



TATA TELESERVICES (MAHARASHTRA) LIMITED



2003-04

BOARD OF DIRECTORS**Mr. Firdose A. Vandrevalla (Chairman)****Mr. Kishor A. Chaukar****Dr. Naushad Forbes****Mr. R. Gopalakrishnan****Mr. Ishaat Hussain****Dr. J. J. Irani****Mr. Pradman Kaul****Mr. N. S. Ramachandran****Mr. S. Ramakrishnan (Managing Director)****COMPLIANCE OFFICER****Mr. Madhav Joshi**

Chief Legal Officer & Company Secretary

Investor Services

Mr. Hiten Koradia

Tel – 022 5661 5152

e-mail – ir@tatatel.co.in**STATUTORY AUDITORS**M/s. Deloitte Haskins & Sells
Chartered Accountants12, Dr. Annie Besant Road, Opp. Shiv Sagar Estate, Worli,
Mumbai – 400 018.**REGISTRARS & SHARE TRANSFER AGENTS****Tata Share Registry Limited**

Army & Navy Building,

148, Mahatma Gandhi Marg,

Fort, Mumbai 400 001.

Tel 91 22 5656 8484 (Extn. 240 / 241 / 242)

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e-mail - csg-unit@tatashare.comwebsite – www.tatashare.com**REGISTERED OFFICE**

Ispat House, B. G. Kher Marg,

Worli, Mumbai – 400 018.

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TATA TELESERVICES (MAHARASHTRA) LIMITED

9th Annual Report 2003-2004

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NOTICE

Notice is hereby given that the 9th Annual General Meeting of Tata Teleservices (Maharashtra) Limited will be held on **Tuesday, August 10, 2004** at **1530** hours at Bombay House Auditorium, Bombay House, 24, Homi Mody Street, Fort, Mumbai – 400 001 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the Financial year ended March 31, 2004 alongwith the Report of auditors thereon as well as the Directors' Report and for that purpose to consider and, if thought fit, to pass, with or without modifications, if any, the following as an ORDINARY RESOLUTION:
 "RESOLVED THAT the Company's audited Balance Sheet as at March 31, 2004 and the audited Profit and Loss Account for the financial year ended on that date together with Directors' and Auditors' Report thereon be and are hereby approved and adopted."
2. To consider and, if thought fit, to pass, with or without modifications, if any, the following as an ORDINARY RESOLUTION (in the date of the meeting, the financial institutions hold not less than 25% of the Subscribed Capital of the 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."
3. To consider and, if thought fit, to pass, with or without modifications, if any, the following as an ORDINARY RESOLUTION:
 "RESOLVED THAT Mr. R. Gopalakrishnan, who retires by rotation in this Annual General Meeting be and is hereby re-elected as a Director of the Company whose office shall be liable to retirement by rotation."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as an ORDINARY RESOLUTION:
 "RESOLVED THAT Mr. Kishor A. Chaukar, a Director appointed in casual vacancy, who ceases to hold office at this Annual General Meeting and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation."
5. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as an ORDINARY RESOLUTION:
 "RESOLVED THAT Mr. N. S. Ramachandran, a Director appointed in casual vacancy, who ceases to hold office at this Annual General Meeting and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as an ORDINARY RESOLUTION:
 "RESOLVED THAT Dr. Naushad Forbes, an Additional Director, who ceases to hold office at this Annual General Meeting and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as a SPECIAL RESOLUTION:
 "RESOLVED THAT the Special Resolution relating to the Company's Employees' Stock Option Plan passed in the Extraordinary General Meeting of the members of the Company held on December 28, 1999 and the Other Statutory Information as reproduced in the Explanatory Statement accompanying this notice, be and are hereby noted, ratified, approved and confirmed."

RESOLVED THAT the Board of Directors (including any Committee and/or delegates thereof) be and are hereby authorized to give effect to this resolution and to do such acts, thing and deeds in this connection as they may deem necessary or expedient."

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8. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof), the Company hereby accords its consent to the Board of Directors for borrowing any sum or sums of money from time to time from any one or more of the Company's bankers and/or from any one or more other persons, firms, bodies corporate or financial institutions, whether in India or abroad, and whether by way of cash credit, advance or deposits, loans or bill discounting, issue of debentures or other securities or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets, licences and properties, whether immovable or movable or stock-in-trade (including raw materials, stores, spare parts and components in stock or in transit) and work-in-progress and all or any of the undertaking of the Company notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, so that the total amount upto which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs.4000,00,00,000/- (Rupees Four Thousand Crores only) and the Board of Directors (including any committee/s thereof) are hereby authorised to execute such debenture trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings containing such conditions and covenants as the Directors may deem fit."

9. Pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the resolution by postal ballot) Rules, 2001, the consent of the members for the following ORDINARY RESOLUTION is sought separately **by way of Postal Ballot:**

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof), the Company hereby accords its consent to the Board of Directors to mortgage and/or charge, in addition to the mortgages/charges created/to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, on all or any of the movable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of business and concern of the Company in certain events of default, in favour of the lender(s), agent(s) and trustee(s) for securing the borrowings of the Company availed/to be availed by way of loan(s) (in foreign currency and/or rupee currency) and securities (comprising fully/partly convertible debentures and/or non-convertible debentures with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rates notes/bonds or other debt instruments), issued/to be issued by the Company, from time to time, subject to the limits approved under Section 293 (1) (d) of the Companies Act, 1956, together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the agent(s) and/or trustee(s), premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange and all other monies payable by the Company in terms of the Loan Agreement(s), Heads of Agreement(s), Debenture Trust Deed(s) or Loan Agreements or any other document, entered into/to be entered into between the Company and the lender(s)/investor(s)/agent(s) and/or trustee(s), in respect of the said loans/borrowings/debentures and continuing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or any committee(s) thereof and the lender(s), agent(s) and/or trustee(s)."

By order of the Board
For **Tata Teleservices (Maharashtra) Limited**

Madhav Joshi
Chief Legal Officer & Company Secretary

Registered Office:

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

Dated: May 13, 2004

Notes:

1. **THE RESOLUTION SET OUT UNDER ITEM NO. 9 OF THIS NOTICE IS PROPOSED TO BE PASSED BY POSTAL BALLOT.**
2. 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 the Company not less than 48 hours before the commencement of the meeting.
3. The Explanatory Statement pursuant to section 173(2) of the Companies Act 1956 is annexed hereto and forms part of this Notice.
4. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection by the Members at the registered office of the Company on all working days between 11.00 a.m. to 1.00 p.m. up to the date of Annual General Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from July 21, 2004 to August 10, 2004 (both days inclusive).
6. Members are requested to notify immediately change of address, if any, at the registered office of the Company.
7. 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.
8. A circular on the Nomination facility is available on the Company's web-site www.tataindicom.com. The shareholders holding shares in physical mode only are requested to go through the circular and appoint nominee/s, if any, in respect of their physical shareholdings at the earliest.
9. **Members may kindly note that, for security reasons, no handbags or parcels of any kind will be allowed inside the Bombay House Auditorium and those will have to be deposited outside the Auditorium on the counter provided, at the Members' own risk.**

ANNEXURE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item No. 2**

It is proposed to re-appoint M/s Deloitte Haskins & Sells, Chartered Accountants, retiring auditors of the 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 the Company on the date of the ensuing Annual General Meeting, this resolution would be passed as a SPECIAL RESOLUTION. As on March 31, 2004, the above-referred institutions / bodies held approximately 5.6% of the subscribed share capital of the Company.

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

Item No. 3

Mr. R. Gopalakrishnan, Director retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment.

He is a graduate in Physics from Calcutta University and in Engineering from IIT, Kharagpur. In 1967, he joined Hindustan Lever as a Management Trainee. After 20 years, he was appointed as Executive Director - Exports.

In 1991, he became Chairman, Unilever Arabia, based in Jeddah to establish and manage Unilever's consumer products business in the Arab countries. Upon his return to India in 1995, he became Managing Director of Brooke Bond Lipton and after its merger with Hindustan Lever, he was appointed Vice Chairman of Hindustan Lever Ltd.

After 31 years in Levers, he joined Tata Sons Limited in August 1998. Apart from being a Director of the Company, Mr. Gopalakrishnan is also a Director of Tata Sons Limited, Tata Motors Limited, Tata Chemicals Limited, The Tata Power Company Limited, ICI India Limited, Rallis India Limited, Idea Cellular Limited, Tata Teleservices Limited, Tata Honeywell Limited, Castrol India Limited, Tata Technologies Limited, Sheba Properties Limited, ABP Private Limited and Tata Autocomp Systems Limited.

Mr. Gopalakrishnan is also a member of the Audit Committees of the Boards of Tata Chemicals Limited, ICI India Limited, Castrol India Limited and ABP Private Limited and a member of the Remuneration Committees of the Boards of Tata Chemicals Limited, The Tata Power Company Limited, ICI India Limited, Rallis India Limited, Tata Teleservices Limited and Castrol India Limited. He is also a member of the Investors' Grievance Committee constituted by the Board of Tata Motors Limited.

