

# **PKF SRIDHAR & SANTHANAM**

Chartered Accountants

## **TO THE MEMBERS OF 21<sup>st</sup> CENTURY INFRA TELE LIMITED**

1. We have audited the attached Balance Sheet of 21<sup>st</sup> CENTURY INFRA TELE LIMITED ("The Company") as at 31<sup>st</sup> March, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

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- v. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010;
  - (b) In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
  - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For PKF SRIDHAR & SANTHANAM**

Chartered Accountants

*J. Ramanarayanan*

**Ramanarayanan.J**

Partner

Membership No.: 220369

Firm Registration No.: 003990S

Mumbai, dated: 16<sup>th</sup> April 2010



## ANNEXURE TO THE AUDITOR'S REPORT

Re: 21<sup>st</sup> Century Infra Tele Limited

(Referred to in paragraph 3 of our report of even date)

- i. In respect of its fixed assets
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. The Fixed Assets of the Company are physically verified by the Management in a phased program of three years cycle which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As per the information given by the Management, no material discrepancies were noticed during such verification.
  - c. The Company has not disposed off a substantial part of fixed assets during the year.
- ii. The company is providing services and not having any inventory, accordingly the sub clauses (a) to (c) of clause (ii) of the order are not applicable to the company.
- iii. The company has not granted or taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the companies act, 1956 and accordingly the sub clauses (a) to (g) of clause (iii) of the order are not applicable to the company.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to the purchase of fixed assets and sale of services. During the course of our audit we have not observed any continuing failure to correct major weakness in the internal control system.
- v. According to the information and explanations given to us, no particulars of contracts or arrangements referred in section 301 of the Companies Act, 1956 are needed to be entered in the register maintained under section 301 under the Companies Act, 1956 as none of the directors are holding 2% or more shares of the company. Accordingly sub clause (b) of clause (v) of the order is not applicable to the company.
- vi. The company has not accepted any deposits from the public.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.



- viii. According to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956.
- ix. According to the information and explanations given to us, in respect of statutory and other dues:
- a) The company has generally been regular in depositing undisputed statutory dues in respect of provident fund, Employees State Insurance, Income tax, Sales Tax, Wealth tax, Service tax, custom duty, cess and any other material statutory dues with the appropriate authorities during the year.
- b) No dues of sales tax/ income tax/ custom duty/wealth tax/service tax/Excise duty and cess are pending for deposit on account of any dispute.
- x. The company has been registered for a period less than five years; accordingly the clause (x) of the order is not applicable to the Company.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repaying dues payable to a financial institution or bank.
- xii. According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a chit fund or a nidhi / mutual benefit fund / society.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. According to the information and explanations given to us, the term loans availed by the company were, prima facie, applied during the year for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long-term investment.
- xviii. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the companies Act, 1956.
- xix. The company has not issued any debentures during the year.
- xx. The company has not raised any money by way of public issues during the year.



xxi. According to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

For PKF SRIDHAR & SANTHANAM

Chartered Accountants

*J. Ramanarayanan*

Ramanarayanan.J

Partner

Membership No.: 220369

Firm Registration No.: 003990S

Mumbai, dated: 16<sup>th</sup> April 2010



# 21st Century Infra Tele Limited

## BALANCE SHEET AS AT MARCH 31, 2010

SOURCES OF FUNDS	Schedule	As at	As at
		March 31, 2010	March 31, 2009
		Rs.	Rs.
		(Rs in Lakhs)	(Rs in Lakhs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	12,000.00	7,500.00
<b>Loan Funds</b>			
Secured Loan	2	33,052.58	13,000.00
Unsecured Loan	3	-	10,200.00
<b>Total</b>		<b>45,052.58</b>	<b>30,700.00</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	51,601.91	31,301.00
Less : Accumulated Depreciation		5,882.83	1,634.17
Net Block		45,719.08	29,666.83
Capital Work-in-progress		779.60	1,180.23
		46,498.68	30,847.06
<b>Investments</b>	5	-	1,000.00
<b>Current Assets, Loans and Advances</b>			
Cash and Bank Balances	6	2.60	1.36
Sundry Debtors	7	2,831.66	1,194.09
Loans and Advances	8	4,483.70	2,072.78
		7,317.96	3,268.23
<b>Less : Current Liabilities and Provisions</b>	9		
Current Liabilities		10,164.21	5,441.68
Provisions		651.68	0.16
		10,815.89	5,441.84
<b>Net Current Assets</b>		<b>(3,497.93)</b>	<b>(2,173.61)</b>
<b>Profit and Loss Account</b>		<b>2,051.83</b>	<b>1,026.55</b>
<b>Total</b>		<b>45,052.58</b>	<b>30,700.00</b>
Significant Accounting Policies and Notes to Financial Statements	13		

