C., Andheri (East),

Mumbai - 400 093.

Contact Person : Mr. Satish Rathod

Tel. : 022 - 821 5235

Fax : 022 - 835 0456

E-mail : mcsmum@vsnl.com

REGISTERED OFFICE

Ispat House,

B.G. Kher Marg,

Worli, Mumbai 400 018.

Tel. : +91 (22) 461 5445

Website : www.hughestele.net

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NOTICE

Notice is hereby given that the 7th Annual General Meeting of Hughes Tele.com (India) Limited will be held on Friday, September 27, 2002 at 3.30 p.m. at Yashwantrao Chavan Pratishthan Auditorium, Gen. J. Bhosle Marg, Y. B. Chavan Centre, Near Mantralaya, Mumbai - 400 021 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the Financial year ended 31st March, 2002 alongwith the Report of auditors thereon as well as the Directors' Report.
2. To appoint a Director in place of Mr. James Lucchese who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vijay Dhar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Jack Shaw who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass, with or without modifications, if any, the following as an ORDINARY RESOLUTION (if on date of the meeting, the financial institutions hold not less than 25% of the Subscribed Capital of your Company, the resolution will be proposed to be passed as a SPECIAL RESOLUTION in terms of section 224-A of the Companies Act 1956)

"RESOLVED THAT, M/s Deloitte Haskins & Sells, Chartered Accountants, retiring auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on remuneration to be decided by the Board of Directors"

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to section 163 of the Companies Act 1956 and other applicable provisions, if any, of the Companies Act, 1956, the Register of Members, Index of Members, Register of Debentureholders, Index of Debentureholders and copies of all annual returns prepared under section 159 together with copies of certificates and documents required to be annexed thereto under section 161, shall be kept at the following address instead of at the registered office of the Company:

MCS Limited,
Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11
M.I.D.C., Andheri (East)
Mumbai 400 093

RESOLVED FURTHER THAT the Company Secretary and/or any officer of the Company appointed by the Board of Directors be and is/are hereby authorised to take all the necessary steps in order to give effect to this resolution."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT, pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the following clauses are hereby inserted/substituted in the Articles of Association of the Company:

- I. In Article 2, a new sub-Article (iia) shall be inserted after the existing sub-Article 2 (ii):

'2 (iia) "Closing" means completion of sale and purchase of the 714,317,891 shares held by some of the JVA Shareholders to Tata Teleservices Limited.'

- II. If and when Closing happens, the existing Article 61A shall be substituted as follows:

'61A. AEIF (India) Limited (the Fund) shall have certain rights and obligations including the right to designate its nominee as an "Observer" to be present at all meetings of the Board. The appointment of such an Observer, the Observer's rights and obligations, the tenure of enjoyment of such rights and other rights and obligations of the Fund, Tata Teleservices Limited (TTSL) and the Company inter se, shall be governed by the terms of the Agreement dated 27th June, 2002 entered into between the Company, TTSL and the Fund (the "Agreement"), the terms and conditions of which are reiterated in the Schedule 1 hereto.'

- III. A new Article 120 shall stand inserted after the existing Article 119 if and when Closing occurs, as follows:

'120. Any rights conferred upon or any obligations cast upon any JVA Shareholder or the Company in relation to such JVA Shareholders by these presents (including but not limited to the provisions of Article 5, 15, 45, 58, 61, 62, 66, 68, 71, 73, 75, 76, 84, 85, 86, 87, 88, 109, 113, 118 and 119) or any special provisions made in these presents pursuant to Joint Venture Agreement shall cease to have effect.'

- IV. If and when Closing occurs, a new Schedule 1 shall be inserted after Article 120 as follows:

'Schedule 1: Schedule of Terms and Conditions of the Agreement dated 27th June, 2002 between the Company, AEIF (India) Limited and Tata Teleservices Ltd.

