TAKING YOU FARTHER

2007-2008

22nd Annual Report



TATA

TATA COMMUNICATIONS

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Our vision is to...

"...deliver a new world of communications to advance the reach and leadership of our customers."

Our strategy is to...

"...build leading-edge IP-leveraged solutions advanced by our unmatched global infrastructure and leadership in emerging markets."

Our commitment is to...

"...invest in building long-lasting relationships with customers and partners and lead the industry in responsiveness and flexibility."

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Tata Communications Limited

TWENTY SECOND ANNUAL REPORT 2007-08

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Annual General Meeting on Saturday, 2 August 2008, at MC Ghia Hall, Kalaghoda Mumbai at 11.00 a.m.
As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.
Shareholders are requested to kindly bring their copies to the meeting.

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CORPORATE DETAILS

BOARD OF DIRECTORS
(As on 30 June 2008)

Mr. Subodh Bhargava (Chairman) (Independent)

Mr. N. Srinath (Managing Director and Chief Executive Officer)

Mr. Kishor A. Chaukar (Panatone Nominee)

Mr. P. V. Kalyanasundaram (Independent)

Dr. V.R.S. Sampath (Independent)

Mr. Amal Ganguli (Independent)

Mr. Vinod Kumar (Panatone Nominee)

Mr. S. Ramadorai (Panatone Nominee)

Mr. A. K. Srivastava (Government Nominee)

Mr. Arun Gandhi (Panatone Nominee)

Mr. H. P. Mishra (Government Nominee)

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Mr. Satish Ranade	Company Secretary & Chief Legal Officer
Mr. Rajiv Dhar	Chief Financial Officer
REGISTERED OFFICE	VSB, Mahatma Gandhi Road, Fort, Mumbai – 400 001.
CORPORATE OFFICE	LVSB, Kashinath Dhuru Marg, Prabhadevi, Mumbai – 400 028.
BANKERS	Bank of America Citibank Inc. Deustche Bank HDFC Bank Ltd. Hongkong & Shanghai Banking Corporation Indian Overseas Bank State Bank of India Axis Bank Ltd. Vijaya Bank
LEGAL ADVISORS	Messrs ANS Law Associates Messrs Mulla & Mulla and Craigie Blunt & Caroe
STATUTORY AUDITORS	Messrs S.B. Billimoria & Co., Chartered Accountants
REGISTRARS & TRANSFER AGENTS	Messrs Sharepro Services (India) Pvt. Ltd. Satam Estate, 3rd Floor, Above Bank of Baroda, Chakala Andheri (East), Mumbai - 400 099.

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NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of Tata Communications Limited will be held at 1100 hours on Saturday, 2 August 2008, at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Road Marg, Kalaghoda, Mumbai - 400001 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Balance Sheet of the Company as on 31 March 2008, the audited Profit and Loss Account for the year ended on that date, the Auditors' Report thereon and the Report of the Board of Directors.

2. To declare dividend for the financial year 2007-2008.

3. To appoint a Director in place of Mr. PV Kalyanasundaram who retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment.

4. To appoint a Director in place of Dr. VRS Sampath who retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment.

5. To appoint a Director in place of Mr. Amal Ganguli who retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment.

Special Business

6. To appoint Mr. Arun Gandhi as a Director liable to retire by rotation in respect of whom a notice under the provisions of section 257 of the Companies Act, 1956 has been received by the Company from a member signifying his intention to propose Mr. Arun Gandhi as a candidate for the office of director.

7. To consider and, if thought fit, to pass with or without modification the following Resolution as a **Special Resolution**:

   "RESOLVED THAT pursuant to Section 224 A and other applicable provisions, if any, of the Companies Act, 1956, M/s S.B. Billimoria & Co., Chartered Accountants be and are hereby appointed Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to examine and audit the accounts of the Company for the financial year 2008-2009 on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors, plus reimbursement of service tax, traveling and out of pocket expenses."

   "RESOLVED FURTHER THAT the Auditors of the Company be and are hereby authorized to carry out (either themselves or through qualified associates) the audit of the Company's accounts maintained at all its branches and establishments (whether now existing or acquired during the financial year ending 31 March 2009) wherever in India or abroad."

By Order of the Board of Directors

Satish Ranade
Company Secretary &
Chief Legal Officer

Dated: 4 July 2008
Registered Office :
VSB, M.G. Road, Fort,
Mumbai - 400 001.