As per our attached report of even date  
For PKF Sridhar and Santhanam  
Chartered Accountants

J. De  
Ramanarayanan.J  
Partner  
M. No. 220369  
Place: Mumbai  
Date : April 16, 2010



For and on behalf of the Board

S. Venkatesan  
(Director)  
Place: Mumbai  
Date : April 16, 2010

Pradip Roy  
(Company Secretary)

H. D. Khosla  
(Director)

# 21st Century Infra Tele Limited

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedule	1st Apr 09 to 31st Mar10 (Rs. in Lakhs)	1st Jul 08 to 31st Mar 09 (Rs. in Lakhs)
<b>Income</b>			
Infrastructure Sharing Revenue	10	10,231.95	1,976.23
<b>Expenditure</b>	11		
Operation and Other Expenses (Net)		3,659.25	1,278.42
<b>Profit before Finance and Treasury charges, Depreciation and Tax</b>		<b>6,572.70</b>	<b>697.81</b>
Finance and Treasury Charges (Net)	12	3,289.11	89.78
Depreciation/Amortisation		4,308.87	1,634.17
<b>Loss before Tax</b>		<b>(1,025.28)</b>	<b>(1,026.14)</b>
Current Tax and Deferred Tax		-	-
<b>Loss after Tax</b>		<b>(1,025.28)</b>	<b>(1,026.14)</b>
<b>Balance brought forward</b>		<b>(1,026.55)</b>	<b>(0.41)</b>
<b>Balance carried to Balance Sheet</b>		<b>(2,051.83)</b>	<b>(1,026.55)</b>
<b>Earnings Per Share - Basic and Diluted (Rs.)</b>		<b>(1.06)</b>	<b>(38.40)</b>
<b>Par Value (Rs.)</b>		<b>10</b>	<b>10</b>
Significant Accounting Policies and Notes to Financial Statements	13		

As per our attached report of even date  
For PKF Sridhar and Santhanam  
Chartered Accountants

*J. Ramanarayanan*  
Ramanarayanan.J  
Partner  
M. No. 220369  
Place: Mumbai  
Date : April 16, 2010



For and on behalf of the Board

*Pradip Roy*

Pradip Roy  
(Company Secretary)

*S. Venkatesan*  
S. Venkatesan  
(Director)

*H. D. Khosla*  
H. D. Khosla  
(Director)

Place: Mumbai  
Date : April 16, 2010

# 21st Century Infra Tele Limited

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	1st Apr 09 to 31st Mar 10	1st Jul 08 to 31st Mar 09
	Amount (Rs. in Lakhs)	Amount (Rs. in Lakhs)
<b>A Cash flows from operating activities</b>		
Net Loss before Extraordinary item and tax	(1,025.28)	(1026.14)
Adjustments for :		
Depreciation	4,308.87	1,634.17
Loss on Fixed assets sold/written off (Net)	4.04	-
Finance and Treasury charges (Net)	3,289.11	89.78
	<u>7,602.02</u>	<u>1723.95</u>
<b>Operating Profit / (Loss) before working capital changes</b>	6,576.74	697.81
Increase in Sundry Debtors	(1,637.57)	(1,194.09)
Increase in Loans and Advances	(2,410.92)	(2,072.79)
Increase in Current liabilities and Provisions	2,406.87	3,164.43
<b>Cash Generated from operations</b>	4,935.12	595.36
Fringe Benefit Tax paid	-	-
<b>Net Cash generated from operating activities</b>	<u>4,935.12</u>	<u>595.36</u>
<b>B Cash flow from investing activities</b>		
Purchase of Fixed Assets	(17,052.02)	(30,204.22)
Investment sold	1,000.00	-
Proceeds from sale of Fixed Assets	54.67	-
Investment	-	(1,000.00)
Profit on redemption of Units (Current Investment)	0.67	-
<b>Net Cash used for investing activities</b>	<u>(15,996.68)</u>	<u>(31204.22)</u>
<b>C Cash flow from financing activities</b>		
Proceeds on account of shares issued	4,500.00	7,499.00
Proceeds from Long term borrowings (Secured)	20,052.58	13,000.00
Repayment of Short term borrowings	(10,200.00)	10,200.00
Finance and Treasury charges paid	(3,289.77)	(89.78)
<b>Net cash generated from financing activities</b>	<u>11,062.81</u>	<u>30609.22</u>
<b>Net (decrease)/increase in cash or cash equivalents</b>	1.24	0.36
<b>Cash and cash equivalents at beginning of the period</b>	1.36	1.00
<b>Cash and cash equivalents at end of the period</b>	<u>2.60</u>	<u>1.36</u>
	<u>1.24</u>	<u>0.36</u>

### Note to Cash Flow Statement

- Components of Cash and Cash Equivalents include cash and bank balances in Current Accounts (Refer Schedule 6 to the Balance Sheet).
- Purchase of Fixed Assets are inclusive of movements in Capital Work in Progress between the commencement and end of the year.