1. **Observer Rights:** The appointment of the Observer under the terms of Article 61 A of the Articles of Association shall be governed by the terms and conditions of this Schedule as laid down herein below :
 - (i) AEIF (India) Limited (the "Fund") shall have a right to designate one person to be present at meetings of the Board by giving a written notice to TTSL ("Observer") under the terms of the agreement dated 27th June, 2002 between the Fund, the Company and TTSL ("Agreement").
 - (ii) The Observer shall at no time (with respect to any Person) be in: (a) any direct or indirect conflict of interest of such Person with the business of the Company; or (b) such Person being directly or indirectly related to, or materially interested in a Telecommunications Service Provider, whether as a director or adviser or otherwise. The Fund shall have the right to replace the Observer from time to time by issuing a 15 day notice to the Company, provided that the aforesaid requirement of 15 day notice shall be deemed to have been waived, where the Fund has been provided the Conflict Notice (as defined hereinbelow).
 - (iii) If the Board acting objectively and in good faith decides that the Observer is in: (a) any direct or indirect conflict of interest of such Person with the business of the Company; or (b) such Person being directly or indirectly related to, or materially interested in a Telecommunications Service Provider, whether as a director or adviser or otherwise, the Board will inform the Fund about the conflict along with the details thereof at least 21 days prior to the next Board Meeting ("Conflict Notice"), provided that the requirement of 21 day period for the Conflict Notice shall be deemed to have been waived by the Fund in the event that the Conflict arises within a period of less than 21 days prior to the next Board Meeting, in which case the Conflict Notice will be given promptly upon arising of the Conflict. The decision of the Board in this regard shall be final and conclusive. Upon receipt of the Conflict Notice in accordance with this Item (iii), the Fund shall cause another person to be appointed as the Observer. The Company will issue a written confirmation to the Fund of such replacement, provided that the absence of the written confirmation shall not prevent the Observer from attending the Board Meeting.
 - (iv) The Company shall send notices, along with all the agenda papers of the meetings of the Board of the Company to the Observer at the same time as these documents are required to be sent to the Directors of the Company in accordance with the provision of these Articles of Association. Any views expressed by the Observer shall not form part of the official proceedings of the meeting of the Board.
- (2) **Treatment of Price Sensitive Information:**
 - (i) The Observer, by virtue of attending the meetings of the Board, and through it the Fund itself, may come to acquire, or become aware of, unpublished price sensitive information in respect of the Company. Such information shall include all information that may be provided by the Company to the Fund under the terms of the Agreement and includes any and all information, whether written, oral or otherwise, concerning the business, operations, prospects, finances, or other affairs of the Company, its shareholders, affiliates, associates or subsidiaries (which includes, without limitation, information relating in whole or in part to present and future products, services, business plans and strategies, marketing ideas and concepts, especially with respect to unannounced products and services, present and future product plans, pricing, volume estimates, financial data, product enhancement information, business plans, marketing plans, sales strategies, customer information (including customers' applications and environments), market testing information, development plans, specifications, customer requirements, configurations, designs, plans, drawings, apparatus, sketches, software, hardware, data, prototypes or other technical and business information or other materials prepared which may be provided to the Fund under the terms of the Agreement, however such information is documented, that has been or may hereafter be provided or shown to the Fund by the Company or is otherwise obtained from review of the Company's documents or property or discussions with the representatives of the Company or TTSL by the Fund irrespective of the form of the communication, and also includes all notes, analyses, compilations, studies, summaries, and other material prepared by the Fund containing or based, in whole or in part, on any information included in the foregoing (such information the "Confidential Information").
 - (ii) The Fund agrees to treat, and agrees to cause the Observer to treat, the Confidential Information received in confidence and to ensure compliance with the Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time ("Insider Trading Regulations").
 - (iii) The Observer shall be entitled to require the company secretary of the Company to provide him relevant clarifications in respect of matters discussed at the meetings of the Board and to furnish him any further information relating to the Company, which the Observer may reasonably require and the Company shall cause the company secretary to furnish such information as may be requested by the Observer, keeping in mind the strategic interests of the Company.

3. Confidentiality: The Fund and the Observer, by virtue of attending the meetings of the Board, may come to acquire, or become aware of, Confidential Information in respect of the Company and the Fund, agrees to cause the Observer to hold and treat all of the Confidential Information in the strictest of confidence. Upon termination, the Fund shall return or certify the destruction of any Confidential Information specifically requested in writing by the Company. If after the return or destruction of any Confidential Information, the Fund requires copies of any such destroyed Confidential Information in connection with defence of any proceedings before any Governmental Authority, the Fund may require the Company to provide any such information and the Company shall make best efforts to provide the information to the Fund. In the event that the Fund is required to maintain any records or copies by any law or regulation of the jurisdiction to which the Fund is subject to, the Fund may retain copies of the Confidential Information and in such event, the Fund shall continue to be bound by the terms of the Agreement. The confidentiality obligations shall survive the termination of the Agreement for a period of 3 years from the date of its termination.
4. Corporate Governance: If the Board proposes to authorize, whether at a meeting or by circular resolution, an acquisition of or merger with or divestment or disposal of the undertaking of the Company to TTSL and its respective Affiliates who may come to hold shares in the Company from time to time, or any of their Affiliates or any other company of the TATA group, then the Fund shall have the right to request for and the Company shall appoint a recognized independent financial advisor to analyze the proposed transaction and to certify that the terms of the transaction have been arrived in good faith and on an arms length basis. The independent financial advisor shall be appointed by the Board and shall be a firm of good repute, and the costs of appointment of such independent financial advisor shall be borne by the Company. Instead, if the Observer desires the appointment of an investment bank or auditor of international repute, the Board shall appoint an investment bank or auditor of international repute and the costs in respect of such appointment shall be borne equally by the Fund and the Company.