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Mr. Kishor A. Chaukar was appointed a Director of the Company on December 6, 2002 in casual vacancy caused due to resignation of Mr. Pradman Kaul. He holds office till this Annual General Meeting. The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying an intention to propose Mr. Chaukar as a candidate for the office of Director. Mr. Chaukar is therefore eligible for appointment to the office of Director at the ensuing Annual General Meeting.

Mr. Chaukar is the Managing Director of Tata Industries Limited which is one of the two principal holding companies of the Tata Group and which acts as the diversification and new projects-promotion arm of the group. It also spearheads the entry of the group into the emerging, high-tech and sunrise sectors of the economy.

He is also a member of the Tata Group Executive Office, which is engaged in strategy formulation at the House of Tata.

He was the Managing Director of ICICI Securities & Finance Company Limited from July 1993 to October 1998, and a member of the Board of Directors of ICICI Limited from February 1995. He has also worked in Bhartiya Agro Industries Foundation, a Public Trust engaged in rural development on a no-profit-no-loss basis, and Godrej Soaps Limited.

He holds a B.A. in Economics from Karnataka University and a Post-Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. He also holds a DEA in rural economics from the University of Dijon, France.

In addition to being on the Company's Board, Mr. Chaukar is the Managing Director of Tata Industries Limited. Mr. Chaukar is also a member of the Board of Directors of Concorde Motors Limited, Tata Advanced Materials Limited, Tata Teleservices Limited, Oriental Floratech Limited, Information Technology Park Limited, Tata Autocomp Systems Limited, Tata Telecom Limited, Tata Honeywell Limited, Sitel India Limited, Idea Cellular Limited, Videsh Sanchar Nigam Limited and IDFC Asset Management Company Limited.

In addition to being a member of the Audit Committee of the Board of the Company, Mr. Chaukar is a member of the Audit Committees of the Boards of Directors of Tata Teleservices Limited, Information Technology Park Limited, Tata Autocomp Systems Limited, Tata Honeywell Limited, Sitel India Limited and Idea Cellular Limited. Mr. Chaukar is also a member of the Remuneration Committees of the Boards of Directors of Tata Honeywell Limited and Idea Cellular Limited and a member of the Shareholders' Grievance Committee of the Board of Directors of Videsh Sanchar Nigam Limited.

Your Board considers that the Company would benefit immensely from Mr. Chaukar's rich and varied experience and therefore recommends his appointment.

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

Item No. 5

Mr. N.S. Ramachandran was appointed a Director of the Company on December 6, 2002 in casual vacancy caused due to resignation of Mr. Jaykumar Dehejia. He holds office till this Annual General Meeting. The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying an intention to propose Mr. Ramachandran as a candidate for the office of Director. Mr. Ramachandran is therefore eligible for appointment to the office of Director at the ensuing Annual General Meeting. Mr. Ramachandran is an independent director as regards the Company.

Mr. Ramachandran belongs to the Indian Telecommunication Service. He was the Chairman and Managing Director of the Mahanagar Telephone Nigam Limited during 1995-97. Prior to that he held many responsible positions in the Government, the more important ones being the posts of the Chief Executive of the Telecommunication Department for the state of Karnataka, General manager of planning and development of the telecom network of Delhi and Director in the Rural Development Task Force of the Dept. of Telecom.

He is a specialist in the field of Telecom Network Planning and Operation and was deeply involved in the modernisation and Digitalisation of Telecom networks. He has also worked with the International Telecommunication Union as a Senior Expert in Rural Network in Geneva, Maldives, Uganda and Zimbabwe. When the Telecom Regulatory Authority of India (TRAI) was set-up in 1997, he was appointed as a Member and he held that office up to year 2000.

In addition to being on the Company's Board, Mr. Ramachandran is also a Director of Tata Teleservices Limited. He is also the Chairman of the Audit Committee of the Company's Board of Directors.

Your Board considers that the Company would benefit immensely from Mr. Ramachandran's rich experience in the field of telecom and therefore recommends his appointment.

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

Item No. 6

Dr. Naushad Forbes was appointed as an Additional Director by the Company's Board on 22nd March 2004. He holds office till this Annual General Meeting. The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying an intention to propose Dr. Forbes as a candidate for the office of Director. Dr. Forbes is therefore eligible for appointment to the office of Director at the ensuing Annual General Meeting. Dr. Forbes is an independent director as regards the Company.

Dr. Forbes is a PhD & M.S. in Industrial Engineering from the Stanford University. He also holds the B.A.S. in Industrial Engineering & History from the Stanford University

His Research fields include technology and innovation in newly industrializing countries, the organisation of research and development in technology-follower environments, policies for technology and science, technology and national competitiveness.