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NOTES :

1. 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. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members who hold shares in dematerialized form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
3. The statement of material facts pursuant to Section 173 (2) of the Companies Act, 1956, setting out the material facts in respect of the business under all items except item Nos.1 to 5 is annexed hereto.
4. Details regarding the persons proposed to be appointed as Directors and their brief resume have been given in the annexure attached to the Notice.
5. This may be taken as notice of declaration of dividend for 2007-2008 in accordance with Article 93 of Articles of Association of the Company in respect of dividend for that year when declared.
6. Registers of members and transfer books of the Company shall remain closed from 26 July 2008 to 2 August 2008 (both days inclusive) for the purpose of ascertaining eligibility to dividend.
7. The dividend as recommended by the Board of Directors, if declared at this Annual General Meeting, shall be paid on or after Thursday the 7 August 2008.
   (i) to those shareholders whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the Registrar & Transfer Agents (R&T Agents) of the Company on or before Friday, 25 July 2008.
   (ii) in respect of shares held in electronic form, to those "deemed members" whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business on Friday, 25 July 2008. In respect of shares held in demat mode, the dividend will be paid on the basis of beneficial ownership as per details to be furnished by NSDL and CDSL for this purpose.
8. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, 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 and Shareholders who have not encashed their dividend warrant(s) so far for the financial year ended 31 March 2001 or any subsequent financial years are requested to make their claim to the R & T Agents of the Company. 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 summary of the unpaid dividend for the past years and the date on which the outstanding amount shall be transferred to Investor Education and Protection Fund on the dates as given in the table below.

Date of AGM/Board	Balance as on 30th June 2008	Dividend for the year	Remarks	Transfer to Investor Education & Protection Fund
27 September 2001	**1,587,100.00**	2000-01	Final Dividend	27 Oct 2008
14 December 2001	**1,226,859.30**	2001-02	Interim Dividend	13 Jan 2009
20 August 2002	**2,040,444.00**	2001-02	Final Dividend	19 Sept 2009
2 September 2003	**1,411,259.50**	2002-03	Final Dividend	2 Oct 2010
2 September 2004	**805,635.00**	2003-04	Final Dividend	2 Oct 2011
14 September 2005	**1,060,479.00**	2004-05	Final Dividend	14 Oct 2012
13 September 2006	**901,219.50**	2005-06	Final Dividend	14 Oct 2013
2 August 2007	**819,004.00**	2006-07	Final Dividend	2 Sept 2014
Total	**9,852,000.30**			

9. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form No. 2B in duplicate (which will be made available on request) to the R & T Agents of the Company.
10. Members are requested to notify any change in their addresses immediately, in any event not later than Friday, 25 July 2008, so as to enable us to dispatch the dividend warrants at the correct addresses:
    a) In case of physical shares to the R & T Agents, M/s Sharepro Services India Private Limited, Satam Estate, 3rd Floor, Above Bank of Baroda, Chakala, Andheri East, Mumbai-400 099.
    b) In case of shares held in demat form to their depositary participants (DPs).

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Annexure to the Notice dated 4 July 2008

The Statement of Material Facts pursuant to Section 173 (2) of the Companies Act, 1956.

In respect of Item No. 6

Mr. Arun Gandhi was appointed as an additional Director on the Board with effect from 10 September 2007 under Article 66B of the Articles of Association of the Company. Pursuant to the provisions of Section 260 of the Companies Act of 1956 and under the said Article, Mr. Arun Gandhi holds office up to the date of the forthcoming Annual General Meeting. Mr. Arun Gandhi is eligible for appointment as a Director of the Company and the Company has, pursuant to section 257 of the Companies Act of 1956, received a notice in writing proposing his candidature for appointment. If appointed, Mr. Arun Gandhi will act as a non-executive Director liable to retire by rotation.

Necessary details regarding Mr. Gandhi and his brief resume has been given in the Annexure attached to the Notice. Keeping in view the experience and expertise, his appointment as Director of the Company is recommended.

None of the Directors other than Mr. Arun Gandhi is concerned or interested in the above Resolution.

In respect of Item No.7

M/s. S.B. Billimoria & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company at the Twenty First Annual General Meeting held on 2 August 2007 and hold office till the conclusion of this Annual General Meeting. Since the Government of India continues to hold not less than 25% of the subscribed share capital of the Company, the appointment of the auditors of the Company is required to be approved by a Special Resolution pursuant to the provisions of Section 224A of the Companies Act, 1956.

None of the Directors are interested in the resolution.

By Order of the Board of Directors

Satish Ranade
Company Secretary &
Chief Legal Officer

Dated: 4 July 2008
Registered Office :
VSB, M.G. Road, Fort,
Mumbai - 400 001.