The Board shall refrain from taking any action on the transaction until such advisor reports its findings and shall give due and careful consideration to the recommendations of such advisor.

5. Deed of Adherence

In the event TTSL sells or transfers all or part of its shareholding in the Company to any Third Party such that it shall either by itself or along with its associates no longer be able to Control the Company or such that the Third Party (either by itself or jointly along with its Affiliates) is able to Control or jointly Control the Company, it shall require such Third Party to execute a

deed of adherence, in a form and manner satisfactory to the Fund, such that the Third Party is bound by the terms and conditions of the Agreement. For the purpose of this Item 5, "Control" shall have the meaning given to it in the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended from time to time. It is clarified that this Item 5 shall apply even if the Agreement is terminated under Item 6.4 so as to give effect to Item 7.2 should the same become applicable.

6. Termination:

6.1 The Agreement shall stand terminated automatically on the occurrence of any of the following events:

- (a) Sale by the Fund: In the event the Fund sells any of the Shares held by the Fund in the Company such that subsequent to such sale the number of Shares held by the Fund is less than 75 percent of the number of shares held by the Fund as of the date of the Agreement ("Funds Shareholding")
- (b) Dilution of Shareholding: If at any point of time, the percentage of Shares held by the Fund in the Company in the then existing Shareholding of the Company constitute less than half of the percentage of the Funds' Shareholding in the shareholding of the Company as of the date of the Agreement (as further augmented by acquisition of Shares in the Company through subscription to any Shares offered to the Fund pursuant to the provisions of Section 81(1) of the Act) where such a reduction in the Funds Shareholding is caused by any reason whatsoever other than those covered by the provisions of Item 6.1(a) above.

6.2 The Agreement shall stand terminated on the occurrence of either of the events stipulated in Item 6.1(a) or (b) above, notwithstanding a subsequent increase in the shares held by the Fund in the equity share capital of the Company as a result of the purchase of additional Shares by the Fund at any time after the abovementioned events have occurred. The limits on Shares mentioned in Item 6.1(a) and (b) above shall be appropriately adjusted to take into account any subdivision, consolidation splitting of the Shares or capital reduction or any issue of Shares by way of a bonus issue.

6.3 If the Fund or the Observer materially breach any provision of the Agreement and such material breach is not cured within a period of 21 days from the receipt of a Notice from the Company or TTSL in this regard, the Agreement shall stand terminated at the end of such 21 day period.

6.4 TTSL and its respective Affiliates who may come to hold shares in the Company from time to time shall have a right, subject to Item 7.2 hereinbelow, to terminate the Agreement by giving Notice of 15 days if the Fund or the Observer at any point of time violate the provisions of the Insider Trading Regulations, vis-à-vis the

Confidential Information and are issued a show cause notice, or enquiry or order from a Governmental Authority in respect of such a breach.

6.5 The Parties may, at any time terminate the Agreement in writing by mutual consent.

6.6 The Fund may terminate the Agreement at any time by giving 15 days Notice to the Company and TTSL, provided that the obligations of the Fund in relation to the transfer of Shares under Section 6.2, 6.3 and 6.4 of the Agreement shall survive for a period of 1 year from the date of such termination.

7. Effect of Termination

7.1 Subject to Item 7.2 hereinbelow, the Parties agree that in the event that the Agreement is terminated as described in Item 6 above, TTSL and its respective Affiliates who may come to hold shares in the Company from time to time and the Company shall be entitled to take steps to amend the AOA to remove the amendments made to the AOA pursuant to the terms of the Agreement, including but not limited to, removal of the provisions of the right of the Fund to appoint an Observer and the removal of this Schedule of Terms to the AOA.

