

TATA COMMUNICATIONS

TAKING YOU FARTHER™



24th
Annual
Report | **2009-2010**
Taking You Farther



Comm**unicate**
behind a single purpose.

Taking our company,
shareholders, partners
and employees
farther together



Tata Communications Limited

TWENTY FOURTH ANNUAL REPORT 2009-10

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Annual General Meeting on Friday, 6 August 2010, 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.

CORPORATE DETAILS**BOARD OF DIRECTORS**

(As on 30 June 2010)

Mr. Subodh Bhargava (Chairman) (Independent)
Mr. N. Srinath (Managing Director and Chief Executive Officer)
Mr. Kishor A. Chaukar (Pاناتone Nominee)
Mr. P. V. Kalyanasundaram (Independent)
Dr. V.R.S. Sampath (Independent)
Mr. Amal Ganguli (Independent)
Mr. Vinod Kumar (Pاناتone Nominee)
Mr. S. Ramadorai (Pاناتone Nominee)
Mr. A. K. Srivastava (Government Nominee)
Mr. Arun Gandhi (Pاناتone Nominee)
Dr. Ashok Jhunjhunwala (Pاناتone Nominee)
Mr. Manish Sinha (Government Nominee)

Mr. Satish Ranade
Mr. Sanjay Baweja

Company Secretary & Chief Legal Officer
Chief Financial Officer

REGISTERED OFFICE

VSB, Mahatma Gandhi Road, Fort,
Mumbai – 400 001.

CORPORATE OFFICE

C21& C36, 'G' Block, Bandra Kurla Complex,
Mumbai – 400 098.

BANKERS

Bank of America
HDFC Bank Ltd.
Hongkong & Shanghai Banking Corporation
Citibank Inc.
Indian Overseas Bank
Royal Bank of Scotland
Development Bank of Singapore
Deutsche Bank
Kotak Mahindra Bank Ltd.
ICICI Bank Ltd.
State Bank of India
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.
13 AB, Samhita Warehousing Complex, 2nd Floor,
Near Sakinaka Telephone Exchange, Andheri Kurla Road
Andheri (East), Mumbai - 400 072.

NOTICE

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of Tata Communications Limited will be held at 1100 hours on Friday, 6 August 2010, at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Road, Kalaghoda, Mumbai – 400001 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Balance Sheet of the Company as on 31 March 2010, 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 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.
3. 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.
4. 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

5. 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 2010-2011 on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors, plus reimbursement of service tax, travelling 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 2011) wherever in India or abroad."

By Order of the Board of Directors

Satish Ranade
Company Secretary

Dated : 5 July, 2010
Registered Office :
VSB, Fort,
M.G. Road, Mumbai - 400 001.

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 Item No. 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. Registers of members and transfer books of the Company shall remain closed from 2 August 2010 to 6 August 2010 (both days inclusive).
6. 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 2003 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 are given in the table below.

Date of AGM	Balance as on 30 June 2010(Rs.)	Dividend for the year	Transfer to Investor Education & Protection Fund
2 Sept 2003	797,253.50	2002-03	2 Oct 2010
2 Sept 2004	799,137.00	2003-04	2 Oct 2011
14 Sept 2005	1,045,488.00	2004-05	14 Oct 2012
13 Sept 2006	877,041.00	2005-06	13 Oct 2013
2 Aug 2007	736,294.00	2006-07	2 Sept 2014
2 Aug 2008	841,491.00	2007-08	2 Sept 2015
7 Aug 2009	860,791.50	2008-09	7 Sept 2016
Total	5,957,424.00		

7. 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.

Annexure to the Notice dated 5 July 2010

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

In respect of Item No. 5

M/s. S B Billimoria & Co., Chartered Accountants were appointed as the statutory auditors of the Company at the Twenty Third Annual General Meeting of the Company held on 7 August 2009 and hold office till the conclusion of the Twenty Fourth 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 Section 224A of the Companies Act, 1956.

The Directors recommend the resolutions.

None of the Directors are interested in the resolutions.

By Order of the Board of Directors

Satish Ranade
Company Secretary

Dated : 5 July 2010
Registered Office :
VSB, Fort,
M.G. Road, Mumbai - 400 001.

**Details of Directors Seeking Appointment / Re-Appointment at the
24th Annual General Meeting**

Particulars	Mr. P.V. Kalyanasundaram	Dr. V.R.S. Sampath	Mr. Amal Ganguli
Date of Birth	25 February 1958	12 August 1956	17 October 1939
Date of Appointment	14 September 2005	14 September 2005	17 July 2006
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.
Expertise in Specific Functional Area	Eminent Lawyer	Eminent Lawyer	Accounting and Audit
Directorships held in other Public Companies (excluding foreign and private companies)	NIL	1	13
Memberships/Chairmanships of Committees in other Public Companies	NIL	NIL	10
Shareholding In TCL	NIL	NIL	NIL

DIRECTORS' REPORT

Dear Shareholders,

The directors present the 24th annual report and audited accounts of Tata Communications Limited (TCL) for the financial year ended 31 March 2010.

PERFORMANCE

The year under review saw continued sluggishness in markets in which your Company operates. Most corporates, who are the major customers of the company, have remained cautious and focussed on reducing costs and becoming more efficient thereby limiting the growth in our addressable market. Despite this, your Company continued to expand and grow, and has increased its consolidated revenues to Rs.111.94 billion (previous year Rs. 102.07 billion) and EBIDTA was at Rs. 10.12 billion (previous year Rs. 13.66 billion). However, consolidated profit/(loss) after exceptional items and before tax was Rs. (6.81) billion (previous year Rs. (4.23) billion), whereas profit/(loss) after tax was Rs. (5.98) billion (previous year Rs. (3.16) billion).