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Details of Directors Seeking Appointment/Re-Appointment at the 22nd Annual General Meeting

Particulars	Mr. PV Kalyanasundaram	Dr. VRS Sampath	Mr. Amal Ganguli	Mr. Arun Gandhi
Date of Birth	25-Feb-58	12-Aug-56	17-Oct-39	15-Mar-43
Date of Appointment	14-Sep-05	14-Sep-05	17-Jul-06	10-Sep-07
Qualifications	Bachelor of Arts degree in History from the New College, Chennai, Bachelor of Law degree from Madras Law College	Bachelor of Arts degree in history from the Presidency College, Bachelor of Law degree from Madras Law College, Master of Law Degree and a PHD from the University of Madras. Masters of Arts degree in history from the Madurai Kamraj University.	Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of Institute of Chartered Accountants of India, Fellow of British Institute of Management, member of New Delhi Chapter of Institute of Internal Auditors, Florida, USA, Alumnus of IMI, Geneva.	Fellow member of the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of India. He is an associate member of the Chartered Institute of Taxation, London.
Expertise in Specific Functional Area	Eminent Lawyer	Eminent Lawyer	Accounting and Audit	Accounting and Audit
Directorships held in other Public Companies (excluding foreign and private companies)	NIL	1	9	7
Memberships/Chairmanships of Committees in other Public Companies	NIL	1	9	5
Shareholding	NIL	NIL	NIL	NIL

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DIRECTORS' REPORT

Dear Shareholders,

The directors are pleased to present the 22nd annual report and audited accounts of Tata Communications Limited for the financial year ended 31 March 2008.

FINANCIAL PERFORMANCE

During the year under review, 2007-08, your Company earned a total revenue of Rs. 34.65 billion compared to Rs. 39.58 billion during the previous year. Profit before tax for the year was Rs. 4.49 billion, against Rs. 7.12 billion in the previous year. Profit after tax was Rs. 3.04 billion compared to Rs. 4.68 billion in the previous year.

On a consolidated basis, for 2007-08, the Company's total income was Rs. 85.37 billion, with an EBIDTA of Rs. 8.45 billion and profit before tax and exceptional items of Rs. 1.60 billlion.

The audited annual accounts for the year 2007-08 have been drawn up taking into account the court order approving the hive off of the retail business unit with effect from 1 March 2007.

Dividend

The directors are pleased to recommend a dividend of Rs.4.50 per share (Rs.4.50 per share for the previous year) for the financial year ended 31 March 2008. The amount available for appropriation is Rs. 20.76 billion, out of which the Company proposes to transfer Rs. 332.72 million to general reserves, leaving Rs. 18.92 billion to the balance sheet.

"TATA COMMUNICATIONS"

During the year 2007-08, the Company changed its name to Tata Communications Limited. The Company also signed the Brand Equity and Business Promotion Agreement (BEBP Agreement) with Tata Sons Limited, the owners of intellectual property rights for the brand name / corporate name 'Tata'.

During the year 2007-08, the Company completed the integration of its major international acquisitions, TGN and Teleglobe, giving the Company expanded global reach and ability to deliver IP-leveraged communications solutions to businesses and consumers worldwide. On 13 February 2008, the Company launched its new identity and the brand "Tata Communications" integrating the former VSNL, VSNL International, Teleglobe and CIPRIS brands worldwide.

OVERVIEW

Over the last few years, your Company, steadfastly pursuing its strategy, has successfully completed large international acquisitions and invested heavily in communications networks in India and outside. As a result, your Company has emerged as one of the top players worldwide in its major business segments, with operations in 38 countries.

Internationally, your Company remains one of the top three providers of international wholesale voice services and wholesale Voice over Internet Protocol (VoIP) services. It is one of the largest providers of submarine cable capacity in the world, is a global Tier-1 Internet Services Provider (ISP) and is a major player in the growing global IP Transit market. Your Company also offers telecommunication services through a subsidiary in Sri Lanka and joint ventures in Nepal and South Africa. Tata Communications is the only Indian telecom company identified by the Boston Consulting Group as one of the new global challengers.

During the year under review, your Company strengthened its position in international wholesale voice services and grew its carrier and enterprise data businesses. The global demand for bandwidth has surged, given increasing broadband penetration, the popularity of rich media digital content and expansion into emerging markets. Tata Communications aims to leverage its TGN network, which is one of the most recent and advanced submarine cable and Internet Protocol (IP) networks, to meet the demand for converged IP solutions. Your Company is actively involved in the creation of additional submarine cable systems connecting emerging markets in Asia, the Middle East and Africa to Europe, to meet the demands of consumer broadband and enterprise customers over the next five to eight years.

OPERATIONAL REVIEW

Your Company operates under three main business segments globally – Wholesale Voice, Enterprise and Carrier Data and Other Services.