7.2 If the Agreement is terminated in accordance with Item 6.4 above and HTIL and TTSL and its respective Affiliates who may come to hold shares in the Company from time to time, have amended or have caused the amendment of the AOA pursuant to the provisions of Item 7.1 above, the Parties agree that notwithstanding such a termination, if the relevant Governmental Authority absolves the Fund or the Observer, as the case may be, from its alleged breach of the Insider Trading Regulations, then the Agreement shall be revived automatically without the requirement of any further act or deed on the part of the Parties and HTIL and TTSL shall cause the AOA to be amended to re-insert the provisions inserted earlier under Section 2.3 and 2.4 of the Agreement, including but not limited to the right to appoint an Observer.

RESOLVED FURTHER THAT the Board of Directors (including any committee/s thereof) of the Company be and is hereby authorized to do all such acts, deeds and things and execute all such documents, deeds and writing as may be required for the aforesaid purposes and which it may deem fit in the interest of the Company."

By order of the Board
For Hughes Tele.com (India) Limited

Madhav Joshi
Chief Legal Officer &
Company Secretary

Registered Office:

Ispat House,
B. G. Kher Marg,
Worli, Mumbai 400 018

Dated the 16th day of July, 2002

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. A proxy in order to be effective, should be deposited at the registered office of your Company not less than 48 hours before the commencement of the meeting.
2. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of this Notice.
3. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection by the Members at the registered office of your Company on all working days between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.
4. The Register of Members and Share Transfer Books of your Company will remain closed from 17th September 2002 to 27th September 2002 (both days inclusive).
5. Members are requested to notify immediately change of address, if any, at the registered office of your Company.
6. Members who hold shares in the dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Annual General Meeting.

ANNEXURE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 2

Mr. James Lucchese retires by rotation at this Annual General Meeting and is eligible for re-appointment.

Mr. Lucchese, in his capacity as Executive Vice President and Chief Financial Officer of Hughes Network Systems (HNS), is responsible for all financial matters pertaining to HNS, with primary responsibility for profit and loss, balance sheet, and cash performance of HNS. In addition, he reviews and approves all major investments and participates directly in all strategic issues. He is a member of the Office of the Chairman and the Executive Committee of HNS.

Before joining HNS, Mr. Lucchese held senior financial positions with GTE. He has more than 30 years of financial management and accounting experience.

Mr. Lucchese holds a Bachelor of Science degree in accounting/management from Northeastern University in Boston, MA. He regularly volunteers his time and expertise to benefit the Lupus Foundation of Greater Washington, D.C.

Hughes Network Systems is a Hughes Electronics Corporation (HEC) company. HEC is one of the promoters of your Company.

In addition to being on your Company's Board, Mr. Lucchese is also a Director of Hughes Escorts Communications Limited

and Hughes Software Systems Limited. Apart from being a member of the Audit Committee of the Board of Directors of your Company, Mr. Lucchese is also a member of the Audit Committees of the Boards of Hughes Escorts Communications Limited and Hughes Software Services Limited.

Mr. Lucchese has been associated with your Company since inception. Your Board considers that the Company would benefit immensely from Mr. Lucchese's rich experience in the field of finance and therefore recommends his re-appointment in the interests of the Company, by passing this resolution.

None of the Directors except Mr. James Lucchese is deemed to be interested or concerned in the passing of this resolution.

Item No. 3

Mr. Vijay Dhar retires by rotation at this Annual General Meeting and is eligible for re-appointment.

Born in 1941, Mr. Vijay Dhar had his education in Kashmir. He is a successful entrepreneur and has been associated with commerce and industry for the last 35 years. He has held a number of positions in the Jammu & Kashmir Chamber of Commerce and Industry. He also held the positions of Vice-President and President of the Chamber for two years. He is Advisor to the Board of Bombay Mercantile Bank. He has also served as Director on the Board of Jammu & Kashmir Bank Limited, Jet Airways etc.

Apart from the responsibilities he holds on various corporate boards, he has business interests in agriculture, cinemas, real estate and hospitality trade.

In addition to being on your Company's Board, Mr. Dhar is also Director of Taksal Theatres (P) Ltd., Dargan Properties (P) Ltd., Kanika Properties (P) Ltd., Natasha Properties (P) Ltd., U.R. Production (P) Ltd., Hughes Software Systems Ltd. and Hughes Escorts Communications Ltd. He is also a member of the Audit Committee and the Employees' Stock Option Plan Compensation Committee of your Company's Board of Directors.

Mr. Dhar has been associated with your Company since inception. Your Board considers that the Company would benefit immensely from Mr. Dhar's rich experience across diverse industry sectors and therefore recommends his re-appointment in the interests of the Company, by passing this resolution.