In addition to being on the Company's Board, Dr. Forbes is also a Director of KPIT Cummins Infosystems Limited, Spirax Marshall Private Limited, Forbes Marshall Arca Private Limited, Sempell Valves Private Limited, Naushad Investment Private Limited, Forbes Polymetron Private Limited, Forbesons Tech Centre Private Limited, Rapideffect Private Limited, J. N. Marshall Private Limited, JNM Systems & Services Private Limited, Forbes Marshall Private Limited, Krohne Marshall Private Limited, Farhad Investment Private Limited, Forbes Marshall (Hyd) Private Limited, Tata TD Waterhouse Trustee Company Private Limited and Life & General Associates Private Limited.

He is also associated with various trade associations and is Vice Chairman of Maharashtra State Council of the Confederation of Indian Industry, Executive Committee Member of Mahratta Chamber of Commerce, Industries & Agriculture, Pune, Member of Advisory Board of the Indian Institute of Technology, Bombay, Member of Governing Body of Vishwakarma Institute of Technology, Trustee of Poona Medical Foundation (Ruby Hall Clinic) and Member of Advisory Board of Society for Computer Technology & Research.

Your Board considers that the Company would benefit immensely from Dr. Forbes' rich experience in the field of engineering and management and therefore recommends his appointment.

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

Item No. 7

The Company's Board of Directors had, on November 10, 1999, approved an Employees' Stock Option Plan (ESOP) for grant of stock options to the Company's officers and employees. The Company's shareholders had approved of the issue of shares pursuant to conversion of stock options in the Extraordinary General Meeting held on December 28, 1999 by passing the Special Resolution as reproduced below.

Though the Company had obtained consent of the members after making the requisite disclosures before issue of the stock option, consent of the members by way of ratification is being once again sought in accordance with the provisions of Securities & Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 2003. Further, even though the Company had made appropriate disclosures regarding the above in past annual reports, this information is being brought to the specific notice of the shareholders once again as stipulated by Securities & Exchange Board of India in connection with obtaining listing approval for the shares issued pursuant to conversion/exercise of stock options issued under the Company's ESOP.

Resolution dated December 28, 1999

"RESOLVED THAT subject to the conditions laid down hereunder and also in the explanatory statement to this resolution, consent be and is hereby granted pursuant to Section 81 (1-A), Section 79-A and other applicable provisions, if any, of the Companies act, 1956, to the Board of Directors of the Company (which expression shall also include any Committee of the Board) to issue to the Hughes Ispat Limited Employees Stock Option Scheme Trust/the Employees of the Company, 12,000,000 (Twelve Million) warrants in terms of the Employees Stock Option Scheme (ESOP) –

1. *The issue of warrants shall be subject to and in terms of the ESOP or any amendments thereto approved by the Board of Directors.*
2. *Unless otherwise decided by the Board, the employees will not be required to pay any amount at the time of issue of warrants.*
3. *Each warrant will be convertible into one equity share of the Company on payment of such price as may be fixed by the Board in respect of such warrant.*
4. *The shares issued on conversion of warrants shall rank pari passu with the equity shares already issued by the Company except that such shares shall be entitled to dividend from the date of conversion of the warrants into shares.*

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RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to issue and allot from time to time an aggregate of 12,000,000 (Twelve Million) Equity Shares to the Employees on conversion of warrants in accordance with the ESOP.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to decide on and/or to do all such acts, deeds and things as may be necessary or expedient for giving effect to this resolution.'

On January 14, 2002, the Company's Board, in view of the Company's shares having been listed on BSE & NSE in October 2000, decided to amend the definition of "Warrant Conversion Price" thereby linking the determination of exercise price to the market price on the date of grant of the options. The revised definition adopted was as under:

"Warrant Conversion Price" means, the price, to be determined by the Board, at which an Employee who receives a Warrant may convert that Warrant into a Share of the Company, which shall be the lower of the following:

- the average of the weekly high and low of the closing prices of the Company's shares quoted on the stock exchange during the six months preceding the relevant date, or
- the average of weekly high and low of the closing prices of the Company's shares quoted on the stock exchange during the two weeks preceding the relevant date, or
- the price as recommended by the Board of Directors

Provided that the Warrant Conversion Price shall not, in any case, be lower than the nominal value of the Company's shares as at the time of conversion of the Warrants.