Wholesale Voice

- International Long Distance (ILD)

  ILD voice services were traditionally your Company's core business. Tata Communications remains one of India's leading providers of international voice communication services. Your Company also has several hundred direct and bilateral relationships with leading international voice telecommunication providers and carries over 23 billion minutes of international wholesale voice traffic on an annualised basis.

  Over the last five years, the international telephony market in India has been under pressure due to increasing competition, falling rates and lower margins. During the year under review there was further reduction in tariffs and interconnect rates, increasing the downward pressure on revenues. Therefore, globally your Company continues to focus on increasing volumes and thus revenues, while cutting costs to improve margins. Your Company believes that its strategic advantage in this business comes from its carrier relationships supported by the volumes, reach, and robust state-of-the-art technology and networks, which are difficult to replicate.

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- National Long Distance (NLD)

  Your Company has a strong national network infrastructure and interconnect agreements with all basic and cellular mobile service operators in India to carry NLD traffic to and from their networks. However, Tata Communications is dependent on getting traffic from these access providers, many of whom have acquired their own NLD licenses. Meanwhile, direct customer access mechanisms such as the Carrier Access Code (CAC), have not yet been implemented. The telecom regulator has recently initiated a consultation process for the implementation of CAC. Any such implementation will enable Tata Communications to enter the retail long distance market.

Enterprise and Carrier Data

- Carrier Data

  Tata Communications is one of the world's leading wholesale providers of data, IP and mobile signalling services. Your Company leverages its TGN submarine cable network to provide high-speed bandwidth connectivity to other telecom carriers and ISPs worldwide. The TGN network extends across the Atlantic and Pacific Oceans and also connects locations within Europe and India to Singapore. Your Company is now supplementing this network with two new cables. TGN-Intra Asia will connect Singapore to Hong Kong and Japan, via the Philippines and Vietnam. TGN-Eurasia will connect Mumbai to Western Europe via Egypt. In addition, your Company is playing an important role in the creation of other cable systems that connect India to the Middle East, Africa and Europe.

  Tata Communications also operates one of the world's leading IP networks and provides wholesale IP transit services to tier-2 ISPs and regional carriers. Your Company is one of the few ISPs that has a strong position in all the major regions, including North America, Europe, Asia and Africa. The Company is also introducing other value-added services, like Content Delivery Networks (CDN) to leverage its existing position with the ISP market segment.

  Tata Communications is a leading provider of mobile signalling services to mobile operators worldwide. Its offerings include signal conversion and managed roaming services. In addition, the Company is introducing new, innovative services such as mobile messaging and M-commerce (cross-border transfer of money) in partnership with mobile operators and banks.

- Enterprise Data

  In addition to being a leading player in the Indian data market, your Company also serves enterprises globally, providing worldwide connectivity through its own network, or assisted by partners in different geographies. As voice, data and video communications converge; the demand for enterprise data services is growing worldwide. By developing differentiated services and offering competitive pricing, your Company is tapping these large and lucrative global markets.

  Tata Communications offers a very wide range of telecommunication solutions that can be seamlessly integrated across products and geographies and extensively customised. In addition to international and national private leased circuits (IPLCs and NPLCs), your Company offers a wide range of Ethernet Services, Internet Protocol (IP) and managed services encompassing Internet telephony, Multi Protocol Label Switching based Virtual Private Networks (MPLS VPNs), Internet access, managed hosting, messaging and other collaboration and conferencing services, managed security services and other professional services.

  The Company continues to expand its MPLS VPN and Ethernet services throughout the main global markets. The expansion is being carried out through direct entry into new markets as well as through partnerships with regional / local operators. To further strengthen its customer value proposition, Tata Communications partners with Tata Group company Tata Consultancy Services Limited (TCS) and other software and systems integration companies, for integrated joint product and service offerings. Your Company also markets its services through indirect channels catering to the small and medium enterprise market in India.

  After recent amendments to telecom licences, IP VPN services are to be provided under the ILD and NLD licences. The wireless as well as fibre last-mile network can now be used to provide services under the NLD licence. NLD service providers are also now allowed to make their own arrangements for laying the last mile for providing leased circuits and for connecting Closed User Groups. This amendment removes a major hurdle to Tata Communications' leased services and the Company is actively expanding its fibre and wireless access network based on the new Wi-Max technology, to provide its own last mile connectivity to its enterprise customers.

Other Services

In the retail space, Tata Communications remains a premier Internet Service Provider, offering connectivity, messaging, Internet telephony and a wide variety of content services. Your Company is also a key player in India's rapidly growing and high potential broadband sector.

- Broadband

  As reported last year, your Board had decided to hive off the retail business unit into its wholly owned subsidiary VSNL Internet Services Ltd. (VISL), to simplify the structure and to enable possible future value

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