



TATA TELESERVICES (MAHARASHTRA) LIMITED

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11th Annual Report **2005-2006**

TATA TELESERVICES (MAHARASHTRA) LIMITED**Year on Year Performance**

[Amounts in Rs. Crores]

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99
Income from Telecommunication	1,095.13	807.47	597.50	359.59	252.50	139.23	63.81	3.22
Profit / (Loss) before Finance and treasury Charges, Depreciation, Exceptional Items & Tax	124.71	(66.12)	50.74	52.85	7.60	(46.42)	(119.57)	(28.19)
Loss before Extraordinary Item and tax	(492.96)	(527.86)	(269.68)	(205.00)	(148.49)	(208.91)	(270.14)	(62.38)
Extraordinary Item	47.25	-	-	-	-	-	-	-
Loss after tax	(541.06)	(527.86)	(269.68)	(205.00)	(148.49)	(208.91)	(270.14)	(62.38)
End of Period Subscribers (Nos. in Thousands)	1,840	1,006	488	232	165	75	22	12



BOARD OF DIRECTORS

Mr. Ratan N. Tata (Chairman)

Mr. Kishor A. Chaukar

Dr. Naushad Forbes

Mr. R. Gopalakrishnan

Mr. Pradman Kaul (till June 20, 2006)

Mr. N. S. Ramachandran

Mr. Charles Antony (Managing Director)

COMPLIANCE OFFICER

Mr. Madhav Joshi

Chief Legal Officer & Company Secretary

Investor Services

Mr. Hiten Koradia

Tel. No. : 022 - 66615152

E-mail – investor.relations@tatatel.co.in

STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells

Chartered Accountants

12, Dr. Annie Besant Road,

Opp. Shiv Sagar Estate,

Worli, Mumbai – 400 018.

REGISTRARS & SHARE TRANSFER AGENTS

TSR Darashaw Limited

Army & Navy Building,

148, Mahatma Gandhi Road,

Fort, Mumbai 400001.

Tel. No. : 022 - 66568484

Fax No. : 022 - 66568496

Email : csg-unit@tsrdarashaw.com

Website : www.tsrdarashaw.com

REGISTERED OFFICE

Ispat House, B. G. Kher Marg,

Worli, Mumbai – 400 018.

Tel. No. : 022 - 66615445

Fax No. : 022 - 66605516 / 5517

Website: www.tataindicom.com

E-mail: investor.relations@tatatel.co.in

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NOTICE

Notice is hereby given that the 11th Annual General Meeting of **Tata Teleservices (Maharashtra) Limited** will be held on **Thursday, August 10, 2006 at 1530 hours** at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai – 400 020 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the financial year ended March 31, 2006 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, 2006, the audited Profit and Loss Account and the audited Cash Flow Statement 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:

"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 in place of retiring director Mr. R. Gopalakrishnan, Mr. S. Ramadorai, 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."

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

"RESOLVED THAT in place of retiring director Mr. Kishor A. Chaukar, Mr. Arunkumar R. Gandhi, 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."

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Ratan N. Tata, 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."

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: June 20, 2006

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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 the 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 the Company on all working days between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, July 20, 2006 to Thursday, August 10, 2006 (both days inclusive).
5. Members' who holds shares in the physical form are requested to notify immediately change of address, if any, at the registered office of the 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.
7. A circular on the Nomination facility is available on the Company's web-site www.tataindicom.com under the link "TTML" under the "About Us" link. 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.





ANNEXURE

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

Item No. 3

Appointment of Mr. S. Ramadorai as Director

Mr. R. Gopalakrishnan retires by rotation as Director in this Annual General Meeting. Mr. Gopalakrishnan, though eligible for re-election, has informed the Company that he would not seek re-election as a Director of the Company in view of his other commitments.

The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying an intention to propose Mr. S. Ramadorai as a candidate for the office of Director. Mr. Ramadorai is therefore eligible for appointment to the office of Director, whose office shall be liable to retirement by rotation.

Mr. S. Ramadorai is the Chief Executive Officer & Managing Director of Tata Consultancy Services Ltd (TCS). Armed with over 32 years of experience (he joined TCS on February 23, 1972 and took over as the CEO in 1996), Mr. Ramadorai has played an integral role in building TCS into India's first IT Services organization with US\$ 2 billion in annual revenues.