Explanation: For the purposes of this Clause 3.19,

- "relevant date" means the date thirty days prior to the date on which the ESOP Compensation Committee/Board approves the issue of Invitations.
- "stock exchange" means any of the recognised stock exchanges in which the Company's shares are listed and in which the highest trading volume in respect of the Company's shares has been recorded during the preceding six months prior to the relevant date provided that in case the trading volume during the preceding six months as above is the same on all the stock exchanges in which the Company's shares are listed, the term "stock exchange" shall mean the Stock Exchange, Mumbai (BSE)."

However, no stock options have been granted by the Company after the date of passing of the abovesaid Board resolution and all the options granted till date carry a Exercise Price of Rs.10/- per Equity Share which was fixed by the Company's Board of Directors pursuant to the provisions of the ESOP as originally framed. Out of these, an aggregate of 16,53,455 stock options have been exercised (converted into equity shares) till date.

The details regarding the implementation of the ESOP are set forth in Annexure II to the accompanying Directors' Report for information of the Members.

Other Statutory Information:

Pursuant to the shareholders approvals, the Company issued stock options to its officers and employees in November 1999, April 2000 and April 2001.

The terms and conditions for issue of the warrants are as follows-

- No. of Warrants to be issued : 12,000,000 (Twelve Million only)
- Classes of Employees entitled to participate :
All employees (including Wholtime Directors) at the discretion of the Board of Directors (including any Committee thereof).
- Requirements & period of vesting :
Your Board, acting through the Compensation Committee, shall select employees for extending invitations to apply for issue of specified number of warrants. Eligible employees need to submit a duly completed application and such other papers/documents as may be required by the Board. The warrants will generally vest over a period of 48 months automatically, as follows:

25%	at the end of 12 months from Invitation Date
50%	at the end of 24 months from Invitation Date
75%	at the end of 36 months from Invitation Date
100%	at the end of 48 months from Invitation Date

The Board may however relax the vesting period in particular cases. The warrants would be issued to the eligible employees on the vesting date i.e., a day after the expiry of the vesting period for those warrants.

d) Exercise Price:

The ESOP as originally framed authorized the Board to decide the Exercise Price at its discretion.

e) Exercise Period:

Exercise Period shall be a period of 10 years beginning from the Vesting Date, during which the employee would be allowed to convert the warrants into equity shares by paying exercise price applicable to such warrants. In cases of resignation or dismissal, the former employees of the Company are allowed to convert the vested warrants in equity shares of the company within (i) the normal conversion period or (ii) a period of 2 years after severance of employment, whichever period is shorter.

f) Appraisal Process:

The performance of employees shall be appraised by the Advisory Board who shall submit its recommendations to the Compensation Committee of the Board of Directors. The Compensation Committee will approve the names of the employees and the number of warrants to be awarded to each of them.

g) Maximum number of Warrants:

The Board of Directors shall decide from time to time, the maximum number of warrants, which may be issued to any single employee. Until such decision is made, there shall be no ceiling on the maximum number of warrants to be issued. However, the aggregate number of warrants to be issued to all employees under the ESOP shall not at any point of time exceed 12,000,000 (Twelve Million).

h) Accounting Policies:

The Company shall at all times, conform to the accounting policies laid down by statutory authorities in respect of such scheme. The Company proposes to follow the Fair Value method of option valuation for accounting ESOPs. In case the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors report. Further the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' report.

Item No. 8

The Company has drawn up plans for expanding its network and introducing newer service offerings with the objective to garner a sizeable market share (especially in the rapidly growing mobile telephony market segment). The Company is at an advanced stage of negotiations with various financial institutions and banks within and outside India for tying up the funds required for implementation of the expansion plans.

Keeping in view the debt requirements of the Company in the next 2/3 years, your Board of Directors is of the view that the existing limits for borrowings need to be increased from Rs. 3000 crores to Rs. 4000 crores.

Your consent is therefore sought for the same under Items 8.

Your Board recommends the passing of this ORDINARY RESOLUTION in the interests of the Company.

None of the Directors is interested or concerned in the passing of the resolution.

Item No. 9

According to Section 293 (1) (a) of the Companies Act, 1956, sale, lease or disposal otherwise of the whole or substantially the whole of an undertaking of a company requires approval of the shareholders by way of an Ordinary Resolution.

The Company might be required to create charges over its assets, properties and licences by way of hypothecation, mortgage, assignment, lien, pledge etc. in favour of its lenders for the purposes of securing the loan facilities extended by the lenders to the Company. Further, upon occurrence of a default under the relevant loan / facility agreements and other documents as may be executed by the Company with the lenders, the lenders would have certain rights in respect of the Company's assets, properties and licences including the rights of sale / disposal thereof. Creation of charge/s as abovesaid and their enforcement by the Company's lenders upon occurrence of default would amount to a sale/disposal or the whole or substantially the whole of the undertaking of the Company.