As per our attached report of even date  
by PKF Sridhar and Santhanam  
Chartered Accountants



amanarayanan.J  
Partner  
No. 220369  
Office: Mumbai  
Date: April 16, 2010

For and on behalf of the Board

*Pradip Roy*  
Pradip Roy  
(Company Secretary)

*S. Venkatesan*  
S. Venkatesan  
(Director)

*H. D. Khosla*  
H. D. Khosla  
(Director)

Place: Mumbai  
Date: April 16, 2010

# 21st Century Infra Tele Limited

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

	As at March 31, 2010 (Rs in Lakhs)	As at March 31, 2009 (Rs in Lakhs)
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
Authorised		
130,000,000 (Previous year 130,000,000) Equity Shares of Rs.10/- each	13,000.00	13,000.00
	<u>13,000.00</u>	<u>13,000.00</u>
Issued and Subscribed		
120,000,000 (Previous year 75,000,000) Equity Shares of Rs.10/- each fully paid-up	12,000.00	7,500.00
	<u>12,000.00</u>	<u>7,500.00</u>

**Note:**

All the above Equity Shares are held by Tata Teleservices (Maharashtra) Limited (Holding Company) and its nominees.

### SCHEDULE - 2

#### SECURED LOANS

From Banks		
Long Term Loans	32,700.00	13,000.00
Cash Credit Account	352.58	-
	<u>33,052.58</u>	<u>13,000.00</u>

1. Loans from Bank are secured, by either one or more of the following as per terms of the arrangements with bank:

- by first pari passu mortgage and charge over immovable properties of the company, both present and future,
- by first pari passu charge by way of hypothecation over all the movable assets of the company, both present and future,
- by first pari passu charge on all the intangible assets of the company, both present and future,
- by pari passu charge all the book debts, operating Cash flows, revenues, commissions and receivables of the company, both present and future,
- by assignment of IP-1 license from DoT, Tower Sharing Agreements, Lease Agreements, etc.
- by all the rights, title, interest, benefits, claims and demands whatsoever in the clearances received,
- by assignment of insurance policies,
- by all the rights, title, interest, benefits, claims and demands whatsoever by the company in any letter of credit, guarantee, etc. provided in terms of the project documents.
- by a Corporate Guarantee given by the Holding Company.

### SCHEDULE - 3

#### UNSECURED LOANS

From Banks		
Short Term Loans	-	10,200.00
	<u>-</u>	<u>10,200.00</u>



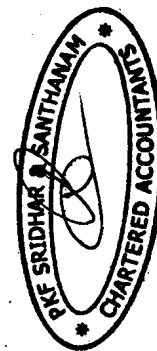
# 21st Century Infra Tele Limited

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

### SCHEDULE - 4 FIXED ASSETS

PARTICULARS	Notes	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As at April 1, 2009	Transfer from TTML	Addition during the period	Deletion during the period	As at 31st Mar, 2010	For the period	As at April 1, 2009	Deletion during the period	As at 31st Mar, 2010	As at 31st March, 2009
Tangible Assets Plant & Machinery ★ Own		31,294.05		20,403.87	118.92	51,579.00	4,304.09	1,633.46	60.21	5,877.34	29,660.60
Furniture, Fixtures & Office Equipment Own		0.32		15.96	0.00	16.28	3.45	0.05	0.00	3.50	0.26
Intangible Assets Goodwill		6.63		0.00	0.00	6.63	1.33	0.66	0.00	1.99	5.97
Previous year		31,301.00	-	20,419.83	118.92	51,601.91	4,308.87	1,634.17	60.21	5,882.83	29,666.83
Capital Work-In-Progress:			27,198.10	4,102.98	0.08	31,301.00	1,634.17	-	0.00	1,634.17	0.00
Capital advances											0.00
Capital Inventory											346.40
Capital work-in-progress											433.20
											779.60
											1,180.23

\*Note: Include Site restoration of Rs 643.75 Lakhs (Refer Note 20 of Schedule 13)