He has been designated as IT Advisor to Qingdao city and Hangzhou city, in the People's Republic of China. He is a fellow of the Institute of Electrical and Electronics Engineers and the Indian National Academy of Engineers, and is Chairman of the National Association of Software Companies (NASSCOM).

He is on the boards of Tata Industries Ltd, Tata Elxsi Ltd, Tata Technologies Ltd, WTI Advanced Technology Ltd, Aviation Software Development Consultancy India Ltd, Innova TV Inc. (USA), CMC Ltd, Hindustan Lever Ltd, Nicholas Piramal India Ltd, TCS Iberoamerica S.A. (Uruguay), Tata Solutions Centre S.A. (Uruguay), Tata Consultancy Services De Espana S.A. (Spain), Tata Consultancy Services Do Brasil S.A. (Brazil), Tata Consultancy Services Chile S.A. (Chile), Conscripti (pty) Ltd (South Africa), Tata Consultancy Services Ltd, Tata Teleservices Ltd, VSNL Singapore Pte. Ltd, C-Edge Technologies Ltd, Comicro S.A., Sisteco S.A. and Syscom S.A. He is member of the Corporate Advisory Board, Marshall School of Business (USC).

Mr. Ramadorai does not hold any equity shares or any other securities in the Company.

The Board recommends the passing of this resolution in the interests of the Company. None of the Directors except Mr. Ramadorai is interested in the passing of this resolution.

Item No. 4

Appointment of Mr. Arunkumar R. Gandhi as Director

Mr. Kishor A. Chaukar retires by rotation as Director at this Annual General Meeting. Mr. Chaukar, though eligible for re-election, has informed the Company that he would not seek re-election as a Director of the Company in view of his other commitments.

The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying an intention to propose Mr. Arunkumar R. Gandhi as a candidate for the office of Director. Mr. Gandhi is therefore eligible for appointment to the office of Director, whose office shall be liable to retirement by rotation.

Mr. Gandhi became an executive director of Tata Sons in August 2003, and is a member of the Group Corporate Centre. He is a fellow member of the Institute of Chartered Accountants of England and Wales, and that of India. He is an associate member of the Chartered Institute of Taxation, London.

Prior to joining Tata Sons, he was a senior partner at M/s N. M. Rajji & Company from July 1969 to July 2003. He became a senior partner in 1993. During his tenure with the firm, he handled a variety of client engagements, including advisory services relating to mergers and acquisitions, national and international tax issues, structuring efficient investment routes, and designing employee stock option plans.

He is also on the panel of arbitrators of the Indian Merchants' Chamber.

He is a director of Raychem RPG Ltd, Bayer Diagnostics India Ltd, Benares Hotels Ltd, The Paper Products Ltd, Tata Sons Ltd, UltraTech Cement Ltd, Tata Asset Management Co. Ltd, EZE Serwizsol Ltd, Tata Tea (GB) Ltd, Tata Tea Inc., Indo Maroc Phosphore S.A and VSNL Singapore Pte. Ltd.

He is a member of the Audit Committee of The Paper Products Ltd and UltraTech Cement Ltd. He is also the Chairman of the Audit Committee and Shareholders/Investors Grievance Committee of Bayer Diagnostics India Ltd.

Mr. Gandhi does not hold any equity shares or any other securities in the Company.

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The Board recommends the passing of this resolution in the interests of the Company. None of the Directors except Mr. Gandhi is interested in the passing of this resolution.

Item no. 5**Appointment of Mr. Ratan N. Tata as Director**

Mr. Ratan N. Tata who was appointed additional director and Chairman of the Company on October 18, 2005, holds office till the date of the ensuing Annual General Meeting.

Mr. Tata has been the Chairman of Tata Sons, the holding company of the Tata Group, since 1991. He is the Chairman of the major Tata companies including Tata Motors, Tata Steel, Tata Consultancy Services, Tata Power, Tata Tea, Tata Chemicals, Indian Hotels, Tata Teleservices, Tata Industries and Tata Autocomp Systems. During his tenure, the Group's revenues have grown over six-fold to over Rs. 97,000 crore.

Mr. Tata joined the Tata Group in December 1962. After serving in various companies, he was appointed the Director-in-Charge of The National Radio & Electronics Company Ltd (NELCO) in 1971. In 1981, he was named Chairman of Tata Industries, the Group's other holding company, where he was responsible for transforming it into a Group strategy think-tank, and a promoter of new ventures in high technology businesses. He is also the Chairman of two of the largest private sector promoted philanthropic trusts in India.