On standalone basis, during the year under review, your Company earned total revenue of Rs. 33.83 billion (previous year Rs. 39.81 billion). Profit before tax for the year was Rs. 3.09 billion, (previous year Rs.7.13 billion). Profit after tax was Rs. 4.83 billion (previous year Rs. 5.16 billion).

The Company's profitability has been affected adversely by the global economic conditions, nascent stage of some of its investments and due to increases in some specific items of cost. The consolidated net loss includes Rs. 4.64 billion in respect of the Company's holding in Neotel, South Africa, which is still in the early growth phase and will continue to need support for some more time before it turns profitable. The net loss also includes increases in other non-cash costs viz. depreciation on account of significant capitalisation done over the past two years, and the changes in retirement provisions in India and overseas subsidiaries. We remain confident that the Company's strategy is sound and the direction that the Company is taking will prove beneficial to the Company and its stakeholders in the future.

Dividend

The directors have recommended that no dividend be paid for the financial year ended 31 March 2010. This was deemed prudent in the light of several factors impacting your Company. The Company's revenue has shown growth but profitability has come under pressure over the last couple of years primarily due to sharp drop in tariffs and the high capital expenditure to meet current and future business requirements resulting in significantly higher depreciation and additional interest costs and some large investments being still in their gestation phase and will take a few more years to be profitable.

Your Company has reinvested its cash in the business to expand its capabilities in key markets around the world, including India. However, your Company has also been increasing its debt funding to support growth and expansion. As a result, interest costs have been rising, affecting adversely your Company's profitability. Therefore, as a part of its attempts to control the debt burden on the Company, the Board has decided to reinvest the amount available into growth investments for the business.

The amount available for appropriation is Rs. 25.83 billion, out of which the Company proposes to transfer Rs. 0.48 billion to general reserves and Rs. 3.55 billion to the debenture redemption reserve, leaving Rs. 21.79 billion to be carried forward.

Funding

During the year, the Company continued to borrow for financing its projects and operations. The Company issued unsecured debentures amounting to Rs. 7.00 billion in 2009-10. All debentures issued by the Company have been rated 'AAA'. The trust deeds for the debentures issued by the Company will be available for the inspection by the members at the Company's registered office during normal working hours, 21 days before the date of the 24th Annual General Meeting.

OVERVIEW

Over the last few years, your Company has consistently pursued its strategy of providing a range of communication services to enhance the reach and

leadership of its customers in the wholesale, enterprise and retail segments across different geographies. It is leveraging its integrated wholesale capability, strong market position in India, portfolio of managed services and its focus on emerging markets to compete with other global service providers. The Company has judiciously invested in key infrastructure and service delivery capabilities to be able to meet the demands of its customers.

The Company's focused strategy has enabled it to be one of the leading players worldwide in its major business segments, with operations in more than 50 countries. Tata Communications remains the largest provider of international wholesale voice services globally and one of the largest owners and providers of submarine cable capacity in the world. The Company 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 its subsidiary in Sri Lanka and associates/joint ventures in Nepal and South Africa.

In the coming years, your Company will continue to focus on redefining telecom services for "wholesale" commodity and low-value operations to a partnership-driven, value-enhancing business; on expanding networks in India to reach the customers' premises; on rapidly growing its global enterprise segment with catalyst services including Telepresence, media and entertainment solutions, Ethernet and cloud computing; and on achieving global benchmarks in customer services and operations.

During the year under review, the enterprise customers' demand for greater global connectivity and services continued to grow, worldwide broadband penetration increased and demand for rich media and interactive digital content continued to increase globally. This gave the Company the opportunity to leverage its Tata Global Network (TGN) of optical fibre undersea cables and Internet Protocol (IP) networks to its advantage.

Over the last four years, Tata Communications invested over US\$2 billion in building infrastructure and new service capabilities as well as in entering new markets. In 2009-10, the Company invested

nearly US\$509 million towards capital expenditure and other investments. The Company has commissioned additional submarine cable systems and is expanding capacity in the current year, connecting emerging markets in Asia, the Middle East and Africa to each other and onwards to Europe and America to meet the increasing bandwidth demand of broadband, enterprise and wholesale customers over the next five to eight years. Investments have also been made in new data centres and in expanding the network and service capability in different markets globally. The Company expects to continue investing in increasing its capabilities and market presence.

Tata Communications has set up extensive operating framework for servicing the specific needs of customers across various market segments and geographies. The Company continues to focus on building long lasting relationships with its customers and business associates and to lead the industry in responsiveness and flexibility. The service fulfilment, service assurance and billing functions are integrated into a single team called Customer Services and Operations. This provides the right focus and synergies across all "customer touch points" in all stages of the service life cycle and has led to significantly enhanced customer satisfaction across our business segments and geographies.

The Department of Telecommunications (DoT), through a license amendment dated 3 December 2009, made it mandatory for all telecom service providers to obtain security clearances before placing purchase orders for procuring telecom equipment from manufacturers who are not Indian owned/controlled. Further notifications issued by the DoT lay down more conditions relating to the transfer of technology requirements to be imposed on foreign vendors, self certification regarding equipment being free from malware, etc. Service providers and vendors are generally finding it difficult to comply with these conditions. The Company is facing delays in fulfilment of its customer orders and in expanding its network infrastructure in India, which is having an adverse effect on the Company's revenues.

The Company continues to work with the Government of India to resolve this issue.