# 21st Century Infra Tele Limited

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

	As at March 31, 2010 (Rs in Lakhs)	As at March 31, 2009 (Rs in Lakhs)
<b>SCHEDULE - 5</b>		
<b>INVESTMENTS</b>		
Non-Trade		
Current		
- Quoted		
ICICI Prudential Liquid Plan Super Inst. Growth Plan (During the year : NIL Previous Year - 77,01,448.944 units)	-	1,000.00
	<u>-</u>	<u>1,000.00</u>
<b>SCHEDULE - 6</b>		
<b>CASH AND BANK BALANCES.</b>		
- Cash Balance	0.07	-
Balance with Scheduled Banks in		
- Current Accounts	2.53	1.36
	<u>2.60</u>	<u>1.36</u>
<b>SCHEDULE - 7</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured)		
Outstanding for a period exceeding six months	53.99	-
Others	2,796.29	1,194.09
	<u>2,850.28</u>	<u>1,194.09</u>
Less: Provisions	18.62	-
	<u>2,831.66</u>	<u>1,194.09</u>
<b>Note:</b>		
Considered Good	2,831.66	1,194.09
Considered Doubtful	18.62	-
<b>SCHEDULE - 8</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured - Considered good)		
Advances recoverable in cash or in kind or for value to be received	3,629.85	1,518.13
Premises and other deposits.	853.85	554.65
	<u>4,483.70</u>	<u>2,072.78</u>
<b>SCHEDULE - 9</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>SUNDRY CREDITORS</b>		
Dues to Micro and Small Enterprises	-	-
Dues to Others	7,962.61	3,637.13
Advance from Customer	130.05	1,189.46
Deposit from Customer	1,934.24	51.58
Other Liabilities (Refer Note 1 below)	137.31	563.51
	<u>10,164.21</u>	<u>5,441.68</u>
<b>PROVISIONS</b>		
For Gratuity	2.02	0.16
For Leave encashment	5.91	-
For Site Restoration (Refer Note 20 of Schedule 13)	643.75	-
	<u>651.68</u>	<u>0.16</u>
	<u>10,815.89</u>	<u>5,441.84</u>

Notes: 1) Other liabilities include temporary overdrawn bank balance aggregating to NIL (Previous Year Rs. 425.97 Lakhs).



## 21st Century Infra Tele Limited

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

1st Apr 09 to  
31st Mar10  
(Rs. in Lakhs)

1st Jul 08 to  
31st Mar 09  
(Rs. in Lakhs)

### SCHEDULE - 10

#### Income from Infrastructure Sharing

Infrastructure Sharing Revenue	9,931.95	1,976.23
Other Income	300.00	-
	<u>10,231.95</u>	<u>1,976.23</u>

### SCHEDULE - 11

#### OPERATION AND OTHER EXPENSES

##### Network Operation costs

Repairs and Maintenance - Plant and Machinery (Including Capital Inventory Consumed Rs NIL (Previous year Rs 0.28 Lakhs))	801.14	352.56
Equipment Hire Charges	200.67	-
Power (Net of recoveries Rs 6,086.55 Lakhs (Previous year - Rs 2,039.82 Lakhs))	-	37.48
Rent (Net of recoveries Rs 3,549.12 Lakhs (Previous year - Rs. 964.58 Lakhs)) (Refer Note 13 of Schedule 13)	1,376.80	239.95
Rates and Taxes (Net of recoveries Rs 1045.86 Lakhs (Previous year - Rs. 21.24 Lakhs))	150.36	287.32
Insurance - Network	24.61	5.55
Security Charges	527.70	218.99
Others	77.43	17.79
	<u>3,158.71</u>	<u>1,159.64</u>

##### Administrative and Other expenses

Repairs and Maintenance- Others	14.97	2.89
Rates and Taxes	-	73.52
Legal & Professional Fees	65.12	26.59
Audit Fees (including out of pocket expenses)	7.70	4.10
Electricity	0.59	0.15
Corporate Cost	90.00	-
Travel & Conveyance Expenses	15.73	-
Loss on retirement of Fixed Assets	4.04	0.08
Provision for Doubtful Debts	18.63	-
Miscellaneous expenses	32.06	3.00
	<u>248.84</u>	<u>110.33</u>

##### Payments to and Provisions for Employees

Salaries and Bonus (Refer Note 13 of Schedule 13)	225.14	8.45
Contribution to Provident and other Funds	9.37	-
Staff Welfare	17.19	-
	<u>251.70</u>	<u>8.45</u>

	<u>3,659.25</u>	<u>1,278.42</u>
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### SCHEDULE - 12

#### Finance and Treasury Charges (Net)

Interest on Fixed Term Loan	3,023.98	63.01
Interest on Cash Credit	162.71	-
Bank Charges	103.09	36.77
Less: Profit on redemption of units (current investment)	(0.67)	-
	<u>3,289.11</u>	<u>89.78</u>



**21st CENTURY INFRA TELE LIMITED.**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE: 13**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

**1. Company Background**

21st Century Infra Tele Limited ("Company") was incorporated on June 28, 2007 as a private limited company. It was converted into public company on 25th of August, 2008. The Company has been formed to provide passive infrastructure support to telecommunication service providers. The Department of Telecommunications, Ministry of Communication and IT, Government of India has registered the company as Infrastructure Provider Category I (IP-I) with effect from 30th September, 2008. The Company has entered into a Business Transfer Agreement with Tata Teleservices (Maharashtra) Ltd (Holding Company) and acquired assets on a Slump Sale as a going concern.