None of the Directors except Mr. Dhar is deemed to be interested or concerned in the passing of this resolution.

Item No. 4

Mr. Jack Shaw retires by rotation at this Annual General Meeting and is eligible for re-appointment.

Mr. Jack Shaw is the Chief Executive Officer of Hughes Electronics Corporation, one of the sponsors of the Company. He is a member of the Hughes Electronics Executive Committee and the Management Committee. Prior to joining Hughes in 1987, Mr. Shaw held senior management positions

with companies that include ITT Space Communications, Inc. and Digital Communications Corporation.

In addition to being on your Company's Board, Mr. Shaw is also a Director of Hughes Electronics Corporation, XM Satellite Radio, Hughes Software Systems Limited and PANAMSAT. Mr. Shaw is also a member of the Compensation Committees of the Boards of XM Satellite and PANAMSAT. He is a senior member of IEEE and is on the Board of Directors of the Montgomery College Foundation and the High Technology Council of Maryland.

Born on January 1, 1939 in Auburn, Indiana, U.S.A., Mr. Shaw graduated from the Purdue University, U.S.A. with a B.S. in Electrical Engineering in 1952 and he attended the Sloan School of Management at the Massachusetts Institute of Technology.

Mr. Shaw was named Outstanding Electrical Engineer of Purdue University in 1994 and was honoured as the University's Distinguished Engineering Alumnus that year. In May 1998, he was awarded an honorary Doctor of Engineering degree by Purdue University. He is also a member of the Visiting Committee to the Dean of Engineering, Purdue University. He received an honorary Doctor of Science degree from Capitol College and was honored for "Contributions to World Communications" by the Radio Club of America.

Mr. Shaw has been associated with your Company since inception. Your Board considers that the Company would benefit immensely from Mr. Shaw's rich experience in the field of telecom engineering and management and therefore recommends his re-appointment in the interests of the Company, by passing this resolution.

None of the Directors except Mr. Shaw is deemed to be interested or concerned in the passing of this resolution.

Item No. 5

It is proposed to re-appoint M/s Deloitte Haskins & Sells, Chartered Accountants, retiring auditors of your Company as Auditors on a remuneration to be decided by the Board of Directors. If the shareholdings of the public financial institutions, Government companies, Central Government, State Government, financial and other institutions established by any Provincial or State Act in which a State Government holds not less than fifty-one per cent of the subscribed share capital, nationalised banks and general insurance companies, is 25% or more of the subscribed share capital of your Company on the date of the ensuing Annual General Meeting, this resolution would be passed as a SPECIAL RESOLUTION. As on 31st March 2002, the above-referred institutions/bodies held 17.67% of the subscribed share capital of your Company.

None of the Directors is deemed to be concerned or interested in the passing of this resolution.

Item No. 6

M/s Computech International Limited ("Computech"), the current R & T agents of your Company have decided to transfer their R&T business to MCS Limited. Hence MCS

Limited have been appointed as the R & T agents in the place of Computech.

MCS Limited is one of the leading R&T agents in India, presently servicing shareholders of over 210 companies. It is registered with the Securities and Exchange Board of India as a Category I Registrar to Issue and as a Registrar & Transfer Agent.

The Board seeks the consent of the members for keeping the Register and Index of Members, Register and Index of Debentureholders and copies of annual returns together with all documents required to be annexed thereto, at the office of MCS Limited situated at Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, M.I.D.C., Andheri (East), Mumbai 400 093.

The above records will be open for inspection from 10.30 a.m. to 1.00 p.m. and from 2.00 p.m. to 4.30 p.m. on all working days on payment of specified fees. Extracts and copies of the aforesaid records can also be taken on payment of specified fees.

Your Board seeks the consent of the members for the above and recommends the passing of this resolution as a SPECIAL RESOLUTION.

None of the Directors is deemed to be concerned or interested, directly or indirectly, in passing this resolution.

Item No. 7

All the promoters of the Company except Ispat Industries Limited have agreed to sell their shareholdings in the Company to Tata Teleservices Limited subject to receipt of all necessary approvals and consents ("the Transaction"). On Closing or completion of the Transaction, the Joint Venture Agreement ("JVA") dated 25th May 1995 (as amended and

restated from time to time) between the promoter companies and the Company would get terminated. The amendments as proposed to be made in Articles of Association under this item are intended to:

- (a) remove special provisions relating to the present promoters (to become effective if and when the Closing of the Transaction occurs), and
- (b) add the salient provisions of an agreement dated 27th July, 2002 executed between the Company, Tata Teleservices Limited and AEIF (India) Limited (to become effective if and when the Closing of the Transaction occurs).