Mr. Tata is associated with various organizations in India and abroad. He is the Chairman of the Government of India's Investment Commission and a member of the Prime Minister's Council on Trade and Industry, the Central Board of the Reserve Bank of India, the National Hydrogen Energy Board and the National Manufacturing Competitiveness Council. He also serves on the International Investment Council set up by the President of the Republic of South Africa and the International Business Advisory Council of the British Government to advise the Chancellor of the Exchequer. He is also a member of the International Advisory Council of Singapore's Economic Development Board, the Asia-Pacific Advisory Committee to the Board of Directors of the New York Stock Exchange and of the international advisory boards of the Mitsubishi Corporation, the American International Group and JP Morgan Chase.

Mr. Tata is President of the Court of the Indian Institute of Science and Chairman of the Council of Management of the Tata Institute of Fundamental Research. He is also a member of the Board of Trustees of the Ford Foundation, the Rand Corporation, Cornell University and the University of Southern California, and chairs the Advisory Board of RAND's Center for Asia Pacific Policy. He is also a member of the Global Business Council on HIV/AIDS and the Programme Board of the Bill & Melinda Gates Foundation's India AIDS Initiative. He is also a Director on the boards of reputed companies like Bombay Dyeing, Hindustan Aeronautics, Antrix Corporation and Fiat Ltd.

Mr. Tata received a Bachelor of Science degree in Architecture from Cornell University in 1962. He worked briefly with Jones and Emmons in Los Angeles, California before returning to India in late 1962. He completed the Advanced Management Program at Harvard Business School in 1975.

The Government of India honoured Mr. Tata with one of its highest civilian awards, the Padma Bhushan, on Republic Day, January 26, 2000. He has also been conferred an honorary doctorate in Business Administration by the Ohio State University, an honorary doctorate in Technology by the Asian Institute of Technology, Bangkok, and an honorary doctorate in Science by the University of Warwick.

Mr. Tata does not hold any equity shares or any other securities in the Company.

The Board recommends the passing of this resolution in the interests of the Company. None of the Directors except Mr. Tata are interested in the passing of this resolution.

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: June 20, 2006



DIRECTORS' REPORT

Dear Members,

The Directors have pleasure in presenting the Eleventh Annual Report together with the Audited Statements of Accounts of the Company for the year ended March 31, 2006.

YEAR OF GROWTH AND CONSOLIDATION

The Company holds two Unified Access (basic + cellular) Services Licences ("UASL"), one for Mumbai Metro and the other for the rest of Maharashtra and Goa.

During the year, the Company consolidated its position in the market by increasing its share of new additions in the wireless market (i.e. fixed wireless and mobile) to 16%. The subscriber base of the Company registered almost 84% growth with the year-end subscriber base reaching 18.40 lacs.

Despite regulatory issues, the Company retained its market leadership position in the fixed wireless segment with 61% market share. It launched new customer premises equipments (CPEs) with enhanced features, such as fixed wireless phones with FM Radio features.

The launch of innovative schemes like Non-Stop Mobile in October 2005, which permitted free incoming calls for a period of two years, and subsequently Non-Stop Life in December 2005, boosted pre-paid mobile acquisitions.

During the year, the Company improved significantly customer satisfaction levels by concentrating on soft-skills training and undertaking programmes like Zero Error Billing. Acknowledging that there is always scope for improvement, it has undertaken new initiatives like 'Indicom-Customer Appreciation & Response Excellence' (i-CARE) to improve customer response time and to empower and make accountable customer facing personnel.

PRODUCTS AND SERVICES

During the year, the Company focused on increasing its retail presence to penetrate the market better for its various products and services. The Company increased its subscriber base in the mobile and fixed wireless categories apart from enhancing its offerings of value added services.

The Company, using the franchisee model, has opened a large number of True Value Shops to display its range of services and offer a superior user experience to its customers.

The **mobile** subscriber base increased by 204% from 2.6 lacs to 7.9 lacs. The growth driver was the prepaid business where the Company pioneered in product innovations with the 0123 and Non-Stop Mobile plans. This growth was also fueled by the introduction of new handsets at attractive prices. During the year, the Company also introduced Maharashtra on Local by which customers in Mumbai could connect by way of a local call to customers all over Maharashtra and Goa vice-versa.

The Company has reciprocal roaming arrangements with Tata Teleservices Limited (TTSL), which offers services in 17 other telecom circles, and thus the Company's subscribers now enjoy pan-India mobility. They would soon enjoy international roaming.