The Company has become the wholly owned subsidiary of Tata Teleservices (Maharashtra) Limited (TTML) w.e.f. 1st day of July, 2008.

**2. Significant Accounting Policies**

**(a) Basis of preparation of financial statements**

The Accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards notified in the Companies (Accounting Standards) Rule, 2006 and relevant provisions of the Companies Act, 1956.

**(b) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the periods in which the results are known / materialise.

**(c) Fixed Assets**

Fixed assets are stated at their cost of acquisition or construction, less accumulated depreciation. Cost includes all cost incurred to bring the assets to their working condition and location.

Assets retired from active use and held for disposal are stated at lower of net book value or net realizable value.

Capital Inventory such as tower equipment and accessories are carried under Capital work-in-progress till such time they are issued for new installation or as replacement.



**21st CENTURY INFRA TELE LIMITED.**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE: 13**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

Expenditure related to and incurred during the construction period and subsequent upgradation of cell sites are capitalised as part of the construction cost and allocated to the relevant fixed assets.

**(d) Depreciation**

Fixed Assets are depreciated on straight line method based on estimates of their useful economic lives:

	Useful Life (In Years)
Plant and Machinery	
- Network Equipments	12
- Office Equipments	3
- Goodwill	5

The estimated useful economic life of the infrastructure assets which have been acquired from TTML under Business Transfer Agreement was 12 years from the date of purchase of assets. The present estimated useful economic life of the said assets is residual useful economic life i.e. the original estimated useful life reduced by the period actually used by TTML. The company has arrived at a single residual useful economic life for the assets originally acquired in a single accounting year on various dates by using weighted average method. The residual useful economic life is as follows:

Sl. No.	The financial year in which assets originally acquired	Residual useful economic life in years
1	2003 – 04	6.91
2	2004 – 05	8.62
3	2005 – 06	8.73
4	2006 – 07	10.39
5	2007 – 08	10.33
6	2008 – 09 upto the date of acquisition	11.70

Depreciation on additions and deletions to assets during the period is charged to revenue pro-rata to the period of their use.

**(e) Employee benefits**

Contributions to the Provident and Superannuation Funds are made in accordance with the rules of the Funds.

Leave encashment and gratuity are provided for on the basis of actuarial valuation as at the end of the period.

Actuarial loss and gain are accounted in the Profit and Loss Account.



**21st CENTURY INFRA TELE LIMITED.**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE: 13**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

**(f) Revenue Recognition**

All income and expenditure are accounted for on accrual basis. Revenue is recognised when it is earned and no significant uncertainty exists as to its ultimate realisation or collection.

**(g) Borrowing costs**

Borrowing costs attributable to the acquisition of a qualifying asset, as defined in AS 16 on "Borrowing Costs", are capitalised as part of the cost of acquisition. Other borrowing costs are expensed as incurred.

**(h) Contingent Liabilities**

Contingent Liabilities as defined in AS 29 on "Provision, Contingent Liabilities and Contingent Assets" are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability

**(i) Operating Leases**

Assets taken on Lease under which all significant risks and rewards of ownership are effectively retained by the lessor are classified as Operating Lease. Lease Payments under Operating leases are recognized as expenses as incurred in accordance with the respective Lease Agreements.

**(j) Cash Flow Statement**

The Cash Flow Statement is prepared by the indirect method set out in AS 3 on "Cash flow Statement" and present Cash flows by operating, investing and financing activities of the Company.

**(k) Earnings per share**

The Company reports basic and diluted earnings per share in accordance with AS 20 on "Earnings Per Share". Basic earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of Equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of Equity share outstanding during the period as adjusted for the effects of all dilutive potential equity shares, except where the results are anti dilutive.

**(l) Impairment of assets**

An asset is considered impaired in accordance with AS 28 on "Impairment of Assets" when at the balance sheet date there are indications of impairment and the carrying amount of the asset or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount i.e. the higher of the assets' net selling price and value in use. In assessing the value in use, the estimated future cash flows expected from the continuing use of the asset and from its ultimate disposal are discounted to their present values using a pre-determined discount rate. The carrying



**21st CENTURY INFRA TELE LIMITED.**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE: 13**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the profit and loss account.

**(m) Investments**

Investments are stated at lower of cost or net realizable value.