Mr. Jay Dehejia (and his alternate Mr. Paul Cheng) are nominees of AEIF (India) Limited and hence may be deemed to be concerned or interested in relation to amendment to Article 61A of the Articles of Association to that extent. Other Directors, except Mr. Vijay Dhar, are nominees of the promoters of the Company and they may be interested or concerned in the proposed amendments relating to the promoters to that extent.

By order of the Board
For Hughes Tele.com (India) Limited

Madhav Joshi
Chief Legal Officer &
Company Secretary

Registered Office:

Ispat House,
B. G. Kher Marg,
Worli, Mumbai 400 018.

Dated the 16th day of July, 2002.



DIRECTORS' REPORT

Dear Members,

Your Directors present their Seventh Report together with the Audited Accounts of your Company for the financial year ended 31st March 2002.

FINANCIAL HIGHLIGHTS

(Rs. in millions)

Particulars	Year ended 31 st March, 2002	Previous Year ended 31 st March, 2001
Total Income	2,766	1,950
Total expenditure	2,391	1,964
EBITDA (-)	375	(14)
Finance & Treasury Charges	723	1,284
Depreciation & Amortisation	1,137	791
Profit / (Loss) before tax	(1,485)	(2,089)
Provision for taxation (-)	—	(1)
Net Profit / (Loss)	(1,485)	(2,088)

Total Income has recorded an impressive growth of 42% clocking Rs. 2,766 million for the current year (previous year Rs. 1,950 million). Of this, the revenue from provision of telephone services was Rs. 2,525 million (previous year Rs. 1,392 million). In addition, your Company earned other income of Rs. 241 million (previous year Rs. 558 million).

After taking into account depreciation of Rs. 1,077 million (previous year Rs. 727 million) and other expenditure, your Company incurred a lower loss of Rs. 1,485 million (previous year Rs. 2,088 million) during this year.

Dividend

Your Directors regret their inability to recommend any dividend for the year under consideration.

Appropriations

No appropriations are proposed to be made for the year under consideration.

PROJECT IMPLEMENTATION

Current Status

Your Company grew at a healthy pace during the year. Your Company's services are now offered to customers in Mumbai, Navi Mumbai, Panaji, Nagpur, Nasik, Pune, Kolhapur, Aurangabad, Ahmednagar and Sangli.

Your Company has rapidly expanded its network and currently provides telecommunication services through over 165,000 business and residential telephone lines in 10 cities in Maharashtra & Goa. Consistent with its commitment to

fulfilling its social obligations to the nation, your Company has also extended its services to 185 villages in rural and remote areas of Maharashtra which did not have any telephone facilities earlier.

Your company has been implementing a Fibre-To-The-Business (FTTB) strategy by laying fibre optic cable right up to the premises of its customers giving them high bandwidth scalability. In highly congested and difficult-to-wire areas, your Company actively utilises a broadband PMP (Point-to-Multi-Point) radio network. This technology enables rapid 'last-mile' connectivity to the customer's premises, and is a fast and economical way to extend the benefits of its broadband network to these areas.

In addition to its strong product offerings in the conventional voice telephony services, your Company provides a full suite of broadband services focused on communication-intensive customers. The Hughes suite of Broadband Digital Data services includes Managed Leased Line services.

Your Company is the first service provider to provide network based Audio Conference services in India christened "Dial-a-Meet" which is aimed at your Company's corporate customers.

Your Company believes in providing competitive world class telecom services to its valued customers and believes that its strong customer orientation places it in a unique position to maintain and sustain its competitive advantage.

Your Company is also a Category A (National) ISP Licensee and offers a broad range of Internet-related products well-suited to its customers' needs and expectations and to complement your Company's other product offerings. Your Company also provides dial-up internet access and content services to more than 6,400 satisfied corporate customers. Your Company offers ADSL based "always-on" broadband internet services in this business segment.

Future Plans

As a result of far reaching changes in the regulatory environment, your Company is redrawing its project with limited further expansion of wired lines and growth expected to come through WLL Limited Mobility network.

Your Company seeks to expand its product offerings in order to provide its customers with an integrated suite of telecommunications products and services to satisfy their increasingly complex and rapidly changing needs for telecommunications solutions. These services include "last-mile" broadband connections for high-speed data and Internet access services, enhanced value-added services such as pre-paid calling cards, data application services such as