The **fixed wireless service** subscriber base increased by 51% from 5.50 lacs to 8.3 lacs. The Company introduced Walky Prepaid and also launched Indicom10 (ten digit numbering fixed wireless service) in rural Maharashtra. The Company is the market leader in this service.

During the year, the Walky brand received International accolades when it won the 'Best new service in Emerging Markets' award at the World Communication Awards, London in October 2005. Further, 3 new instrument models were launched with features like FM Radio and a 'Dust-proof' keypad. Tariff innovations included the innovative and customer-friendly 'Home2Mobile' tariff plans introduced in the last quarter of the year. A new product, Indicom 10, catering to the home phone needs of the up-country locations was also launched leading to a much higher penetration in this category. Prepaid Walky services were also extended to over 90 towns thus contributing to 20% of the total Walky base of the Company.

The Company continues to focus on **value added services** (VAS) offerings. The launch of Welcome Tunes (Caller Ringback Tunes), video streaming and other data services and content are bringing in improved revenues.

The Company is a Category A (National) ISP Licensee and offers a broad range of **Internet-related product offerings** including DSL, lease lines and dial-up internet access.

TATA TELESERVICES (MAHARASHTRA) LIMITED11th Annual Report 2005-06**NETWORK INFRASTRUCTURE**

The Company has recently constituted a specialized infrastructure cell which will focus on expansion of the Company's network infrastructure whilst improving efficiency and reducing costs by adopting innovative methods and processes.

During the year, the Company rolled out CDMA wireless services in 46 new towns in Maharashtra and Goa. It now offers services in 171 towns and also along the major national highways linking various towns in Maharashtra & Goa. The Company's subscribers are therefore able to enjoy uninterrupted services while traveling by road and rail along the major travel routes in Maharashtra and Goa.

The Company and TTSL together provide service in approx. 2205 towns, which is proposed to be doubled during the current year.

The Company participated in an open bidding process for providing fixed phones in non-urban areas through Universal Services Obligation (USO) fund support. It won the bids and started providing services in Jalna, Kalyan, Nagpur, Pen and Ratnagiri telecom districts. Rural services have been launched in 43 SDCAs using Fixed Wireless Terminals. The Company is eligible to get subsidy towards meeting part of the capital expenditure and operating costs incurred for every line installed and operated at these locations.

The Company's network was operational and could successfully cope with very high traffic generated during the unprecedented floods in Mumbai in July 2005. The Company restored quickly its wired services in the affected areas.

The Company implemented cost efficiency measures by optimizing its infrastructure, increasing utilization factors and by use of power saving equipment. The Company entered into arrangements with other telecom operators for sharing of telecom infrastructure to optimize network costs. The Company has registered with DoT as Infrastructure Provider Class I so as to be able to share efficiently its infrastructure with other operators. There is no entry fee for such registration and revenues are not subject to licence fee.

QUALITY & PROCESSES

The Company was the first basic telecom service Company in India to receive ISO 9001:2000 certification in August 2002. The Company benchmarked its processes with inputs from world class consultants including IBM, TSMG and KPMG and got renewal of ISO 9001:2000 certification with the upgraded processes in August 2005. The Company has initiated implementation of TL 9000 requirements in line with the global trend in the telecom industry and has planned for certification to TL 9000 within the current financial year. The Company has implemented the Tata Business Excellence Model (TBEM), to serve its customers and other stakeholders with higher levels of value addition. The Company has completed training and certification programmes across all customer-facing units to ensure a consistent and superior customer experience.

FINANCIAL RESULTS

The financial results of the operations are given below:

(Rs. Crores)

Particulars	2005-06	2004-05	% Change + / (-)
Telecom Revenue	1095.13	807.47	36
Other Income	1.66	29.01	(94)
Total Income	1096.79	836.48	31
Expenditure	972.08	902.60	8
EBIDTA	124.71	(66.12)	289
Finance & Treasury Charges (Net)	145.77	144.73	1
Depreciation	471.90	317.01	49
Loss before Extraordinary item and tax	492.96	527.86	(7)
Extraordinary item	47.25	-	-
Loss before tax	540.21	527.86	2
Fringe Benefit tax	0.85	-	-
Loss after tax	541.06	527.86	3

The revenue growth is consistent with the growth in subscriber base considering that most subscriber additions happened in the second half of the financial year and the fixed line tariffs were reduced to match competition prices during the second half of the year.