**(n) Taxes on Income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognised for all timing differences, subject to the consideration of prudence, applying the tax rates that have been substantively enacted by the Balance Sheet date. When there is a carried forward loss and unabsorbed depreciation, deferred tax asset is accounted only when there is virtual certainty of it being set-off in future years.

**3. Business Contract**

By virtue of Business Transfer Agreement, the right and liabilities with underlying business contracts entered into by TTML and effective on the date of completion of this agreement and thereafter stand transferred to the company with effect from completion date. The Company shall at its own cost, after and with effect from the Completion Date carry out and complete for its own account the Business Contracts to the extent that the same have not been performed prior to the Completion Date and in accordance with the terms of the relevant Business Contract.

Insofar as the benefit or burden of any of the Business Contracts cannot effectively be assigned to the company except by an agreement or novation with or by consent to the assignment from the person, firm or company concerned, the company is in the process to get such novation or assignment from parties of the contract as on 30th September, 2008. The novation or assignment are being executed to the following amounts which are payable and receivable in cash or kind as on balance sheet date and included in the loans and advances in the balance sheet.

SI No	Particulars	Amount Rs. in lakhs
1	Deposits for Cell site	92.76
2	Deposits for Electricity	312.61
3	Deposits for Fuel	67.96
	<b>Total</b>	<b>473.33</b>

**4. Estimated amount of contract to be executed on capital account and not provided**

	As at March 31, 2010 Rs. In Lakhs	As at March 31, 2009 Rs. In Lakhs
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,633.27	4,900.47



**21st CENTURY INFRA TELE LIMITED.**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE: 13**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

**5. Contingent Liabilities:**

	<b>As at March 31, 2010 Rs. In Lakhs</b>	<b>As at March 31, 2009 Rs. In Lakhs</b>
Claim against the Company not acknowledged as debts	<b>140.37</b>	<b>53.25</b>

Note: The above claims are on account of Non-Agricultural Taxes, Property Taxes, NOC Charges and others.

**6. Payment to Auditors (excluding service tax):**

<b>Particular</b>	<b>For the year ended March 31, 2010 Rs. In Lakhs</b>	<b>For the period July 01, 2008 to March 31, 2009 Rs. In Lakhs</b>
Audit fees	<b>6.00</b>	<b>4.00</b>
Tax Audit Fees	<b>1.20</b>	<b>0.00</b>
Other Taxation Services	<b>0.25</b>	<b>0.00</b>
Out of Pocket Expenses	<b>0.25</b>	<b>0.10</b>
<b>Total</b>	<b>7.70</b>	<b>4.10</b>

Note: Tax audit fees includes Rs 0.60 Lakhs pertaining to previous period.

**7.**

Following units (Investments) have been purchased and sold by the Company during the year ended March 31, 2010 and March 31, 2009 respectively.

<b>Name of Institution</b>	<b>Particulars</b>	<b>For the year ended March 31, 2010 Rs. In Lakhs</b>	<b>For the period July 01, 2008 to March 31, 2009 Rs. In Lakhs</b>
ICICI Prudential Institutional Liquid Plan - Super Institutional Growth	No. of Units purchased	<b>NIL</b>	<b>77,01,448.944</b>
	No. of Units sold	<b>77,01,448.944</b>	<b>NIL</b>
	Face value – Rs.	<b>10</b>	<b>10</b>
	Purchase Value (Rs. In Lakhs)	<b>NIL</b>	<b>1,000.00</b>
	Sales Value (Rs. In Lakhs)	<b>1,000.60</b>	<b>NIL</b>
ICICI Prudential Liquid Super Institutional Plan - Growth	No. of Units purchased	<b>165739.508</b>	<b>NIL</b>
	No. of Units sold	<b>165739.508</b>	<b>NIL</b>
	Face value – Rs.	<b>100</b>	<b>NIL</b>
	Purchase Value (Rs. In Lakhs)	<b>225.00</b>	<b>NIL</b>
	Sales Value (Rs. In Lakhs)	<b>225.07</b>	<b>NIL</b>

8. As per information available with the company, none of the creditors have confirmed that they are registered under the Micro, Small and Medium Enterprises Development Act, 2006.



**21st CENTURY INFRA TELE LIMITED.**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE: 13**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

9. The Company does not have any foreign currency exposure. The Company does not have any derivatives transactions.
10. The Company is engaged in the business of providing passive infrastructure support services to Telecommunication Service Provider. These, in the context of AS 17 on "Segment Reporting", are considered to constitute a single reportable segment.
11. No provision for current income tax has been made in the accounts, since the Company estimates that there will be no taxable profits for the period. Deferred Tax charge/credits have not been recognized on considerations of prudence as set out in AS 22 on "Accounting for Taxes on Income", as there is no virtual certainty of these being setoff.
12. Employee Benefits:
- a. The Company has recognised the following amounts in the Profit and Loss Account under the head Company's Contribution to Provident Fund and Other Funds:-

Particulars	For the year ended March 31, 2010 Rs. in Lakhs	July 01, 2008 to March 31, 2009 Rs. in Lakhs
Statutory Provident Fund	4.07	-
Statutory Pension Fund	2.57	-
Superannuation Fund	0.25	-
<b>Total</b>	<b>6.89</b>	<b>-</b>

- b. The disclosure as required under AS 15 regarding the Company's unfunded gratuity plan is as follows:

Particulars	As at March 31,2010 Rs. in Lakhs	As at March 31, 2009 Rs. in Lakhs
Projected benefit obligation, beginning of the period / year	0.07	NIL
Current Service cost	1.05	1.06
Interest cost	0.09	NIL
Actuarial loss on obligation	0.81	(1.06)
Benefits paid	-	NIL
Projected benefit obligation, end of the period / year	2.02	NIL

Particulars	For the year ended March 31, 2010 Rs. in Lakhs	July 01, 2008 to March 31, 2009 Rs. in Lakhs
Current Service Cost (Refer Note(i))	1.12	-
Interest Cost	0.09	-
Actuarial (Gain)/Losses	0.81	-
<b>Net Expenses included in Payments to and Provision for Employees &amp; CWIP (Refer Note(ii))</b>	<b>2.02</b>	<b>-</b>



**21st CENTURY INFRA TELE LIMITED.**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE: 13**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

**Experience Adjustments**

Particulars	As at March 31, 2010 Rs. in Lakhs	As at March 31, 2009 Rs. in Lakhs
Defined benefit obligation	2.02	-
Plan Assets	-	-
Surplus/(Deficit)	(0.81)	(1.06)
Exp. Adj. on Plan Liabilities (gain)/Loss	0.91	-
Exp. Adj. On Plan Assets	-	-

**Actuarial Assumptions:**

Particulars	As at March 31, 2010 Rs. in Lakhs	As at March 31, 2009 Rs. in Lakhs
Discount rate	8.00%	7.75 %
Rate of increase in compensation levels of covered employees	6.50%	6.50 %
Rate of Return on Plan Assets	NA	NA
Attrition Rate	2%	2%
Mortality	Published notes under the LIC (1994-96) Ultimate tables	

Note: (i) During the year company has changed actuarial valuer hence there are minor differences in calculation of opening liability.

(ii) Includes Rs.0.45 lakhs capitalized under capital work in progress.

**13. Capital work-in-progress includes the following incidental expenditure incurred during the construction period:**

Particulars	For the year ended March 31, 2010 Rs in Lakhs	For the period July 01, 2008 to March 31, 2009 Rs in Lakhs
Salary	5.05	4.80
Rent (Including Maintenance)	86.86	69.66
<b>Total</b>	<b>91.91</b>	<b>74.46</b>

**14. Earnings Per Share**

Particulars	April 01, 2009 to March 31, 2010	July 01, 2008 to March 31, 2009
i) Loss after Tax (Rs. in Lakhs)	(1,025.28)	(1,026.14)
ii) Weighted average number of shares outstanding	96,452,055	2,672,555
iii) Nominal Value of Equity Shares (Rs)	10	10
iv) Basic and Diluted Earnings per Share (Rs.)	(1.06)	(38.40)



**21st Century Infra Tele Limited**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**  
**SCHEDULE 13 (Contd..)**  
**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENT (Contd.)**

**15. Related Party disclosures (In terms of Accounting Standard - 18)**

For the year ended March 31, 2010	Rupees in Lakhs			
	Holding Company	Fellow Subsidiary	Fellow Subsidiary	Total
	Tata Teleservices (Maharashtra) Ltd	Wireless TT Info Services Limited	Tata Housing Development Co Ltd	★ Sujir Nayak
<b>Income :</b>				
★Infrastructure Sharing Revenue	7,791.03	978.64	-	8,769.67
<b>Reimbursement of Expenses :</b>				
★Network Expenses	8,030.55	420.60	-	8,451.15
<b>Expenses :</b>				
★Salaries on deputation	120.37	-	-	120.37
Salaries	-	-	-	41.00
★Corporate Cost	99.27	-	-	99.27
Rent paid	-	-	11.10	11.10
★Others	42.72	-	-	42.72
<b>Equity share capital issued during the period</b>	4,500.00	-	-	4,500.00
<b>Security Deposit received</b>	1,344.88	230.60	-	1,575.48
<b>Security Deposit paid</b>	-	-	0.35	0.35
<b>Outstanding as on March 31, 2010</b>				
Sundry Debtors	-	-	-	1,110.62
Advance from Customers	130.05	-	-	130.05
<b>Equity share capital as on March 31, 2010</b>	12,000.00	-	-	12,000.00

**Note:**

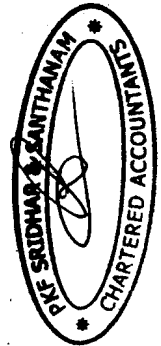
The company has become the wholly owned subsidiary of Tata Teleservices ( Maharashtra ) Limited w.e.f 1st of July, 2008.

★ (Figures inclusive of Service Tax)

★★ Manager as per Companies Act, 1956.

List of Holding Company and Fellow Subsidiaries of 21st Century Infra Tele Limited as of March 31, 2010 with whom transactions have been entered into during the year.

- Holding Company  
 1) Tata Teleservices ( Maharashtra ) Limited.  
 Fellow Subsidiaries  
 1) Wireless TT Info Services Limited  
 2) Tata Housing Development Co Ltd



# 21st Century Infra Tele Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT  
Schedule 13 (contd..)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENT (Contd.)

## 15. Related Party disclosures (in terms of Accounting Standard - 18)

Rupees in Lakhs	
For the Period from July 1, 2008 to March 31, 2009	Holding Company Tata Teleservices (Maharashtra) Ltd.
<b>Income :</b>	
★Infrastructure Sharing Revenue	1,740.63
<b>Reimbursement of Expenses :</b>	
★Network Expenses	2,669.90
<b>Expenses :</b>	
★Salaries on deputation	25.60
<b>Purchase of Passive Infrastructure Business:</b>	
- Net Value payable for Slump Sale of Tower Business Assets	29,330.00
<b>Equity share capital issued during the period</b>	7,499.00
<b>Outstanding as on March 31, 2009</b>	
Advance from Customer	1,189.46
<b>Equity share capital as on March 31, 2009</b>	7,500.00

Note:

The company has become the wholly owned subsidiary of Tata Teleservices ( Maharashtra ) Limited w.e.f 1st of July, 2008.  
★(Figures inclusive of Service Tax)



**21st CENTURY INFRA TELE LIMITED.**

**SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**SCHEDULE: 13**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

**16. Operating Lease:**

Operating lease rentals charged to revenue during the current year are Rs 1,376.80 Lakhs (Net of recoveries Rs 3,549.12 Lakhs) (previous year – Rs 239.95 Lakhs (Net of recoveries Rs 964.58 Lakhs)). None of the lease agreements have minimum period clause and are cancelable at will by either party giving a prior notice of 30 to 90 days.

17. Fringe Benefit Tax amounting to Rs 7.50 Lakhs paid in quarter ended June 30, -09 is now considered as Advance Tax for the purpose of claiming refund, subsequent to amendment in Finance Bill, 2009 abolishing Fringe Benefit Tax.

**18. Managerial Remuneration**

i) Manager

Particulars	For the year ended March 31, 2010 Rs in Lakhs	For the period July 01,2008 to March 31, 2009 Rs in Lakhs
Salaries	38.57	-
Contribution to Provident and other fund	2.43	-
Monetary value of perquisites	-	-
Total	41.00	-

Note: Manager of the company has been appointed during financial year 2009-10 w.e.f 1<sup>st</sup> April, 2009 and his remuneration has been approved by Remuneration Committee and ratified by share-holders by passing special resolution on August 11, 2009.

ii) Non-executive Directors – Sitting Fees Rs 0.30 Lakhs (Previous Year Rs NIL)

**19. Value of Capital Inventory consumed during the period:**

Particulars	For the year ended March 31, 2010		For the period July 01,2008 to March 31, 2009	
	Rs. In Lakhs	%	Rs. In Lakhs	%
Indigenous	-	-	0.28	100
Total	-	-	0.28	100

20. Site restoration costs of Rs.25,000/- each for 2,575 towers has been provided on March 31, 2010 amounting to Rs. 643.75 lakhs. The same has been capitalised & accelerated depreciation w.e.f. 1st April 2010 will be charged based on the remaining useful life of the respective towers.



21st CENTURY INFRA TELE LIMITED.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE: 13

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

21. Figures of the previous year are regrouped and reclassified wherever necessary to correspond to figures of the current year. Previous year figures are for the period July 2008 to March 2009, hence not comparable.

As per our attached report of even date

For PKF Sridhar and Santhanam  
Chartered Accountants

*J. Ramanarayanan.J*

Ramanarayanan.J  
Partner  
M. No. 220369  
Place: Mumbai  
Date: April 16, 2010



For and on behalf of the Board

*Pradip Roy*  
Pradip Roy  
(Company Secretary)

*S. Venkatesan*  
S. Venkatesan  
(Director)  
Place: Mumbai  
Date: April 16, 2010

*H. D. Khosla*  
H. D. Khosla  
(Director)